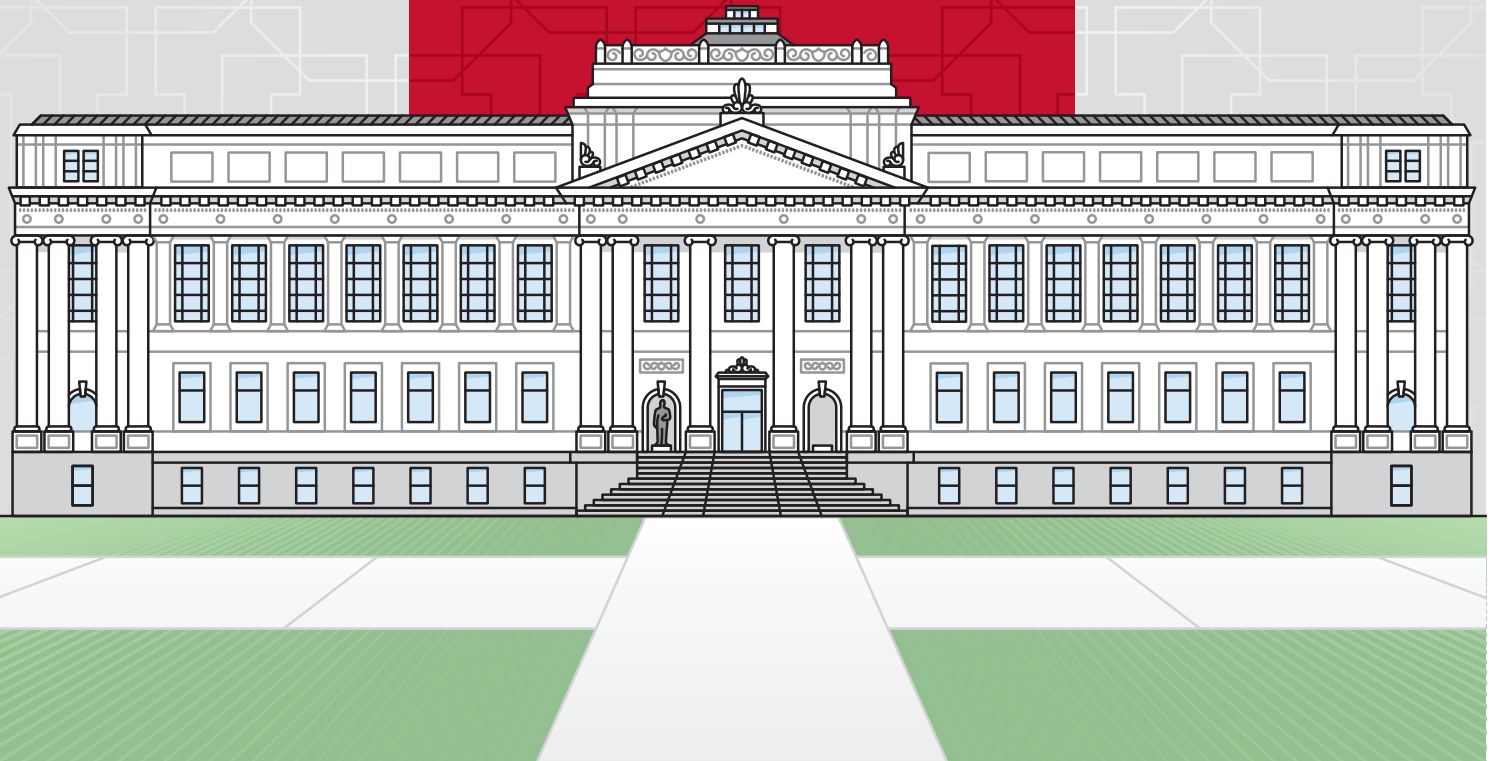


2021

ANNUAL FINANCIAL REPORT

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





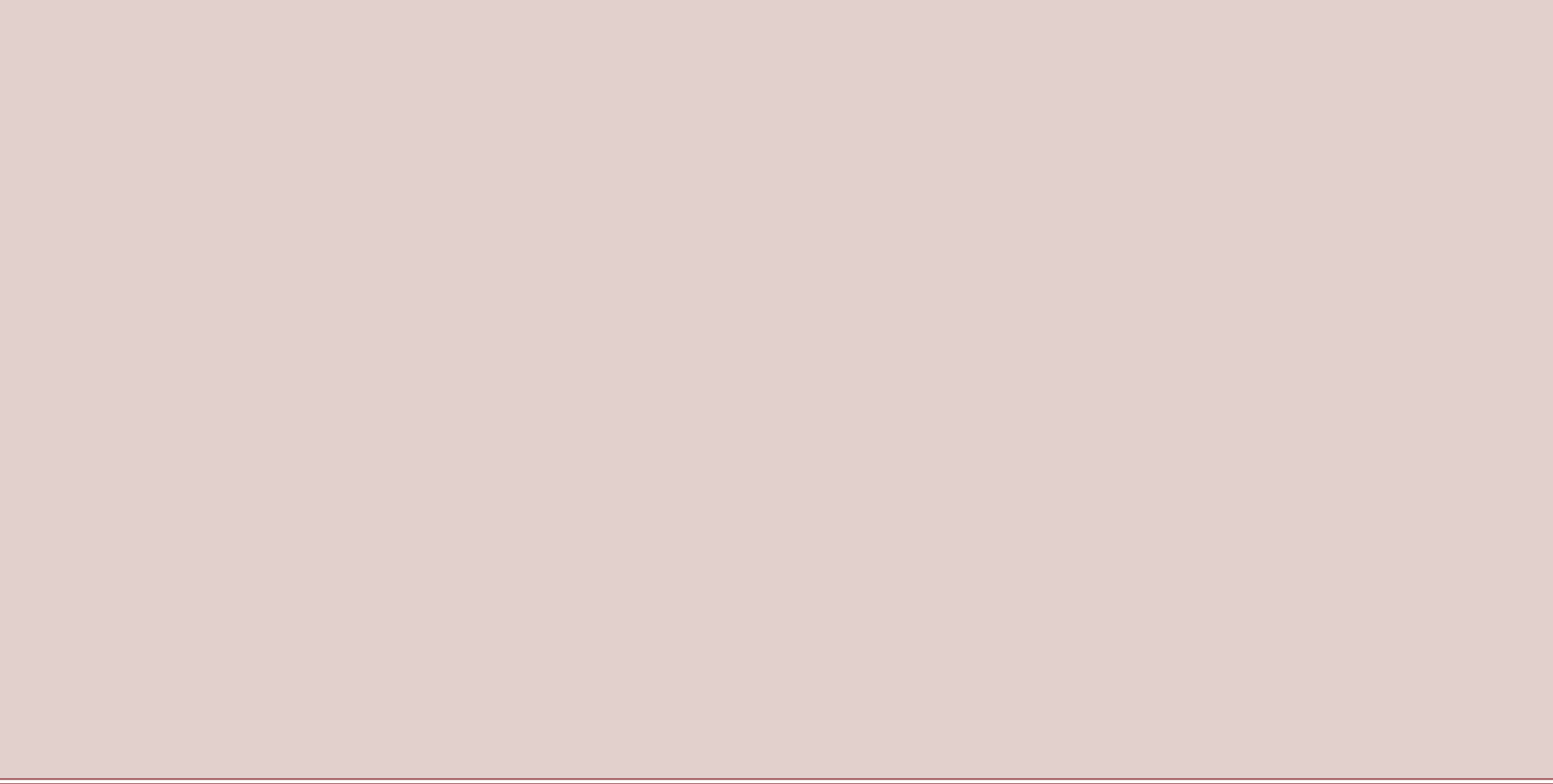




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Message from the President Taylor R. Randall

Dear colleagues,

From the coronavirus pandemic to justified calls for racial equity, we saw a different world roll out before us this past year—one with new health problems to solve, new innovations to discover, new partnerships to form, and new opportunities. Our communities, our state, and the nation needed research universities more than ever to lead the way. And our university responded to the call.

Our health care providers and researchers were on the front lines of figuring out how to test, trace, treat, and prevent spread of this novel coronavirus. Our educators expanded the ways they deliver an exceptional educational experience. Our policy thinkers worked with state officials to help ensure a steady economic recovery for Utah. Our senior leaders took us forward in striving harder to be equitable, diverse, and inclusive. Our staff reached out to students to support them in their educational journeys. I commend the tremendous efforts of our entire U community to stay focused on our core mission of education and research while also keeping the health and well-being of our students, faculty, staff, and community a top priority.

Despite the many challenges we've faced, I am pleased to report that the university remains well

positioned financially to continue its upward trajectory. This solid financial standing is due to prudent fiscal management of university resources over decades, strong support from the Utah Legislature and community stakeholders, additional CARES funding from the federal government, private donations to our capital campaign, increased student enrollment, and some unexpected cost savings that came out of the pandemic (e.g., less travel, lower utilities, etc.).

Below are just a few highlights of achievements and events from 2020–21:

- We welcomed our largest and most diverse first-year class in Fall 2020. This is very good news as we work to close the access gap and help more students from underrepresented communities have a transformative educational experience that will set them up for a lifetime of success.
- The U received a historic \$641 million in sponsored research grants. Some of these were related to the more than 130 coronavirus-related projects in progress or completed at the U. We are proud of the heroic efforts of our researchers who kept up their important work during challenging times—reacting quickly to



immediate needs while also keeping their long-term research goals a priority.

- The U hosted the U.S. vice presidential debate in October. Nearly 60 million viewers tuned in to watch Vice President Mike Pence and Senator Kamala Harris face off live at Kingsbury Hall—making it the second-most-watched vice presidential debate ever. A post-debate media analysis estimated the event had an impact equivalent to about \$262 million in advertising value.
- University of Utah Health, which now serves 2 million patients a year, was ranked by Vizient Inc. as number one in the nation for quality health care among leading academic medical centers. Our health care employees deserve tremendous gratitude for working under enormous strain through the pandemic to provide outstanding service to patients and the community.
- We exceeded our *Imagine New Heights* capital campaign goal of \$2 billion two years ahead of schedule. Individual donors demonstrated their commitment to the U, with more than 100,000 contributing to the campaign. The top

areas of gift allocations include transformational research, public programs that impact the entire state of Utah, scholarships and fellowships, buildings and facilities, and academic support.

- In June 2021, we celebrated a gift of \$110 million from the George S. and Dolores Doré Eccles and the Nora Eccles Treadwell foundations that will transform our School of Medicine. This historic gift will allow us to support advanced models of medical education, attract more world-class faculty, and engage in critical research, and will help provide a new building for the newly named Spencer Fox Eccles School of Medicine.

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

Sincerely,

Taylor R. Randall
President



OFFICE OF THE
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the University of Utah (the University), which comprise the respective financial position of the business-type activities and fiduciary activities, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Utah Hospitals and Clinics (UUHC), ARUP Laboratories, Inc. (ARUP), University of Utah Research Foundation (UURF), University of Utah Health Insurance Plans (UUHIP), or Community Nursing Service (CNS), which represent 37 percent, 32 percent, and 62 percent, respectively, of the assets, net position, and revenues of the University. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for UUHC, ARUP, UURF, UUHIP, and CNS, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of ARUP were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and the University's fiduciary activities, as of June 30, 2021, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

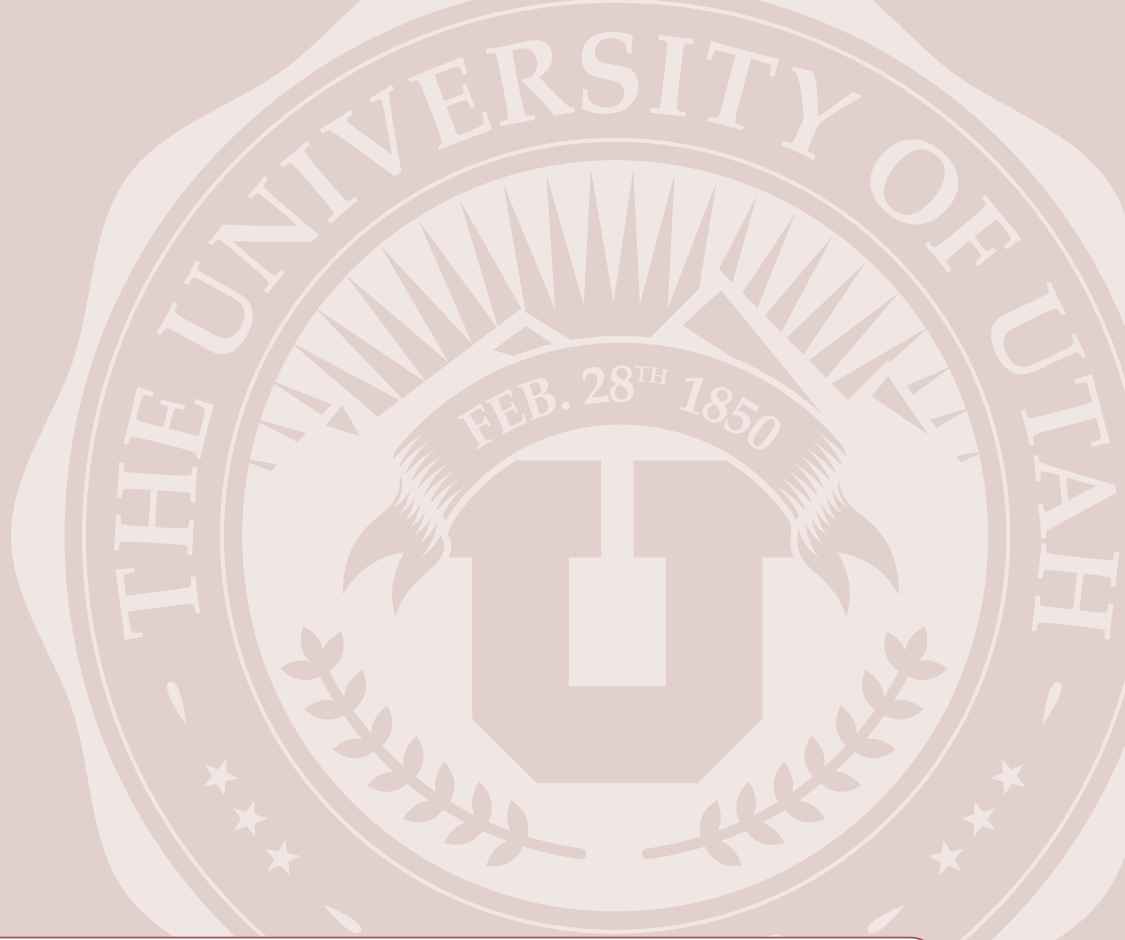
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Message from the President and the listing of Governing Boards and Officers are presented for purposes of additional analysis and are not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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Office of the State Auditor

Office of the State Auditor
November 3, 2021



MANAGEMENT'S DISCUSSION & ANALYSIS

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INTRODUCTION

The following discussion and analysis provide an overview of the financial position and activities of the University of Utah (University) and its component units for the year ended June 30, 2021, with selected comparative information for prior fiscal years. This discussion has been prepared by management and should be read in conjunction with the Financial Statements and the Notes to the Financial Statements, which follow this discussion and analysis.

