THE UNIVERSITY OF UTAH®

ANNUAL FINANCIAL REPORT

THE UNIVERSITY OF UTAH

A COMPONENT UNIT OF THE STATE OF UTAH

2019

THE UNIVERSITY OF UTAH


UTAH

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Message from the President
Ruth V. Watkins

Dear colleagues,

The University of Utah is on the rise, and our strength as a model public research institution is reflected in the annual statement for fiscal year 2019. Our strong financial position allows us to continue to invest in innovative programs and initiatives that benefit students, faculty, staff and our community.

As the state's flagship university, we are on an upward trajectory that is reflected by our jump in several prestigious national rankings of higher education institutions. One example: U.S. News & World Report listed the U at No. 44 among public universities, our first appearance among the top 50 institutions. Increases in rankings happen when you are doing the right things. This good news is the result of our collective effort to advance student success and research excellence.

Student success is our primary focus, and we are helping more students reach the degree finish line than ever before. Our six-year graduation rate is now 70 percent, up 19 percentage points over the past decade. The U is one of just two public institutions in the country to achieve such a significant improvement in graduation rates over this period.

This fall, we welcomed another group of smart, diverse and motivated first-year students. When asked why they came to the U, these students said to learn, to grow, to succeed, to make things happen and to change the world. They are passionate about giving back. And they've come to the right place.

We emphasize community-engaged learning as a fundamental aspect of an exceptional educational experience. Last year, our students participated in more than 180,000 hours of community learning and service. These are the future leaders and change agents of our world, and the quality of education available to them at the U can make their aspirations a reality.

Our faculty are the core of the world-class education we offer. The University of Utah is committed to excellence, innovation and diversity in conducting transformative, high-quality research. Our scholars continue to garner international recognition for their achievements—a total that now stands at more than 900 major awards. U faculty are engaged in solving society's most pressing problems, work that attracts significant financial support. In FY2019, we set a record for sponsored project awards at $547 million.

University of Utah Health continues to be recognized nationally as a leader in quality, safety and accountability, ranked among the top 10 academic medical centers in the country for 10 consecutive years. The U is one of fewer than two dozen public higher education institutions in the nation with both a comprehensive research university and a vibrant academic medical center located on a single campus. This good fortune allows us to engage in innovative collaborations that lead to groundbreaking discoveries and inventions.

Thanks to the generous support of donors, the U opened two new buildings in the past year. At present, work is in progress on three new buildings, an addition, a new 992-bed student residence village and a major utility upgrade.

We are committed to working as One U in scholarship, education, community partnerships and knowledge transfer—a mindset that allows us to be inventive and efficient, and positions us at the forefront of scientific research and higher education innovation. We also are united in serving the people of Utah as the University for Utah, making a difference in our communities and meeting the demand for a highly skilled, well-educated and eminently prepared workforce.

Some debate the value of a higher education degree. We know that having a college degree is life-changing and essential for success in today's global economy. Thank you for sharing our vision.

Sincerely,

Ruth V. Watkins

Office of the
State Auditor

Independent State Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Utah (University), a component unit of the State of Utah, as of and for the year ended June 30, 2019, 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 University of Utah Hospitals and Clinics (UUHC), ARUP Laboratories, Inc. (ARUP), University of Utah Research Foundation (UURF), or University of Utah Health Insurance Plans (UUHIP), which represent 34 percent, 27 percent, and 55 percent, respectively, of the assets, net position, and revenues of the University. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for UUHC, ARUP, UURF, and UUHIP, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of ARUP were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2019, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the University's Schedule of Proportionate Share of the Net Pension Liability and Schedule of Defined Benefit Pension Contributions, included in the Required Supplementary Information listed in the table of contents, be presented to supplement the 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 Message from the President and the listing of Governing Boards and Officers are presented for purposes of additional analysis and are not a required part of the basic financial statements. This message and listing have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

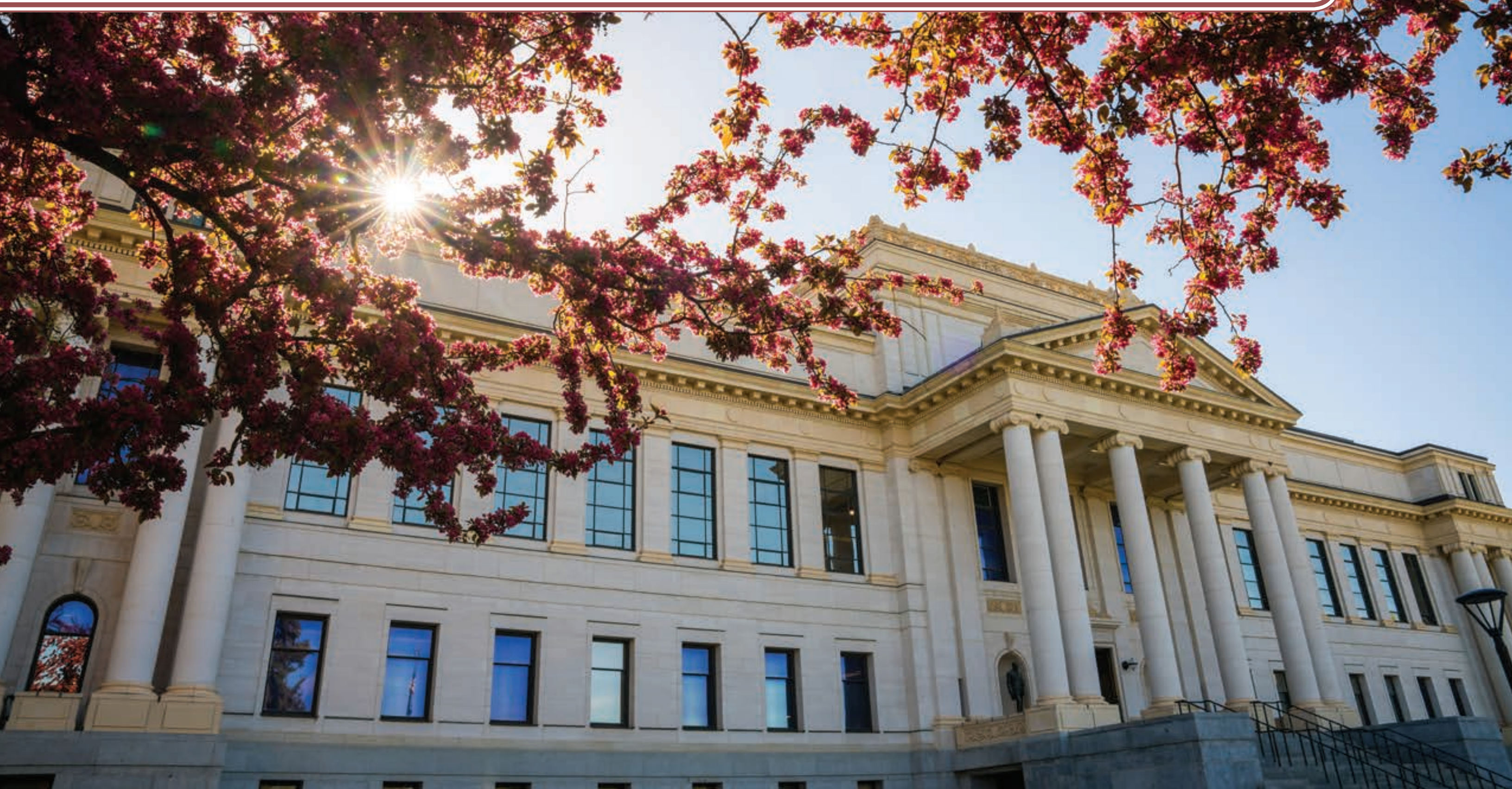
Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2019 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 31, 2019

