

UTAH STATE  
**2021**  
UNIVERSITY



# FINANCIAL REPORT








**UtahStateUniversity**<sup>®</sup>  
A Component Unit of the State of Utah



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# LETTER FROM THE PRESIDENT

As the land-grant institution of Utah, Utah State University is fortunate to have dedicated faculty with diverse areas of expertise in learning, discovery, and outreach. Specific to our education mission, our faculty provide excellence in teaching on all of our campuses and educational sites as well as through our many online degree offerings. Our commitment to education and learning continues to yield accolades. USU was announced in 2021 as the recipient of the 2020 Award for Undergraduate Research Accomplishments, recognizing the institution as a national leader in undergraduate programs for research and creative inquiry. USU was ranked No. 21 by *U.S. News & World Report* for its online bachelor's program in 2021, marking the seventh consecutive year of being ranked in the Top 25 in this category. Two USU students were named 2021 Goldwater Scholars, bringing the University's total scholars count to 34 since 1998, with 15 honorable mentions. Specific to our research mission, USU faculty and students have recently received prestigious grants from the National Science Foundation, National Institutes of Health, NASA, the U.S. Department of Energy's Nuclear Energy University Program, and the U.S. Department of Agriculture.

We have worked hard to ensure we are a high-quality land-grant institution that delivers educational and learning opportunities to students at an affordable price. In 2014, we made updates to our tuition plateau that dramatically affected the number of students who currently take advantage of the savings. Those taking anywhere from 12 to 18 credits only pay tuition and fees for 12 credits, essentially receiving up to six credits for free. In 2021, USU announced it would assist Pell Grant recipients by launching the Utah State Promise scholarship, which pays any remaining tuition and student body fee costs not covered by Pell Grants and other scholarships or awards. After completing their degrees, our graduates historically enjoy high job placement. In fact, in 2020, Zippia named USU as "Best Public College in Utah for Getting a Job."

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

The Office of the State Auditor has audited the financial statements for the year ending June 30, 2021. Their definitive opinion is included with this report. The annual financial report is intended to establish the University's financial position as of the end of June. It is also intended to reflect the flow of financial resources to the University during the fiscal year 2020-21, while disclosing how these resources are applied in accomplishing our mission. We are pleased to share this report with you.



**NOELLE E. COCKETT**

President

Utah State University



OFFICE OF THE  
**STATE AUDITOR**

## Independent Auditor's Report

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

We have audited the accompanying financial statements of Utah State University (University) 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of the Utah State University Space Dynamics Laboratory, a blended component unit, which represents 9 percent, 4 percent, and 21 percent, respectively, of total assets, net position, and total 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 the Utah State University Space Dynamics Laboratory, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the



circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University, 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 Schedule of Proportionate Share of the Net Pension Liability, and the Schedule of Defined Pension Contributions, be presented to supplement the basic financial statements. Such information, 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 an opinion on the financial statements that collectively comprise the University's basic financial statements. The Letter from the President and the listing of Executive Officers and Board of Trustees are presented for purposes of additional analysis and are not a required part of the basic financial statements.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 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

October 22, 2021



# MANAGEMENT'S DISCUSSION & ANALYSIS

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


## Introduction

The following unaudited Management's Discussion and Analysis (MD&A) includes an analysis of the financial condition and results of activities of Utah State University (University) for the fiscal year (FY) ended June 30, 2021. The analysis includes the University's condensed and comparative Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows along with related graphs and comparative data. Also included is management's perspective of the University's economic outlook.

Utah State University is a component unit of the State of Utah. The financial statements include the accounts of Utah State University

Agricultural Experiment Station, Utah State University Cooperative Extension Service, Utah State University Water Research Laboratory, Utah State University Brigham City Campus, Utah State University Tooele Campus, Utah State University Uintah Basin Campus, Utah State University Eastern (USU Eastern), and Utah State University Blanding, which are entities separately funded by state appropriations.

The Utah State University Space Dynamics Laboratory (SDL), the Utah State University Foundation (Foundation) and the Hansen Scholars Support Foundation (HSSF) are blended component units of the University and have been consolidated in these financial statements. SDL is governed by a Board of Trustees appointed by the president of



Utah State University, under the direction of the University's Board of Trustees. SDL is a dependent foundation of Utah State University and is reported as a part of the University because its primary purpose is to support the mission of Utah State University in regards to research. The Utah State University Foundation is also governed by a Board of Trustees appointed by the president of the University. The Utah State University Foundation is a dependent foundation of Utah State University and serves as a fund-raising arm of the University. The Hansen Scholars Support Foundation is a dependent foundation and is governed by a Board of Trustees, with the majority being selected by the University. The purpose of this foundation is to manage, invest, and distribute foundation assets to the University to be used for scholarships.

The Utah State University Space Dynamics Laboratory annually publishes audited financial statements. A copy of the audited financial statements can be obtained from Utah State University Space Dynamics

Laboratory, 1695 North Research Parkway, North Logan, Utah 84341.

## Overview of Financial Statements and Financial Analysis

The Management's Discussion and Analysis is designed to provide an easily readable analysis of the University's financial activities based on facts, decisions, and conditions known at the date of the auditor's report. The University's financial statements for fiscal year 2021 are presented beginning on page 21. The financial statements, note disclosures, and this discussion are the responsibility of management. This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis – for Public Colleges and Universities*. These financial statements focus on the operations, cash flows, and the main condition of the University as a whole. There are three financial statements

presented: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

## Statement of Net Position

The Statement of Net Position outlines the University's financial condition at fiscal year end. This statement reflects the various assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the fiscal year ended June 30, 2021.

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

Net position is divided into three major categories. The first category, Net

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

In fiscal year 2021, the University's total net position increased \$187.3 million (12.9%) to \$1.64 billion. The increase reflects those



## Condensed Statement of Net Position

AS OF JUNE 30

| Assets                                | 2021            | 2020            | Change        | % Change |
|---------------------------------------|-----------------|-----------------|---------------|----------|
| Current assets                        | \$375,769,332   | \$256,423,232   | \$119,346,100 | 46.54%   |
| Noncurrent assets                     |                 |                 |               |          |
| Net capital assets                    | 1,034,798,953   | 998,845,348     | 35,953,605    | 3.60%    |
| Other noncurrent assets               | 763,412,198     | 704,407,150     | 59,005,048    | 8.38%    |
| Total assets                          | 2,173,980,483   | 1,959,675,730   | 214,304,753   | 10.94%   |
| <b>Deferred outflows of resources</b> |                 |                 |               |          |
| Unamortized losses on bonds           | 7,399,981       | 7,826,853       | (426,872)     | (5.45%)  |
| Resources related to pensions         | 12,284,506      | 26,899,291      | (14,614,785)  | (54.33%) |
| Total deferred outflows of resources  | 19,684,487      | 34,726,144      | (15,041,657)  | (43.32%) |
| <b>Liabilities</b>                    |                 |                 |               |          |
| Current liabilities                   | 157,926,667     | 134,137,882     | 23,788,785    | 17.73%   |
| Noncurrent liabilities                | 367,382,806     | 391,158,800     | (23,775,994)  | (6.08%)  |
| Total liabilities                     | 525,309,473     | 525,296,682     | 12,791        | 0.002%   |
| <b>Deferred inflows of resources</b>  |                 |                 |               |          |
| Split-interest agreements             | 5,674,706       | 4,107,182       | 1,567,524     | 38.17%   |
| Deferred gift revenue                 | 256,850         | 143,600         | 113,250       | 78.86%   |
| Resources related to pensions         | 26,606,279      | 16,361,580      | 10,244,699    | 62.61%   |
| Total deferred inflows of resources   | 32,537,835      | 20,612,362      | 11,925,473    | 57.86%   |
| <b>Net position</b>                   |                 |                 |               |          |
| Net investment in capital assets      | 762,465,435     | 758,128,109     | 4,337,326     | 0.57%    |
| Restricted – nonexpendable            | 167,630,092     | 155,829,338     | 11,800,754    | 7.57%    |
| Restricted – expendable               | 333,447,768     | 244,405,552     | 89,042,216    | 36.43%   |
| Unrestricted                          | 372,274,367     | 290,129,831     | 82,144,536    | 28.31%   |
| Total net position                    | \$1,635,817,662 | \$1,448,492,830 | \$187,324,832 | 12.93%   |

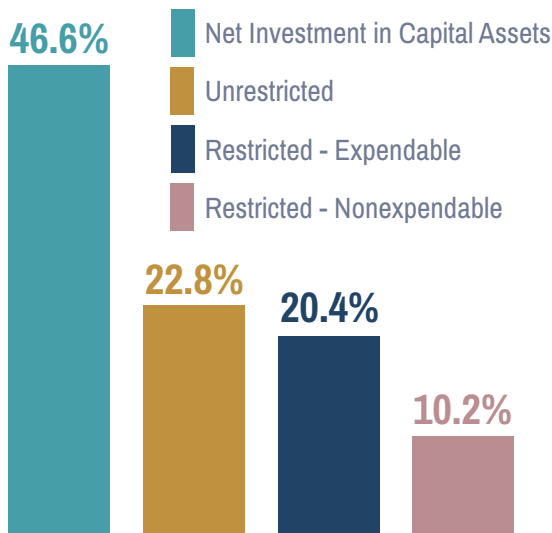
revenues that were received during fiscal year 2021 but were not used for operations or payment of interest on capital asset related debt.

Total assets increased \$214.3 million (11%) while total liabilities remained at \$525.3 million. Current assets increased by \$119.3 million (46.5%). Cash and cash equivalents increased \$26.6 million largely due to the sale of investments. Short-term investments increased \$43.5 million largely due to long-term investments being re-classified as short-term investments because of the dates that they will mature. Accounts receivable increased \$47.2 million largely due to a large balance of Federal CARES Act funds receivable at year end. Prepaid expenses increased \$1.5 million largely due to more annual software contracts

purchased during the year. Noncurrent assets increased \$95 million due to a net increase of \$36 million in capital assets, an increase of \$68.2 million in investments, a \$35.4 million decrease in restricted cash and cash equivalents, an \$8.2 million increase in accounts and notes receivable, an \$18.3 million increase in the net pension asset, and a \$0.3 million decrease in split-interest agreements. The net increase in capital assets is comprised of construction projects completed or in progress, purchases of equipment, and offset by depreciation expense of all depreciable capital assets. Several large construction projects were completed or in progress, including the Space Dynamics Laboratory building, the Mountain View Tower Residence building replacement, the Gateway Parking Terrace, the Integrated Technology Services

building, the SDL building 416, and the SDL building 1480. The University capitalized \$3.5 million, \$18.2 million, \$2 million, \$6.2 million, \$13.4 million, and \$9 million, respectively, for these projects during fiscal year 2021. The decrease in restricted cash and cash equivalents is largely due to the decrease of bond construction proceeds. Prior year construction proceeds were spent throughout the year for the Gateway Parking Terrace, the Mountain View Tower Residence building replacement, and the Space Dynamics Laboratory buildings 416 and 1480. Total liabilities remained at \$525.3 million as current liabilities increased \$23.8 million (17.7%), while noncurrent liabilities decreased \$23.8 million (6.1%). The majority of the increase in current liabilities is due to an increase of \$6.6 million payable to the primary government for construction projects, an increase of \$2.2 million payable to suppliers, and an increase of \$10.7 million payable for salaries, wages, and benefits. The majority of the decrease in the noncurrent liabilities is due to a decrease of \$21.7 million in the net pension liability, an increase of \$7.8 million for compensated absences and early retirement payable, and a decrease of \$9.8 million in bonds, notes and contracts payable.

The composition of the University's net position at June 30, 2021, was:



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

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

Operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided; for example, state appropriations are nonoperating revenues because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services in return for those revenues. Without the nonoperating revenues, in particular the state appropriations, private gifts, and financial aid grants, the University would not be able to cover its costs of operations. These sources are critical to the University's financial stability and directly impact the quality of its programs. In fiscal year 2021, funding from these sources was adequate to cover all of the University's costs of operations.

The Statement of Revenues, Expenses, and Changes in Net Position shows the activity that resulted in a \$187.3 million increase in net position for the fiscal year ended June 30, 2021.



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

FOR THE YEARS ENDED JUNE 30

| Operating revenues  | 2021                   | 2020                   | Change               | % Change        |
|---|------------------------|------------------------|----------------------|-----------------|
| Tuition and fees (net of scholarship allowances of: FY 2021 – \$91,341,266; FY 2020 – \$88,224,115)   | \$151,441,852          | \$156,368,202          | (\$4,926,350)        | (3.15%)         |
| Contracts, grants, and federal appropriations   | 326,174,574            | 309,962,647            | 16,211,927           | 5.23%           |
| Auxiliary enterprises (net of scholarship allowances of: (FY 2021 – \$489,408; FY 2020 – \$1,045,845) | 45,231,841             | 49,694,890             | (4,463,049)          | (8.98%)         |
| Other operating revenues  | 37,361,493             | 43,187,750             | (5,826,257)          | (13.49%)        |
| <b>Total operating revenues</b>   | <b>560,209,760</b>     | <b>559,213,489</b>     | <b>996,271</b>       | <b>0.18%</b>    |
| Operating expenses  |                        |                        |                      |                 |
| Salaries and wages  | 396,821,353            | 382,703,777            | 14,117,576           | 3.69%           |
| Employee benefits   | 162,255,353            | 133,535,235            | 28,720,118           | 21.51%          |
| Other operating expenses  | 204,455,655            | 224,042,551            | (19,586,896)         | (8.74%)         |
| Scholarships and fellowships  | 46,961,800             | 40,410,875             | 6,550,925            | 16.21%          |
| Depreciation  | 56,821,556             | 53,059,756             | 3,761,800            | 7.09%           |
| <b>Total operating expenses</b>   | <b>867,315,717</b>     | <b>833,752,194</b>     | <b>33,563,523</b>    | <b>4.03%</b>    |
| <b>Operating loss</b>   | <b>(307,105,957)</b>   | <b>(274,538,705)</b>   | <b>(32,567,252)</b>  | <b>(11.86%)</b> |
| Nonoperating revenues   |                        |                        |                      |                 |
| State appropriations  | 258,377,613            | 207,618,928            | 50,758,685           | 24.45%          |
| Financial aid grants  | 36,394,110             | 39,569,200             | (3,175,090)          | (8.02%)         |
| Private gifts   | 29,020,225             | 21,530,594             | 7,489,631            | 34.79%          |
| Other   | 140,494,630            | 37,844,876             | 102,649,754          | 271.24%         |
| <b>Net nonoperating revenues</b>  | <b>464,286,578</b>     | <b>306,563,598</b>     | <b>157,722,980</b>   | <b>51.45%</b>   |
| <b>Income before other revenues</b>   | <b>157,180,621</b>     | <b>32,024,893</b>      | <b>125,155,728</b>   | <b>390.81%</b>  |
| Other revenues  |                        |                        |                      |                 |
| Capital appropriations  | 17,153,859             | 31,712,270             | (14,558,411)         | (45.91%)        |
| Capital grants and gifts  | 3,098,141              | 7,175,623              | (4,077,482)          | (56.82%)        |
| Additions to permanent endowments   | 9,892,211              | 6,595,779              | 3,296,432            | 49.98%          |
| <b>Total other revenues</b>   | <b>30,144,211</b>      | <b>45,483,672</b>      | <b>(15,339,461)</b>  | <b>(33.73%)</b> |
| <b>Increase in net position</b>   | <b>187,324,832</b>     | <b>77,508,565</b>      | <b>109,816,267</b>   | <b>141.68%</b>  |
| <b>Net position – beginning of year</b>   | <b>1,448,492,830</b>   | <b>1,370,984,265</b>   | <b>77,508,565</b>    | <b>5.65%</b>    |
| <b>Net position – end of year</b>   | <b>\$1,635,817,662</b> | <b>\$1,448,492,830</b> | <b>\$187,324,832</b> | <b>12.93%</b>   |

The University experienced a net operating loss in fiscal year 2021 of \$307.1 million. This operating loss highlights the University's dependency on nonoperating revenues such as state appropriations and private gifts to meet its costs of operations.