The University of Utah's Financial Statements include revenues, expenses, assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position for the entire University entity, including the University of Utah Hospitals and Clinics (UUHC), which is part of University of Utah Health Care, – as well as the balances and activities of four component units: the University of Utah Research Foundation (UURF), ARUP Laboratories, Inc. (ARUP), University of Utah Health Insurance Plans (UUHIP), and Community Nursing Services (CNS). UURF specializes in the transfer of patented technology to business entities as well as the leasing and administration of Research Park (a research park located on land controlled by the University) and other buildings. ARUP is a national clinical and esoteric reference laboratory. UUHIP is a licensed non-profit health insurance provider. CNS is a not-for-profit corporation that assists clients to attain health care goals through home health and hospice care. More information about these entities and their inclusion in the financial statements may be found in Note 1 – *Summary of Significant Accounting Policies – Reporting Entity*.

ABOUT THE UNIVERSITY OF UTAH

Founded in 1850, the University of Utah is the state's oldest and most comprehensive institution of higher education and is the flagship institution of the state system of higher education. The University offers over 100 major subjects at the undergraduate and graduate level, including law and medicine, to more than 34,000 students from across the United States and world, preparing students to live and compete in the global workplace. With more than 30,000 employees, it is one of the state's largest employers.

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

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

OVERVIEW AND ANALYSIS OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the University. Net position is one indicator of the current financial condition of the University. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally measured using current values except for capital assets, which are stated at historical cost less accumulated depreciation.

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

The Statement of Cash Flows provides additional information about the University's financial results by reporting the major sources and uses of cash by type of activity – as well as providing a reconciliation to the net operating gain or loss.

The Statement of Fiduciary Net Position presents the financial position of custodial funds held by the University at the end of the fiscal year and includes assets, liabilities, and net position of these funds. Net position is one indicator of the current financial condition of the fiduciary funds. Assets and liabilities are generally measured using current values.

The Statement of Changes in Fiduciary Net Position presents additions to and deductions from custodial funds. The net difference between additions and deductions is the increase (or decrease) in net position for the year. The change in net position is an indicator of whether the overall financial condition of the custodial funds has improved or worsened during the year.

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

STATEMENT OF NET POSITION

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

Total net position increased 11.8% from the prior year and 45.6% over the periods shown – due to steady growth in most of the operating and non-operating revenue categories. These increases indicate steady improvement in financial condition, reflecting the University's prudent management of its resources. This surplus has been reinvested within the University to add to the margin of educational excellence, upgrade the University's facilities, and provide a sensible reserve for contingencies. Total assets increased 10.3% from the prior year primarily due to increases in cash, investments due to strong performance, and capital assets due to the addition of new buildings, as well as, building construction in progress. Liabilities increased 4.3% from the prior year primarily due to deferred FICA payroll tax, as allowed by the Coronavirus Aid, Relief and Economic Security Act (CARES Act), along with an increase in early retirement participants, deposits related to future events at Rice Eccles stadium, and issuance of new bonds in 2021, offset by a significant decrease in net pension liability resulting from a change in assumptions by the retirement plan administrator (see Note 8 for more details). Deferred Inflows of Resources increased 70.2% also as a result of changes in assumptions by the retirement plan administrator.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The results of the University's operations for the fiscal year are shown in the Statement of Revenues, Expenses, and Changes in Net Position. A condensed statement

Figure 1

Condensed Statement of Net Position - as of June 30 (in thousands)₁	2021	2020	2019	2018	2017
Current assets	\$3,132,119	\$2,648,916	\$2,293,302	\$2,057,009	\$1,759,605
Noncurrent assets					
Capital assets, net	3,988,313	3,796,778	3,468,781	3,323,706	2,959,044
Other noncurrent assets	2,707,170	2,463,534	2,360,379	2,108,022	2,068,089
Total Assets	9,827,602	8,909,228	8,122,462	7,488,737	6,786,738
Deferred Outflows of Resources	69,640	83,832	72,775	83,134	76,912
Current liabilities	1,116,224	1,032,227	860,291	704,687	685,374
Noncurrent liabilities	1,503,184	1,478,872	1,338,567	1,223,800	1,208,732
Total Liabilities	2,619,408	2,511,099	2,198,858	1,928,487	1,894,106
Deferred Inflows of Resources	85,317	50,124	16,358	75,898	28,990
Net investment in capital assets	2,802,229	2,648,561	2,411,866	2,320,870	2,037,151
Restricted, nonexpendable	820,051	629,359	633,722	604,497	564,118
Restricted, expendable	820,913	757,882	750,207	757,165	576,934
Unrestricted	2,749,324	2,396,035	2,184,226	1,884,954	1,762,352
Total Net Position	\$7,192,517	\$6,431,837	\$5,980,021	\$5,567,486	\$4,940,555

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

of revenues, expenses, and changes in net position for the past five fiscal years is shown in *Figure 2* on page 10.

Revenues from tuition and fees decreased 0.4% from the prior year as a result of the University waiving certain tuition and fees for students in an effort to help with the consequences of COVID-19. Overall tuition and fees increased 14.9% over the periods shown, and continued growth is expected in future years as COVID-19 abates.

Patient services revenues increased 17.8% from the prior year; and have increased 36.9% over the periods shown. This consistent growth reflects the UUHC's commitment to grow in capacity and quality in servicing the health care needs of the intermountain region.

Grants and Contracts revenues increased 4.7% from the prior year; and have increased 42.3% over the

periods shown due to growth in substantially all major research categories and sponsors' awards. Namely, federal research funding from: Department of Health & Human Services; Department of Veterans Affairs; Department of Homeland Security; and Department of Education. Additional research category increases were: Private Industry; Foundations and Associations; Other Universities; and Hospitals.

Sales and services revenue increased 14.1% from the prior year primarily due to strong performance from UUHC's retail pharmacies, CNS, and ARUP. Sales and services revenue maintained a consistent upward trend for the periods shown – increasing 52.7%. The largest contributor to the increase is growth in ARUP and UUHC revenues over the period.

Auxiliary and other income decreased 6.2% from the prior year primarily due to the COVID-19 related



Figure 2

**Condensed Statement of Revenues, Expenses,
and Changes in Net Position – for the years
ended June 30 (in thousands)₁**

	2021	2020	2019	2018	2017
Operating revenues					
Tuition and fees, net	\$ 376,295	\$ 377,951	\$ 367,174	\$ 347,902	\$ 327,508
Patient services, net	3,000,434	2,547,953	2,460,034	2,209,201	2,192,329
Grants and contracts	566,240	540,716	483,626	455,950	397,813
Sales and services	1,375,910	1,205,810	1,146,289	991,457	900,958
Auxiliary and other	366,493	390,558	368,303	386,095	333,351
Total operating revenues	5,685,372	5,062,988	4,825,426	4,390,605	4,151,959
Operating expenses	5,997,162	5,311,744	5,105,317	4,585,138	4,364,965
Operating loss	(311,790)	(248,756)	(279,891)	(194,533)	(213,006)
Nonoperating revenues					
State appropriations	374,253	353,874	367,168	335,828	322,050
Gifts	56,315	165,736	155,353	158,773	117,949
Investment income	297,953	83,088	124,568	90,595	91,705
Other net nonoperating revenue (expense)	222,387	31,658	(30,730)	(7,327)	5,842
Total nonoperating revenues	950,908	634,356	616,359	577,869	537,546
Income before capital and permanent endowment additions	639,118	385,600	336,468	383,336	324,540
Capital and permanent endowment additions	167,686	55,301	141,732	205,242	94,309
Increase in net position	806,804	440,901	478,200	588,578	418,849
Net Position - beginning of year	6,385,713	5,990,936	5,501,821	4,978,908	4,521,706
Net Position - end of year	\$ 7,192,517	\$ 6,431,837	\$ 5,980,021	\$ 5,567,486	\$ 4,940,555

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

Figure 3

Total expenses (in thousands)	2021	2020	2019	2018	2017
Operating expenses					
Compensation and benefits	\$3,009,018	\$2,802,999	\$2,691,906	\$2,509,786	\$2,361,972
Component units	835,649	690,450	619,092	531,708	473,981
Supplies	814,695	695,855	672,615	567,176	530,338
Depreciation and amortization	277,697	247,453	236,321	222,591	222,143
Other	1,060,103	874,987	885,383	753,877	776,531
Total operating expenses	5,997,162	5,311,744	5,105,317	4,585,138	4,364,965
Nonoperating expenses					
Interest and other	50,011	41,987	65,552	41,942	39,140
Total expenses	\$6,047,173	\$5,353,731	\$5,170,869	\$4,627,080	\$4,404,105

closure of housing, sporting events, food services, and event space rental.

Even with tuition essentially neutral, and the decrease in auxiliary and other income, the contributions from the other significant sources caused total operating revenue to increase by 12.3% over the prior year and by 36.9% over the periods shown.

Operating expenses have increased as well; 12.9% over the prior year and 37.4% for the periods shown across all categories. With compensation and benefits representing 50.2% of total operating expenses for the current fiscal year, any change in this expense category significantly impacts total operating expenses. While salary increases have been modest, recruitment and retention of the University's excellent professors, researchers, and physicians requires the payment of competitive salaries. Other operating expenses increased 21.2% from the prior year primarily due to an increase in research grants expenditures, payments to students from HEERF funding, and COVID-19 infrastructure and safeguarding activities. More detail on operating expenses appears above in *Figure 3*.

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

operations by covering costs such as salaries and benefits, travel, research expenses, and student aid.

State appropriations increased 5.8% from prior year primarily due to reinstatement of funding cut in the fiscal year 2020 special session. During fiscal year 2021 the University raised an additional \$374 million in committed gifts. Although gifts appear to decrease 66% this fiscal year, it is due to a reclassification of previously recognized gifts as capital gifts. Investment income fluctuates from year to year, and reflects the impact of market performance. Fiscal year 2021 investment income increased 258.6% from the prior year due to a rebound in the financial markets as we continue to recover from the COVID-19 pandemic.

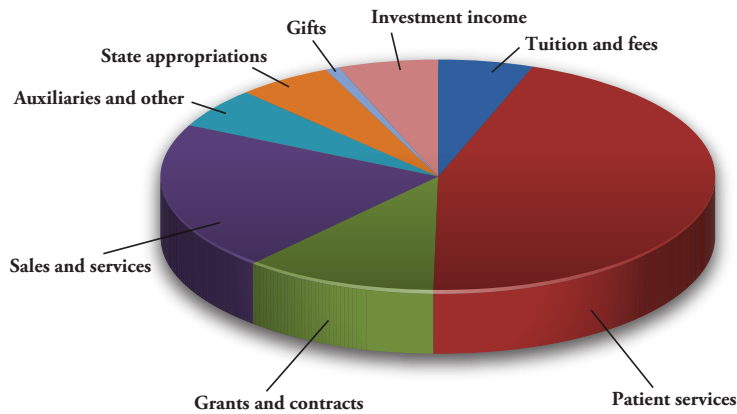
STATEMENT OF CASH FLOWS

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

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

Cash increased 22.7% from the prior year. Impacting this increase was the receipt of federal CARES Act and HEERF funds. The CARES Act also provides for the deferral of payments of the employer portion of payroll

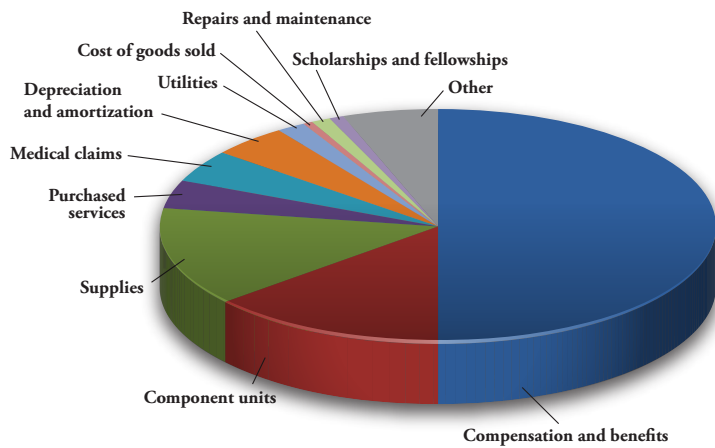
The graph below shows the various types of funding available to support the operations of the University:



**Sources of Revenue in Support of Operations
For the Year Ended June 30, 2021 (in thousands)**

Tuition and fees	\$376,295
Patient services	3,000,434
Grants and contracts	757,554
Sales and services	1,375,910
Auxiliaries and other	366,493
State appropriations	374,253
Gifts	56,315
Investment income & other	379,037