MANAGEMENT'S DISCUSSION & ANALYSIS



INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the University of Utah (University) and its component units for the year ended June 30, 2019, with selected comparative information for prior fiscal years. This discussion has been prepared by management and should be read in conjunction with the Financial Statements and the Notes to the Financial Statements, which follow this discussion and analysis.

The University of Utah's Financial Statements include revenues, expenses, assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position for the entire University entity, including the University of Utah Hospitals and Clinics (UUHC), which is part of University of Utah Health Care, as well as the balances and activities of three component units: the University of Utah Research Foundation (UURF), ARUP Laboratories, Inc. (ARUP) and University of Utah Health Insurance Plans (UUHIP). UURF specializes in the transfer of patented technology to business entities as well as the leasing and administration of Research Park (a research park located on land owned by the University) and other buildings. ARUP is a national clinical and esoteric reference laboratory. UUHIP is a licensed non-profit health insurance provider. More information about these entities and their inclusion in the financial statements may be found in Note 1—*Summary of Significant Accounting Policies—Reporting Entity.*

ABOUT THE UNIVERSITY OF UTAH

Founded in 1850, the University of Utah is the state's oldest and most comprehensive institution of higher education and is the flagship institution of the state system of higher education. The University offers over 100 major subjects at the undergraduate and graduate level, including law and medicine, to 32,000 students from across the United States and world, preparing students to live and compete in the global workplace. With more than 30,000 employees, it is one of the state's largest employers.

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

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

OVERVIEW AND ANALYSIS OF THE FINANCIAL STATEMENTS

The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles. Three financial statements are presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The Notes to the Financial Statements are an integral part of the statements and provide additional details and information important to an understanding of the University's financial position and results of operations.

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

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

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

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

STATEMENT OF NET POSITION

A condensed statement of net position for the past five fiscal years is shown in *Figure 1* below:

Figure 1

Condensed Statement of Net Position - as of June 30 (in thousands)[1]	**2019**	**2018**	**2017**	**2016**	**2015**
Current assets	$2,293,302	$2,057,009	$1,759,605	$1,687,992	$1,672,391
Noncurrent assets					
Capital assets, net	3,468,781	3,323,706	2,959,044	2,718,265	2,504,854
Other noncurrent assets	2,360,379	2,108,022	2,068,089	1,887,210	1,726,576
Total Assets	8,122,462	7,488,737	6,786,738	6,293,467	5,903,821
Deferred Outflows of Resources	72,775	83,134	76,912	75,957	29,249
Current liabilities	860,291	704,687	685,374	698,355	643,914
Noncurrent liabilities	1,338,567	1,223,800	1,208,732	1,131,565	1,042,931
Total Liabilities	2,198,858	1,928,487	1,894,106	1,829,920	1,686,845
Deferred Inflows of Resources	16,358	75,898	28,990	17,798	12,810
Net investment in capital assets	2,411,866	2,320,870	2,037,151	1,784,592	1,641,064
Restricted, nonexpendable	633,722	604,497	564,118	524,471	518,706
Restricted, expendable	750,207	757,165	576,934	510,895	449,189
Unrestricted	2,184,226	1,884,954	1,762,352	1,701,748	1,624,456
Total Net Position	$5,980,021	$5,567,486	$4,940,555	$4,521,706	$4,233,415

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

Total net position increased 7.4% from the prior year and 41.3% over the periods shown—due to steady growth in most of the operating and nonoperating revenue categories. These increases indicate steady improvement in financial condition, reflecting the University's prudent management of its resources. This surplus has been reinvested within the University to add to the margin of educational excellence, upgrade the University's facilities, and provide a sensible reserve for contingencies. Total assets increased 8.5% from the prior year primarily due to increases in cash, increases in investments due to strong performance, and increases in capital assets due to the addition of new buildings as well as building construction in progress. Liabilities increased 14% from the prior year primarily due to an increase in unearned revenue as a result of recording a contract to install the Epic medical records system in an affiliated organization; an increase in other liabilities as a result of UUHIP's increase in claims and benefits incurred but not reported; an increase in bonds payable from the issuance of additional bonds; a new Federal Capital Contribution liability arising from the discontinuation of the Federal Perkins Loan Program; and an increase in pension liability. Deferred Inflows of Resources decreased 78.4% due to a change in projected versus actual earnings on pension plan investments.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

Revenues from tuition and fees increased 5.5% from the prior year—and 20.8% over the periods shown. This upward trend is reflective of the increases in enrollment and the students' increased contribution toward the University's budget.