Total fiscal year 2021 operating revenues increased by \$1 million (0.2%) from 2020. The net tuition and fee revenues decreased \$4.9 million (3.2%) largely due to a \$3 million increase of scholarship allowances.

Contracts, grants, and federal appropriations increased 5.2 percent, providing \$16.2 million of an increase in operating revenues, reflecting the University's expanding research efforts, particularly at the Utah State University Space Dynamics Lab. Other operating revenues, comprising sales and services of educational departments, service and auxiliary enterprises, and others, decreased \$10.3 million mainly due to the decreased on-campus student and staff



## Utah State University Vernal Campus

population during the COVID-19 pandemic public health and sanitation protocols.

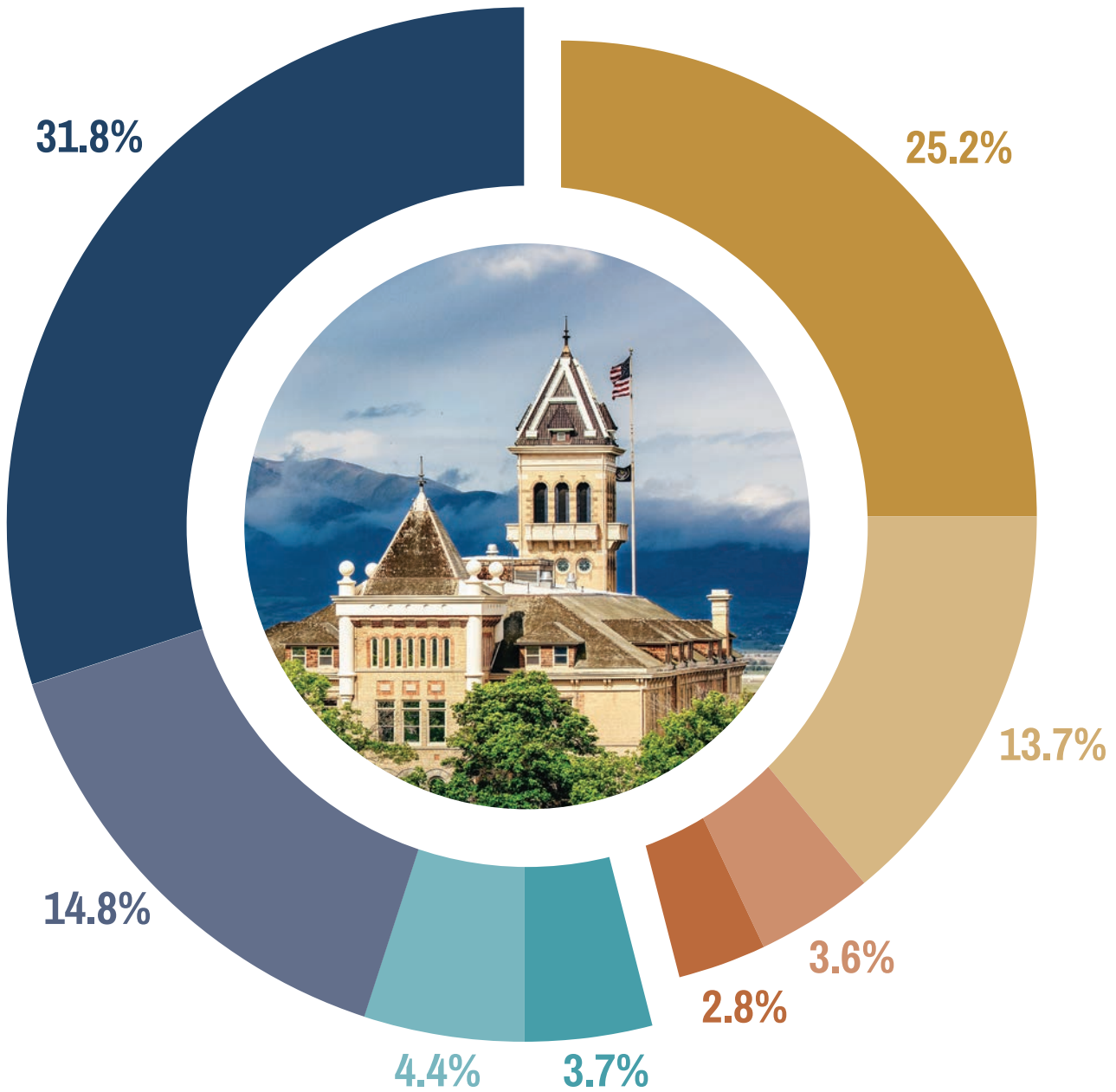
Nonoperating revenues increased \$157.7 million (51.5%). State appropriations increased \$50.8 million largely due to the decrease of the FY2020 state appropriation and increase to the FY2021 state appropriation. Financial aid grants decreased \$3.2 million. Private gifts increased \$7.5 million primarily due to fundraising efforts leading to increased donations. State grants decreased \$8.6 million due to a reduction in funding of certain programs as compared to the prior year. Investment income increased \$48 million largely due to a significant increase in unrealized gains on investments. Interest on capital asset related debt decreased \$1.1 due to an increase of \$0.8 million of capitalized interest, and no new issuances of bonds during the year. The University received \$67.8 million of Federal CARES Act funds, an increase of \$61.2 million.

Capital appropriations, and capital grants and gifts are helping to fund various capital

projects that are discussed in the Capital Asset and Debt Administration section on page 16. Capital appropriations, managed through the Division of Facilities Construction and Management, were \$17.1 million, consisting of \$3.4 million for the Biology and Natural Resources Building renovation, \$2.8 million for an underground utility tunnel, and \$10.9 million for various buildings and infrastructure upgrades and improvements. Capital grants and gifts totaled \$3.1 million. Additions to permanent endowments totaled \$9.9 million.

Total operating expenses increased \$33.6 million (4%) in fiscal year 2021. Salaries, wages, and benefits increased \$42.8 million (8.3%) due to an increase of 122 benefited employees to a total of 4,780 benefited employees, as well as additional voluntary separation incentives paid and additional liability for compensated absences due to an increase in accrued vacation. Other operating expenses decreased \$19.6 million (8.7%) mostly due to the reduced usage of facilities and reduced number of activities caused by the COVID-19 shut down.

The University's sources of revenue available to meet current operating costs at June 30, 2021, were:



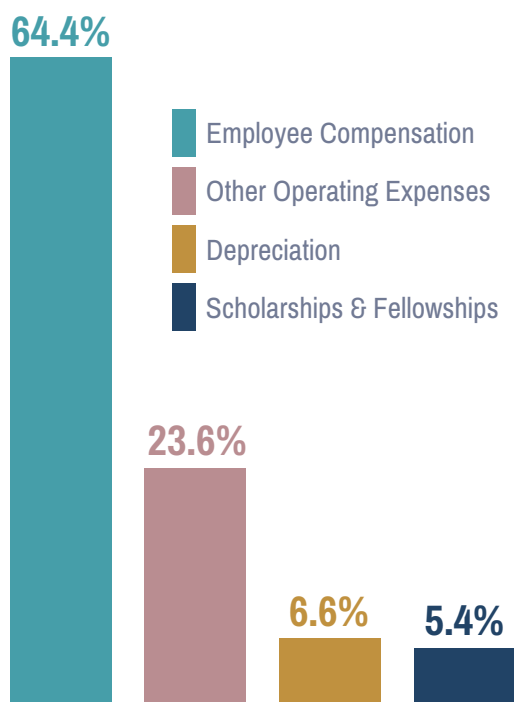
## OPERATING REVENUES

- Contracts, Grants, & Federal Appropriations
- Net Tuition & Fees
- Auxiliary Enterprises
- Other Operating Revenues

## NONOPERATING REVENUES

- State Appropriations
- Other Nonoperating Revenues
- Financial Aid Grants
- Private Gifts

The University's operating expenses by classification at June 30, 2021, were:



## Statement of Cash Flows

The final statement presented by Utah State University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the fiscal year. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used by operating activities. The second section includes cash

flows from noncapital financing activities. This section includes the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section includes cash flows from capital and related financing activities. This section includes the cash used for the acquisition and construction of capital and related items. The fourth section includes the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. A condensed version of these first four sections is provided below. The fifth section of the Statement of Cash Flows is not included in the Condensed Statement of Cash Flows, which reconciles the net cash used for operations to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position. This reconciliation is available for review in the Statement of Cash Flows on page 26.

The University's cash and cash equivalents had a net decrease of \$8,757,902 to a total of \$208,443,671. Current cash and cash equivalents increased by \$26.6 million largely due to the sale of investments and noncurrent cash and cash equivalents decreased by \$35.4 million largely due to the net decrease of the balances of bond construction proceeds.

## CONDENSED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30

| Cash provided (used) by:                             | 2021                 | 2020                 | Change               | % Change       |
|--|----------------------|----------------------|----------------------|----------------|
| (1) Operating activities                             | (\$241,225,568)      | (\$240,228,770)      | (\$996,798)          | (0.41%)        |
| (2) Noncapital financing activities                  | 357,580,053          | 297,126,512          | 60,453,541           | 20.35%         |
| (3) Capital and related financing activities         | (89,478,290)         | 37,936,561           | (127,414,851)        | (335.86%)      |
| (4) Investing activities                             | (35,634,097)         | 41,371,578           | (77,005,675)         | (186.13%)      |
| Net increase (decrease) in cash and cash equivalents | (8,757,902)          | 136,205,881          | (144,963,783)        | (106.43%)      |
| Cash and cash equivalents - beginning of year        | 217,201,573          | 80,995,692           | 136,205,881          | 168.16%        |
| <b>Cash and cash equivalents - end of year</b>       | <b>\$208,443,671</b> | <b>\$217,201,573</b> | <b>(\$8,757,902)</b> | <b>(4.03%)</b> |

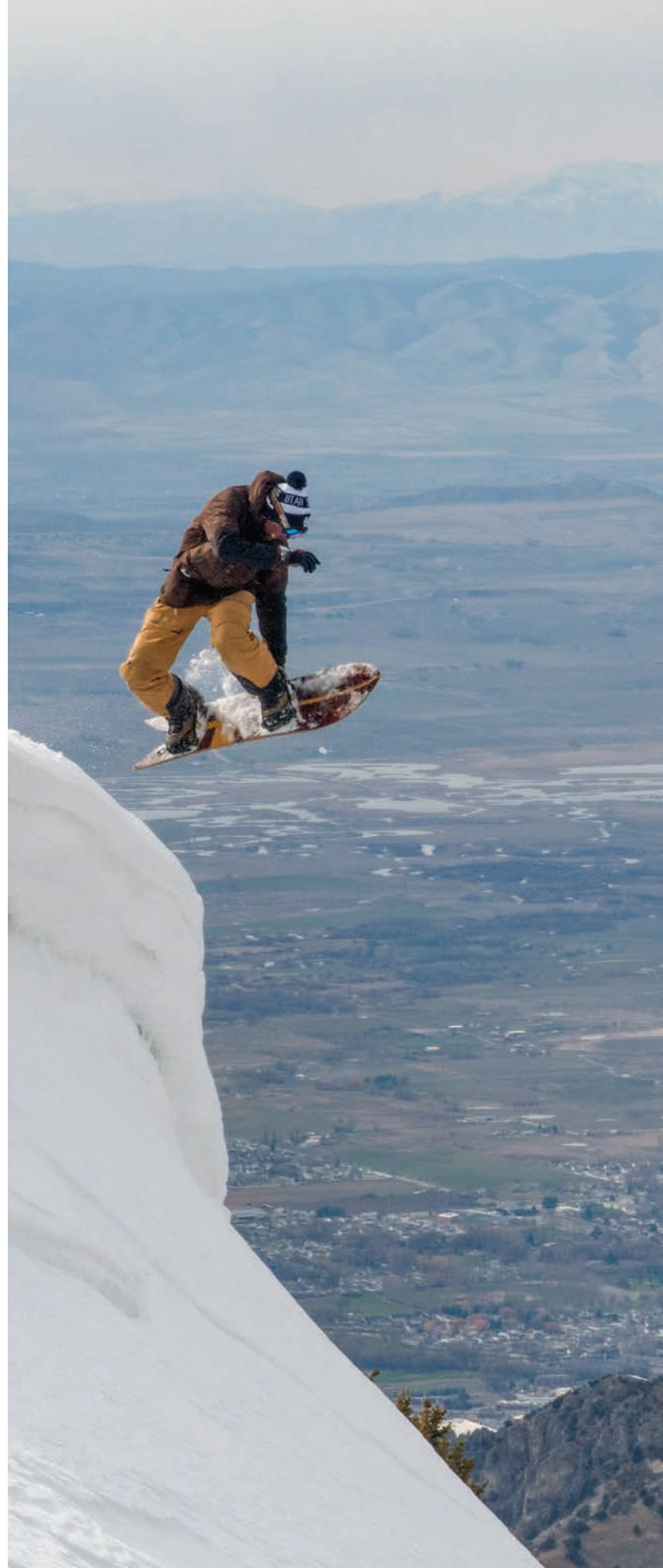
## Capital Asset and Debt Administration

Construction of a 78,845 square-foot, three story building for the Space Dynamics Laboratory located at the USU Innovation Campus was completed in July of 2020. The building provides additional office and laboratory space to meet the growing demand for Space Dynamics Laboratory research projects. The project was funded with the proceeds of the University's \$32,210,000 Research Revenue Bonds, Series 2018B, that were issued in June of 2018.

Construction of the Mountain View Residence Hall replacement began in Spring 2020. The project includes the demolition and replacement of the aging high rise residence hall on central campus. The new residence hall will be a six-story student apartment building containing four and six bed suites, that will provide up to 402 beds. Construction is expected to be completed in August of 2022. The \$42 million project is funded with a portion of the proceeds of the University's \$54,995,000 Student Fee and Housing System Revenue Bonds, Series 2019, that were issued in August of 2019.

Construction of the Gateway Parking Terrace was completed in Fall 2020. It is a four level parking structure with 395 spaces. The \$12 million project was funded with a portion of the proceeds of the University's \$54,995,000 Student Fee and Housing System Revenue Bonds, Series 2019, that were issued in August of 2019.

Construction of the \$12.2 million, 28,028 gross square-foot Information Technology Services building continues. The building will house the consolidated Information Technology (IT) Department. The IT Department currently occupies space in three different buildings. The new building will enable the department to operate more efficiently, and it will free up space in other



buildings for other university needs. The anticipated completion is May of 2022.