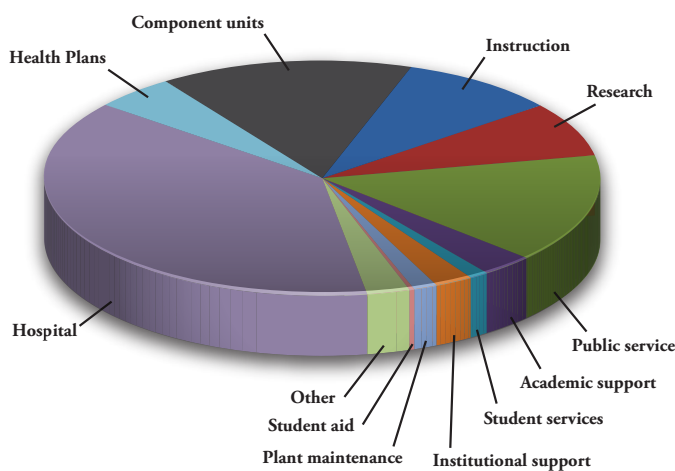
A graphical presentation of the University's operating expenses by natural classification appears below:



**Operating Expenses
For the Year Ended June 30, 2021 (in thousands)**

Compensation and benefits	\$3,009,018
Component units	835,649
Supplies	814,695
Purchased services	235,843
Medical claims	252,635
Depreciation and amortization	277,697
Utilities	99,377
Cost of goods sold	30,920
Repairs and maintenance	64,579
Scholarships and fellowships	49,596
Other	327,153

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



**Functional Classification of Operating Expenses
For the Year Ended June 30, 2021 (in thousands)**

Instruction	\$557,607
Research	456,419
Public service	898,432
Academic support	178,369
Student services	67,383
Institutional support	127,099
Plant maintenance	95,690
Student aid	2,719
Other	159,810
Hospital	2,303,499
Health Plans	272,816
Component units	877,319

Figure 4

Condensed Statement of Cash Flows – for the years ended June 30 (in thousands)	2021	2020	2019	2018	2017
Cash flows provided/(used) by:					
Operating activities	(\$59,186)	\$29,272	\$18,852	(\$17,577)	(\$27,462)
Noncapital financing activities	901,271	570,489	555,815	486,181	476,027
Capital and related financing activities	(423,609)	(395,078)	(317,848)	(394,621)	(362,599)
Investing activities	(27,340)	758,174	(159,531)	(28,358)	(26,623)
Net increase (decrease) in cash	391,136	962,857	97,288	45,625	59,343
Cash - beginning of year	1,720,667	757,810	660,522	614,896	555,553
Cash - end of year	\$2,111,803	\$1,720,667	\$757,810	\$660,521	\$614,896

tax incurred through December 2020, allowing half of such taxes to be deferred until December 2021 and the remaining half until December 2022. The University actively manages its investment portfolio by balancing returns and liquidity, which may cause changes in cash balances. Cash and cash equivalents are held to the minimum needed to support operations, with any excess invested with varying maturity dates.

CAPITAL AND DEBT ACTIVITIES

- Some key construction projects were completed during the fiscal year, including the HCH Proton Therapy Vault and the Orthopedic Research Lab Expansion. Ongoing projects include the Ken Garff Performance Zone at Rice Eccles Stadium, MEDX (Medical Education & Discovery Complex), Kathryn F. Kirk Center for Comprehensive Cancer Care and Women’s Cancer Center, Health Sciences Garage, Roadways & Bridge, HELIX (Healthcare, Educators, Leaders Innovators Complex), Public Safety Building, and Applied Sciences Building. All of the current projects will be completed over the next several years.
- During fiscal year 2021, the University issued one bond series. In February, the University issued \$86,920,000 Tax-Exempt General Revenue Bonds, Series 2021A-1, \$7,700,000 Tax-Exempt General Revenue Bonds, Series 2021A-2, and \$76,870,000 Taxable General Revenue Refunding

Bonds, Series 2021B. Proceeds from the Series 2021A-1 bonds will be used to finance a portion of the construction costs of a Health Sciences building. Proceeds from the Series 2021A-2 bonds will be used to finance the acquisition, construction, improvement, equipping and furnishing of buildings and projects related to research at the University. Proceeds from the Series 2021B bonds were used to refund certain outstanding obligations of the Board issued on behalf of the University.

Strong credit ratings carry substantial advantages for the University, such as continued and wider access to capital markets when the University issues debt, lower interest rates on bonds and the ability to negotiate favorable bond terms.

The University’s Administration takes its role of financial stewardship seriously and works hard to manage its financial resources effectively. Continued high credit ratings, currently Aa1 according to Moody’s and AA+ according to S&P, for our General Revenue Bond System are important indicators of the University’s success in this area.

OUTLOOK FOR THE COMING FISCAL YEAR

With the University moving back to on campus learning for Fall 2021, total enrollment is at the highest it’s been in our 171-year history. With a total of 34,424 students, 5361 new freshmen, the most diverse first year class



ever, and the highest graduate enrollment in school history the University continues to grow and lead as a premier institution of higher education. Within the State of Utah, the pool of potential students ages 18 through 29 is expected to continue to climb through 2023 followed by a projected stabilization. While it is impossible to predict the full impact upon enrollment due to these challenges the University is well positioned to mitigate these risks.

Though the economic impact of COVID-19 over the last year and a half was significant, the future looks bright. As of August, 2021, the unemployment rate in Utah dropped to 2.6%, while the job growth rate was 3.8%, both of which are comparable to pre-pandemic numbers. The GDP for the nation grew 6.7% during the second quarter 2021, while the GDP for Utah, at \$178.2 billion, is the highest in state history. Overall the diversity of Utah's economy has allowed the State to recover quickly from the economic impacts of COVID-19 and regain its position as a leader in fiscal management and economic prosperity.

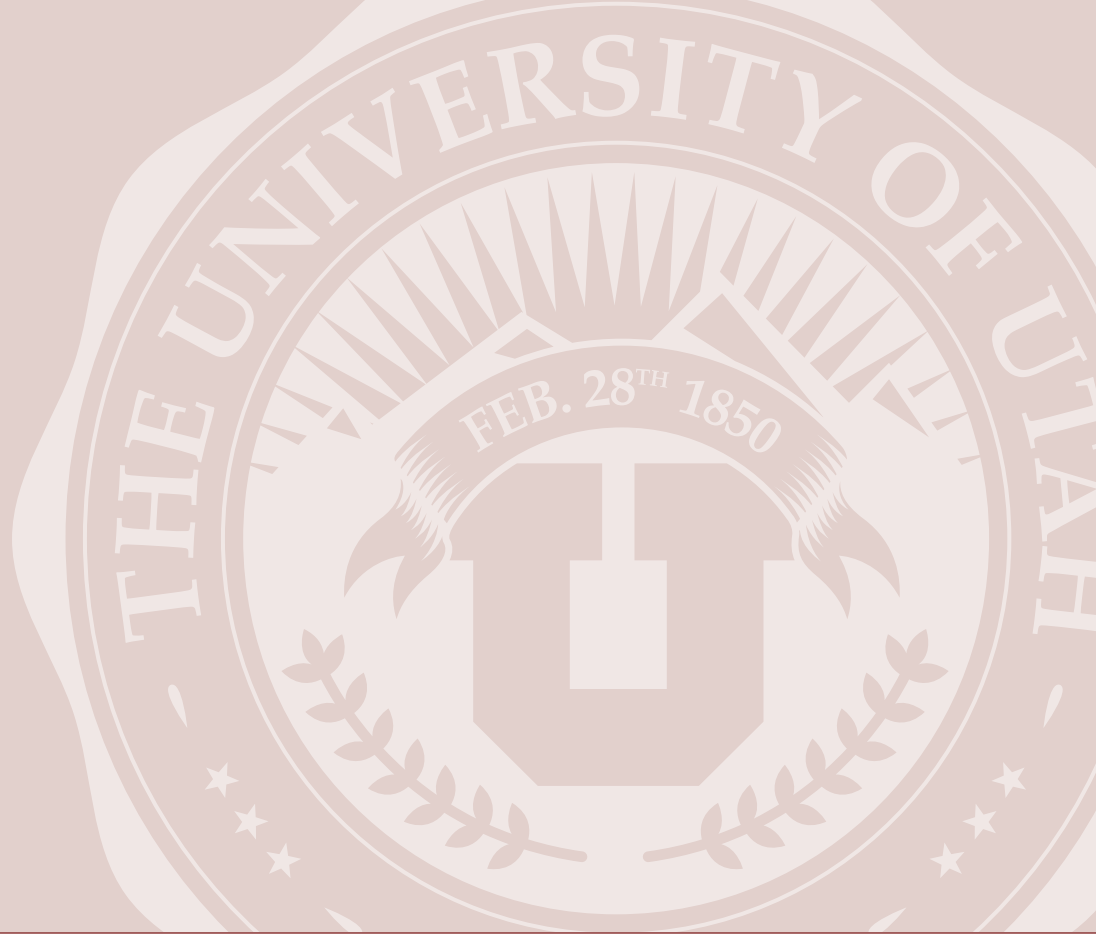
The University continues to benefit from the generosity of its donors and supporters and the number of active donors continues to increase. UUHC and ARUP continue to be recognized as leaders in their respective fields. The financial position for each is very strong and is expected to remain so. The University also remains very competitive in attracting research dollars and continues to see increases in sponsored project awards. 2021 set a new University record in research grants awarded at \$641 million.

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

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

UUHIP successfully launched a new Medicare Advantage product late in fiscal year 2021 that offers clients the benefits of original Medicare coverage and more without the hassle of dealing with the federal government. Even with new products, UUHIP anticipates that the commercial market will continue to remain competitive due to unique market forces in Utah. As some uncertainty continues on the direction Federal regulation will go on the individual exchange, UUHIP regularly monitors local and national developments for factors that may impact its performance.

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



FINANCIAL STATEMENTS



THE UNIVERSITY OF UTAH | Statement of Net Position

(in thousands of dollars)

As of June 30, 2021

ASSETS

Current Assets	
Cash and cash equivalents (Notes 2 & 4)	\$ 1,839,468
Short-term investments (Notes 2 & 4)	378,542
Receivables, net (Note 5)	731,395
Inventory (Note 1)	121,917
Other assets (Note 6)	60,797
<hr/> Total current assets	<hr/> 3,132,119
Noncurrent Assets	
Restricted cash and cash equivalents (Notes 2 & 4)	272,335
Restricted short-term investments (Notes 2 & 4)	4,358
Investments (Notes 3 & 4)	1,435,623
Restricted investments (Notes 3 & 4)	789,949
Restricted receivables, net (Note 5)	127,470
Donated property	1,231
Net pension asset	65,352
Other assets (Note 6)	10,852
Capital assets, net (Note 7)	3,988,313
<hr/> Total noncurrent assets	<hr/> 6,695,483
<hr/> Total assets	<hr/> 9,827,602

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on bond refunding (Note 1)	6,514
Deferred outflows related to pensions (Note 8)	33,380
Deferred outflows related to excess consideration (Note 1)	29,746
<hr/> Total deferred outflows of resources	<hr/> 69,640

LIABILITIES

Current Liabilities	
Accounts payable (Note 5)	
to the State of Utah	35,570
to Others	203,867
Accrued payroll	236,500
Compensated absences and early retirement benefits (Notes 1 & 15)	77,132
Unearned revenue (Note 9)	147,686
Deposits and other liabilities (Notes 11 & 15)	340,827
Bonds, notes and contracts payable (Notes 14, 15, & 16)	
to the State of Utah (HCH Phase II Lease)	5,460
to Others	69,182
<hr/> Total current liabilities	<hr/> 1,116,224
Noncurrent Liabilities	
Compensated absences and early retirement benefits (Notes 1 & 15)	55,180
Deposits and other liabilities (Notes 11 & 15)	96,316
Bonds, notes and contracts payable (Notes 14, 15, & 16)	
to the State of Utah (HCH Phase II Lease)	68,215
to Others	1,281,718
Net pension liability (Note 8)	1,755
<hr/> Total noncurrent liabilities	<hr/> 1,503,184
<hr/> Total liabilities	<hr/> 2,619,408

Continued on next page...

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF UTAH | Statement of Net Position (cont'd)*(in thousands of dollars)***As of June 30, 2021****DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to bonds (Note 1)	6,108
Deferred inflows related to pensions (Note 8)	79,209
<hr/> Total deferred inflows of resources	<hr/> 85,317

NET POSITION

Net investment in capital assets	2,802,229
Restricted for	
Nonexpendable	
Instruction	235,781
Research	114,486
Public service	41,145
Academic support	87,827
Scholarships	325,669
Other	15,143
Expendable	
Research	161,138
Public service	151,012
Academic support	73,458
Institutional support	90,236
Scholarships	103,019
Loans	7,333
Insurance enterprises	53,642
Other	181,075
Unrestricted	2,749,324
<hr/> Total net position	<hr/> \$7,192,517

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF UTAH | Statement of Revenues, Expenses, and Changes in Net Position

(in thousands of dollars)

For the Year Ended June 30, 2021

OPERATING REVENUES AND EXPENSES

Revenues	
Tuition and fees, net (Note 1)	\$ 376,295
Patient services, net (Notes 1 & 13)	3,000,434
Federal grants and contracts	359,157
State and local grants and contracts	58,843
Nongovernmental grants and contracts	148,240
Sales and services, net (Note 1)	1,375,910
Auxiliary enterprises, net (Note 1)	125,256
Other operating revenues	241,237
<u>Total operating revenues</u>	<u>5,685,372</u>
Expenses	
Compensation and benefits	3,009,018
Component units	835,649
Supplies	814,695
Purchased services	235,843
Medical claims	252,635
Depreciation and amortization	277,697
Utilities	99,377
Cost of goods sold	30,920
Repairs and maintenance	64,579
Scholarships and fellowships	49,596
Other operating expenses	327,153
<u>Total operating expenses</u>	<u>5,997,162</u>
<u>Operating loss</u>	<u>(311,790)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriations	374,253
Government grants	191,314
Gifts	56,315
Investment income	297,953
Interest	(50,011)
Other	81,084
<u>Total nonoperating revenues</u>	<u>950,908</u>
<u>Income before capital and permanent endowment additions</u>	<u>639,118</u>

CAPITAL AND PERMANENT ENDOWMENT ADDITIONS

Capital appropriations	33,904
Capital grants and gifts	82,024
Additions to permanent endowments	51,758
<u>Total capital and permanent endowment additions</u>	<u>167,686</u>
<u>Increase in net position</u>	<u>806,804</u>

NET POSITION

<u>Net position - beginning of year, as adjusted (Note 1)</u>	<u>6,385,713</u>
<u>Net position - end of year</u>	<u>\$7,192,517</u>

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF UTAH | Statement of Cash Flows

(in thousands of dollars)

For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tuition and fees	\$ 389,571
Receipts from patient services	2,868,716
Receipts from grants and contracts	558,220
Receipts from auxiliary and educational services	1,506,989
Collection of loans to students	5,274
Payments to suppliers	(2,624,340)
Payments for compensation and benefits	(2,992,690)
Payments for scholarships and fellowships	(49,596)
Loans issued to students	(1,852)
Other	280,522
Net cash used by operating activities	(59,186)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	374,253
Government grants	191,314
Federal direct loan receipts	135,018
Federal direct loan payments	(135,018)
Gifts	
Endowment	51,758
Nonendowment	189,842
Other	94,104
Net cash provided by noncapital financing activities	901,271

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital debt	171,490
Capital appropriations	34,281
Gifts	47,518
Purchase of capital assets	(444,159)
Principal paid on capital debt	(154,689)
Interest paid on capital debt	(78,050)
Net cash used by capital and related financing activities	(423,609)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	1,655,755
Receipt of interest and dividends on investments	30,560
Purchase of investments	(1,713,655)
Net cash used by investing activities	(27,340)
Net increase in cash	391,136

Cash - beginning of year 1,720,667

Cash - ending of year \$2,111,803

Continued on next page...