Figure 2

Condensed Statement of Revenues, Expenses, and Changes in Net Position – for the years ended June 30 (in thousands)[1]	2019	2018	2017	2016	2015
Operating revenues					
Tuition and fees, net	$ 367,174	$ 347,902	$ 327,508	$ 316,373	$ 304,008
Patient services, net	2,460,034	2,209,201	2,192,329	1,998,637	1,816,284
Grants and contracts	483,626	455,950	397,813	367,738	362,634
Sales and services	1,146,289	991,457	900,958	821,071	740,220
Auxiliary and other	368,303	386,095	333,351	256,998	237,262
Total operating revenues	4,825,426	4,390,605	4,151,959	3,760,817	3,460,408
Operating expenses	5,105,317	4,585,138	4,364,965	3,965,735	3,703,864
Operating loss	(279,891)	(194,533)	(213,006)	(204,918)	(243,456)
Nonoperating revenues					
State appropriations	367,168	335,828	322,050	313,518	287,929
Gifts	155,353	158,773	117,949	90,869	101,312
Investment income	124,568	90,595	91,705	27,104	41,557
Other net nonoperating revenue (expense)	(30,730)	(7,327)	5,842	(5,889)	11,141
Total nonoperating revenues	616,359	577,869	537,546	425,602	441,939
Income before capital and permanent endowment additions	336,468	383,336	324,540	220,684	198,483
Capital and permanent endowment additions	141,732	205,242	94,309	67,607	53,970
Increase in net position	478,200	588,578	418,849	288,291	252,453
Net Position - beginning of year	5,501,821	4,978,908	4,521,706	4,233,415	3,980,962
Net Position - end of year	$ 5,980,021	$ 5,567,486	$ 4,940,555	$ 4,521,706	$ 4,233,415

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

Patient services revenues increased 11.4% from the prior year; and have increased 35.4% over the periods shown. This consistent growth reflects the UUHC's commitment to grow in capacity and quality in servicing the health care needs of the intermountain region.

Grants and Contracts revenues increased 6.1% from the prior year due to growth in substantially all major research categories and sponsors' awards. Namely, federal research funding from: Department of Health & Human Services; Department of Veterans Affairs; Department of Homeland Security; and Department of Education. Additional research category increases were: Private Industry; Foundations and Associations; Other Universities; and Hospitals. These increases were partially offset by a net decrease in funding from the National Science Foundation and from the Department of Defense.

Sales and services revenue increased 15.6% from the prior year primarily due to growth in an increase in UUHIP premium revenue. Sales and services revenue maintained a consistent upward trend for the periods shown—increasing 54.9%. The largest contributor to the increase is growth in ARUP and UUHC revenues over the period.

Auxiliary and other income decreased 4.6% from the prior year primarily due to a decrease from UUHC.

With contributions from these significant sources, total operating revenues have increased 9.9% and 39.4%, from the prior year and for the periods shown, respectively.

Operating expenses have increased as well; 11.3% over the prior year and 37.8% for the periods shown across all categories. With compensation and benefits representing 52.7% of total operating expenses for the current fiscal year, any change in that expense category can have significant impacts on total operating expenses. While salary increases have been modest, recruitment and retention of the University's excellent professors, researchers, and physicians requires the payment of competitive salaries. Other operating expenses increased 17.4% from the prior year primarily from an increase in non-capital construction expense. More detail on operating expenses appears below in *Figure 3.*

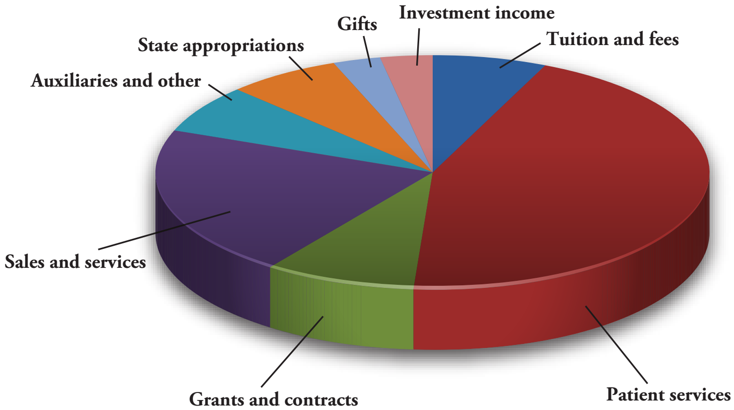
As a public university, the University of Utah receives funds from a variety of sources in support of its operations. While the Statement of Revenues, Expenses, and Changes in Net Position classifies certain funds as "nonoperating" for the purposes of financial reporting, such funds do, in fact, support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

State appropriations increased 9.3% from prior year which included funding to increase salaries, performance-based funding, and ongoing support for market demand programs. Gifts decreased 2.2% primarily due to several unique gifts in 2018 yet increased 53.3% over the periods shown due to the generosity of donors and a strong charitable campaign. Investment income fluctuates from year to year, and reflects the impact of market performance. Fiscal year 2019 investment income increased 37.5% from the prior year due to strong market performance and effective investment strategy.