Construction of the 38,514 gross square-foot Space Dynamics Laboratory building 416, located at the USU Innovation Campus is substantially complete. The project will provide a state-of-the-art manufacturing and support facility. It will include office space, electronics assembly, machine shop, material management, facilities maintenance, central shipping/receiving, and testing facilities. It will be the central hub for all hardware fabrication, both mechanical and electronic, for SDL. The \$14.8 million project is funded with a portion of the proceeds of the University's \$61,865,000 Research Revenue and Refunding Bonds, Series 2019B, that were issued in December of 2019.

The Space Dynamics Laboratory continues to receive significant contract funding which is driving the need for additional

space. Construction of the Space Dynamics Laboratory building 1480, located at the Innovation Campus began in July of 2020. The building will provide additional assembly, testing, and integration laboratory space to meet the growing demand for Space Dynamics Laboratory research projects. It is expected to be completed in August of 2022. The \$28.8 million project is funded with a portion of the proceeds of the University's \$61,865,000 Research Revenue and Refunding Bonds, Series 2019B, that were issued in December of 2019.

## Economic Outlook

Utah's decade long expansion, the longest on record, ended in 2020 with the emergence of COVID-19. The public health crisis presented the greatest challenge to the Utah economy since the Great Recession. In the early spring, the forecast for 2020 was bleak as the unemployment rate in April climbed to



Maverik Football Stadium | USU vs. UNI

roughly 10 percent. But as the year unfolded, the resiliency of the Utah economy was on full display.

Utah exports are forecast to reach \$20.1 billion, the third-highest year on record. Residential construction permits are expected to surpass the previous record high of 28,285 in 2005. The construction boom includes nonresidential construction with \$2.3 billion in value in 2020. The total value of all permit authorized construction is at record levels.

The employment forecast is strong for 2021, with an expected increase of 58,000 jobs, which will be the largest single-year increase in employment in Utah's history.

Higher education constitutes one of the most significant influences to the state's economy, consistently producing the labor supply powering the strong economic momentum in

Utah. Utah's public degree-granting colleges and universities enrolled approximately 4,800 fewer students in Fall Semester 2020 for a net decrease of 2.5 percent from Fall 2019. Despite the downturn, enrollment growth at degree-granting institutions in the Utah System of Higher Education (USHE) is expected to outpace the country, with an anticipated 57,000 additional students enrolling in USHE schools over the next 10 years. Headcount enrollment for Fall Semester 2021 across all USU campuses was down by 1 percent and overall USU enrollment is near 27,500. USU expects increased enrollment in future years as all university academic operations, including recruitment efforts, return to normal.

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

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



# FINANCIAL STATEMENTS

The financial statements consist of the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Each statement presents a different financial perspective of the University for the fiscal year ended June 30, 2021.





NEOWISE Comet 2020 | USU Observatory

# STATEMENT OF NET POSITION

JUNE 30, 2021

## Assets

|  |                      |
|--|----------------------|
| Current assets                                       |                      |
| Cash and cash equivalents (Notes A, B, and D)        | \$136,644,470        |
| Short-term investments (Notes B and D)               | 109,299,376          |
| Accounts receivable from primary government (Note E) | 2,712,356            |
| Accounts receivable from others - net (Note E)       | 113,075,142          |
| Credits receivable (Note E)                          | 128,270              |
| Notes receivable - net (Note E)                      | 2,283,243            |
| Inventories (Note A)                                 | 4,563,502            |
| Prepaid expenses                                     | 7,062,973            |
| <b>Total current assets</b>                          | <b>375,769,332</b>   |
| Noncurrent assets                                    |                      |
| Restricted   |                      |
| Cash and cash equivalents (Notes A, B, and D)        | 71,799,201           |
| Short-term investments (Notes B and D)               | 2,915,079            |
| Investments (Notes C and D)                          | 271,912,485          |
| Accounts receivable - net (Note E)                   | 5,266,012            |
| Real estate held for resale                          | 665,000              |
| Split-interest agreements                            | 1,178,082            |
| Accounts receivable - net (Note E)                   | 16,134,438           |
| Notes receivable - net (Note E)                      | 15,212,523           |
| Investments (Notes C and D)                          | 359,665,726          |
| Other noncurrent assets                              | 222                  |
| Net pension assets (Note K)                          | 18,663,430           |
| Property, plant, and equipment - net (Note F)        | 1,034,798,953        |
| <b>Total noncurrent assets</b>                       | <b>1,798,211,151</b> |
| <b>Total assets</b>                                  | <b>2,173,980,483</b> |
| Deferred outflows of resources                       |                      |
| Unamortized refunding losses on bonds                | 7,399,981            |
| Resources related to pensions (Note K)               | 12,284,506           |
| <b>Total deferred outflows of resources</b>          | <b>19,684,487</b>    |

Table continued on next page



## STATEMENT OF NET POSITION (continued)

JUNE 30, 2021

### Liabilities

|   |                 |
|---|-----------------|
| Current liabilities   |                 |
| Accounts payable and accrued liabilities to primary government (Note G) | 14,508,288      |
| Accounts payable and accrued liabilities to others (Note G)             | 78,295,212      |
| Liability for compensated absences (Note H)                             | 15,959,400      |
| Liability for early retirement (Note H)                                 | 8,297,193       |
| Unearned revenue and deposits   | 28,876,650      |
| Other current liabilities (Note H)                                      | 2,015,769       |
| Funds held for others   | 107,233         |
| Notes payable to primary government (Note H)                            | 123,668         |
| Bonds, notes, and contracts payable (Notes H and I)                     | 9,743,254       |
| Total current liabilities   | 157,926,667     |
| Noncurrent liabilities  |                 |
| Liability for compensated absences (Note H)                             | 12,627,204      |
| Liability for early retirement (Note H)                                 | 15,153,606      |
| Unearned revenue and deposits   | 1,728,868       |
| Notes payable to primary government (Note H)                            | 273,225         |
| Other noncurrent liabilities (Note H)                                   | 7,665,224       |
| Net pension liability (Note K)  | 313,265         |
| Bonds, notes, and contracts payable (Notes H and I)                     | 329,621,414     |
| Total noncurrent liabilities  | 367,382,806     |
| Total liabilities   | 525,309,473     |
| Deferred inflows of resources   |                 |
| Split-interest agreements   | 5,674,706       |
| Deferred gift revenue (Notes C and D)                                   | 256,850         |
| Resources related to pensions (Note K)                                  | 26,606,279      |
| Total deferred inflows of resources                                     | 32,537,835      |
| Net position  |                 |
| Net investment in capital assets  | 762,465,435     |
| Restricted  |                 |
| Nonexpendable   |                 |
| Scholarships and fellowships  | 108,253,274     |
| Instruction   | 38,572,760      |
| Loans   | 2,957,342       |
| Other   | 17,846,716      |
| Expendable  |                 |
| Research, instruction, and public service                               | 301,176,327     |
| Capital projects  | 32,271,441      |
| Unrestricted  | 372,274,367     |
| Total net position  | \$1,635,817,662 |

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

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

FOR THE YEAR ENDED JUNE 30, 2021

## Operating revenues

|                                      |                    |
|--------------------------------------|--------------------|
| Tuition and fees - net (Note A)      | \$151,441,852      |
| Federal appropriations               | 4,930,789          |
| Federal contracts and grants         | 295,591,300        |
| State contracts and grants           | 9,934,232          |
| Local contracts and grants           | 1,450,389          |
| Private contracts and grants         | 14,267,864         |
| Sales and services                   | 16,158,960         |
| Service departments                  | 2,359,783          |
| Auxiliary enterprises - net (Note A) | 45,231,841         |
| Other                                | 18,842,750         |
| <b>Total operating revenues</b>      | <b>560,209,760</b> |

## Operating expenses

|   |                      |
|---|----------------------|
| Salaries and wages                            | 396,821,353          |
| Employee benefits                             | 167,553,284          |
| Actuarial calculated pension expense (Note K) | (5,297,931)          |
| Other operating expenses                      | 204,455,655          |
| Scholarships and fellowships                  | 46,961,800           |
| Depreciation                                  | 56,821,556           |
| <b>Total operating expenses</b>               | <b>867,315,717</b>   |
| <b>Operating loss</b>                         | <b>(307,105,957)</b> |

## Nonoperating revenues (expenses)

|   |                    |
|---|--------------------|
| State appropriations                          | 258,377,613        |
| State grants                                  | 7,976,333          |
| State land grant revenues                     | 268,318            |
| Financial aid grants                          | 36,394,110         |
| Federal CARES Act Funds                       | 67,770,528         |
| Private gifts                                 | 29,020,225         |
| Investment income                             | 74,207,250         |
| Interest on capital asset related debt        | (8,778,969)        |
| Other   | (948,830)          |
| <b>Total nonoperating revenues (expenses)</b> | <b>464,286,578</b> |
| <b>Income before other revenues</b>           | <b>157,180,621</b> |

## Other revenues

|                                   |                    |
|-----------------------------------|--------------------|
| Capital appropriations            | 17,153,859         |
| Capital grants and gifts          | 3,098,141          |
| Additions to permanent endowments | 9,892,211          |
| <b>Total other revenues</b>       | <b>30,144,211</b>  |
| <b>Increase in net position</b>   | <b>187,324,832</b> |

**Net position – beginning of year** 1,448,492,830

**Net position – end of year** \$1,635,817,662



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021

## Cash flows from operating activities

|   |               |
|---|---------------|
| Tuition and fees receipts                       | \$152,645,839 |
| Federal appropriations receipts                 | 4,549,949     |
| Contracts and grants receipts                   | 321,180,727   |
| Sales and services receipts                     | 16,158,960    |
| Receipts from service departments               | 3,598,165     |
| Receipts from auxiliary enterprises             | 45,549,722    |
| Other operating receipts                        | 14,156,979    |
| Payments to employees for salaries and benefits | (555,755,113) |
| Payments to suppliers                           | (196,958,293) |
| Payments for scholarships and fellowships       | (46,961,800)  |
| Loans issued to students                        | (3,200)       |
| Loan payments received from students            | 612,497       |
| Net cash used by operating activities           | (241,225,568) |

## Cash flows from noncapital financing activities

|   |              |
|---|--------------|
| State appropriations  | 258,326,584  |
| State grants  | 7,976,333    |
| State land grant revenues                                     | 264,679      |
| Financial aid grants  | 36,228,136   |
| Federal CARES Act funds                                       | 32,772,346   |
| Private gifts   | 32,290,737   |
| Split-interest agreements                                     | 1,554,911    |
| Federal direct loans issued to students                       | (53,092,970) |
| Federal direct loan payments received from federal government | 52,881,090   |
| Other deductions  | (11,621,793) |
| Net cash provided by noncapital financing activities          | 357,580,053  |

## Cash flows from capital and related financing activities

|   |              |
|---|--------------|
| Capital appropriations                                    | 10,763,189   |
| Capital grants and gifts                                  | 5,094,593    |
| Proceeds from capital debt                                | 1,510,624    |
| Other deductions  | (161,465)    |
| Cash paid for capital assets                              | (87,001,638) |
| Payment of capital debt and leases                        | (10,427,085) |
| Interest paid on capital asset related debt               | (9,256,508)  |
| Net cash used by capital and related financing activities | (89,478,290) |

Table continued on next page

## STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED JUNE 30, 2021

### Cash flows from investing activities

|  |                      |
|--|----------------------|
| Purchases of investments                             | (226,758,307)        |
| Proceeds from sale of investments                    | 177,154,542          |
| Interest and dividends received from investments     | 13,969,668           |
| Net cash used by investing activities                | (35,634,097)         |
| Net decrease in cash and cash equivalents            | (8,757,902)          |
| <b>Cash and cash equivalents – beginning of year</b> | <b>217,201,573</b>   |
| <b>Cash and cash equivalents – end of year</b>       | <b>\$208,443,671</b> |

### Reconciliation of operating loss to net cash used by operating activities

|  |                 |
|--|-----------------|
| Operating loss   | (\$307,105,957) |
| Adjustments to reconcile operating loss to net cash used by operating activities |                 |
| Depreciation expense   | 56,821,556      |
| Gifts-in-kind and transfers reducing payments to suppliers                       | 422,993         |
| Changes in assets and liabilities  |                 |
| Accounts receivable  | (7,605,898)     |
| Inventories  | (344,534)       |
| Prepaid expenses   | (1,466,084)     |
| Accounts payable and accrued expenses  | 17,380,843      |
| Unearned revenues and deposits   | 4,632,642       |
| Compensated absences and early retirement  | 9,927,087       |
| Net pension liability  | (15,101,350)    |
| Net student loan activity  | 1,213,134       |
| Net cash used by operating activities  | (\$241,225,568) |

### Noncash investing, capital, and financing activities

|  |                      |
|--|----------------------|
| Completed construction projects transferred from State of Utah                     | \$6,253,967          |
| Change in fair value of investments recognized as a component of investment income | 58,831,284           |
| Amortization of premiums, discounts, and net loss on bonds                         | (309,905)            |
| Additions to pledges receivable for noncapital financing activities                | 3,626,664            |
| Additions to pledges receivable for capital and related financing activities       | 17,500               |
| Additions to Federal CARES Act funds receivable                                    | 34,998,182           |
| Disposal of capital assets due to write off  | (699,383)            |
| Gifts of capital assets  | 306,920              |
| <b>Total noncash investing, capital, and financing activities</b>                  | <b>\$103,025,229</b> |

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



# NOTES TO FINANCIAL STATEMENTS

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

## A. Summary of Significant Accounting Policies

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

### Basis of Presentation

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

which are separately funded by state appropriations.

The Utah State University Space Dynamics Laboratory (SDL), the Utah State University Foundation (Foundation) and the Hansen Scholars Support Foundation (HSSF) are blended component units of the University and have been consolidated in these financial statements. SDL is governed by a Board of Trustees appointed by the president of Utah State University, under the direction of the University's Board of Trustees. SDL is a dependent foundation of Utah State University and is reported as a part of the University because its primary purpose is to support the mission of Utah State University in regards to research. The Utah State University Foundation is also governed by a





Utah State University Vernal Campus

Board of Trustees appointed by the president of the University. The Utah State University Foundation is a dependent foundation of Utah State University and serves as a fund-raising arm of the University. The Hansen Scholars Support Foundation is a dependent foundation and is governed by a Board of Trustees. The majority of the HSSF Board of Trustees is selected by the University. The purpose of this foundation is to manage, invest, and distribute foundation assets to the University to be used for scholarships.

The Utah State University Space Dynamics Laboratory annually publishes audited financial statements. A copy of the audited financial statements can be obtained from Utah State University Space Dynamics Laboratory, 1695 North Research Parkway, North Logan, Utah 84341.

### Basis of Accounting

For financial reporting purposes, the University is considered a special purpose government engaged only in business-type activities. Accordingly, the University's

financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. When both restricted and unrestricted resources are available, such resources are spent and tracked at the discretion of the department within the guidelines of donor restrictions.

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

### Cash and Cash Equivalents

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

## Investments

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

A portion of the University's endowment portfolio is invested in "alternative investments". These investments, unlike more traditional investments, generally do not have readily obtainable market values and typically take the form of limited partnerships. The University values these investments based on the values provided by the partnerships as well as their audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent capital calls and distributions.