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF UTAH | Statement of Cash Flows (cont'd)*(in thousands of dollars)***For the Year Ended June 30, 2021****RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED****BY OPERATING ACTIVITIES**

Operating loss	\$ (311,790)
Adjustments	
Depreciation and amortization expense	277,697
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources	
Receivables, net	(123,058)
Inventory	(143)
Net pension asset	(61,179)
Other assets	2,644
Deferred outflows related to pensions	39,227
Accounts payable	34,011
Accrued payroll	58,072
Compensated absences and early retirement benefits	12,854
Unearned revenue	2,428
Deposits and other liabilities	42,698
Net pension liability	(63,222)
Deferred inflows related to pensions	30,575
Net cash used by operating activities	\$ (59,186)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Donated property and equipment	\$ 6,832
Completed construction projects transferred from State of Utah (Note 1)	(377)
Annuity and life income	(124)
Decrease in fair value of investments	(267,393)
Total noncash investing, capital, and financing activities	\$ (261,062)

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF UTAH | Statement of Fiduciary Net Position

(in thousands of dollars)

As of June 30, 2021

ASSETS	Custodial Funds
Current Assets	
Cash and cash equivalents	\$ 2,292
Short-term investments	561
Total current assets	2,853
Noncurrent Assets	
Investments	17,726
Total noncurrent assets	17,726
Total assets	20,579
LIABILITIES	
Current Liabilities	
Accounts payable	800
Accrued payroll	77
Total current liabilities	877
Noncurrent Liabilities	
Deposits & other liabilities	17
Total noncurrent liabilities	17
Total liabilities	894
NET POSITION	
Restricted for:	
Individuals, organizations and other governments	19,685
Total net position	\$ 19,685

The accompanying notes are an integral part of these financial statements

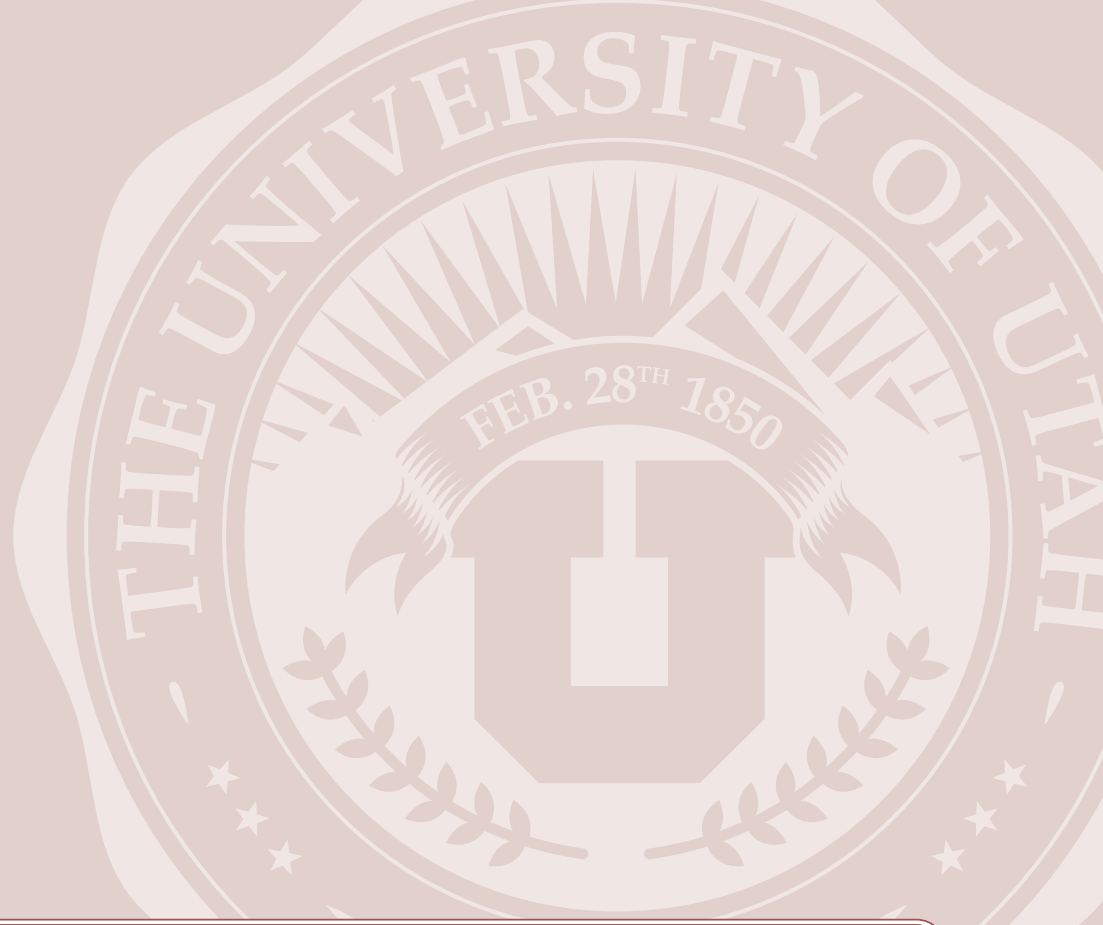
THE UNIVERSITY OF UTAH | Statement of Changes in Fiduciary Net Position

(in thousands of dollars)

For the Year Ended June 30, 2021

	Custodial Funds
Contributions	
Other governments	\$ 62,199
Other entities	42,300
Total contributions	<u>104,499</u>
Investment Earnings	
Net increase (decrease) in fair value of investments	2,765
Interest, dividends and other investment income	541
Income from investment activity	<u>3,306</u>
Deductions	
Payments to other governments, entities or individuals	107,611
Total deductions	<u>107,611</u>
Net increase (decrease) in fiduciary net position	<u>194</u>
Net position - beginning of year	<u>19,491</u>
Net position - end of year	<u>\$ 19,685</u>

The accompanying notes are an integral part of these financial statements



NOTES TO FINANCIAL STATEMENTS



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

- ARUP is a not-for-profit corporation that provides clinical and anatomic pathology reference laboratory services to medical centers, hospitals, clinics and other clinical laboratories throughout the United States, including UUHC. ARUP contracts with the University of Utah School of Medicine Department of Pathology to provide pathology consulting services. The fiscal year end for ARUP is June 30. Other independent auditors audited ARUP and their report, dated September 1, 2021, was issued under separate cover.
- CNS is a not-for-profit corporation that assists clients to attain health care goals, while maintaining their independence and dignity, through home health and hospice care. The fiscal year end for CNS is December 31. Other

independent auditors audited CNS and their report, dated June 24, 2021, was issued under separate cover.

- UUHIP is a health insurance company operating as a licensed non-profit health service insurance corporation as provided in Chapter 7 of Title 31A of the Utah Insurance Code. UUHIP writes individual and group health insurance products. The fiscal year end for UUHIP is December 31. Other independent auditors audited UUHIP and their report, dated September 30, 2021, was issued under separate cover.

Health insurance companies are subject to certain minimum surplus requirements as specified by the National Association of Insurance Commissioners (NAIC) and the Utah Insurance Department. Under those requirements, the amount of capital and surplus maintained by a health service insurance corporation is to be the greater of minimum Risk-Based Capital (RBC) or \$400,000. RBC is determined based on the various risk factors related to UUHIP's operations. Regulatory compliance is determined by a ratio of UUHIP's total adjusted capital, calculated in the manner prescribed by NAIC to its authorized control level RBC. If UUHIP drops below specific trigger levels, a specified corrective action is required. The minimum level of total adjusted capital before corrective action commences is twice the authorized control level RBC. UUHIP met both minimum surplus requirements with RBC exceeding the authorized control level and surplus exceeding \$400,000 at December 31, 2020.

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

for UURF is June 30. UURF is audited by other independent auditors and their report, dated September 21, 2021, was issued under separate cover.

The University, ARUP, CNS, UUHIP, and UURF apply all GASB pronouncements in the accounting and reporting of their operations.

B. Basis of Accounting

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

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

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

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



For the year ended June 30, 2021, the University adopted GASB Statement No. 84, *Fiduciary Activities*. GASB 84 intends to enhance consistency and comparability on how fiduciary activities are reported by providing additional guidance on what qualifies as a fiduciary activity. The adoption of this statement resulted in a shift of various funds previously classified as agency, which were reported as assets and liabilities on the University's Statement of Net Position, to a classification of University operating funds. The funds that were not re-categorized are reported as Custodial Funds in the fiduciary fund statements. Activities that are reported as custodial use the economic resources measurement focus and the accrual basis of accounting and consist of assets held by the University for organizations that are outside of the University's reporting entity, are not derived from University revenues, and are held for the benefit of outside organizations. The University reports Custodial Funds on the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

C. Investments

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value*

Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The University distributes earnings from pooled investments based on the average daily investment of each participating account; or for endowments, distributes according to the University’s spending policy. A portion of the University’s endowment portfolio is invested in “alternative investments”. These investments, unlike more traditional investments, generally do not have readily obtainable market values and typically take the form of limited partnerships. See Note 4 for more information regarding these investments and the University’s outstanding commitments under the terms of the partnership agreements. The University values these investments based on the partnerships’ audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions.

D. Allowances

In accordance with GASB Statement No. 34, certain expenses are netted against revenues as allowances. The following schedule presents revenue allowances for the year ended June 30, 2021:

Revenue Allowances	
Tuition and fees	\$102,129,492
Patient services	101,976,729
Sales and services	1,864
Auxiliary enterprises	1,795,251

E. Inventories

The University Campus Store’s inventories are valued using the retail inventory method. All other inventories are stated at the lower of cost or market using the first-in, first-out method or, on a basis that approximates cost determined on the first-in, first-out method. ARUP inventories consist primarily of laboratory testing supplies and are stated at the lower of cost (using the first-in, first-out method) or net realizable value. ARUP inventory includes a reserve of \$12.1 million related to COVID-19 testing supplies that may not be used in future testing due to a sharp decline in such testing.

F. Research and Development Costs

Research and development costs of ARUP are expensed as incurred. These costs for the year ended June 30, 2021 were approximately \$14.6 million.

G. Compensated Absences & Early Retirement Benefits

Employees’ vacation leave, excluding UUHC, is accrued at a rate of eight hours each month for the first five years and increases to a rate of 16.67 hours each month after fifteen years of service. There is no requirement to use vacation leave, but a maximum of thirty days plus one-year accrual may be carried forward at the beginning of each calendar year. Eligible employees are reimbursed for unused vacation leave upon termination and vacation leave is expended when used or reimbursed. The liability for vacation leave at June 30, 2021 was approximately \$58.9 million.

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

In addition, the University may provide early retirement benefits, if approved by the Administration and by the Board of Trustees; for certain employees who have attained the age of 60 with at least fifteen years of service and who have been approved for the University’s early retirement program. Currently, 158 employees participate in the early retirement program. The University pays each early retiree an annual amount equal to the lesser of 20% of the retiree’s final salary or their estimated social security benefit, as well as health care and life insurance premiums, which is approximately 50% of their early retirement salary, until the employee reaches full social security retirement age. In accordance with GASB Statement No. 47, Accounting for Termination Benefits, the amount recognized on the financial statements was calculated at the discounted present value of the projected future costs. For the year ended June 30, 2021, these expenditures were approximately \$14 million.

Employees of UUHC receive a combined accrual for paid time off in lieu of the separate vacation and sick accruals received by University employees.

Accrual rates for paid time off begin at 13.33 hours per month and increase each five years until the maximum accrual of 20.00 hours per month is reached after ten years of service. The maximum number of hours which can be carried forward at the beginning of a calendar year is 520 hours for staff and 600 hours for managers and directors. Employees who meet specified accrual balances have the option to receive an annual payout of up to 80 hours in May or November. Employees are paid for all unused paid time off hours upon termination. The cost of paid time off is accrued each month by the Hospital. The liability for paid time off at June 30, 2021 was approximately \$60 million.

H. Construction

The Utah State Division of Facilities Construction and Management (DFCM) administers most of the construction of facilities for state institutions, maintains records, and furnishes cost information for recording plant assets on the books of the University. Interest expense incurred for construction of capital facilities is capitalized on certain projects. Construction projects administered by DFCM are not recorded on the books of the University until the facility has been completed and transferred to the University.