Figure 3

Total expenses (in thousands)	**2019**	**2018**	**2017**	**2016**	**2015**
Operating expenses					
Compensation and benefits	$2,691,906	$2,509,786	$2,361,972	$2,124,108	$1,931,353
Component units	619,092	531,708	473,981	435,283	395,966
Supplies	672,615	567,176	530,338	498,101	432,171
Depreciation and amortization	236,321	222,591	222,143	204,396	189,481
Other	885,383	753,877	776,531	703,847	754,893
Total operating expenses	5,105,317	4,585,138	4,364,965	3,965,735	3,703,864
Nonoperating expenses					
Interest and other	65,552	41,942	39,140	40,552	34,805
Total expenses	$5,170,869	$4,627,080	$4,404,105	$4,006,287	$3,738,669

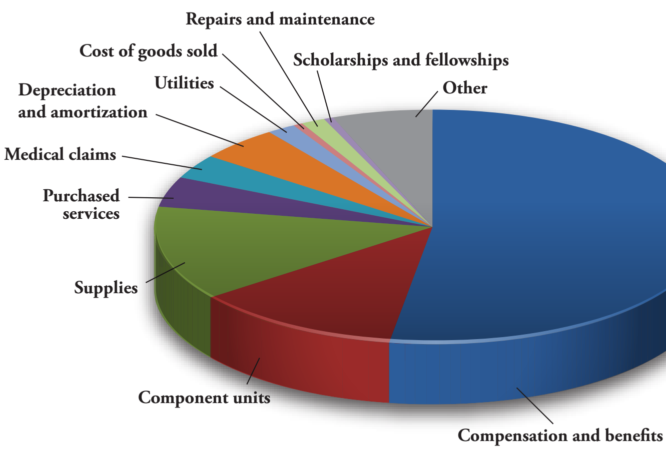
The graph below shows the various types of funding available to support the operations of the University:



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

Tuition and fees	$367,174
Patient services	2,460,034
Grants and contracts	483,626
Sales and services	1,146,289
Auxiliaries and other	368,303
State appropriations	367,168
Gifts	155,353
Investment income & other	159,391

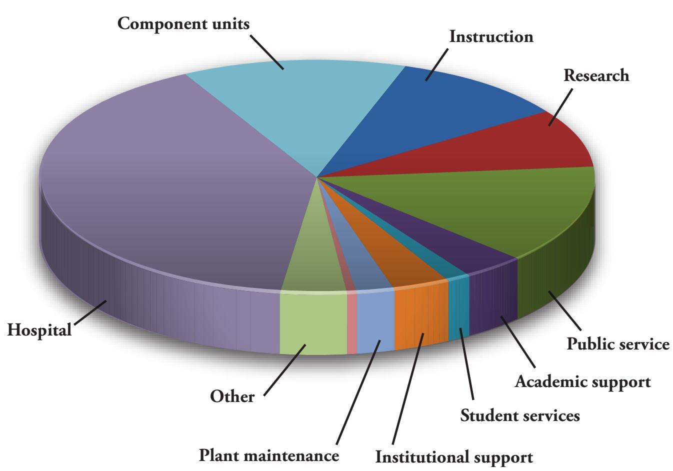
A graphical presentation of the University's operating expenses by natural classification appears below:



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

Compensation and benefits	$2,691,906
Component units	619,092
Supplies	672,615
Purchased services	200,444
Medical claims	177,957
Depreciation and amortization	236,321
Utilities	87,158
Cost of goods sold	36,601
Repairs and maintenance	59,357
Scholarships and fellowships	32,912
Other	290,954

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



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

Instruction	$534,240
Research	413,716
Public service	686,964
Academic support	180,711
Student services	82,074
Institutional support	169,638
Plant maintenance	103,693
Student aid	28,510
Other	197,512
Hospital	2,052,533
Component units	655,727

Figure 4

Condensed Statement of Cash Flows – for the years ended June 30 (in thousands)	2019	2018	2017	2016	2015
Cash flows provided/(used) by:					
Operating activities	$18,852	($17,577)	($27,462)	$23,692	$20,282
Noncapital financing activities	555,815	486,181	476,027	465,142	450,662
Capital and related financing activities	(317,848)	(394,621)	(362,599)	(361,844)	(197,718)
Investing activities	(159,531)	(28,358)	(26,623)	(110,779)	(404,932)
Net increase (decrease) in cash	97,288	45,625	59,343	16,211	(131,706)
Cash - beginning of year	660,522	614,896	555,553	539,342	671,048
Cash - end of year	$757,810	$660,521	$614,896	$555,553	$539,342

STATEMENT OF CASH FLOWS

A condensed version of the Statement of Cash Flows is shown in *Figure 4* above.

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

Cash increased 14.7% from the prior year primarily due to a strategy of UUHC to increase days of cash on hand, a UUHIP cash strategy to pay medical claims and ARUP's strategy to increase cash for expected construction of its new facility. The University actively manages its investment portfolio by balancing returns and liquidity, which may cause changes in cash balances. Cash and cash equivalents are held to the minimum needed to support operations, with any excess invested with varying maturity dates.

CAPITAL AND DEBT ACTIVITIES

- Some key construction projects were completed during the fiscal year, including the Carolyn and Kem Gardner Commons, (replacing the Orson Spencer Hall) and Robert H. and Katharine B. Garff Executive Education Building. Ongoing projects include the Ambulatory Care Complex; Craig H. Neilsen Rehabilitation Hospital; Kahlert Village South Campus Student Housing (a new 992 bed student housing and dining project); Health Sciences Energy Efficiency Improvement; Kathryn F. Kirk Center for Comprehensive Cancer Care and Women's Cancers (Huntsman Cancer V Hospital); Guest House Expansion; ARUP's Building 4 and the Rice Eccles South End Zone Upgrade. All of the current projects will be completed over the next several years.

- During fiscal year 2019, the University issued one bond series. In July 2018, the University issued $80.04 million of General Revenue Bonds, Series 2018A. Principal on the bonds is due annually commencing August 1, 2020 through August 1, 2044. Bond interest is due semi-annually commencing February 1, 2019 at rates ranging from 4.00% to 5.00%. Proceeds from these bonds are to be used to finance a portion of the costs of constructing an expansion to existing student housing and dining facilities on the University main campus and to pay costs of issuance.

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

The University's Administration takes its role of financial stewardship seriously and works hard to manage its financial resources effectively. Continued high debt ratings, currently Aa1 according to Moody's and AA+ according to S&P, for our General Revenue Bond

System are important indicators of the University's success in this area.

OUTLOOK FOR THE COMING FISCAL YEAR

The University's enrollment for Fall 2019 is 32,828 which is a slight decrease of 0.5% from Fall 2018. We are seeing the success of a change in recruiting efforts and have an increase in graduate students as well as out-of-state and international undergraduate students. Enrollment at the undergraduate level is dependent on two factors, pool and participation, that are both heavily influenced by factors within the State. The available pool of potential students, age 18 through 29, is projected to climb steadily through 2023. Enrollment increases should stabilize and steadily increase based on the pool of potential Utah public school students.