## Inventories

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

## Noncurrent Assets

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

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

## Property, Plant, and Equipment

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

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

**Figure A.1**

|                                   |             |
|-----------------------------------|-------------|
| Buildings                         | 10-40 years |
| Improvements other than buildings | 5-20 years  |
| Equipment                         | 3-15 years  |
| Purchased software                | 5-10 years  |
| Library physical collections      | 20 years    |

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

### Pension Related Assets, Liabilities, Deferred Outflows, and Deferred Inflows

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

### Unearned Revenues

Unearned revenues consist primarily of amounts received during the fiscal year that have not yet been earned and are related to the subsequent accounting period. These sources consist of contract and grant sponsors, amounts received for tuition and fees, and certain auxiliary activities.

### Compensated Absences

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

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

### Gifts

The University received \$422,993 of gifts-in-kind that were recorded as revenue and expense during the fiscal year ended June 30, 2021.

### Noncurrent Liabilities

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

### Deferred Inflows

In accordance with GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, as of June 30, 2021, the University has recognized certain donated assets as investments along with a deferred inflow of resources for certain irrevocable split-interest agreements. The University has a beneficial interest or right to a portion of the benefits donated, pursuant to an irrevocable split-interest agreement, in which the donor

enters into a trust and transfers resources to an intermediary.

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

### Net Position

The University's net position is classified as follows:

**NET INVESTMENT IN CAPITAL ASSETS:** This represents the University's total investment in capital assets net of obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included

as a component of net investment in capital assets.

#### RESTRICTED – NONEXPENDABLE:

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

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

**UNRESTRICTED:** Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of university departments. These resources are used for transactions relating to the educational and general operations of the University and may be



used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services primarily for students.

## Classification of Revenues and Expenses

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

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

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

## Scholarship Allowances

Student tuition and fee revenues are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowances are the difference between

the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. To the extent that revenues from other sources are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance to eliminate overstating total revenues to the University and properly record the revenues at the original source.

The scholarship allowances for the year ended June 30, 2021, were: (*Figure A.2*)

**Figure A.2**

### Scholarship Allowances

|                                     |                     |
|-------------------------------------|---------------------|
| Tuition and fees                    | \$91,341,266        |
| Auxiliary enterprises               | 489,408             |
| <b>Total scholarship allowances</b> | <b>\$91,830,674</b> |

## Segment Reporting

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

## B. Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents consist of cash and investments with an original maturity of three months or less. Short-term investments consist of investments with an original maturity greater than three months that will mature within one year or less. Cash, depending on source of receipts, is pooled except when legal requirements dictate the use of separate accounts. The cash balances and cash float from outstanding checks are invested principally in short-term investments that conform to the

provisions of the Utah Code. It is the practice of the University that the investments ordinarily be held to maturity at which time the par value of the investments will be realized.

The Utah State Treasurer's Office operates the Utah Public Treasurers' Investment Fund (PTIF) which is invested in accordance with the State Money Management Act (the Act). The State of Utah Money Management Council provides regulatory oversight for the PTIF. The PTIF is available for investment of funds administered by any Utah Public Treasurer.

At June 30, 2021, cash and cash equivalents and short-term investments consisted of: *(Figure B.1)*

**Figure B.1**

### Cash and Cash Equivalents

|   |               |
|---|---------------|
| Cash                                    | \$57,864,792  |
| Money market accounts                   | 61,200,000    |
| Money market mutual funds               | 18,399,148    |
| Utah Public Treasurers' Investment Fund | 70,979,731    |
| Total cash and cash equivalents         | \$208,443,671 |

### Short-Term Investments

|   |               |
|---|---------------|
| Commercial paper and corporate notes      | \$109,167,519 |
| Municipal bonds                           | 1,946,595     |
| Obligations of United States Government   | 1,100,341     |
| Total short-term investments (fair value) | \$112,214,455 |

## C. Investments

Funds available for investment are pooled to maximize return and minimize administrative cost, except for funds that are authorized by the University administration to be separately invested or which are separately invested to meet legal or donor requirements. Investments received as gifts are recorded at market or appraised value. If no market or appraised value is available, investments received as gifts are recorded at a nominal value. Other investments are also recorded at fair value.

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

According to the University's Investment Policy, the governing board may appropriate for expenditure as much of the net appreciation, realized and unrealized, of an endowment's corpus as is prudent under the facts and circumstances prevailing at the time of the action or decision. The appropriation must be for the purposes for which the endowment is established and also includes a management fee.

The endowment income spending policy at June 30, 2021, was 4 percent of the 12 quarter moving average of the market value of the endowment pool with a one year lag. The spending policy is reviewed periodically and any necessary changes are made.

The amount of net appreciation on investments of donor-restricted endowments available for authorization for expenditure at June 30, 2021, was \$78,283,205. The net appreciation is a component of restricted-expendable net position.

At June 30, 2021, the investment portfolio composition was: *(Figure C.1)*

**Figure C.1**

### Long-Term Investments

|   |               |
|---|---------------|
| Alternatives  | \$65,498,228  |
| Closely held stocks                                 | 256,852       |
| Commercial paper and corporate notes                | 203,749,224   |
| Common and preferred stocks                         | 26,287,577    |
| Municipal bonds                                     | 16,569,235    |
| Mutual funds - bonds                                | 44,232,709    |
| Mutual funds - equity                               | 158,385,053   |
| Obligations of the U.S. Government and its agencies | 116,599,333   |
| Total long-term investments (fair value)            | \$631,578,211 |



## D. Deposits and Investments

### Deposits

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

At June 30, 2021, the carrying amounts of the University's deposits and bank balances were \$118,938,397 and \$124,804,415, respectively. The bank balances of the University were insured for \$1,405,666 by the Federal Deposit Insurance Corporation. The bank balances in excess of \$1,405,666 were uninsured and uncollateralized, leaving \$123,398,749 exposed to custodial credit risk.

### Investments

The State of Utah Money Management Council has the responsibility to advise the Utah State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State Money Management Act (Utah Code, Title 51, Chapter 7) (the Act) that relate to the deposit and investment of public funds.

Except for endowment funds, the University follows the requirements of the Act in

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

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

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

Statutes authorize the University to invest in negotiable or non-negotiable deposits of qualified or permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the

United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. Government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares of certificates in a money market mutual fund as defined in the Act; reciprocal deposits and negotiable brokered certificates of deposit in accordance with the Act; and the Utah State Public Treasurers' Investment Fund (PTIF).

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

The UPMIFA and Policy R541 allow the University to invest endowment funds (including gifts, devises, or bequests of property of any kind from any source) in any of the above investments or any of the following, subject to certain criteria: mutual funds registered with the Securities and Exchange Commission, investments sponsored by the Commonfund; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and

any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

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

**FAIR VALUE OF INVESTMENTS:** The University measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy of:

**Level 1:** Quoted prices for identical investments in active markets

**Level 2:** Observable inputs other than quoted market prices

**Level 3:** Unobservable inputs

At June 30, 2021, the University had recurring fair value measurements of: (*Figure D.1*)



| Investments by fair value level              | Total              | Fair Value Measurements Using |                      |                      |
|--|--------------------|-------------------------------|----------------------|----------------------|
|  |                    | Level 1                       | Level 2              | Level 3              |
| Debt securities                              |                    |                               |                      |                      |
| Money market mutual funds                    | \$18,399,148       | \$18,399,148                  | —                    | —                    |
| Utah Public Treasurers' Investment Fund      | 70,979,731         | —                             | \$70,979,731         | —                    |
| Commercial paper and corporate notes         | 312,916,743        | —                             | 312,916,743          | —                    |
| Municipal bonds                              | 18,515,830         | —                             | 18,515,830           | —                    |
| Mutual funds – bonds                         | 44,232,709         | 313,695                       | 14,137,025           | \$29,781,989         |
| U.S. agencies                                | 114,079,450        | —                             | 114,079,450          | —                    |
| U.S. treasury securities                     | 3,620,224          | 3,620,224                     | —                    | —                    |
| <b>Total debt securities</b>                 | <b>582,743,835</b> | <b>22,333,067</b>             | <b>530,628,779</b>   | <b>29,781,989</b>    |
| Equity securities                            |                    |                               |                      |                      |
| Closely held stock                           | 256,852            | —                             | —                    | 256,852              |
| Common and preferred stock                   | 26,287,577         | 26,287,577                    | —                    | —                    |
| Mutual funds - equity                        | 158,385,053        | 1,147,745                     | 66,031,584           | 91,205,724           |
| <b>Total equity securities</b>               | <b>184,929,482</b> | <b>27,435,322</b>             | <b>66,031,584</b>    | <b>91,462,576</b>    |
| <b>Total investments by fair value level</b> | <b>767,673,317</b> | <b>\$49,768,389</b>           | <b>\$596,660,363</b> | <b>\$121,244,565</b> |

#### Investments measured at net asset value (NAV)

|  |                      |
|--|----------------------|
| Hedge funds                                | 9,100,174            |
| Private equity core real estate            | 8,880,643            |
| Private equity natural resources           | 5,687,162            |
| Private equity partnerships                | 16,656,991           |
| Private equity real estate funds           | 19,515,074           |
| Private infrastructure                     | 3,180,930            |
| Venture capital funds                      | 2,477,254            |
| <b>Total investments measured at (NAV)</b> | <b>65,498,228</b>    |
| <b>Total investments at fair value</b>     | <b>\$833,171,545</b> |





## Jon M. Huntsman School of Business

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

**U.S. TREASURIES, U.S. AGENCIES, AND COMMERCIAL PAPER:** Quoted prices for identical securities in markets that are not active

**CORPORATE AND MUNICIPAL BONDS:** Quoted prices for similar securities in active markets

**BOND AND EQUITY MUTUAL FUNDS:** Published fair value per share (unit) for each fund

**UTAH PUBLIC TREASURERS' INVESTMENT FUND:** Application of the June 30, 2021, fair value factor, as calculated by the Utah State Treasurer, to the University's June 30 balance in the fund

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

Investments valued using the net asset value per share (or its equivalent) are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. A portion of the University's endowment portfolio is invested in alternative investments. The University values these investments based on the values provided by the partnerships as well as their audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent capital calls and distributions.

Figure D.2

| Investments measured at NAV       | Fair Value   | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|-----------------------------------|--------------|----------------------|----------------------|--------------------------|
| Hedge funds                       | \$9,100,174  | —                    | Quarterly            | 100 Days                 |
| Private equity core real estate   | 8,880,643    | —                    | Quarterly            | 60 - 90 Days             |
| Private equity natural resources  | 5,687,162    | \$2,772,325          | N/A                  | N/A                      |
| Private equity partnerships       | 16,656,991   | 12,235,996           | N/A                  | N/A                      |
| Private equity real estate funds  | 19,515,074   | 4,468,987            | N/A                  | N/A                      |
| Private infrastructure            | 3,180,930    | 10,047,964           | N/A                  | N/A                      |
| Venture capital funds             | 2,477,254    | 45,000               | N/A                  | N/A                      |
| Total investments measured at NAV | \$65,498,228 | \$29,570,272         |                      |                          |

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

**INTEREST RATE RISK:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act or the University's Investment Policy, as applicable. For non-endowment funds, the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed-rate negotiable deposits, and fixed-rate corporate obligations to 270

days – 15 months or fewer. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to five years. In addition, variable-rate negotiable deposits and variable-rate securities may not have a remaining term to final maturity exceeding three years. For endowment funds, the University's Investment Policy requires only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

As of June 30, 2021, the University's investments and maturities consisted of: (Figure D.3)

Figure D.3

| Investment Type                         | Fair Value    | Investment Maturities (in years) |               |               |                 |
|---|---------------|----------------------------------|---------------|---------------|-----------------|
|   |               | Less than 1                      | 1 – 5         | 6 – 10        | Greater than 10 |
| Money market mutual funds               | \$18,399,148  | \$18,399,148                     | —             | —             | —               |
| Utah Public Treasurers' Investment Fund | 70,979,731    | 70,979,731                       | —             | —             | —               |
| Commercial paper and corporate notes    | 312,916,743   | 109,167,519                      | \$133,406,013 | \$3,580,633   | \$66,762,578    |
| Municipal bonds                         | 18,515,830    | 1,946,595                        | 9,081,311     | 2,989,292     | 4,498,632       |
| Mutual funds – bonds                    | 44,232,709    | —                                | 30,240,372    | 11,433,982    | 2,558,355       |
| U.S. agencies                           | 114,079,450   | —                                | —             | 111,449,014   | 2,630,436       |
| U.S. treasury securities                | 3,620,224     | 1,100,341                        | 1,776,831     | 100,988       | 642,064         |
| Totals                                  | \$582,743,835 | \$201,593,334                    | \$174,504,527 | \$129,553,909 | \$77,092,065    |

Figure D.4

| Investment Type                         | Fair Value    | AAA          | AA           |
|---|---------------|--------------|--------------|
| Money market mutual funds               | \$18,399,148  | —            | —            |
| Utah Public Treasurers' Investment Fund | 70,979,731    | —            | —            |
| Commercial paper and corporate notes    | 312,916,743   | \$1,981,063  | \$6,255,298  |
| Municipal bonds                         | 18,515,830    | 10,686,810   | 6,627,683    |
| Mutual funds – bonds                    | 44,232,709    | —            | —            |
| U.S. agencies                           | 114,079,450   | 144,829      | 80,780,161   |
| U.S. treasury securities                | 3,620,224     | —            | —            |
| Totals                                  | \$582,743,835 | \$12,812,702 | \$93,663,142 |

**CREDIT RISK:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The University's policy for reducing its exposure to credit risk is to comply with the State Money Management Act and the University's Investment Policy, as previously discussed. As of June 30, 2021, the University had investments with quality ratings of: (Figure D.4)

**CONCENTRATION OF CREDIT RISK:** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for reducing this risk of loss is to comply with the rules of the State of Utah Money Management Council. For endowment funds, the University policy requires diversification of investments across a broad spectrum and specific limits to concentration of securities within categories of equities, fixed income, and alternatives. Rule 17 of the State of Utah Money Management Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to 5-10 percent depending upon the total dollar amount held in the portfolio at the time of purchase. The State of Utah Money Management Council limitations do not apply to securities issued by the U.S. Government and its agencies.

For endowments, the University, under Policy R541, is permitted to establish its

own investment policy which adheres to the guidelines established by UPMIFA. Accordingly, the University's asset allocation guidelines allocate endowment funds in the asset classes consisting of: (Figure D.5)

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

At June 30, 2021, the University held more than 5 percent of total investments in securities of the Federal Farm Credit Bank FFCB. This investment represents 5.57 percent of the total investments.