I. Deferred Outflows and Inflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. In accordance with GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, losses incurred due to refunding of bond debt are reported as deferred outflows rather than as reductions to bond liabilities, gains resulting from bond refinancing transactions are reported as deferred inflows. In accordance with GASB Statement No. 68, Accounting and Financial

Reporting for Pensions, deferred outflows and deferred inflows of resources related to pensions have been recorded. Further information regarding pension reporting is found in Note 8.

J. Pensions

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

K. Adjustments to Beginning Net Position

For the year ended June 30, 2021, the University implemented GASB Statement No. 84, Fiduciary Activities, which increased beginning net position by \$0.4 million. Additionally, a reevaluation of how prior year gifts are recognized resulted in a decrease to beginning net position of \$46.5 million.

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

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

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

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

At June 30, 2021, cash and cash equivalents and short-term investments consisted of:

Cash and Cash Equivalents	
Cash	\$ 78,102,770
Money market funds	1,414,100,020
Utah Public Treasurers' Investment Fund	549,719,134
U.S. Treasuries	69,881,565
Total (fair value)	\$2,111,803,489

Short-term Investments	
Commercial paper	\$ 11,658,893
Time certificates of deposit	1,569,742
U.S. Treasuries	202,044,239
U.S. Agencies	132,581,721
Corporate notes	35,045,233
Total (fair value)	\$ 382,899,828

3. INVESTMENTS

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

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

According to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Section 51-8 of the Utah Code, the institution may appropriate for expenditure or accumulate so much of an endowment fund as the University determines to be prudent for uses, benefits, purposes, and duration for which the endowment was established. The endowment income spending practice at June 30, 2021 was 4% of the twelve-quarter moving average of the market value of the endowment pool. The spending practices are reviewed periodically and any necessary changes are made. In general, nearly all of the University's endowment is subject to spending restrictions imposed by donors.

The amount of net appreciation on investments of donor-restricted endowments available for authorization for expenditure at June 30, 2021 was approximately \$219,025,000. The net appreciation is a component of restricted expendable net position.

At June 30, 2021, the investment portfolio composition was as follows:

Investments	
Time certificates of deposits	\$ 10,792,248
U.S. Treasuries	106,352,972
U.S. Agencies	697,381,230
Corporate notes	85,529,711
Exchange traded derivatives	6,573,417
Mutual funds	1,291,714,062
Common and preferred stocks	27,228,841
Total (fair value)	\$2,225,572,481

4. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the Utah State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the Act that relate to the deposit and investment of public funds.

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

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

ARUP, CNS and UUHIP follow their own investment policies and manage their credit risk by

requiring that 70% of their investment portfolio must be compliant with the Act.

Deposits

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

At June 30, 2021, the carrying amounts of the University's deposits and bank balances were \$10,423,197 and \$58,613,701, respectively. The Federal Deposit Insurance Corporation (FDIC) provides deposit insurance coverage up to \$250,000 for demand deposits and \$250,000 for time and savings deposits at each banking institution. As a result, the bank balances of the University were insured for \$1,395,785, by the FDIC. The bank balances in excess of that amount were uninsured and uncollateralized, leaving \$57,217,916 exposed to custodial credit risk. The University's policy for reducing this risk of loss is to deposit all such balances in qualified depositories, as defined and required by the Act.

Investments

The Act defines the types of securities authorized as appropriate investments for the University's non-endowment funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

These statutes authorize the University to invest in negotiable or nonnegotiable deposits of qualified or permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), or Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates

in a money market mutual fund as defined in the Act; reciprocal deposits and negotiable brokered certificates of deposit in accordance with the Act; and the Utah Public Treasurers' Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the Securities and Exchange Commission (SEC) as an investment company. The PTIF is authorized and regulated by the Money Management Act (Utah Code, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the Utah State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in realized gains or losses on investments.

The UPMIFA, Rule 541, and the University's endowment guidelines allow the University to invest endowment funds (including gifts, devises, or bequests of property of any kind from any source) in any of the above investments or any of the following subject to satisfying certain criteria: mutual funds registered with the SEC, investments sponsored by the Common Fund; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

Fair Value of Investments

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

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

At June 30, 2021, the University had the following recurring fair value measurements:

Investments by fair value level	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities				
Money market mutual funds	\$ 1,414,100,020	\$ 3,953,816	\$ 1,410,146,204	
Utah Public Treasurers' Investment Fund	549,719,134		549,719,134	
Commercial paper	11,658,893		11,658,893	
Time certificates of deposit	12,361,990	9,823,028	2,538,962	
U.S. Treasuries	378,278,776		378,278,776	
U.S. Agencies	829,962,951		829,962,951	
Corporate notes	120,574,944	3,232,488	117,342,456	
Exchange traded derivatives	6,573,417	6,573,417		
Mutual bond funds	174,190,505	199,514	173,990,991	
Total debt securities	3,497,420,630	23,782,263	3,473,638,367	
Equity securities				
Common and preferred stocks	27,228,841	21,793,662		\$ 5,435,179
Mutual equity funds	452,297,827	3,372,365	448,925,462	
Total equity securities	479,526,668	25,166,027	448,925,462	5,435,179
Total investments by fair value level	3,976,947,298	48,948,290	3,922,563,829	5,435,179
Investments measured at net asset value (NAV)				
Hedged equity	102,986,026			
Private equity	74,155,736			
Venture capital	102,040,794			
Credit sensitive fixed income	73,629,846			
Private real estate	14,422,811			
Private natural resources	1,898,529			
Other real assets	95,632,974			
Diversifying strategies	200,459,014			
Total investments measured at the NAV	665,225,730			
Total investments measured at fair value	\$ 4,642,173,028	\$ 48,948,290	\$ 3,922,563,829	\$ 5,435,179

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries and U.S. Agencies and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds and Negotiable Certificates of Deposit: quoted prices for similar securities in active markets;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund; and

- Utah Public Treasurers' Investment Fund: application of the June 30, 2021 fair value factor, as calculated by the Utah State Treasurer, to the University's ending balance in the Fund.

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

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The University values these

investments based on the partnerships' audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions. The following table presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the University's alternative investments measured at NAV:

Investments Measured at Net Asset Value (NAV)				
Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedged equity	\$ 102,986,026		Monthly, quarterly	30-75 days
Private equity	74,155,736	\$ 15,294,590	N/A	N/A
Venture capital	102,040,794	25,254,128	N/A	N/A
Credit sensitive fixed income	73,629,846	21,288,513	Quarterly	90 days
Private real estate	14,422,811	3,641,335	N/A	N/A
Private natural resources	1,898,529	684,643	N/A	N/A
Other real assets	95,632,974	11,361,297	N/A	N/A
Diversifying strategies	200,459,014		Daily, quarterly, annually	0-90 days
Total alternative investments	\$ 665,225,730			
Total unfunded commitments		\$ 77,524,506		

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act or the UPMIFA and Rule 541, as applicable. For non-endowment funds, Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits and fixed rate corporate obligations to 270 days -15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government

sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to ten years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding three years. For endowment funds, Rule 541 is more general, requiring only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

As of June 30, 2021, the University had debt investments with maturities as shown below in *Figure 1*.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 - 5	6 - 10	More than 10
Money market mutual funds	\$ 1,414,100,020	\$ 1,414,100,020			
Utah Public Treasurers' Investment Fund	549,719,134	549,719,314			
Commercial paper	11,658,893	11,658,893			
Time certificates of deposit	12,361,990	1,569,742	\$ 10,792,248		
U.S. Treasuries	378,278,776	271,923,288	106,355,488		
U.S. Agencies	829,962,951	132,581,721	431,472,667	\$ 260,172,611	\$ 5,735,952
Corporate notes	120,574,944	35,045,233	85,429,418	100,293	
Exchange traded diversities	6,573,417		501,175	177,600	5,894,642
Mutual bond funds	174,190,505		50,051,529	124,138,976	
Totals	\$ 3,497,420,630	\$ 2,416,598,031	\$ 684,602,525	\$ 384,589,480	\$ 11,630,594



its obligations. The University's policy for reducing its exposure to credit risk is to comply with the Act, the UPMIFA, and Rule 541, as previously discussed. ARUP, CNS and UUHIP manage their credit risk by requiring that 70% of their investment portfolio must be compliant with the Act.

At June 30, 2021, the University had debt investments with quality ratings as shown below in *Figure 2*.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of a

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

At June 30, 2021, the University's custodial bank was both the custodian and the investment counterparty for \$1,208,237,515 of U.S. Treasury and Agency securities purchased by the University.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for reducing this risk of loss is to comply with the Rules of the Council or the UPMIFA and Rule 541, as applicable. Rule 17 of the Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio at the time of purchase.

For endowments, the University, under Rule 541, is permitted to establish its own investment policy, which adheres to the guidelines established by UPMIFA. Accordingly, the University's Pool Asset

Investment Type	Fair Value	Quality Rating					
		AAA/A-1*	AA	A	BBB	Unrated	No Risk
Money market mutual funds	\$ 1,414,100,020	\$ 1,113,191,626				\$ 300,908,394	
Utah Public Treasurers' Investment Fund	549,719,134					549,719,134	
Commercial paper	11,658,893	11,658,893					
Time certificates of deposit	12,361,990		\$ 959,830	\$ 2,858,190	\$ 2,861,488	5,682,482	
U.S. Treasuries	378,278,776						\$378,278,776
U.S. Agencies	829,962,951	46,781,737	536,893,041			246,288,173	
Corporate notes	120,574,944	7,012,581	18,583,698	88,625,487	\$ 5,484,961	868,217	
Exchange traded derivatives	6,573,417				4,154,546	2,418,871	
Mutual bond funds	174,190,505		49,284,286			124,906,219	
Totals	\$ 3,497,420,630	\$ 1,178,64,837	\$ 605,720,855	\$ 91,483,677	\$ 12,500,995	\$ 1,230,791,490	\$ 378,278,776

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

Allocation Guidelines allocates endowment funds in the following asset classes:

Asset Category	Target	Range
Global Equity	40%	30% - 50%
Public Equities	25%	15% - 50%
Hedged Equity*	5%	0% - 10%
Private Equity*	10%	0% - 15%
Global Fixed Income/Credit	20%	10% - 40%
Interest Rate Sensitive	11%	5% - 40%
Credit Sensitive*	9%	0% - 20%
Real Assets	20%	10% - 30%
Real Estate*	7%	0% - 15%
Natural Resources*	8%	0% - 10%
Infrastructure*	5%	0% - 10%
Diversifying Strategies*	20%	0% - 30%

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

The University diversifies assets among several investment managers of varying investment strategies. Diversification is an effective means of maximizing return while mitigating risk. At June 30, 2021, the University held more than 5% of its total investments in the Federal Home Loan Bank, and the Federal Agricultural Mortgage Corporation. These investments represent 5.5%, and 5.2%, respectively, of the University's total investments.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University does not have a formal policy to limit foreign currency risk. At June 30, 2021, the University's exposure to foreign currency risk is \$7,919,713 in Private Real Estate investments being held in Euro currency denomination.

5. RECEIVABLES AND ACCOUNTS PAYABLE

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

Allowances for doubtful accounts are established by charges to operations to cover anticipated losses from accounts receivable generated by sales and services and student loans. Such accounts are charged to the

allowance when collection appears doubtful. Any subsequent recoveries are credited to the allowance accounts. Allowances are not established for pledges or in those instances where receivables consist of amounts due from governmental units or where receivables are not material in amount.

The following schedule presents receivables at June 30, 2021, including approximately \$10.9 million and \$116.6 million of noncurrent loans, and pledges receivable, respectively:

Accounts	\$ 1,136,935,911
Grants and contracts	55,249,540
Loans	15,961,971
Pledges	126,349,079
Interest	5,824,576
	1,340,321,077
Less allowances for doubtful accounts	(481,456,707)
Receivables, net	\$ 858,864,370

The following schedule presents the major components of accounts payable at June 30, 2021:

Vendors	\$ 63,968,565
Interest	23,986,765
Payable to State	35,569,966
Other	115,911,620
Total accounts payable	\$ 239,436,916

6. OTHER ASSETS

Prepaid rent to the State of Utah, for the Huntsman Cancer Hospital, is amortized using the straight-line method. The June 30, 2021 balance of prepaid rent to the State was \$4.7 million.

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

7. CAPITAL ASSETS

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

Capital assets of the University and its component units are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives of University assets extend to forty years

on buildings, fifteen years on infrastructure and improvements, twenty years on library books, from five to twenty years on equipment and from five to ten years on software. The estimated useful lives of component unit assets extend to fifty years on buildings and improvements and from three to eight years on equipment. Land, art and special collections, and construction in progress are not depreciated.

At June 30, 2021, the University had outstanding commitments for the construction and remodeling of University buildings of approximately \$70.5 million. Capital assets at June 30, 2021, are shown in below *Figure 3*.

8. PENSION PLANS AND RETIREMENT BENEFITS

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

<i>Figure 3 (in thousands of dollars)</i>	Beginning Balance	Additions	Retirements	Ending Balance
Buildings	\$ 4,205,855	\$ 270,460	\$ (13,481)	\$ 4,462,834
Infrastructure and improvements	516,229	21,391	(1,370)	536,250
Land	84,924	8,823	0	93,747
Equipment (including intangibles)	1,297,765	116,919	(42,328)	1,372,356
Library materials	133,120	317	0	133,437
Art and special collections	93,965	7,352	(67)	101,250
Construction in progress	381,628	245,270	(195,596)	431,302
Total cost	6,713,486	670,532	(252,842)	7,131,176
Less accumulated depreciation				
Buildings	1,596,020	128,092	(10,331)	1,713,781
Infrastructure and improvements	270,240	28,834	(1,370)	297,704
Equipment	933,673	118,707	(39,464)	1,012,916
Library materials	116,775	1,710	(23)	118,462
Total accumulated depreciation	2,916,708	277,343	(51,188)	3,142,863
Capital assets, net	\$ 3,796,778	\$ 393,189	\$ (201,654)	\$ 3,988,313

a profit sharing plan. Eligible employees of CNS are covered by a separate tax sheltered annuity contribution plan.