During the 2019 legislative session, the University's recurring budget for 2019-2020 was increased by 6.4% compared to 2018-2019 and included funding to increase salaries, new student growth and capacity funding, and ongoing funds for performance. The economic growth for Utah continues with Utah ranked at number one for total job growth in the United States at 3% based on the August 2019 employment numbers. Unemployment in Utah was 2.8% at the end of August 2019 as compared to 3.7% nationally. We are optimistic that the 2020 legislative session will continue to provide additional increases in funding.

During fiscal year 2019, the University raised $238 million of committed gifts. The University continues to benefit from the generosity of its donors and supporters and the number of active donors continues to increase. UUHC and ARUP continue to be recognized as leaders in their respective fields. The financial position for each is very strong and is expected to remain so. The University also remains very competitive in attracting research dollars and continues to see increases in sponsored project awards.

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

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

UUHIP increased its individual exchange membership by approximately 7% in 2019 despite Molina Healthcare re-entering the individual exchange market in the state of Utah. Its fully insured group membership increased by approximately 9% in 2019 compared to 2018. UUHIP anticipates that the 2019 commercial market will continue to remain competitive due to unique market forces in Utah. There is considerable uncertainty on the direction Federal regulation will go on the individual exchange, so UUHIP regularly monitors local and national developments for factors that may impact its performance. The Company's share of the large group and third party administrator services market has continued to grow steadily in 2019.

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

FINANCIAL STATEMENTS

THE UNIVERSITY OF UTAH | Statement of Net Position

(in thousands of dollars)

As of June 30, 2019

ASSETS	
Current Assets	
Cash and cash equivalents (Notes 2 & 4)	$ 607,196
Short-term investments (Notes 2 & 4)	958,358
Receivables, net (Note 5)	597,568
Inventory (Note 1)	97,149
Other assets (Note 6)	33,031
Total current assets	2,293,302
Noncurrent Assets	
Restricted cash and cash equivalents (Notes 2 & 4)	150,614
Restricted short-term investments (Notes 2 & 4)	2,639
Investments (Notes 3 & 4)	1,378,320
Restricted investments (Notes 3 & 4)	609,201
Restricted receivables, net (Note 5)	198,766
Donated property	1,275
Net pension asset	4
Other assets (Note 6)	19,560
Capital assets, net (Note 7)	3,468,781
Total noncurrent assets	5,829,160
Total assets	8,122,462
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding (Note 1)	7,964
Deferred outflows related to pensions (Note 8)	64,811
Total deferred outflows of resources	72,775
LIABILITIES	
Current Liabilities	
Accounts payable (Note 5)	
to the State of Utah	52,458
to Others	185,121
Accrued payroll	172,646
Compensated absences and early retirement benefits (Notes 1 & 15)	73,927
Unearned revenue (Note 9)	125,088
Deposits and other liabilities (Notes 11 & 15)	166,599
Bonds, notes and contracts payable (Notes 14, 15, & 16)	
to the State of Utah (HCH Phase II Lease)	4,805
to Others	79,647
Total current liabilities	860,291
Noncurrent Liabilities	
Compensated absences and early retirement benefits (Notes 1 & 15)	24,579
Deposits and other liabilities (Notes 11 & 15)	44,318
Bonds, notes and contracts payable (Notes 14, 15, & 16)	
to the State of Utah (HCH Phase II Lease)	78,795
to Others	1,016,090
Net pension liability (Note 8)	174,785
Total noncurrent liabilities	1,338,567
Total liabilities	2,198,858

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The accompanying notes are an integral part of these financial statements

(in thousands of dollars)

DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to bonds (Note 1)	1,441
Deferred inflows related to pensions (Note 8)	14,917
Total deferred inflows of resources	16,358
NET POSITION	
Net investment in capital assets	2,411,866
Restricted for	
Nonexpendable	
Instruction	198,467
Research	86,097
Public service	34,062
Academic support	67,573
Scholarships	235,204
Other	12,319
Expendable	
Research	116,811
Public service	119,337
Academic support	59,851
Institutional support	164,693
Scholarships	80,268
Loans	7,360
Capital additions	65,408
Insurance enterprises	45,209
Other	91,270
Unrestricted	2,184,226
Total net position	$ 5,980,021

The accompanying notes are an integral part of these financial statements

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

(in thousands of dollars)

For the Year Ended June 30, 2019

OPERATING REVENUES AND EXPENSES	
Revenues	
Tuition and fees, net (Note 1)	$ 367,174
Patient services, net (Notes 1 & 13)	2,460,034
Federal grants and contracts	319,223
State and local grants and contracts	19,626
Nongovernmental grants and contracts	144,777
Sales and services, net (Note 1)	1,146,289
Auxiliary enterprises, net (Note 1)	181,787
Other operating revenues	186,516
Total operating revenues	4,825,426
Expenses	
Compensation and benefits	2,691,906
Component units	619,092
Supplies	672,615
Purchased services	200,444
Medical claims	177,957
Depreciation and amortization	236,321
Utilities	87,158
Cost of goods sold	36,601
Repairs and maintenance	59,357
Scholarships and fellowships	32,912
Other operating expenses	290,954
Total operating expenses	5,105,317
Operating loss	(279,891)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	367,168
Government grants	34,822
Gifts	155,353
Investment income	124,568
Interest	(38,712)
Other	(26,840)
Total nonoperating revenues	616,359
Income before capital and permanent endowment additions	336,468
CAPITAL AND PERMANENT ENDOWMENT ADDITIONS	
Capital appropriations	28,680
Capital grants and gifts	82,415
Additions to permanent endowments	30,637
Total capital and permanent endowment additions	141,732
Increase in net position	478,200
NET POSITION	
Net position - beginning of year, as adjusted (Note 1)	5,501,821
Net position - end of year	$ 5,980,021

The accompanying notes are an integral part of these financial statements

THE UNIVERSITY OF UTAH | Statement of Cash Flows

(in thousands of dollars)