**CUSTODIAL CREDIT RISK:** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the University will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The University does not have a formal investment policy for custodial credit risk. At June 30, 2021, the University had \$256,852 in closely held stock, \$26,287,577 in common and preferred stock, \$312,916,743 in commercial paper and corporate notes, \$18,515,830 in municipal bonds, and \$114,079,450 in U.S.

| Quality Rating |               |             |     |               |         |             |
|----------------|---------------|-------------|-----|---------------|---------|-------------|
| A              | BBB           | BB          | B   | Unrated       | No Risk |             |
| —              | —             | —           | —   | \$18,399,148  | —       | —           |
| —              | —             | —           | —   | 70,979,731    | —       | —           |
| \$165,974,015  | \$131,863,586 | \$2,202,440 | —   | 4,640,341     | —       | —           |
| 352,923        | 748,414       | —           | —   | 100,000       | —       | —           |
| —              | —             | —           | —   | 44,232,709    | —       | —           |
| —              | —             | —           | —   | 33,076,592    | —       | \$77,868    |
| —              | —             | —           | —   | —             | —       | 3,620,224   |
| \$166,326,938  | \$132,612,000 | \$2,202,440 | \$0 | \$171,428,521 | —       | \$3,698,092 |

agencies which were uninsured and held by the counterparty, but not in the University's name.

## E. Accounts, Credits, and Student Loans Receivable

As of June 30, 2021, accounts receivable consisted of: *(Figure E.1)*

Credits receivable, \$128,270, reflect amounts due from vendors doing business primarily with the University's Campus Store.

Student loans receivable are comprised primarily of loans issued through the Federal Perkins Loan Program (FPLP) and short-term

loans issued from funds set aside by the University for that purpose.

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

| Figure E.1   | Current       | Noncurrent   | Total         |
|--|---------------|--------------|---------------|
| <b>Due from primary government</b>                 |               |              |               |
| State contracts and grants                         | \$1,536,141   | —            | \$1,536,141   |
| Land-grant revenue                                 | 150,577       | —            | 150,577       |
| Division of Facilities Construction and Management | 966,900       | —            | 966,900       |
| Due from State of Utah                             | 58,738        | —            | 58,738        |
| <b>Due from others</b>                             |               |              |               |
| Contracts and grants                               | 95,212,744    | —            | 95,212,744    |
| Pledges receivable                                 | 2,759,121     | \$21,191,324 | 23,950,445    |
| Auxiliary and service enterprises                  | 322,464       | —            | 322,464       |
| Other activities                                   | 16,202,684    | 209,126      | 16,411,810    |
| Total accounts receivable                          | 117,209,369   | 21,400,450   | 138,609,819   |
| Less allowance for doubtful accounts               | (1,421,871)   | —            | (1,421,871)   |
| Net accounts receivable                            | \$115,787,498 | \$21,400,450 | \$137,187,948 |

of June 30, 2021, the outstanding liability to the federal government was \$6,097,135.

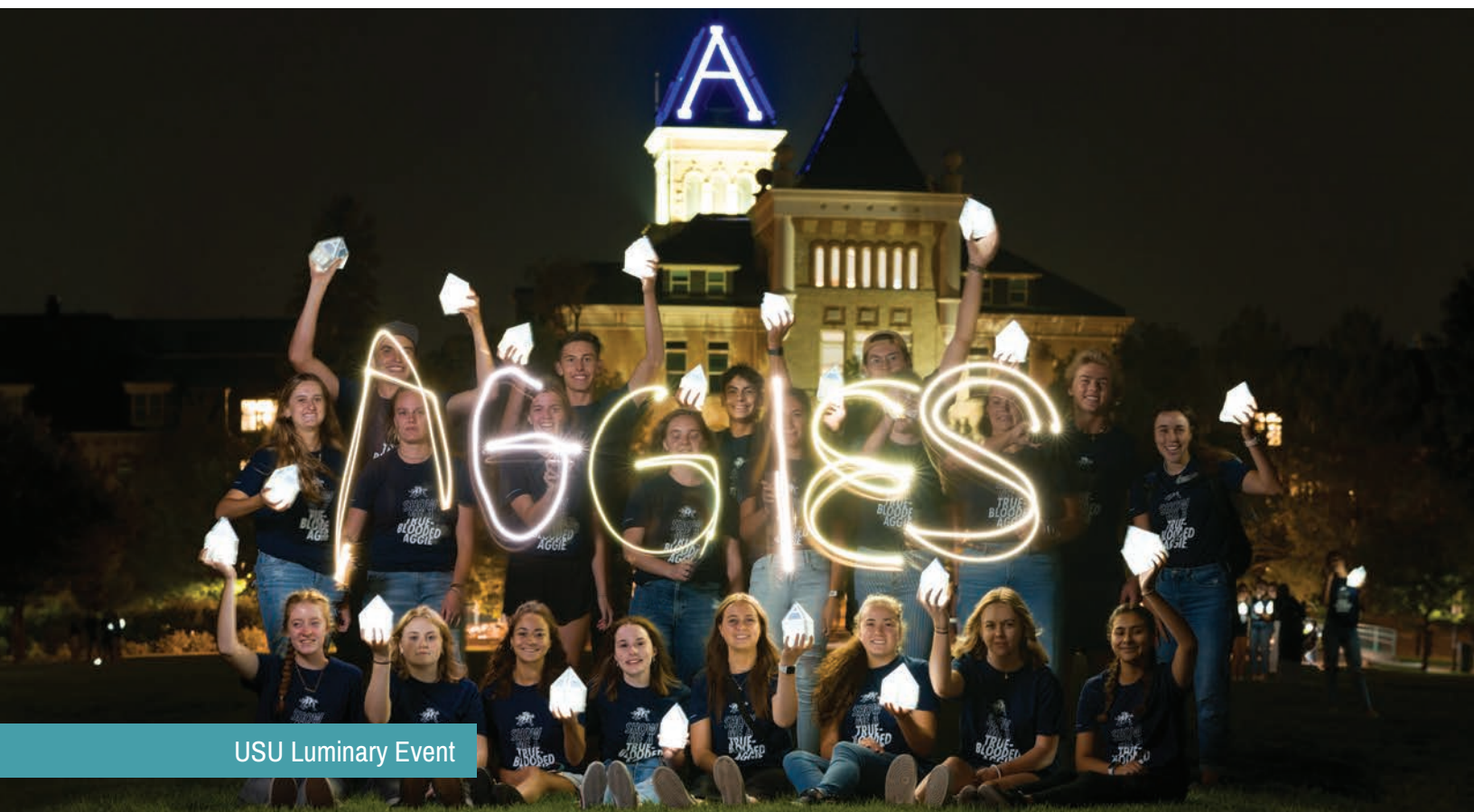
As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education.

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

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

As of June 30, 2021, loans receivable consisted of: *(Figure E.2)*

| Figure E.2                           | Current     | Noncurrent   | Total Receivable |
|--------------------------------------|-------------|--------------|------------------|
| Federal Perkins Loan Program         | \$1,194,848 | \$4,333,725  | \$5,528,573      |
| Third party loan                     | —           | 10,220,585   | 10,220,585       |
| Other                                | 1,246,215   | 855,144      | 2,101,359        |
| Total loans receivable               | 2,441,063   | 15,409,454   | 17,850,517       |
| Less allowance for doubtful accounts | (157,820)   | (196,932)    | (354,752)        |
| Net loans receivable                 | \$2,283,243 | \$15,212,522 | \$17,495,765     |



USU Luminary Event

| Figure F.1  | June 30, 2020 | Additions     | Deletions    | June 30, 2021   |
|---|---------------|---------------|--------------|-----------------|
| <b>Property, plant, and equipment not depreciated</b> |               |               |              |                 |
| Land  | \$44,188,026  | \$388,405     | \$84,000     | \$44,492,431    |
| Construction in progress                              |               |               |              |                 |
| Buildings   | 53,581,304    | 43,212,531    | 56,125,146   | 40,668,689      |
| Improvements other than buildings                     | 2,446,627     | 4,937,464     | 6,371,940    | 1,012,151       |
| Equipment   | 1,838,790     | 1,671,289     | 2,527,537    | 982,542         |
| Art and special collections                           | 50,414,876    | 5,106,495     | 7,694        | 55,513,677      |
| Total property, plant, and equipment not depreciated  | 152,469,623   | 55,316,184    | 65,116,317   | 142,669,490     |
| <b>Other property, plant, and equipment</b>           |               |               |              |                 |
| Buildings   | 1,210,187,122 | 79,271,767    | 6,181        | 1,289,452,708   |
| Improvements other than buildings                     | 83,469,009    | 9,201,154     | —            | 92,670,163      |
| Equipment   | 209,520,306   | 14,662,239    | 7,455,820    | 216,726,725     |
| Library collections                                   | 78,715,746    | 135,804       | —            | 78,851,550      |
| Total other property, plant, and equipment            | 1,581,892,183 | 103,270,964   | 7,462,001    | 1,677,701,146   |
| <b>Less accumulated depreciation</b>                  |               |               |              |                 |
| Buildings   | 460,345,546   | 36,750,831    | 6,181        | 497,090,196     |
| Improvements other than buildings                     | 51,581,686    | 4,171,070     | —            | 55,752,756      |
| Equipment   | 157,101,014   | 14,105,666    | 6,760,149    | 164,446,531     |
| Library collections                                   | 66,488,212    | 1,793,988     | —            | 68,282,200      |
| Total accumulated depreciation                        | 735,516,458   | 56,821,555    | 6,766,330    | 785,571,683     |
| Net other capital assets                              | 846,375,725   | 46,449,409    | 695,671      | 892,129,463     |
| <b>Capital assets – summary</b>                       |               |               |              |                 |
| Capital assets not depreciated                        | 152,469,623   | 55,316,184    | 65,116,317   | 142,669,490     |
| Other capital assets at cost                          | 1,581,892,183 | 103,270,964   | 7,462,001    | 1,677,701,146   |
| Total cost of capital assets                          | 1,734,361,806 | 158,587,148   | 72,578,318   | 1,820,370,636   |
| Less accumulated depreciation                         | 735,516,458   | 56,821,555    | 6,766,330    | 785,571,683     |
| Net capital assets                                    | \$998,845,348 | \$101,765,593 | \$65,811,988 | \$1,034,798,953 |

## F. Property, Plant, and Equipment

Interest capitalized as part of building construction was \$2,956,719 and was included as part of construction in progress. The University's investment in property, plant, and equipment consisted of: (Figure F.1)

## G. Accounts Payable and Accrued Liabilities

As of June 30, 2021, accounts payable and accrued liabilities consisted of: (Figure G.1)

| Figure G.1  |              |
|---|--------------|
| Salaries and benefits payable                           | \$51,323,170 |
| Salaries and benefits payable due to primary government | 3,803,466    |
| Due to primary government                               | 10,704,822   |
| Suppliers payable                                       | 25,207,803   |
| Interest payable  | 1,685,512    |
| Other   | 78,727       |
| Total accounts payable and accrued liabilities          | \$92,803,500 |

## H. Bonds, Notes, Capital Leases, and Other Noncurrent Liabilities

The outstanding balance of bonds defeased and refunded in current and prior years totaled \$44,570,000 at June 30, 2021. The bond liabilities of the defeased and refunded bonds are not included on the balance sheet.

Revenues pledged for payment of bonds and contracts include the net revenue of auxiliary enterprises, land-grant funds, specific student fees, and reimbursed facilities and administrative costs. The gross amount of capital assets purchased under capital leases as of June 30, 2021, was \$34,825,206 with associated accumulated depreciation of \$26,561,078. Bonds, notes, and capital leases outstanding at June 30, 2021, were: (Figure H.1)





Figure H.1

## Bonds payable

|   |             |
|---|-------------|
| Stadium/Spectrum and Student Recreation Bonds       |             |
| Series 2013 2.00%-4.00%, 2013-2026, \$8,405,000     | \$3,905,000 |
| Series 2013B 3.00%-5.00%, 2014-2023, \$43,310,000   | 1,840,000   |
| Series 2015 3.00%-5.00%, 2016-2046, \$23,900,000    | 21,595,000  |
| Series 2017 2.00%-5.00%, 2018-2045, \$38,825,000    | 38,375,000  |
| Total Stadium/Spectrum and Student Recreation Bonds | 65,715,000  |
| Student Housing System Revenue Bonds                |             |
| Series 2007 4.00%-5.25%, 2007-2035, \$39,155,000    | 31,105,000  |
| Series 2015 3.00%-5.00%, 2016-2038, \$24,455,000    | 21,135,000  |
| Series 2016 2.50%-5.00%, 2017-2046, \$19,540,000    | 17,460,000  |
| Series 2019 2.125%-5.00%, 2020-2052, \$54,995,000   | 54,995,000  |
| Total Student Housing System Revenue Bonds          | 124,695,000 |
| Research Revenue Bonds                              |             |
| Series 2015 1.17%-4.75%, 2016-2047, \$19,500,000    | 18,000,000  |
| Series 2015B 3.00%-5.00%, 2016-2031, \$13,145,000   | 11,350,000  |
| Series 2016 1.025%-4.049%, 2017-2027, \$10,135,000  | 1,455,000   |
| Series 2018B 3.00%-5.00%, 2018-2050, \$32,210,000   | 31,675,000  |
| Series 2019A 1.88%, 2020-2028, \$5,745,000          | 4,520,000   |
| Series 2019B 2.60%-5.00%, 2020-2052, \$61,865,000   | 61,850,000  |
| Total Research Revenue Bonds                        | 128,850,000 |
| Total bonds payable                                 | 319,260,000 |

## Notes and capital leases payable

|  |             |
|--|-------------|
| State of Utah, 0%, 2018-2023                   | 86,269      |
| State of Utah, 0%, 2021-2026                   | 310,624     |
| Bank of America, 2.54%, 2014-2024              | 2,863,180   |
| Capital One Public Finance, 3.89%, 2014-2029   | 686,087     |
| Zions Bank, 1.35%, 2021-2028                   | 1,200,000   |
| SunTrust Leasing Corp., 2.72%, 2013-2023       | 545,074     |
| SunTrust Leasing Corp., 3.04%, 2014-2021       | 5,018       |
| Total notes and capital leases payable         | 5,696,252   |
| Total bonds, notes, and capital leases payable | 324,956,252 |

## Unamortized premiums, reoffering premiums (RP), and discounts on bonds

|  |               |
|--|---------------|
| 2007 Bonds - RP  | 1,934,539     |
| 2013 Bonds - RP  | 217,317       |
| 2013B Bonds - premium  | 7,606         |
| 2015 (building) Bonds - premium  | 411,732       |
| 2015 (housing) Bonds - premium   | 622,455       |
| 2015 (research) Bonds - discount   | (69,961)      |
| 2015B (research) Bonds - premium   | 1,198,269     |
| 2016 (housing) Bonds - premium   | 699,067       |
| 2017 (building) Bonds - premium  | 993,804       |
| 2018B (research) Bonds - premium   | 1,375,812     |
| 2019 (housing) Bonds - premium   | 3,562,455     |
| 2019B (research) Bonds - premium   | 3,852,214     |
| Total unamortized premiums, RPs, and discounts on bonds  | 14,805,309    |
| Total bonds, notes, and capital leases payable including net unamortized premiums, RPs, and discounts on bonds | \$339,761,561 |