Defined Benefit Plans

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

- Public Employees Noncontributory Retirement System (Noncontributory System) and the Public Employees Contributory Retirement System (Contributory System) both of which are cost-sharing, multiple-employer public employee retirement systems.
- The Public Safety Retirement System (Public Safety System) which is a cost-sharing, multiple-employer public employee retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System), and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighter System) which are multiple employer, cost sharing, public employee retirement systems.

The Tier 2 Public Employee System and the Tier 2 Public Safety and Firefighter System were created July 1, 2011. All eligible employees who have no previous service credit with any of the Utah Retirement Systems prior to that date, are members of the Tier 2 Retirement Systems.

The Systems are established and governed by the respective sections of Title 49 of the Utah Code Annotated, 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board (Board), whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing to the Utah Retirement Systems at 560 East 200 South, Salt Lake City, UT 84102 or visiting the website www.urs.org.

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

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

* With actuarial reductions

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



with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

	Paid by Employer for Employee	Employer Contribution Rates
Noncontributory System		
State and School Division Tier 1	N/A	22.19%
Contributory System		
Higher Education Division Tier 1	6%	17.70%
Higher Education Division Tier 2*	N/A	19.13%
Public Safety System		
Public Safety Tier 2*	2.27%	32.54%

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

For the year ended June 30, 2021, the University and employee contributions to the plans were as follows:

	Employer Contributions	Employee Contributions
Noncontributory System	\$ 21,977,437	N/A
Contributory System	524,078	\$ 177,653
Public Safety System	942,974	-
Tier 2 Public Employees System	4,328,092	-
Tier 2 Public Safety and Firefighter System	190,940	13,320
Total	\$27,963,521	\$ 190,973

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined

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

At June 30, 2021, the University's net pension asset and liability were as follows:

	Proportionate Share December 31, 2020	Proportionate Share December 31, 2019	Change Increase/(Decrease)	Net Pension Asset	Net Pension Liability
Noncontributory System	50.2718785%	52.3703876%	(2.0985091%)	\$ 49,582,473	\$ -
Contributory System	74.2338456%	74.0066292%	0.2272164%	15,769,443	-
Public Safety System	2.3391093%	2.0977160%	0.2419433%	-	1,515,009
Tier 2 Public Employees System	1.4636091%	1.8209912%	(0.3573821%)	-	210,508
Tier 2 Public Safety and Firefighter System	0.3319353%	0.4021727%	(0.0702374%)	-	29,773
Total Net Pension Asset / Liability				\$ 65,351,916	\$ 1,755,290

The net pension asset and liability were measured as of December 31, 2020, and the total pension

liability used to calculate the net pension asset and liability was determined by an actuarial valuation

as of January 1, 2020 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2021, the University recognized pension expense of \$26,087,943 for the defined benefit pension plans.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,844,265	\$ 849,171
Changes in assumptions	1,766,430	10,848
Net difference between projected and actual earnings on pension plan investments	-	75,163,068
Changes in proportion and differences between contributions and proportionate share of contributions	698,720	3,185,997
Contributions subsequent to the measurement date	14,070,506	-
Total	\$ 33,379,921	\$ 79,209,084

Contributions made between January 1, 2021 and June 30, 2021 of \$14,070,506 are reported as deferred outflows of resources related to pensions. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended December 31	Net Deferred Outflows/ (Inflows) of Resources
2021	\$ (8,643,370)
2022	(12,297,366)
2023	(26,724,441)
2024	(12,498,213)
2025	59,672
Thereafter	204,049

The total pension liability in the December 31, 2020 actuarial valuation was determined using

the following actuarial assumptions, applied to all periods included in the measurement:

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

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

There were a number of demographic assumptions (e.g. rates of termination, disability, retirement, as well as an updated mortality and salary increase assumption) updated for use in the January 1, 2020 actuarial valuation. These assumption updates were adopted by the Utah State Retirement Board resulting from an Actual Experience Study performed for the Utah Retirement Systems. In aggregate, those assumption changes resulted in a \$201 million increase in the Total Pension Liability, which is about 0.50% of the Total Pension Liability as of December 31, 2019 for all systems combined. The Actuarial Experience Study report as of December 15, 2019 provides detailed information regarding those assumption changes, which may be accessed online at newsroom.urs.org under the "Retirement Office" column using the "Reports and Stats" tab.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined

to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	37%	6.30%	2.33%
Debt securities	20%	0.00%	0.00%
Real assets	15%	6.19%	0.93%
Private equity	12%	9.50%	1.14%
Absolute return	16%	2.75%	0.44%
Cash and equivalents	0%	0.00%	0.00%
Totals	100%		4.84%
Inflation			2.50%
Expected arithmetic nominal return			7.34%

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

The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially

determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95 percent.



The following presents the proportionate share of the net pension liability (asset) calculated using the discount rate of 6.95%, as well as, what the proportionate share of the net pension liability (asset) would be if calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Proportionate Share of Net Pension Liability (Asset)			
Noncontributory System	\$ 89,290,134	\$ (49,582,473)	\$ (164,904,825)
Contributory System	(4,621,189)	(15,769,443)	(25,275,467)
Public Safety	6,310,537	1,515,009	(2,426,177)
Tier 2 Public Employees System	3,542,216	210,508	(2,338,160)
Tier 2 Public Safety and Firefighter System	140,369	29,773	(58,435)
Totals	\$ 94,662,067	\$ (63,596,626)	\$ (195,003,064)

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

Defined Contribution Plans

The University offers employees the choice between URS, TIAA, and Fidelity for individual retirement funds. Employees who participate in the State and School Noncontributory and Tier 2 pension plans also participate in qualified contributory 401(k) savings plans administered by the Utah Retirement Systems (Systems). For employees participating in the Noncontributory, Contributory and Public Safety systems, the University contributes 1.5%, 0.89%, and 0%, respectively of participating employees' annual salaries to a 401(k) plan administered by the Systems. For employees participating in the Tier 2 Public Employee defined contribution plan and Tier 2 Public Safety and Firefighter defined contribution plan, the University is required to contribute 10.02% and 18.54%, respectively, of the employee's salary, of which 10% and 12%, respectively, is paid into the 401(k) plan while the remainder is contributed to the Tier 1 Contributory Public Employee System, as required by law. During the year ended June 30, 2021, the University's contribution totaled \$2,246,885, which was included in the pension expense, and the participating employees' voluntary contributions totaled \$215,077. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

TIAA and Fidelity provide individual retirement fund contracts with each participating employee.

Employees may allocate contributions by the University to any or all of the providers and the contributions to the employee's contract(s) become vested at the time the contribution is made. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. Benefits provided to retired employees are based on the value of the individual contracts and the estimated life expectancy of the employee at retirement. For the year ended June 30, 2021, the University's contribution to these defined contribution pension plans was 14.20% of the employees' annual salaries. Additional contributions are made by the University based on employee contracts. The University has no further liability once contributions are made.

UUHC employees hired prior to January 1, 2001, who were not enrolled in the URS program, are enrolled in a 401(a) defined contribution plan that is administered by the UUHC Chief Human Resources Officer. The administrator has the authority to amend, modify, or terminate the plan. UUHC is required to contribute 14.2% of covered payroll to the plan for the employees covered under this plan. Hospital employees hired subsequent to December 31, 2000 are enrolled in a separate 401(a) plan, the Hospital Plan Plus (HPP) Benefit Program. UUHC contributes 6% for employees covered under this plan. In addition, these employees are eligible for a match on employee contributions to a 403(b) Match Plan up to 4% of salary and fully vest in the UUHC's contributions to both plans after five years of service. Plan member contributions were approximately \$44,461,000 for the year ended June 30, 2021.

The ARUP defined contribution pension and profit sharing plans provide retirement benefits for all



employees. Employees may choose to pay into the federal social security tax system or to participate in an enhanced ARUP retirement program. For those who choose to continue to pay social security taxes, ARUP makes contributions each pay period amounting to 5.00% of their compensation and ARUP continues to make matching social security tax contributions. For those who discontinue paying social security taxes, ARUP makes contributions each pay period amounting to 8.10% of their compensation and does not contribute any social security tax on their behalf. There are no minimum service and vesting requirements relating to pension contributions.

Contributions to the profit sharing plan are at the discretion of ARUP and are made subject to certain tenure-based and hours-worked thresholds. Employees are fully vested in the profit sharing plan after five years of service. Voluntary contributions to the profit sharing plan by employee participants totaled \$34,309,218 for the year ended June 30, 2021.

In addition, employees of the University may also contribute to 403(b), 457(b) traditional, Roth IRA, or a 401(k) plan. The total fiscal year 2021 employee contributions to these plans were \$123,503,048.

For the year ended June 30, 2021, the University's contributions to the defined contribution plans were equal to the required amounts, as shown below in *Figure 4*.

<i>Figure 4</i>	2021
TIAA	\$ 91,798,856
Fidelity	115,955,641
401(a), Hospital Plan Plus, & 403(b)	66,081,000
Employer 401(k) Contributions	2,246,885
ARUP defined contribution plan	20,556,729
ARUP Profit sharing plan	14,115,619
Total employer contributions	\$ 310,754,730

9. UNEARNED REVENUE

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

10. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others for the sole benefit of the University are neither in the possession of nor under the management of the University. These funds, which are not recorded on the University's financial records and which arose from contributions, are held and administered by external fiscal agents, selected by the donors, who distribute net income earned by such funds to the University, where it is recorded when received. The fair value of funds held in trust at June 30, 2021 was \$175.2 million.

In addition, certain funds held in trust by others are comprised of stock, reported at a value of \$15,838,338 as of June 30, 2021, based on a predetermined formula. The fair value of this stock as of June 30, 2021 cannot be determined because the stock is not actively traded.

11. RISK MANAGEMENT AND INSURANCE

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

In addition, the University maintains self-insurance funds for health care, dental, and auto/physical damage, as well as hospital and physicians malpractice liability self-insurance funds. The malpractice liability self-insurance funds are held in trust with an independent financial institution in compliance with Medicare reimbursement regulations. Based on an analysis prepared by an independent actuary, the administration believes that the balance in the trust funds as of June 30, 2021, is adequate to cover any claims incurred through that date. The University and UUHC

have a “claims made” umbrella medical professional liability insurance policy in the amount of \$20,000,000 for catastrophic malpractice liabilities in excess of the trusts’ fund balances, the coverage provides for \$5,000,000 per claim and \$26,000,000 in the aggregate.

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

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

<i>Figure 5</i>	2021	2020
Estimated claims liability - beginning of year	\$ 89,227,838	\$ 90,680,912
Current year claims and changes in estimates	237,203,630	257,648,219
Claim payments, including related legal and administrative expenses	(242,187,834)	(259,101,293)
Estimated claims liability - end of year	\$ 84,243,634	\$ 89,227,838

The University has recorded the investments of the malpractice liability trust funds at June 30, 2021, and the estimated liability for self-insurance claims at that date in the Statement of Net Position. The income on fund investments, the expenses related to the administration of the self-insurance and malpractice liability trust funds, and the estimated provision for the claims liability for the year then ended are recorded in the Statement of Revenues, Expenses, and Changes in Net Position.

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

sharing programs with insurers of ACA-compliant plans:

- The permanent risk adjustment program redistributes insurer premiums based on qualitative market data.
- The transitional reinsurance program reimburses insurers of ACA-compliant plans for claimants exceeding specified limits and is a temporary provision that ended after December 31, 2016.
- The transitional risk corridors program shares excessive insurer gains or losses with the federal government and is a temporary provision that ended after December 31, 2016.

UUHIP has a reinsurance arrangement whereby premiums and benefits are ceded to another insurance company. The agreement is for certain coverage that provides reinsurance protection for 90% of qualified health claims in excess of \$600,000 per occurrence. Premiums to reinsurers for reinsurance ceded reduced premium revenue by approximately \$1,768,000 during 2020. Excluding amounts recoverable under the ACA transitional reinsurance program, UUHIP had approximately \$1,623,000 in reinsurance recoupments that reduced health benefits during 2020. During the year ended December 31, 2020, UUHIP did not commute any ceded reinsurance nor did it enter into or engage in any loss portfolio transfer for any lines of business. Changes in UUHIP’s estimated claims liability for the years ended December 31 is shown in *Figure 6* on page 42.

<i>Figure 6</i>	2020	2019
Estimated claims liability - beginning of year	\$ 18,423,898	\$ 16,372,692
Current year claims and changes in estimates	151,318,319	152,358,322
Claim payments, including related legal and administrative expenses	(153,391,365)	(150,307,116)
Estimated claims liability - end of year	\$ 16,350,852	\$ 18,423,898

As of December 31, 2020, unpaid health claims adjustment expenses for Health Care Utah, which are not included in the table above, were approximately, \$24,191,000. Due to uncertainties inherent in the reserving process, there is at least a reasonable possibility that actual claims paid

could differ materially from amounts accrued at December 31, 2020.

12. INCOME TAXES

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

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

13. HOSPITAL REVENUE

A. Net Patient Service Revenue

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

UUHC has third-party payor agreements with Medicare and Medicaid that provide for payments to UUHC at amounts different from established rates. Inpatient acute care services rendered to Medicare and Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Outpatient services rendered to Medicaid program beneficiaries and certain outpatient services and defined capital costs related to Medicare beneficiaries are paid on a cost reimbursement basis. Medicare reimbursements are based on a tentative rate with final settlement determined after submission of annual cost reports by UUHC and audits thereof by the Medicare fiscal intermediary.

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

B. Charity Care

UUHC maintains records to identify and monitor the level of charity care it provides. Based on established rates, the charges foregone resulting from charity care during the year ended June 30, 2021, were approximately \$103.8 million. CNS estimated \$0.6 million in estimated cost or foregone revenue of charity care for the year ended December 31, 2020.