For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and fees	$ 367,373
Receipts from patient services	2,450,775
Receipts from grants and contracts	481,672
Receipts from auxiliary and educational services	1,329,201
Collection of loans to students	7,863
Payments to suppliers	(2,162,903)
Payments for compensation and benefits	(2,668,644)
Payments for scholarships and fellowships	(32,912)
Loans issued to students	(4,690)
Other	251,117
Net cash provided by operating activities	18,852
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	367,168
Government grants	34,822
Federal direct loan receipts	145,603
Federal direct loan payments	(145,603)
Gifts	
Endowment	30,809
Nonendowment	144,888
Other	(21,872)
Net cash provided by noncapital financing activities	555,815
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	80,040
Capital appropriations	27,849
Gifts	21,162
Purchase of capital assets	(334,937)
Principal paid on capital debt	(69,280)
Interest paid on capital debt	(42,682)
Net cash used by capital and related financing activities	(317,848)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	2,321,127
Receipt of interest and dividends on investments	70,898
Purchase of investments	(2,551,556)
Net cash used by investing activities	(159,531)
Net increase in cash	97,288
Cash - beginning of year	660,522
Cash - ending of year	$ 757,810

Continued on next page…

The accompanying notes are an integral part of these financial statements

(in thousands of dollars)

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ (279,891)
Adjustments	
Depreciation and amortization expense	236,321
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources	
Receivables, net	(53,574)
Inventory	(11,201)
Other assets	(48,156)
Deferred outflows related to pensions	2,567
Accounts payable	40,633
Accrued payroll	13,746
Compensated absences and early retirement benefits	4,567
Unearned revenue	51,399
Deposits and other liabilities	60,059
Net pension liability	61,832
Deferred inflows related to pensions	(59,450)
Net cash provided by operating activities	$ 18,852
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital leases	$ 43,804
Donated property and equipment	2,654
Completed construction projects transferred from State of Utah (Note 1)	830
Annuity and life income	(334)
Increase in fair value of investments	59,852
Total noncash investing, capital, and financing activities	$ 106,806

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

- UURF is a not-for-profit corporation governed by a board of directors who, with the exception of one director, are affiliated with the University. The operations of UURF include the leasing and administration of Research Park (a research park located on land owned by the University), the leasing of certain buildings, and the commercial development of patents and products developed by University personnel. As part of its mission to advance technology commercialization, UURF creates new corporate entities to facilitate the startup process. In general, these entities do not have assets. Expenses related to the companies are expensed as incurred. The fiscal year end for UURF is June 30. UURF is audited by other independent auditors and their report, dated September 19, 2019, was issued under separate cover.

- ARUP is a not-for-profit corporation that provides clinical and anatomic pathology reference laboratory services to medical centers, hospitals, clinics and other clinical laboratories throughout the United States, including UUHC. ARUP contracts with the University of Utah School of Medicine Department of Pathology to provide pathology consulting services. The fiscal year end for ARUP is June 30. Other independent auditors audited ARUP and their report, dated August 30, 2019, was issued under separate cover.

- UUHIP is a not-for-profit corporation that provides individual and large group health insurance. UUHIP received its certificate of authority to offer health insurance in the State of Utah effective January 1, 2015 and started full operations in 2016. Also in 2016, it started building provider networks, processing payments and performing other administrative services for third parties. The fiscal year end for UUHIP is December 31. Other independent auditors audited UUHIP and their report, dated June 28, 2019, was issued under separate cover.

  Health insurance companies are subject to certain minimum surplus requirements as specified by the National Association of Insurance Commissioners (NAIC) and the Utah Insurance Department. Under those requirements, the amount of capital and surplus maintained by a health service insurance corporation is to be the greater of minimum Risk-Based Capital (RBC) or $400,000. RBC is determined based on the various risk factors related to UUHIP's operations. Regulatory compliance is determined by a ratio of UUHIP's total adjusted capital, calculated in the manner prescribed by NAIC to its authorized control level RBC. If UUHIP drops below specific trigger levels, a specified corrective action is required. The minimum level of total adjusted capital before corrective action commences is twice the authorized control level RBC. UUHIP met both minimum surplus requirements with RBC exceeding the authorized control level and surplus exceeding $400,000 at December 31, 2018.

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

B. Basis of Accounting

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

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

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

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

C. Investments

Investments are recorded at fair value in accordance *with GASB Statement No. 72, Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The University distributes earnings from pooled investments based on the average daily investment of each participating account; or for endowments, distributes according to the University's spending policy. A portion of the University's endowment portfolio is invested in "alternative investments". These investments, unlike more traditional investments, generally do not have readily obtainable market values and typically take the form of limited partnerships. See Note 4 for more information regarding these investments and the University's outstanding commitments under the terms of the partnership agreements. The University values these investments based on the partnerships' audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions.

D. Allowances

In accordance with GASB Statement No. 34, certain expenses are netted against revenues as allowances. The following schedule presents revenue allowances for the year ended June 30, 2019:

Revenue Allowances	
Tuition and fees	$98,591,850
Patient services	110,942,639
Sales and services	8,764
Auxiliary enterprises	3,348,954

E. Inventories

The University Campus Store's inventories are valued using the retail inventory method. All other inventories are stated at the lower of cost or market using the first-in, first-out method or, on a basis that approximates cost determined on the first-in, first-out method.

F. Research and Development Costs

Research and development costs of ARUP are expensed as incurred. These costs for the year ended June 30, 2019 were approximately $13.3 million.

G. Compensated Absences & Early Retirement Benefits

Employees' vacation leave, excluding UUHC, is accrued at a rate of eight hours each month for the first five years and increases to a rate of 16.67 hours

each month after fifteen years of service. There is no requirement to use vacation leave, but a maximum of thirty days plus one-year accrual may be carried forward at the beginning of each calendar year. Eligible employees are reimbursed for unused vacation leave upon termination and vacation leave is expended when used or reimbursed. The liability for vacation leave at June 30, 2019 was approximately $46.3 million.