The changes in bonds, notes, and capital leases payable for the fiscal year ended June 30, 2021, were: (Figure H.2)

|               | Bonds         | Notes and Capital Leases | Total Payable | Unamortized Premiums and Discounts | Total Net of Premiums and Discounts |
|---------------|---------------|--------------------------|---------------|------------------------------------|-------------------------------------|
| June 30, 2020 | \$326,960,000 | \$6,912,713              | \$333,872,713 | \$15,542,086                       | \$349,414,799                       |
| Additions     | —             | 1,510,624                | 1,510,624     | —                                  | 1,510,624                           |
| Reductions    | (7,700,000)   | (2,727,085)              | (10,427,085)  | (736,777)                          | (11,163,862)                        |
| June 30, 2021 | \$319,260,000 | \$5,696,252              | \$324,956,252 | \$14,805,309                       | \$339,761,561                       |

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

| Fiscal Years | Bonds         | Bonds Interest | Notes and Capital Leases | Notes and Capital Leases Interest | Total Amount Required |
|--------------|---------------|----------------|--------------------------|-----------------------------------|-----------------------|
| 2022         | \$8,220,000   | \$11,666,001   | \$1,646,922              | \$112,650                         | \$21,645,573          |
| 2023         | 10,345,000    | 11,271,935     | 1,518,935                | 75,529                            | 23,211,399            |
| 2024         | 10,785,000    | 10,820,214     | 1,308,645                | 43,589                            | 22,957,448            |
| 2025         | 11,250,000    | 10,335,017     | 335,628                  | 24,340                            | 21,944,985            |
| 2026         | 11,745,000    | 9,838,978      | 281,127                  | 18,441                            | 21,883,546            |
| 2027-2031    | 59,625,000    | 41,549,664     | 604,995                  | 18,927                            | 101,798,586           |
| 2032-2036    | 60,405,000    | 29,715,908     | —                        | —                                 | 90,120,908            |
| 2037-2041    | 52,610,000    | 20,045,395     | —                        | —                                 | 72,655,395            |
| 2042-2046    | 55,910,000    | 10,919,546     | —                        | —                                 | 66,829,546            |
| 2047-2051    | 33,455,000    | 3,212,338      | —                        | —                                 | 36,667,338            |
| 2052-2056    | 4,910,000     | 83,375         | —                        | —                                 | 4,993,375             |
| Totals       | \$319,260,000 | \$159,458,371  | \$5,696,252              | \$293,476                         | \$484,708,099         |

The changes in liabilities for the year ended June 30, 2021, were: (Figure H.4)

|   | June 30, 2020 | Additions    | Reductions     | June 30, 2021 | Amounts Due Within One Year |
|---|---------------|--------------|----------------|---------------|-----------------------------|
| <b>Bonds, notes, and capital leases payable including net unamortized premiums, RPs, and discounts on bonds</b> |               |              |                |               |                             |
| Bonds payable including net unamortized premiums, RPs, and discounts  | \$342,502,086 | —            | (\$8,436,777)  | \$334,065,309 | \$8,220,000                 |
| Notes and capital leases payable  | 6,776,972     | \$1,200,000  | (2,677,613)    | 5,299,359     | 1,523,254                   |
| Notes payable to primary government   | 135,741       | 310,624      | (49,472)       | 396,893       | 123,668                     |
| Total bonds, notes, and capital leases payable  | 349,414,799   | 1,510,624    | (11,163,862)   | 339,761,561   | 9,866,922                   |
| <b>Other noncurrent liabilities</b>   |               |              |                |               |                             |
| Liability for compensated absences  | 25,683,888    | 18,042,673   | (15,139,957)   | 28,586,604    | 15,959,400                  |
| Liability for early retirement  | 16,426,428    | 7,875,670    | (851,299)      | 23,450,799    | 8,297,193                   |
| Other liabilities   | 10,405,082    | 1,186,351    | (1,910,440)    | 9,680,993     | 2,015,769                   |
| Net pension liability   | 21,978,153    | —            | (21,664,888)   | 313,265       | —                           |
| Total other noncurrent liabilities  | 74,493,551    | 27,104,694   | (39,566,584)   | 62,031,661    | 26,272,362                  |
| Total noncurrent liabilities  | \$423,908,350 | \$28,615,318 | (\$50,730,446) | \$401,793,222 | \$36,139,284                |



End of Year Student Bash

## I. Pledged Bond Revenue

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

**STUDENT FEE AND HOUSING SYSTEM** is comprised of the net revenue from specific auxiliary enterprises and student building fee assessments. The Student Fee and Housing System includes all University housing, Parking Services, certain University Dining Services operations, the net revenues of the Taggart Student Center, Student Building Fees specifically identified in the bond resolution, and land-grant revenues. The University has pledged future net revenues of the Student Fee and Housing System to repay \$39,155,000, \$24,455,000, \$19,540,000, and \$54,995,000 in bonds issued in May 2007, September 2015, July 2016, and August 2019, respectively. Proceeds from the 2007 bonds were used to refund bonds issued in 2004 that were issued to provide financing for the construction and renovation of six Student Fee and Housing System buildings, a parking structure, and a dining facility. Proceeds from the 2015 bonds provided financing for the construction of a Student Fee and Housing System building. Proceeds from the 2016 bonds were used to acquire three apartment buildings and associated land. Proceeds from the 2019 bonds provided financing for the construction of a student housing building

and a parking structure. Student Fee and Housing System annual net revenues are projected to produce at least 110 percent of the annual debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is \$182,952,042. The bonds are payable solely from the Student Fee and Housing System and are payable through 2052.

**STUDENT FEE STADIUM/SPECTRUM RECREATION FACILITIES SYSTEM** is comprised of those student fees specifically identified in the bond resolution and paid by students for the use and availability of the facilities. The University has pledged future revenues of the specifically identified student fees to repay \$8,405,000, \$43,310,000, \$23,900,000, and \$38,825,000 in bonds issued in March 2013, August 2013, July 2015, and December 2017, respectively. Proceeds from the 2013 bonds were used to refund a portion of the bonds issued in 2004 that were issued to provide financing for renovating and remodeling portions of the University's football stadium and a student recreation center. Proceeds from the 2013B bonds provided financing for a portion of the cost of constructing, equipping, and furnishing a student recreation center and a facility for basketball practice and volleyball competition. Proceeds from the 2015 bonds provided financing for the construction and renovation of facilities at the University's football stadium. Proceeds from the 2017 bonds were used to refund a portion of the 2013B bonds. Student fee revenues are

projected to produce at least 110 percent of the annual debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is \$95,985,810. The bonds are payable solely from the Student Fee Stadium/Spectrum Recreation Facilities System and are payable through 2046.

**RESEARCH REVENUE SYSTEM** is comprised of the revenue generated from the recovery of allocated facilities and administration costs to contracts and grants based on federally approved negotiated rate agreements. The University has pledged future revenues of the Research Revenue System to repay \$19,500,000, \$13,145,000, \$10,135,000, \$32,210,000, \$5,745,000, \$61,865,000 and in bonds issued in October 2015, December 2015, July 2016, June 2018, October 2019, and December 2019, respectively. Proceeds from the 2015B bonds were used to refund a portion of the bonds issued in 2009 that were issued to provide financing for the cost of constructing two research facilities located at the University's main campus and the Vernal, Utah campus. Proceeds from the 2015 and 2016 bonds provided financing for the construction of a research facility on the USU Innovation Campus. Proceeds from the 2018B bonds provided financing for the construction of a research facility on the USU Innovation Campus. Proceeds from the 2019A bonds were used to refund the 2018A bonds that were used to acquire a

building and associated land located in Salt Lake County, Utah. Proceeds from the 2019B bonds provided financing for the construction of two research facilities on the USU Innovation Campus, and to refund a portion of the 2016 bonds. Research Revenue System revenues are projected to produce at least 250 percent of the annual debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is \$199,780,519. The bonds are payable solely from the Research Revenue System and are payable through 2052.

The net revenue pledged to the applicable bond system and the principal and interest paid for the year ended June 30, 2021, was: *(Figure I.1)*

## J. Operating Leases

As lessor, the University leases ground under noncancelable operating lease agreements which expire in fiscal year 2061.

In November 2020, the University entered into a 40-year ground lease agreement with Aggie Redrock Foundation for the land on which the Moab Academic Building is being constructed. The rent is \$1 per year and has been paid in advance.

Rental revenue on the operating leases for the fiscal year ended June 30, 2021, was

| Figure I.1                                 | Student Fee and Housing System | Student Fee Stadium/Spectrum Recreation Facilities System | Research Revenue System |
|--|--------------------------------|---|-------------------------|
| <b>Revenue</b>                             |                                |   |                         |
| Operating revenue/gross profit             | \$24,995,963                   | \$6,125,127   | \$64,110,970            |
| Nonoperating revenue                       | 286,227                        | —   | —                       |
| Total revenue                              | 25,282,190                     | 6,125,127   | 64,110,970              |
| <b>Expenses</b>                            |                                |   |                         |
| Operating expenses                         | 16,337,591                     | —   | —                       |
| Total expenses                             | 16,337,591                     | 0   | 0                       |
| Net pledged revenue                        | \$8,944,599                    | \$6,125,127   | \$64,110,970            |
| <b>Principal paid and interest expense</b> | \$6,076,509                    | \$4,599,292   | \$5,650,471             |
| <b>Debt service ratio</b>                  | 1.47X                          | 1.33X   | 11.35X                  |

\$193,638. Future minimum rental revenues for these noncancelable operating leases are: (Figure J.1)

| Figure J.1                   |                     |
|------------------------------|---------------------|
| Fiscal years ending June 30: |                     |
| 2022                         | \$193,638           |
| 2023                         | 193,638             |
| 2024                         | 193,638             |
| 2025                         | 193,638             |
| 2026                         | 193,638             |
| Later years                  | 9,658,048           |
| <b>Total revenues</b>        | <b>\$10,626,238</b> |

In November 2020, the University entered into a 25-year lease agreement with Aggie Redrock Foundation to use the Moab Academic Building upon its completion. The expected completion of the Moab Academic Building is February 2022. The future rent expense will be approximately \$14.9 million. The Moab Academic Building is approximately 22,000 square-feet and contains classrooms, offices, conference rooms, common rooms, library and media facilities, lounge and game room, dining hall, café, and parking facilities.

As lessee, the Utah State University Space Dynamics Laboratory leases various office, warehouse, and other facilities under noncancelable operating lease agreements with expiration dates ranging from fiscal year 2022 through fiscal year 2026.

Rental expense on the operating leases for the fiscal year ended June 30, 2021, was \$4,137,060. Future minimum rental payments for these noncancelable operating leases are: (Figure J.2)

| Figure J.2                   |                     |
|------------------------------|---------------------|
| Fiscal years ending June 30: |                     |
| 2022                         | \$4,310,622         |
| 2023                         | 4,435,379           |
| 2024                         | 4,533,985           |
| 2025                         | 4,472,349           |
| 2026                         | 4,563,215           |
| <b>Total payments</b>        | <b>\$22,315,550</b> |

## K. Pension Plans and Retirement Benefits

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

### Defined Benefit Pension Plans

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

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

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

The Utah Retirement Systems are established and governed by the respective

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

The Utah Retirement Systems issues a publicly available financial report that may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or visiting the website: [www.urs.org/general/publications](http://www.urs.org/general/publications).

**BENEFITS PROVIDED:** The Systems provide retirement, disability, and death benefits to participants in the defined benefit pension plans. Retirement benefits for each defined benefit plan are: *(Figure K.1)*

**Figure K.1**

| System                                      | Final Average Salary | Years of Service Required and/or Age Eligible for Benefit                                       | Benefit Percent Per Year of Service                                     | COLA**                                     |
|---|----------------------|---|---|--|
| Tier 1 Noncontributory System               | Highest 3 years      | 30 years any age<br>25 years any age*<br>20 years age 60*<br>10 years age 62*<br>4 years age 65 | 2.0% per year all years   | Up to 4.0%                                 |
| Tier 1 Contributory System                  | Highest 5 years      | 30 years any age<br>20 years age 60*<br>10 years age 62*<br>4 years age 65                      | 1.25% per year to June 1975; 2.00% per year July 1975 to present        | Up to 4.0%                                 |
| Tier 2 Contributory System                  | Highest 5 years      | 35 years any age<br>20 years age 60*<br>10 years age 62*<br>4 years age 65                      | 1.5% per year all years   | Up to 2.5%                                 |
| Public Safety System                        | Highest 3 years      | 20 years any age<br>10 years age 60<br>4 years age 65   | 2.5% per year up to 20 years;<br>2.0% per year over 20 years            | Up to 2.5% or 4.0% depending upon employer |
| Tier 2 Public Safety and Firefighter System | Highest 5 years      | 25 years any age<br>20 years age 60*<br>10 years age 62*<br>4 years age 65                      | 1.50% per year to June 30, 2020; 2.00% per year July 1, 2020 to present | Up to 2.5%                                 |

\*With actuarial reductions

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

**CONTRIBUTIONS:** As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Systems' board. Contributions are actuarially determined as an amount that, when combined with employee contributions

(where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. For the year ended June 30, 2021, the University required contribution rates for the plans were: *(Figure K.2)*



**Figure K.2**

| System                                       | Rates Paid by University for Employee | University Contribution Rates |
|--|---------------------------------------|-------------------------------|
| Tier 1 Noncontributory System                | N/A                                   | 22.19%                        |
| Tier 1 Contributory System                   | 6.00%                                 | 17.70%                        |
| Tier 2 Contributory System*                  | N/A                                   | 19.13%                        |
| Public Safety System                         | N/A                                   | 41.35%                        |
| Tier 2 Public Safety and Firefighter System* | 2.27%                                 | 32.54%                        |

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

For the year ended June 30, 2021, the University and employee contributions to the plans were: (Figure K.3)

**Figure K.3**

| System                                       | University's Contributions | Employees' Contributions |
|--|----------------------------|--------------------------|
| Tier 1 Noncontributory System                | \$7,850,983                | N/A                      |
| Tier 1 Contributory System                   | 15,867                     | \$5,379                  |
| Tier 2 Contributory System*                  | 1,457,778                  | —                        |
| Public Safety System                         | 142,044                    | —                        |
| Tier 2 Public Safety and Firefighter System* | 60,427                     | 3,678                    |
| <b>Total contributions</b>                   | <b>\$9,527,099</b>         | <b>\$9,057</b>           |

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

| System                                      | December 31, 2020 |                       |                     | December 31, 2019   |                   |
|---|-------------------|-----------------------|---------------------|---------------------|-------------------|
|   | Net Pension Asset | Net Pension Liability | Proportionate Share | Proportionate Share | Change (Decrease) |
| Tier 1 Noncontributory System               | \$17,759,674      | —                     | 18.0066082%         | 18.2217406%         | (0.2151324%)      |
| Tier 1 Contributory System                  | 903,756           | —                     | 4.2543853%          | 6.5176329%          | (2.2632476%)      |
| Tier 2 Contributory System                  | —                 | \$69,193              | 0.4810823%          | 0.5536898%          | (0.0726075%)      |
| Public Safety System                        | —                 | 236,460               | 0.3650842%          | 0.3199232%          | 0.0451610%        |
| Tier 2 Public Safety and Firefighter System | —                 | 7,611                 | 0.0848546%          | 0.0694737%          | 0.0153809%        |
| Total net pension asset/liability           | \$18,663,430      | \$313,264             |                     |                     |                   |

| Figure K.5   | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Differences between expected and actual experience   | \$5,981,565                    | \$301,315                     |
| Changes in assumptions   | 622,586                        | 3,332                         |
| Net difference between projected and actual earnings on pension plan investments                     | —                              | 24,760,213                    |
| Changes in proportion and differences between contributions and proportionate share of contributions | 837,285                        | 1,541,419                     |
| Contributions subsequent to the measurement date   | 4,843,070                      | —                             |
| Total  | \$12,284,506                   | \$26,606,279                  |

### COMBINED PENSION ASSETS, LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS:

At June 30, 2021, the University reported a net pension asset of \$18,663,431 and a net pension liability of \$313,264. 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 were determined by an actuarial valuation as of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The University's proportion of the net pension asset and liability was based upon actual historical employer contributions to defined benefit pension plans for pay periods ending in 2020. At December 31, 2020, the University's net pension asset and liability were: (Figure K.4)

For the year ended June 30, 2021, the University recognized pension expense of \$(5,297,931). At June 30, 2021, the University reported deferred outflows of

resources and deferred inflows of resources related to defined benefit pension plans from these sources: (Figure K.5)

Contributions made between January 1, 2021, and June 30, 2021, of \$4,843,070 were reported as deferred outflows of resources related to pensions. These contributions will be recognized as a reduction of net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense. (Figure K.6)

| Figure K.6              | Deferred Outflows (Inflows) of Resources |
|-------------------------|--|
| Years Ended December 31 |  |
| 2021                    | (\$1,837,437)                            |
| 2022                    | (\$4,766,905)                            |
| 2023                    | (\$8,666,933)                            |
| 2024                    | (\$4,000,793)                            |
| 2025                    | \$21,089                                 |
| Thereafter              | \$86,133                                 |



**ACTUARIAL ASSUMPTIONS:** 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: (Figure K.7)

**Figure K.7**

|                           |             |   |
|---------------------------|-------------|---|
| Inflation                 | 2.5%        |   |
| Salary increases          | 3.25%-9.75% | Average, including inflation                                |
| Investment rate of return | 6.95%       | Net of pension plan investment expense, including inflation |

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

The actuarial assumptions used in the January 1, 2020, valuation were based on

the results of an actuarial experience study for the five year period ending December 31, 2019.