C. Other Uncompensated Care

CNS provides services for which payments for such services are accepted under contracts with third-party payors such as Medicare, Medicaid, and other payor sources, whereby such accepted payments are less than the full amounts billable under CNS's rate schedule. Total contractual adjustments for the year ended December 31, 2020, including supplemental Medicaid services of approximately \$3,456,000 were \$23,687,000.

14. LEASES

A. Revenue

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

At June 30, 2021, the historical cost of land and buildings held for lease and the related accumulated depreciation was \$88.4 million and \$33.9 million, respectively.

B. Commitments

The University leases buildings and office and computer equipment. Capital leases are valued at the present value of future minimum lease payments. Assets associated with the capital leases are recorded as buildings and equipment together with the related long-term obligations. Assets currently financed as capital leases amount to \$80.9 million and \$226.8 million for buildings and equipment, respectively. Accumulated depreciation for these buildings and equipment was \$20.2 million and \$111.3 million, respectively. Operating leases and related assets are not recorded in the Statement of Net Position. Payments are recorded as expenses when incurred and amount to \$29.4 million for the University and \$1.9 million for component units for the year ended June 30, 2021. Total operating lease commitments for the University include approximately \$24.2 million of commitments to component units.

Future minimum lease commitments for operating and capital leases as of June 30, 2021 are shown below in *Figure 7*.

Figure 7

Fiscal Year	Operating	Capital
2022	\$ 29,350,915	\$ 36,439,329
2023	23,014,809	33,260,912
2024	19,165,311	19,745,172
2025	15,359,660	19,349,347
2026	13,607,842	18,072,160
2027 – 2031	28,318,053	65,123,022
2032 – 2036	9,138,493	
2037 – 2041	9,993,318	
2042 – 2046	11,084,023	
2047 – 2051	7,483,587	
2052 – 2056	321,905	
Total future minimum lease payments	\$ 166,837,916	191,989,942
Amount representing interest		(22,678,360)
Present value of future minimum lease payments		\$ 169,311,582



15. BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES

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

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

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

During fiscal year 2021, the University issued one bond issue. In January, the University issued \$86,920,000 General Revenue Bonds Series 2021 A-1, \$7,700,000 General Revenue Bonds Series 2021 A-2, and \$76,870,000 Federally Taxable General Revenue Refunding Bonds Series 2021B. Proceeds from the 2021A bonds were used to finance a portion of the costs of a Health Sciences office building and related improvements, finance various research-related projects, as well as, to pay costs of issuance. Proceeds from the 2021B bonds were used to refund certain portions of the 2014 A&B, 2015 A&B and 2016A bonds and, to pay costs of issuance.

The following schedule lists the outstanding bonds payable and certificates of participation of the University at June 30, 2021:

Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Current Liability	Balance 6/30/2021(a)
Auxiliary and Campus Facilities						
Series 1998A - Revenue Refunding	7/1/98	2029	4.100% - 5.250%	\$120,240,000	\$ 44,633	\$ 30,784,049
Series 2010A - Revenue Refunding	5/11/10	2020	2.000% - 5.000%	23,515,000	-	-
Series 2010C - Revenue	12/28/10	2036	1.750% - 5.890%	42,525,000	1,640,000	32,470,000
Series 2012A - Revenue	7/10/12	2030	2.000% - 5.000%	46,235,000	2,352,949	2,352,949
Hospital Facilities						
Series 2006A - Revenue Refunding	10/26/06	2022	4.000% - 5.250%	77,145,000	3,313,683	3,313,683
Series 2009B - Taxable Revenue	12/17/09	2031	4.697% - 5.247%	41,785,000	2,665,000	31,985,000
Series 2010 - Revenue	8/2/10	2021	3.000% - 5.000%	36,120,000	75,102	1,195,382
Series 2011A - Revenue Refunding	5/24/11	2027	3.600%	20,145,000	-	-
Series 2011B - Revenue Refunding	7/28/11	2021	3.350% - 5.000%	66,480,000	-	-
Research Facilities						
Series 2009B - Taxable Revenue	8/26/09	2029	5.670% - 6.279%	27,730,000	-	15,170,000
General Revenue						
Series 2013A - Revenue	7/30/13	2043	5.000%	127,925,000	4,470,250	12,001,515
Series 2014A - Revenue Refunding	4/1/14	2027	4.000% - 5.000%	32,785,000	726,562	18,637,950
Series 2014B - Revenue Refunding	7/15/14	2038	2.000% - 5.000%	76,200,000	-	3,802,251
Series 2015A - Revenue Refunding	1/7/15	2034	1.500% - 5.000%	45,330,000	-	2,367,793
Series 2015B - Revenue Refunding	5/13/15	2035	3.000% - 5.000%	91,570,000	-	51,102,383
Series 2016A - Revenue Refunding	3/8/16	2036	3.000% - 5.000%	68,210,000	-	57,830,059
Series 2016B - Revenue Refunding	11/29/16	2036	2.000% - 5.000%	131,720,000	6,049,047	142,967,142
Series 2017A - Revenue Refunding	9/13/17	2039	4.000% - 5.000%	155,930,000	6,853,069	170,511,296
Series 2017B - Revenue Refunding	12/21/17	2038	3.000% - 5.000%	96,550,000	3,985,368	108,894,039
Series 2018A - Revenue	7/17/18	2044	4.000% - 5.000%	80,040,000	1,770,318	89,689,555
Series 2019A - Revenue	12/3/19	2039	4.000% - 5.000%	74,050,000	2,383,782	90,403,170
Series 2019B - Revenue	12/3/19	2039	3.073% - 3.351%	30,165,000	-	30,165,000
Series 2020A - Revenue	6/24/20	2041	4.000% - 5.000%	84,635,000	64,102	110,483,807
Series 2020B - Revenue	6/24/20	2032	0.577% - 1.866%	20,115,000	1,755,000	20,115,000
Series 2021A - Revenue	2/2/21	2041	4.000% - 5.000%	94,620,000	77,923	122,840,642
Series 2021B - Revenue	2/2/21	2039	0.177% - 2.256%	76,870,000	540,000	76,870,000
Certificates of Participation						
Series 2015	6/10/15	2026	1.800%	10,050,000	1,660,000	3,360,000
Total					\$ 40,426,788	\$ 1,229,312,665

(a) Includes unamortized premiums on refunding.

UURF has purchased four buildings with two mortgages guaranteed by the University, as well as, two Notes Payable to the University. A mortgage with interest rate at 7.15% scheduled to be paid off in September 2021, was paid off in May 2021. The remaining amount of the second mortgage is \$19,197,467 at 5.53% interest. It is anticipated the mortgage will be paid off on September 30, 2028. The Notes call for annual payments at 4% and 2% interest until June and October 2024. UURF retired both of these Notes in July and August 2020.

The following schedule summarizes the changes in long-term liabilities for the year ended June 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	\$1,162,055,239	\$ 205,756,887	\$ 141,859,457	\$1,225,952,669	\$ 38,766,788
Certificates of participation	5,170,000	-	1,810,000	3,360,000	1,660,000
Capital leases payable	202,170,383	181,366	33,040,168	169,311,581	31,612,498
Notes and contracts payable	33,709,994	75,246	7,834,872	25,950,368	2,602,356
Total long-term debt	1,403,105,616	206,013,499	184,544,497	1,424,574,618	74,641,642
Compensated absences	119,458,526	96,966,513	84,112,716	132,311,323	77,132,120
Net pension liability	64,977,178	-	63,221,888	1,755,290	-
Deposits & other liabilities	394,446,022	414,052,045	371,354,219	437,143,848	340,826,962
Total long-term liabilities	\$1,981,987,342	\$ 717,032,057	\$ 703,233,320	\$1,995,786,079	\$ 492,600,724

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

Fiscal Year	Payments	
	Principal	Interest
2022	\$ 74,641,643	\$ 57,371,635
2023	74,142,439	53,450,438
2024	89,671,532	49,227,421
2025	105,510,450	44,900,664
2026	84,450,466	41,171,877
2027 – 2031	450,407,436	144,265,316
2032 – 2036	289,168,183	69,007,403
2037 – 2041	218,586,039	22,203,809
2042 – 2046	37,996,430	2,201,125
Total	\$1,424,574,618	\$ 483,799,688

Interest related to bond systems with pledged revenues amounts to \$456,827,434 and is included in the interest amounts in the above schedule.

16. RETIREMENT OF DEBT

In prior years, the University defeased certain revenue bonds by placing the proceeds of new bonds and various bond reserves in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. The total principal amount of defeased bonds held in irrevocable trusts at June 30, 2021 is \$249,375,000. The University issued General

Revenue Refunding Bonds Series 2021B during the year to partially refund portions of the 2014A&B, 2015A&B, and 2016A bonds as described in Note 15. The refunding activity had limited impact on the retirement period but did result in a decrease of aggregate debt service of \$71,000,000 and a present value economic gain of approximately \$1,821,235.

17. PLEDGED BOND REVENUE

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

Figure 8 below presents the net revenue pledged and the principal and interest paid for the year ended June 30, 2021.

Figure 8	
Revenue	
Operating revenue	\$ 3,787,939,962
Nonoperating revenue	296,590,517
Total revenue	4,084,530,479
Expenses	
Operating expenses	3,561,355,841
Total expenses	3,561,355,841
Net pledged revenue	\$ 523,174,638
Principal and interest paid	\$ 95,931,102

18. FUNCTIONAL CLASSIFICATION OF EXPENSES

The following schedule presents, in thousands of dollars, operating expenses by functional classification for the year ended June 30, 2021:

Function	Compensation and Benefits	Supplies and Services	Utilities	Scholarships & Fellowships	Depreciation	Medical Claims	Component Units	Total
Instruction	\$ 434,494	\$ 53,245	\$ 2,547	\$ 67,321				\$ 557,607
Research	308,620	142,011	1,526	4,262				456,419
Public service	645,830	215,720	24,438	12,444				898,432
Academic support	146,343	28,016	3,328	682				178,369
Student services	44,127	18,994	3,770	492				67,383
Institutional support	151,293	(32,899)	6,777	1,928				127,099
Plant maintenance	39,580	29,549	26,561					95,690
Student aid	6,059	39,621		(42,961)				2,719
Other	88,464	(76,784)	5,394	5,428	\$ 137,308			159,810
Hospital	1,100,277	1,055,069	24,334		106,030	\$ 17,789		2,303,499
Health Plans	36,329	647	704		290	234,846		272,816
Component units	7,601				34,069		\$ 835,649	877,319
Total	\$3,009,017	\$1,473,189	\$ 99,379	\$ 49,596	\$ 277,697	\$ 252,635	\$ 835,649	\$5,997,162

19. BLENDED COMPONENT UNITS

The following schedules present, exclusive of eliminations, condensed statements of net position, changes in net position, and cash flows for UURF, ARUP, UUHIP and CNS. Amounts for UURF and ARUP are for the year ended June 30, 2021. Amounts for UUHIP and CNS are for the year ended December 31, 2020.

Condensed Statement of Net Position						
	UURF	ARUP	UUHIP	CNS	Eliminations increase/(decrease)	Total
ASSETS						
Current Assets	\$ 36,169,304	\$ 323,436,232	\$ 164,753,788	\$ 15,589,242	\$ (43,032,013)	\$ 496,916,553
Capital assets, net	61,110,501	365,629,252		7,184,866		433,624,619
Other noncurrent assets	8,189,828	5,484,694		2,119,754	(7,573,460)	8,229,816
Total assets	105,478,633	694,250,178	164,753,788	24,893,862		938,770,988
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to consideration in excess of net position acquired			29,746,460			29,746,460
Total deferred outflows of resources			29,746,460			29,746,460
LIABILITIES						
Current liabilities	8,481,521	107,687,503	140,858,650	9,836,844	(161,991,463)	104,873,055
Noncurrent liabilities	17,383,295			3,687,520	(9,090,941)	11,979,874
Total liabilities	25,846,816	107,687,503	140,858,650	13,524,364		116,852,929
NET POSITION						
Net investment in capital assets	41,913,034	365,329,252				407,242,286
Restricted expendable			53,641,598	423,198		54,064,796
Unrestricted	37,700,783	221,233,423		10,946,300	120,476,931	390,357,437
Total net position	\$ 79,613,817	\$ 586,562,675	\$ 53,641,598	\$ 11,369,498		\$ 851,664,519

Condensed Statement of Revenues, Expenses, and Changes in Net Position						
	UURF	ARUP	UUHIP	CNS	Eliminations	Total
OPERATING REVENUES						
Leases	\$ 18,977,477				\$ (12,048,498)	\$ 6,928,979
Royalties	21,510,208					21,510,208
Sales and services		\$ 840,954,548	\$ 171,646,810	\$ 55,279,785	5,482,475	1,073,363,618
Net increase in fair value of investments	492,193					492,193
Total operating revenues	40,979,878	840,954,548	171,646,810	55,279,785		1,102,294,998
OPERATING EXPENSES						
Operating expenses	21,322,783	708,499,951	192,189,748	52,413,174	(84,109,029)	890,316,627
Depreciation	2,502,260	30,756,275		810,377		34,068,912
Total operating expenses	23,825,043	739,256,226	192,189,748	53,223,551		924,385,539
Operating income	17,154,835	101,698,322	(20,542,938)	2,056,234		177,909,459
NONOPERATING REVENUES (EXPENSES)						
Investment income	99,236	1,582,818	2,900,033			4,582,087
Interest expense	(1,161,077)		(1,045,708)			(2,206,785)
Federal income tax expense			3,934,515			3,934,515
Sale of equity investments	144,069					144,069
Contributions from (distributions to) the University	(417,336)	(58,501,867)	10,000,000		48,419,102	(500,101)
Other non-operating income/(expenses)				(320,944)		(320,944)
Total nonoperating revenues/(expenses)	(1,335,108)	(56,919,049)	15,788,840	(320,944)		5,632,841
Net increase in net position	15,819,727	44,779,273	(4,754,098)	1,735,290		183,542,300
NET POSITION						
Net position – beginning of year	63,794,090	541,783,402	58,395,696	9,634,208	(5,485,177)	668,122,219
Net position – end of year	\$ 79,613,817	\$ 586,562,675	\$ 53,641,598	\$ 11,369,498		\$ 851,664,519