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

In addition, the University may provide early retirement benefits, if approved by the Administration and by the Board of Trustees; for certain employees who have attained the age of 60 with at least fifteen years of service and who have been approved for the University's early retirement program. Currently, 68 employees participate in the early retirement program. The University pays each early retiree an annual amount equal to the lessor of 20% of the retiree's final salary or their estimated social security benefit, as well as health care and life insurance premiums, which is approximately 50% of their early retirement salary, until the employee reaches full social security retirement age. In accordance with GASB Statement No. 47, *Accounting for Termination Benefits*, the amount recognized on the financial statements was calculated at the discounted present value of the projected future costs which includes an estimated annual increase of 2.5%. A discount rate of 2.0994% was used and is based on the average rate earned by the University on cash management investments for the fiscal year. For the year ended June 30, 2019, these expenditures were approximately $3.2 million.

Employees of UUHC receive a combined accrual for paid time off in lieu of the separate vacation and sick accruals received by University employees. Accrual rates for paid time off begin at 13.33 hours per month and increase each five years until the maximum accrual of 20.00 hours per month is reached after ten years of service. The maximum number of hours which can be carried forward at the beginning of a calendar year is 520 hours for staff and 600 hours for managers and directors. Employees who meet specified accrual balances have the option to receive an annual payout of up to 80 hours in May or November. Employees are paid for all unused paid time off hours upon termination. The cost of paid time off is accrued each month by the Hospital. The liability for paid time off at June 30, 2019 was approximately $52 million.

H. Construction

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

I. Deferred Outflows and Inflows of Resources

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

J. Pensions

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

K. Adjustments to Beginning Net Position

For the year ended June 30, 2019, the University made adjustments which decreased beginning net position by $65.7 million. Certain construction projects totaling $46.2 million were determined to be non-capital and removed from construction-in-progress. Additionally, a $19.5 million pledge receivable from the prior fiscal year was reversed due to contingencies identified in the pledge agreement.

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

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

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

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

At June 30, 2019, cash and cash equivalents and short-term investments consited of:

Cash and Cash Equivalents	
Cash	$ 47,618,885
Money market funds	163,793,905
Repurchase agreements	81,500,000
Utah Public Treasurers' Investment Fund	405,238,515
U.S. Agencies	58,449,924
Corporate notes	1,208,687
Total (fair value)	$ 757,809,916

Short-term Investments	
Time certificates of deposit	$ 3,452,843
U.S. Treasuries	4,989,648
U.S. Agencies	896,081,255
Corporate notes	55,972,139
Municipal bonds	500,940
Total (fair value)	$ 960,996,825

3. INVESTMENTS

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

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

According to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Section 51-8 of the Utah Code, the institution may appropriate for expenditure or accumulate so much of an endowment fund as the University determines to be prudent for uses, benefits, purposes, and duration for which the endowment was established. The endowment income spending practice at June 30, 2019 was 4% of the twelve quarter moving average of the market value of the endowment pool. The spending practice is reviewed periodically and any necessary changes are made. In general, nearly all of the University's endowment is subject to spending restrictions imposed by donors.

The amount of net appreciation on investments of donor-restricted endowments available for authorization for expenditure at June 30, 2019 was approximately $106,914,000. The net appreciation is a component of restricted expendable net position.

At June 30, 2019, the investment portfolio composition was as follows:

Investments	
Time certificates of deposits	$ 6,862,498
U.S. Treasuries	106,966,998
U.S. Agencies	784,354,244
Corporate notes	40,842,713
Mutual and Partnership funds	1,026,467,851
Common and preferred stocks	22,025,985
Total (fair value)	$1,987,520,289

4. DEPOSITS AND INVESTMENTS

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

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

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

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

Deposits

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

At June 30, 2019, the carrying amounts of the University's deposits and bank balances were $31,870,888 and $60,886,463, respectively. The Federal Deposit Insurance Corporation (FDIC) provides deposit insurance coverage up to $250,000 for demand deposits and $250,000 for time and savings deposits at each banking institution. As a result, the bank balances of the University were insured for $955,192, by the FDIC. The bank balances in excess of $955,192 were uninsured and uncollateralized, leaving $59,931,271 exposed to custodial credit risk. The University's policy for reducing this risk of loss is to deposit all such balances in qualified depositories, as defined and required by the Act.

Investments

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

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

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

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

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

Fair Value of Investments

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

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

At June 30, 2019, the University had the following recurring fair value measurements:

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Debt securities				
Money market mutual funds	$ 163,793,905	$ 18,093,357	$ 145,700,548	
Repurchase agreements	81,500,000		81,500,000	
Utah Public Treasurers' Investment Fund	405,238,515		405,238,515	
Time certificates of deposit	10,315,341		10,315,341	
U.S. Treasuries	111,956,646		111,956,646	
U.S. Agencies	1,738,885,423	738,364	1,738,147,059	
Corporate notes	98,023,539		98,023,539	
Municipal bonds	500,940		500,940	
Mutual bond funds	168,453,023		168,453,023	
Total debt securities	2,778,667,332	18,831,721	2,759,835,611	
Equity securities				
Common and preferred stocks	22,025,985	17,194,213	250,680	$ 4,581,092
Mutual equity funds	395,790,312		395,790,312	
Total equity securities	417,816,297	17,194,213	396,040,992	4,581,092
Total investments by fair value level	3,196,483,629	36,025,934	3,155,876,603	4,581,092
Investments measured at net asset value (NAV)				
Hedged equity	69,195,585			
Private equity	54,959,294			
Venture capital	44,364,151			
Credit sensitive fixed income	28,702,789			
Private real estate	19,196,683			
Private natural resources	2,527,163			
Other real assets	72,225,239			
Diversifying strategies	171,053,612			
Total investments measured at the NAV	462,224,516			
Total investments measured at fair value	$ 3,658,708,145	$ 36,025,934	$ 3,155,876,603	$ 4,581,092

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

- U.S. Treasuries and U.S. Agencies: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds and Negotiable Certificates of Deposit: quoted prices for similar securities in active markets;
- Repurchase Agreements: valued at purchase price due to very short term to maturity;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund; and
- Utah Public Treasurers' Investment Fund: application of the June 30, 2019 fair value factor, as calculated by the Utah State Treasurer, to the University's ending balance in the Fund.