**CHANGE IN ASSUMPTIONS:** 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 as a result of an Actuarial 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 31, 2019, provides detailed information regarding those assumption changes, which may be accessed online at [newsroom.urs.org](http://newsroom.urs.org) under the "Retirement Office" column using the "Reports and Stats" tab.

The long-term expected rate of return on defined benefit pension plan investments was determined using a building-block method, in which best-estimate ranges



Merrill-Caizer Library Building

Figure K.8

| Asset Class                        | Expected Return Arithmetic Basis |                              |  |
|------------------------------------|----------------------------------|------------------------------|--|
|                                    | Target Asset Allocation          | Real Return Arithmetic Basis | Long-Term Expected Portfolio Real Rate of Return |
| Equity securities                  | 37.00%                           | 6.30%                        | 2.33%  |
| Debt securities                    | 20.00%                           | 0.00%                        | 0.00%  |
| Real assets                        | 15.00%                           | 6.19%                        | 0.93%  |
| Private equity                     | 12.00%                           | 9.50%                        | 1.14%  |
| Absolute return                    | 16.00%                           | 2.75%                        | 0.44%  |
| Total                              | 100.00%                          |                              | 4.84%  |
| Inflation                          |                                  |                              | 2.50%  |
| Expected arithmetic nominal return |                                  |                              | 7.34%  |

of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are: (Figure K.8)

The 6.95 percent assumed investment rate of return is comprised of an inflation rate of 2.5 percent and a real return of 4.45 percent that is net of investment expense.

**DISCOUNT RATE:** The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified

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

**SENSITIVITY OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET AND LIABILITY TO CHANGES IN THE DISCOUNT RATE:** The proportionate share of the net pension asset and liability were calculated using the discount rate of 6.95 percent, as well as what the proportionate share would be if calculated using a discount rate that is 1 percentage point lower (5.95%) or 1 percentage point higher (7.95%) than the current rate: (Figure K.9)

**PENSION PLAN FIDUCIARY NET POSITION:** Detailed information about the pension

Figure K.9

| System                                      | Proportionate Share of Net Pension Liability (Asset) |                     |                   |
|---|--|---------------------|-------------------|
|   | 1% Decrease 5.95%                                    | Discount Rate 6.95% | 1% Increase 7.95% |
| Tier 1 Noncontributory System               | \$31,982,344   | (\$17,759,675)      | (\$59,066,355)    |
| Tier 1 Contributory System                  | (264,843)  | (903,756)           | (1,448,551)       |
| Tier 2 Contributory System                  | 1,164,308  | 69,193              | (768,541)         |
| Public Safety System                        | 984,938  | 236,460             | (378,674)         |
| Tier 2 Public Safety and Firefighter System | 35,885   | 7,611               | (14,939)          |
| Total net pension liability                 | \$33,902,632   | (\$18,350,167)      | (\$61,677,060)    |

plan's fiduciary net position is available in the separately issued Systems' financial report.

## Defined Contribution Plans

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

**401(k), TIER 2 DC, AND 457 PLANS:** For employees participating in defined benefit plans, the University is also required to contribute 0.89 percent of the employee's salary into a 401(k)/457 plan. For employees who choose to participate in the Tier 2 Public Employee or Public Safety and Firefighter defined contribution plans (Tier 2 DC), the University is required to contribute 20.02 or 32.54 percent of the employees' salary of which 10 or 14 percent is paid into a 401(k)/457 plan while the remainder is contributed to the Tier 1 Systems, as required by law.

**EMIA:** EMIA provides a 401(k) defined contribution plan that can be utilized by employees on the Utah Retirement State and School System – Noncontributory plan. This contribution is in lieu of the 1.5 percent that would have been contributed to the Utah Retirement System's 401(k) plan. The contribution made by the University is at 1.5 percent of gross earnings. Contributions by the University become vested at the time the contribution is made.

**TIAA AND/OR FIDELITY:** TIAA and/or Fidelity provide individual defined contribution

retirement fund contracts with each participating employee. Employees may allocate contributions by the University to any or all of the providers and the contracts become vested at the time the contribution is made. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. Benefits provided to retired employees are based on the value of individual contracts and the estimated life expectancy of the employee at retirement. The University's contribution to this multiple employer defined contribution plan is 14.2 percent of the employees' annual salary. The University has no further liability once annual contributions are made.

Employees can make additional contributions to defined contribution plans subject to limitations. Contributions to the defined contribution plans for the fiscal year ending June 30, 2021, were: *(Figure K.10)*

**Figure K.10**

| Defined Contribution Plans                        | University's Contributions | Employees' Contributions |
|---|----------------------------|--------------------------|
| Tier 2 Defined Contribution Plan                  | \$283,485                  | \$0                      |
| 401(k) Plan                                       | \$941,702                  | \$992,624                |
| 457 Plan and other individual plans               | \$0                        | \$110,427                |
| EMIA  | \$15,797                   | \$21,728                 |
| TIAA, Fidelity, and/or other investment companies | \$42,096,482               | \$11,649,104             |

## L. Termination Benefits

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

The policy provides two mutually exclusive early retirement options for eligible employees; either six years (16.67 percent of



base salary per year) or five years (20 percent of base salary per year). The six-year option requires a minimum age of 56 and the five-year option requires a minimum age of 57. Benefits include a monthly stipend equal to the agreed upon percent of the retiree's salary at the time of active employment along with medical and dental insurance.

The projected future cost of these stipends and the medical and dental insurance benefits have been calculated based on the known amount to be paid out in the next fiscal year plus projected increases of 1.0 percent (University), 2 percent (SDL) for stipends and 6.30 to 8.10 percent (University), 9 percent (SDL) for medical and dental premiums. These increases are based on historical data. The premiums for medical and dental benefits have also been increased by an age adjusted factor of 2.5. The net present value of the total projected costs is calculated using the estimated yield of 2.32 percent (University) and 1.3 percent (SDL). The net present value is the amount

recognized on the financial statements as the liability for early retirement.

At June 30, 2021, there were 180 participants in the early retirement program. The program is funded on a pay-as-you-go basis from current funds. Payments for the stipends and insurance benefits for the fiscal year ending June 30, 2021, were \$2,123,316 and \$1,443,105, respectively.

## M. Risk Management

### General Liability Insurance

The University maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$10 million per occurrence through policies administered and purchased by the Utah State Risk Management Fund. The University also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Utah State Risk Management Fund. This all-risk insurance

coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a deductible of \$2,500 per occurrence. Coverage includes business interruption caused by fire or other insurable perils with the Utah State Risk Management Fund. All University employees are covered by worker's compensation insurance, including employer's liability coverage through WCF Insurance.

## Self-Insurance for Employee Health and Dental Care

The University has a self-insurance fund for employee health and dental care. In addition, the University has purchased a stop-loss insurance policy to cover specific participant medical/Rx claims exceeding \$425,000 per term, an aggregating specific stop-loss deductible of \$600,000 per term, and a laser deductible of \$900,000 per term. This policy also covers aggregate claims exceeding 125 percent of expected claims up to \$10 million. GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements. The estimated claims liability is based upon past experience adjusted for current trends. The estimate reflects the ultimate cost of settling the claims. The University's estimated self-insurance claims liability at June 30, 2021, and June 30, 2020, were: (Figure M.1)

| Figure M.1  | 2021         | 2020         |
|---|--------------|--------------|
| Estimated claims liability at beginning of year                     | \$5,852,566  | \$7,820,540  |
| Current year claims and changes in estimates                        | 65,156,179   | 57,702,809   |
| Claim payments, including related legal and administrative expenses | (63,891,127) | (59,670,783) |
| Estimated claims liability at end of year                           | \$7,117,618  | \$5,852,566  |

The University has recorded the investment of the health and dental care 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 the estimated provision for the claims liabilities for the year then ended are recorded in the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Net Position.

## Contingencies

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

The Space Dynamics Laboratory has a bank revolving line of credit with a limit of \$9 million. At June 30, 2021, the outstanding balance was zero. The line of credit bears interest at an initial rate of 3.75 percent, and is currently prime rate plus 0.5%, is unsecured, due on demand, and expires on October 31, 2022.

## Commitments

At June 30, 2021, the University had outstanding construction commitments of approximately \$62 million.

## N. Natural and Functional Classifications

The University's operating expenses by natural and functional classifications for the fiscal year ended June 30, 2021, were: (Figure N.1)

| Functional Classification       | Natural Classification |                      |                          |                              |                     | Total                |
|---------------------------------|------------------------|----------------------|--------------------------|------------------------------|---------------------|----------------------|
|                                 | Salaries and Wages     | Employee Benefits    | Other Operating Expenses | Scholarships and Fellowships | Depreciation        |                      |
| Instruction                     | \$132,554,668          | \$50,380,999         | \$28,232,926             | —                            | —                   | \$211,168,593        |
| Research                        | 93,819,004             | 45,405,975           | 90,895,312               | —                            | —                   | 230,120,291          |
| Public service                  | 36,862,150             | 13,540,990           | 30,415,121               | —                            | —                   | 80,818,261           |
| Academic support                | 24,979,617             | 10,058,841           | 6,109,841                | —                            | —                   | 41,148,299           |
| Student services                | 15,116,153             | 5,407,435            | 6,196,324                | —                            | —                   | 26,719,912           |
| Institutional support           | 49,339,822             | 21,276,130           | 14,419,202               | —                            | —                   | 85,035,154           |
| Operation and maintenance       | 16,865,042             | 6,902,538            | 22,830,574               | —                            | —                   | 46,598,154           |
| Scholarships and fellowships    | —                      | —                    | —                        | \$46,961,800                 | —                   | 46,961,800           |
| Service departments             | 6,992,970              | 2,199,949            | (15,984,532)             | —                            | —                   | (6,791,613)          |
| Auxiliary enterprises           | 20,291,927             | 7,082,496            | 21,340,887               | —                            | —                   | 48,715,310           |
| Depreciation                    | —                      | —                    | —                        | —                            | \$56,821,556        | 56,821,556           |
| <b>Total operating expenses</b> | <b>\$396,821,353</b>   | <b>\$162,255,353</b> | <b>\$204,455,655</b>     | <b>\$46,961,800</b>          | <b>\$56,821,556</b> | <b>\$867,315,717</b> |



Caine College of the Arts | Ceramics

## O. Blended Presentation of Component Units

The following is a condensed version of the Utah State University Space Dynamics Laboratory's, Utah State University Foundation's, and Hansen Scholars Support Foundation's financial statements for the fiscal year ended June 30, 2021: (Figure O.1, O.2, and O.3)

Figure O.1

### Component Units Condensed Statement of Net Position

JUNE 30, 2021

|                                       | SDL          | Foundation    | HSSF        | Total Changes | Total         |
|---------------------------------------|--------------|---------------|-------------|---------------|---------------|
| <b>Assets</b>                         |              |               |             |               |               |
| Current assets                        | \$72,400,771 | \$107,856,072 | \$570,669   | (\$331,956)   | \$180,495,556 |
| Noncurrent assets                     | 154,475,012  | 1,799,800     | 8,427,327   | (34,409,604)  | 130,292,535   |
| Total assets                          | 226,875,783  | 109,655,872   | 8,997,996   | (34,741,560)  | 310,788,091   |
| <b>Deferred outflows of resources</b> |              |               |             |               |               |
| Unamortized refunding losses on bonds | 1,091,766    | —             | —           | (1,091,766)   | —             |
| Resources related to pensions         | 1,738,153    | —             | —           | —             | 1,738,153     |
| Total deferred outflows of resources  | 2,829,919    | —             | —           | (1,091,766)   | 1,738,153     |
| <b>Liabilities</b>                    |              |               |             |               |               |
| Current liabilities                   | 31,051,211   | —             | —           | (6,126,034)   | 24,925,177    |
| Noncurrent liabilities                | 132,178,725  | —             | —           | (122,493,026) | 9,685,699     |
| Total liabilities                     | 163,229,936  | —             | —           | (128,619,060) | 34,610,876    |
| <b>Deferred inflows of resources</b>  |              |               |             |               |               |
| Resources related to pensions         | 3,365,009    | —             | —           | —             | 3,365,009     |
| Total deferred inflows of resources   | 3,365,009    | —             | —           | —             | 3,365,009     |
| <b>Net position</b>                   |              |               |             |               |               |
| Net investment in capital assets      | 28,690,734   | —             | —           | 89,206,656    | 117,897,390   |
| Restricted - nonexpendable            | —            | 85,074,948    | —           | —             | 85,074,948    |
| Restricted - expendable               | —            | 24,580,924    | 8,997,996   | —             | 33,578,920    |
| Unrestricted                          | 34,420,023   | —             | —           | 3,579,078     | 37,999,101    |
| Total net position                    | \$63,110,757 | \$109,655,872 | \$8,997,996 | \$92,785,734  | \$274,550,359 |