Condensed Statement of Cash Flows						
	UURF	ARUP	UUHIP	CNS	Eliminations	Total
Net cash provided by operating activities	\$ 19,939,879	\$ 128,924,907	\$ 15,276,369	\$ 8,226,262	\$ 28,074,953	\$ 200,442,370
Net cash provided/(used) by noncapital financing activities	(417,335)	(43,935,818)			36,989,102	(7,364,051)
Net cash used by capital and related financing activities	(10,076,300)	(66,253,236)	(1,045,708)	(917,445)		(78,292,689)
Net cash provided/(used) by investing activities	152,074	(36,999,803)	33,321,076	(373,846)	(2,930,273)	(6,830,772)
Net increase (decrease) in cash	9,598,318	(18,263,950)	47,551,737	6,934,971		107,954,858
Cash - beginning of year	28,076,171	39,872,913	29,112,979	805,529	(173,575,045)	(75,707,453)
Cash - end of year	\$ 37,674,489	\$ 21,608,963	\$ 76,664,716	\$ 7,740,500		\$ 32,247,405

20. LINE OF CREDIT

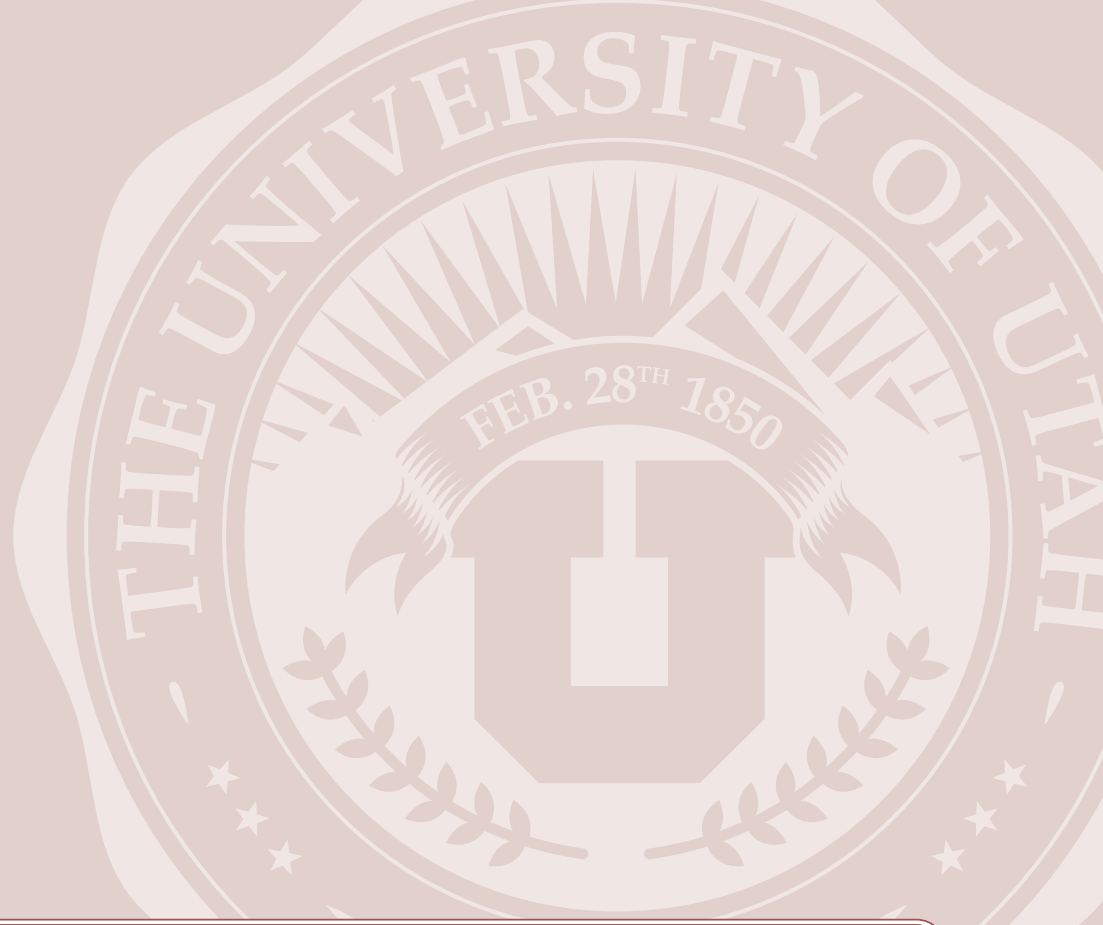
ARUP has an uncollateralized line of credit with a bank that provides for borrowings up to \$10 million and is established as a contingency reserve to provide liquidity in the event disbursements presented to the bank exceed available cash balances. The line of credit bears interest at the lender's 90-day LIBOR rate (0.15% at June 30, 2021) plus 2.0%, but not to exceed the maximum rate allowed by applicable law. The agreement requires renewal every second year in November. The current agreement expires on November 30, 2022. ARUP pays no fees for the unused portion of this line of credit, and there are no compensating balance requirements imposed.

There were no borrowings on this line of credit during the year ended June 30, 2021.

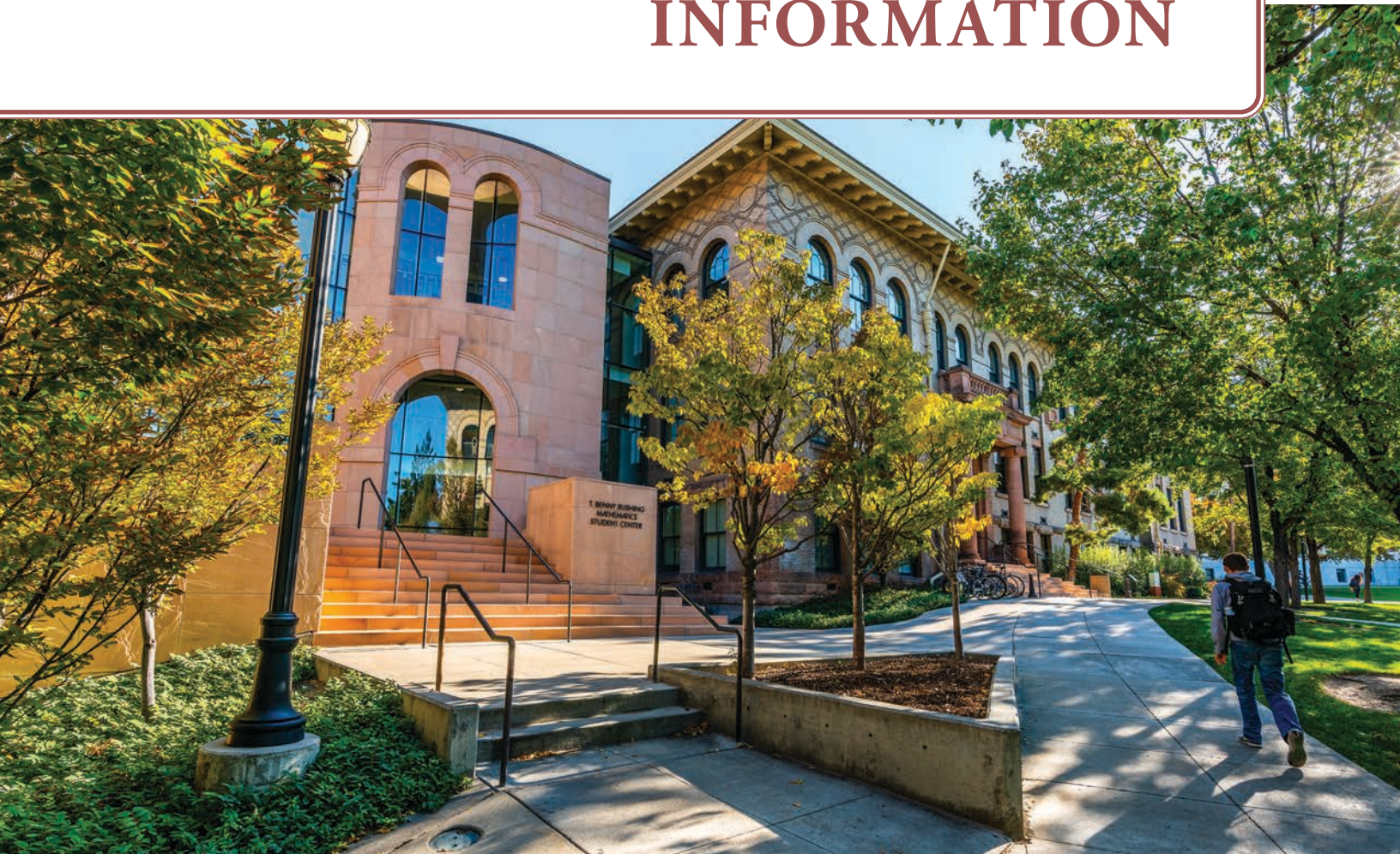
21. SUBSEQUENT EVENTS

Subsequent to June 30, 2021, as a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen across a range of industries. As of the date of this report, the extent to which COVID-19 may continue to impact the University's financial condition or results of operations is uncertain. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.





REQUIRED SUPPLEMENTARY INFORMATION



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

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

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

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

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

Noncontributory System	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 21,977,437	\$ 23,604,692	\$ 24,357,470	\$ 25,003,713	\$ 25,936,009	\$ 27,133,967	\$ 28,061,542	\$ 27,124,989	\$ 35,151,747	\$ 26,111,760
Contribution in Relation to the Contractually Required Contribution	(21,977,437)	(23,604,692)	(24,357,470)	(25,003,713)	(25,936,009)	(27,133,967)	(28,061,542)	(27,124,989)	(35,151,747)	(26,111,760)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 100,912,947	\$ 107,759,826	\$ 111,057,075	\$ 113,936,327	\$ 118,147,239	\$ 123,098,874	\$ 126,960,128	\$ 132,937,438	\$ 150,750,438	\$ 155,167,201
Contributions as a Percentage of Covered Payroll	21.8%	21.9%	21.9%	21.9%	22.0%	22.0%	22.1%	20.4%	23.3%	16.8%
Contributory System	2021	2020	2019	2018	2017	2016	2015	2014¹	2013¹	2012¹
Contractually Required Contribution	\$ 524,078	\$ 651,513	\$ 703,592	\$ 754,331	\$ 894,123	\$ 1,058,540	\$ 1,164,742	\$ 1,096,361	\$ 687,650	\$ 403,590
Contribution in Relation to the Contractually Required Contribution	(524,078)	(651,513)	(703,592)	(754,331)	(894,123)	(1,058,540)	(1,164,742)	(1,096,361)	(687,650)	(403,590)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,960,894	\$ 3,680,861	\$ 3,975,096	\$ 4,261,758	\$ 5,051,541	\$ 5,985,358	\$ 6,580,469	\$ 6,865,132	\$ 5,696,793	\$ 3,173,040
Contributions as a Percentage of Covered Payroll	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%	16.0%	12.1%	12.7%
Public Safety System	2021	2020	2019	2018	2017	2016	2015	2014¹	2013¹	2012¹
Contractually Required Contribution	\$ 942,974	\$ 1,061,838	\$ 766,954	\$ 789,054	\$ 739,683	\$ 682,809	\$ 550,177	\$ 486,603	\$ 468,024	\$ 427,891
Contribution in Relation to the Contractually Required Contribution	(942,974)	(1,061,838)	(766,954)	(789,054)	(739,683)	(682,809)	(550,177)	(486,603)	(468,024)	(427,891)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,671,582	\$ 2,916,589	\$ 2,107,865	\$ 2,220,291	\$ 2,212,011	\$ 2,117,893	\$ 1,707,174	\$ 1,642,290	\$ 1,611,246	\$ 1,635,298
Contributions as a Percentage of Covered Payroll	35.3%	36.4%	36.4%	35.9%	33.4%	32.2%	32.2%	29.6%	29.0%	26.2%
Tier 2 Public Employees System	2021	2020	2019	2018	2017	2016	2015	2014¹	2013¹	2012¹
Contractually Required Contribution	\$ 4,328,092	\$ 4,645,446	\$ 4,993,396	\$ 5,444,034	\$ 6,127,098	\$ 7,878,405	\$ 6,995,912	\$ 4,707,627	\$ 2,945,339	\$ 1,728,653
Contribution in Relation to the Contractually Required Contribution	(4,328,092)	(4,645,446)	(4,993,396)	(5,444,034)	(6,127,098)	(7,878,405)	(6,995,912)	(4,707,627)	(2,945,339)	(1,728,653)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 22,659,755	\$ 24,526,165	\$ 26,511,616	\$ 29,551,457	\$ 33,628,505	\$ 43,203,966	\$ 38,336,356	\$ 28,113,543	\$ 24,400,464	\$ 13,590,742
Contributions as a Percentage of Covered Payroll ²	19.1%	18.9%	18.8%	18.4%	18.2%	18.2%	18.2%	16.7%	12.1%	12.7%
Tier 2 Public Safety and Firefighter System	2021	2020	2019	2018	2017	2016	2015	2014¹	2013¹	2012¹
Contractually Required Contribution	\$ 190,940	\$ 240,863	\$ 215,306	\$ 102,648	\$ 98,360	\$ 103,266	\$ 50,424	\$ 32,261	\$ 8,581	\$ 3,929
Contribution in Relation to the Contractually Required Contribution	(190,940)	(240,863)	(215,306)	(102,648)	(98,360)	(103,266)	(50,424)	(32,261)	(8,581)	(3,929)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 586,786	\$ 807,261	\$ 722,503	\$ 350,573	\$ 336,733	\$ 353,411	\$ 172,330	\$ 117,742	\$ 77,303	\$ 37,598
Contributions as a Percentage of Covered Payroll ³	32.5%	29.8%	29.8%	29.3%	29.2%	29.2%	29.3%	27.4%	11.1%	10.5%

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

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

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

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

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

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

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

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INFORMATION



ANNUAL FINANCIAL REPORT

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