Figure O.2

## Component Units

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

FOR THE YEAR ENDED JUNE 30, 2021

|  | SDL           | Foundation    | HSSF        | Total Changes | Total         |
|--|---------------|---------------|-------------|---------------|---------------|
| <b>Operating revenues</b>  |               |               |             |               |               |
| Project revenues   | \$157,932,135 | —             | —           | (\$1,089)     | \$157,931,046 |
| Project unit indirect costs, general and administrative costs, and cost of money | 49,630,481    | —             | —           | —             | 49,630,481    |
| Project fees   | 14,530,960    | —             | —           | —             | 14,530,960    |
| Administrative reimbursement, USU  | 75,406        | —             | —           | (75,406)      | 0             |
| Other  | 578,738       | —             | —           | —             | 578,738       |
| Total operating revenues   | 222,747,720   | —             | —           | (76,495)      | 222,671,225   |
| <b>Operating expenses</b>  |               |               |             |               |               |
| Salaries and wages   | 81,007,502    | —             | —           | —             | 81,007,502    |
| Employee benefits  | 46,260,937    | —             | —           | —             | 46,260,937    |
| Subcontracts   | 28,999,234    | —             | —           | (424,161)     | 28,575,073    |
| Depreciation and amortization  | 7,912,482     | —             | —           | —             | 7,912,482     |
| Research support to USU  | 520,296       | —             | —           | (520,296)     | 0             |
| Other  | 44,647,000    | —             | \$542,550   | (2,726,437)   | 42,463,113    |
| Total operating expenses   | 209,347,451   | —             | 542,550     | (3,670,894)   | 206,219,107   |
| Operating income (loss)  | 13,400,269    | —             | (542,550)   | 3,594,399     | 16,452,118    |
| <b>Nonoperating revenues (expenses)</b>  |               |               |             |               |               |
| Other – net  | (2,538,215)   | \$17,654,872  | 1,261,556   | 4,200,384     | 20,578,597    |
| Total nonoperating revenues (expenses)   | (2,538,215)   | 17,654,872    | 1,261,556   | 4,200,384     | 20,578,597    |
| Income before other revenues   | 10,862,054    | 17,654,872    | 719,006     | 7,794,783     | 37,030,715    |
| <b>Other revenues</b>  |               |               |             |               |               |
| Additions to permanent endowments  | —             | 9,141,172     | —           | —             | 9,141,172     |
| Total other revenues   | —             | 9,141,172     | —           | —             | 9,141,172     |
| Increase in net position   | 10,862,054    | 26,796,044    | 719,006     | 7,794,783     | 46,171,887    |
| Net position – beginning of year   | 52,248,703    | 82,859,828    | 8,278,990   | 84,990,951    | 228,378,472   |
| Net position – end of year   | \$63,110,757  | \$109,655,872 | \$8,997,996 | \$92,785,734  | \$274,550,359 |



Figure O.3

## Component Units Condensed Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2021

|  | SDL          | Foundation  | HSSF        | Total Changes | Total        |
|--|--------------|-------------|-------------|---------------|--------------|
| <b>Net cash provided (used) by:</b>                  |              |             |             |               |              |
| (1) Operating activities                             | \$20,941,131 | —           | (\$542,550) | \$17,085,554  | \$37,484,135 |
| (2) Noncapital financing activities                  | —            | \$9,731,588 | —           | —             | 9,731,588    |
| (3) Capital and related financing activities         | (33,618,853) | —           | —           | 4,200,384     | (29,418,469) |
| (4) Investing activities                             | 37,248       | (9,731,601) | 329,533     | —             | (9,364,820)  |
| Net increase (decrease) in cash and cash equivalents | (12,640,474) | (13)        | (213,017)   | 21,285,938    | 8,432,434    |
| <b>Cash and cash equivalents – beginning of year</b> | 79,024,476   | 13          | 783,686     |               | 79,808,175   |
| <b>Cash and cash equivalents – end of year</b>       | \$66,384,002 | \$0         | \$570,669   |               | \$88,240,609 |



Women's Soccer | USU vs. UVU



# REQUIRED SUPPLEMENTARY INFORMATION

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





University Welcome Center

## Proportionate Share of Net Pension Liability

AS OF DECEMBER 31

|   | 2020                   | 2019         | 2018         |
|---|------------------------|--------------|--------------|
| <b>Tier 1 Noncontributory System</b>  |                        |              |              |
| Proportion of net pension liability (asset)*  | 18.0066087%            | 18.2217407%  | 1.3784832%   |
| Proportionate share of net pension liability (asset)                                    | (\$17,759,675)         | \$21,374,650 | \$51,286,704 |
| Covered payroll   | \$37,364,131           | \$38,736,450 | \$37,966,324 |
| Proportionate share of net pension liability (asset) as a percentage of covered payroll | (47.53%)               | 55.18%       | 135.08%      |
| Plan fiduciary net position as a percentage of total pension liability                  | 104.7% and<br>199.0%** | 94.20%       | 84.10%       |

|   |             |             |             |
|---|-------------|-------------|-------------|
| <b>Tier 1 Contributory System</b>   |             |             |             |
| Proportion of net pension liability (asset)*  | 4.2543835%  | 6.5176415%  | 2.1063074%  |
| Proportionate share of net pension liability (asset)                                    | (\$903,756) | (\$367,485) | \$1,495,487 |
| Covered payroll   | \$189,163   | \$338,696   | \$408,779   |
| Proportionate share of net pension liability (asset) as a percentage of covered payroll | (477.77%)   | (108.50%)   | 365.84%     |
| Plan fiduciary net position as a percentage of total pension liability                  | 113.10%     | 103.60%     | 91.40%      |

|   |             |            |             |
|---|-------------|------------|-------------|
| <b>Tier 2 Contributory System</b>   |             |            |             |
| Proportion of net pension liability (asset)   | 0.4810839%  | 0.5536911% | 0.6526196%  |
| Proportionate share of net pension liability (asset)                                    | \$69,193    | \$124,529  | \$279,503   |
| Covered payroll   | \$7,694,051 | \$0        | \$7,628,237 |
| Proportionate share of net pension liability (asset) as a percentage of covered payroll | 0.90%       | 0.00%      | 3.66%       |
| Plan fiduciary net position as a percentage of total pension liability                  | 98.30%      | 96.50%     | 90.80%      |

|   |            |            |            |
|---|------------|------------|------------|
| <b>Public Safety System</b>   |            |            |            |
| Proportion of net pension liability (asset)   | 0.3650843% | 0.3199232% | 0.3271828% |
| Proportionate share of net pension liability (asset)                                    | \$236,460  | \$472,439  | \$783,194  |
| Covered payroll   | \$698,806  | \$583,817  | \$609,931  |
| Proportionate share of net pension liability (asset) as a percentage of covered payroll | 33.84%     | 80.92%     | 128.41%    |
| Plan fiduciary net position as a percentage of total pension liability                  | 95.80%     | 90.00%     | 83.20%     |

|   |            |            |            |
|---|------------|------------|------------|
| <b>Tier 2 Public Safety and Firefighter System</b>                                      |            |            |            |
| Proportion of net pension liability (asset)   | 0.0848581% | 0.0694755% | 0.0505758% |
| Proportionate share of net pension liability (asset)                                    | \$7,611    | \$6,535    | \$1,267    |
| Covered payroll   | \$168,197  | \$114,529  | \$67,358   |
| Proportionate share of net pension liability (asset) as a percentage of covered payroll | 4.53%      | 5.71%      | 1.88%      |
| Plan fiduciary net position as a percentage of total pension liability                  | 93.10%     | 89.60%     | 95.60%     |

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

\*\*The University's Plan fiduciary net position as a percentage of total pension liability is 104.7% and SDL's percentage is 199.0%.

| 2017         | 2016         | 2015         | 2014         |
|--------------|--------------|--------------|--------------|
| 1.4130362%   | 1.4648385%   | 1.4867052%   | 1.4526055%   |
| \$34,553,853 | \$47,474,199 | \$46,701,668 | \$36,497,130 |
| \$37,654,734 | \$38,162,282 | \$37,975,366 | \$37,798,518 |
| 91.76%       | 124.40%      | 122.98%      | 96.56%       |
| 89.20%       | 84.90%       | 84.50%       | 87.20%       |
| 1.8581414%   | 1.6628695%   | 1.3777110%   | 1.2745733%   |
| \$122,273    | \$911,182    | \$863,346    | \$139,755    |
| \$422,780    | \$445,761    | \$436,427    | \$460,897    |
| 28.92%       | 204.41%      | 197.82%      | 30.32%       |
| 99.20%       | 93.40%       | 92.40%       | 98.70%       |
| 0.8092727%   | 1.1108095%   | 1.4678273%   | 1.5274314%   |
| \$71,351     | \$123,910    | (\$3,204)    | (\$46,288)   |
| \$7,926,941  | \$9,109,512  | \$9,484,328  | \$7,493,666  |
| 0.90%        | 1.36%        | (0.03%)      | (0.62%)      |
| 97.40%       | 95.10%       | 100.20%      | 103.50%      |
| 0.3490530%   | 0.3459203%   | 0.3435487%   | 0.3425260%   |
| \$606,957    | \$739,607    | \$739,614    | \$636,495    |
| \$604,061    | \$636,766    | \$607,776    | \$566,992    |
| 100.48%      | 116.15%      | 121.69%      | 112.26%      |
| 87.40%       | 83.50%       | 82.30%       | 84.30%       |
| 0.0319725%   | 0.0069305%   | N/A          | N/A          |
| (\$370)      | (\$60)       | N/A          | N/A          |
| \$33,753     | \$5,726      | N/A          | N/A          |
| (1.10%)      | (1.05%)      | N/A          | N/A          |
| 103.00%      | 103.60%      | N/A          | N/A          |

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



## Schedule of Contributions to the Utah Retirement Systems

FOR FISCAL YEARS ENDING JUNE 30

|  | 2021         | 2020         | 2019         |
|--|--------------|--------------|--------------|
| <b>Tier 1 Noncontributory System</b>                                 |              |              |              |
| Contractually required contribution                                  | \$7,850,983  | \$8,297,399  | \$8,392,320  |
| Contributions in relation to the contractually required contribution | 7,850,983    | 8,297,399    | 8,392,320    |
| Contribution deficiency (excess)                                     | \$0          | \$0          | \$0          |
| Covered payroll  | \$36,326,122 | \$38,406,937 | \$38,370,432 |
| Contributions as a percentage of covered payroll                     | 21.61%       | 21.60%       | 21.87%       |

|  |          |           |           |
|--|----------|-----------|-----------|
| <b>Tier 1 Contributory System*</b>                                   |          |           |           |
| Contractually required contribution                                  | \$15,867 | \$54,537  | \$64,560  |
| Contributions in relation to the contractually required contribution | 15,867   | 54,537    | 64,560    |
| Contribution deficiency (excess)                                     | \$0      | \$0       | \$0       |
| Covered payroll  | \$89,643 | \$308,117 | \$413,387 |
| Contributions as a percentage of covered payroll                     | 17.70%   | 17.70%    | 15.62%    |

|  |             |             |             |
|--|-------------|-------------|-------------|
| <b>Tier 2 Contributory System**</b>                                  |             |             |             |
| Contractually required contribution                                  | \$1,457,778 | \$1,469,907 | \$1,463,112 |
| Contributions in relation to the contractually required contribution | 1,457,778   | 1,469,907   | 1,463,112   |
| Contribution deficiency (excess)                                     | \$0         | \$0         | \$0         |
| Covered payroll  | \$7,619,140 | \$7,737,083 | \$7,753,638 |
| Contributions as a percentage of covered payroll                     | 19.13%      | 19.00%      | 18.87%      |

|  |           |           |           |
|--|-----------|-----------|-----------|
| <b>Public Safety System</b>  |           |           |           |
| Contractually required contribution                                  | \$142,044 | \$149,721 | \$145,397 |
| Contributions in relation to the contractually required contribution | 142,044   | 149,721   | 145,397   |
| Contribution deficiency (excess)                                     | \$0       | \$0       | \$0       |
| Covered payroll  | \$681,500 | \$661,372 | \$575,853 |
| Contributions as a percentage of covered payroll                     | 20.84%    | 22.64%    | 25.25%    |

|  |           |           |           |
|--|-----------|-----------|-----------|
| <b>Tier 2 Public Safety and Firefighter System**</b>                 |           |           |           |
| Contractually required contribution                                  | \$60,427  | \$37,445  | \$30,156  |
| Contributions in relation to the contractually required contribution | 60,427    | 37,445    | 30,156    |
| Contribution deficiency (excess)                                     | \$0       | \$0       | \$0       |
| Covered payroll  | \$185,698 | \$125,486 | \$101,194 |
| Contributions as a percentage of covered payroll                     | 32.54%    | 29.84%    | 29.80%    |

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

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

| 2018         | 2017         | 2016         | 2015         | 2014         | 2013         | 2012         |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| \$8,221,506  | \$8,329,180  | \$8,355,894  | \$9,328,000  | \$7,664,202  | \$6,949,647  | \$6,709,673  |
| 8,221,506    | 8,329,180    | 8,355,894    | 9,328,000    | 7,664,202    | 6,949,647    | 6,709,673    |
| \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          |
| \$37,531,241 | \$37,968,122 | \$37,998,840 | \$37,836,787 | \$35,009,064 | \$36,016,837 | \$40,154,027 |
| 21.91%       | 21.94%       | 21.99%       | 24.65%       | 21.89%       | 19.30%       | 16.71%       |
| \$75,098     | \$77,250     | \$78,211     | \$102,041    | \$604,902    | \$416,961    | \$214,370    |
| 75,098       | 77,250       | 78,211       | 102,041      | 604,902      | 416,961      | 214,370      |
| \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          |
| \$423,200    | \$436,438    | \$441,871    | \$430,553    | \$6,387,208  | \$4,212,028  | \$1,952,662  |
| 17.75%       | 17.70%       | 17.70%       | 23.70%       | 9.47%        | 9.90%        | 10.98%       |
| \$1,429,747  | \$1,514,256  | \$1,862,036  | \$694,490    | N/A          | N/A          | N/A          |
| 1,429,747    | 1,514,256    | 1,862,036    | 694,490      | N/A          | N/A          | N/A          |
| \$0          | \$0          | \$0          | \$0          | N/A          | N/A          | N/A          |
| \$7,746,141  | \$8,300,188  | \$10,208,536 | \$8,337,218  | N/A          | N/A          | N/A          |
| 18.46%       | 18.24%       | 18.24%       | 8.33%        | N/A          | N/A          | N/A          |
| \$147,467    | \$181,751    | \$167,710    | \$162,713    | \$137,607    | \$138,459    | \$135,408    |
| 147,467      | 181,751      | 167,710      | 162,713      | 137,607      | 138,459      | 135,408      |
| \$0          | \$0          | \$0          | \$0          | \$0          | \$0          | \$0          |
| \$583,908    | \$632,820    | \$600,578    | \$582,052    | \$506,773    | \$528,817    | \$562,846    |
| 25.26%       | 28.72%       | 27.92%       | 27.96%       | 27.15%       | 26.18%       | 24.06%       |
| \$9,732      | \$4,820      | N/A          | N/A          | N/A          | N/A          | N/A          |
| 9,732        | 4,820        | N/A          | N/A          | N/A          | N/A          | N/A          |
| \$0          | \$0          | N/A          | N/A          | N/A          | N/A          | N/A          |
| \$33,238     | \$16,500     | N/A          | N/A          | N/A          | N/A          | N/A          |
| 29.28%       | 29.21%       | N/A          | N/A          | N/A          | N/A          | N/A          |

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