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

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

Investments Measured at Net Asset Value (NAV)				
Investments	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Hedged equity	$ 69,195,585		Monthly, quarterly	30–75 days
Private equity	54,959,294	$ 31,041,716	N/A	N/A
Venture capital	44,364,151	33,442,809	N/A	N/A
Credit sensitive fixed income	28,702,789	26,303,046	Quarterly	90 days
Private real estate	19,196,683	4,580,099	N/A	N/A
Private natural resources	2,527,163	805,653	N/A	N/A
Other real assets	72,225,239	168,248,187	N/A	N/A
Diversifying strategies	171,053,612		Daily, quarterly, annually	0-90 days
Total alternative investments	$ 462,224,516			
Total unfunded commitments		$ 264,421,510		

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act or the UPMIFA and Rule 541, as applicable. For non-endowment funds, Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits and fixed rate corporate obligations to 270 days—15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 10 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding three years. For endowment funds, Rule 541 is more general, requiring only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

As of June 30, 2019, the University had debt investments with maturities as shown on page 30 in *Figure 1*.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for reducing its exposure to credit risk is to comply with the Act, the UPMIFA, and Rule 541, as previously discussed. ARUP and UUHIP manage their credit risk by requiring that 70% of their investment portfolio must be compliant with the Act.

At June 30, 2019, the University had debt investments with quality ratings as shown on page 30 in *Figure 2*.

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

was reflected in the book-entry records of the issuer and the University's ownership was represented by a receipt, confirmation, or statement issued by the custodial bank.

At June 30, 2019, the University's custodial bank was both the custodian and the investment counterparty for $1,847,589,476 of U.S. Treasury and Agency securities purchased by the University; and $3,252,593 of U.S. Treasury and Agency securities were held by the custodial bank's trust department but not in the University's name.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for reducing this risk of loss is to comply with the Rules of the Council or the UPMIFA and Rule 541, as applicable. Rule 17 of the Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations

Figure 1		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
Money market mutual funds	$ 163,793,905	$ 163,793,905			
Repurchase agreements – underlying: U.S. Agencies	81,500,000	81,500,000			
Utah Public Treasurers' Investment Fund	405,238,515	405,238,515			
Time certificates of deposit	10,315,341	3,452,843	$ 6,862,498		
U.S. Treasuries	111,956,646	4,989,648	106,966,998		
U.S. Agencies	1,738,885,423	954,531,179	667,037,983	$ 117,316,261	
Corporate notes	98,023,539	57,180,526	37,983,341	230,180	$ 2,629,192
Municipal bonds	500,940	500,940			
Mutual bond funds	168,453,023		19,903,218	148,549,805	
Totals	$ 2,778,667,332	$ 1,671,187,856	$ 838,754,038	$ 266,096,246	$ 2,629,192

Figure 2			Quality Rating				
Investment Type	**Fair Value**	**AAA/A-1***	**AA**	**A**	**BBB**	**Unrated**	**No Risk**
Money market mutual funds	$ 163,793,905	$ 67,459,398				$ 96,334,507	
Repurchase agreements – underlying:							
U.S. Agencies	81,500,000		$ 81,500,000				
Utah Public Treasurers' Investment Fund	405,238,515					405,238,515	
Time certificates of deposit	10,315,341	2,501,801		$ 3,098,359		4,715,181	
U.S. Treasuries	111,956,646						$111,956,646
U.S. Agencies	1,738,885,423	663,214,887	848,956,612			226,713,924	
Corporate notes	98,023,539		16,826,152	57,985,655	$19,808,579	3,403,153	
Municipal bonds	500,940		500,940				
Mutual bond funds	168,453,023		47,819,916			120,633,107	
Totals	$ 2,778,667,332	$ 733,176,086	$ 995,603,620	$61,084,014	$19,808,579	$ 857,038,387	$111,956,646

*A-1 is Commercial paper, Certificates of deposit and Agency Note rating to 5-10% depending upon the total dollar amount held in the portfolio at the time of purchase.

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

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

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

The University diversifies assets among several investment managers of varying investment strategies. Diversification is an effective means of maximizing return while mitigating risk. At June 30, 2019, the University held more than 5% of its total investments in the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, the Federal Farm Credit Bank, and the Federal Agricultural Mortgage Corporation. These investments represent 24.7%, 7.6%, 6.4%, and 6.1%, respectively, of the University's total investments.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University does not have a formal policy to limit foreign currency risk. At June 30, 2019, the University's exposure to foreign currency risk is $10,959,300 in Private Real Estate investments that are held in Euro currency denomination.

5. RECEIVABLES AND ACCOUNTS PAYABLE

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

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

The following schedule presents receivables at June 30, 2019, including approximately $10.2 million and $188.6 million of noncurrent loans, and pledges receivable, respectively:

Accounts	$ 863,548,489
Grants and contracts	52,923,716
Loans	22,476,652
Pledges	211,791,632
Interest	10,173,080
Receivable from State	7,174,026
	1,168,087,595
Less allowances for doubtful accounts	(371,753,483)
Receivables, net	$ 796,334,112

The following schedule presents the major components of accounts payable at June 30, 2019:

Vendors	$ 122,870,455
Interest	25,083,209
Payable to State	52,458,472
Other	37,166,474
Total accounts payable	$ 237,578,610

6. OTHER ASSETS

Prepaid rent to the State of Utah, for the Huntsman Cancer Hospital, is amortized using the straight-line method. The June 30, 2019 balance of prepaid rent to the State was $14,044,064.

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

7. CAPITAL ASSETS

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

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

At June 30, 2019, the University had outstanding commitments for the construction and remodeling of University buildings of approximately $62.7 million.

Capital assets at June 30, 2019, are shown in *Figure 3* below.

8. PENSION PLANS AND RETIREMENT BENEFITS

As required by State law, eligible nonexempt employees (as defined by the U.S. Fair Labor Standards Act) of the University are covered by defined benefit plans sponsored by the Utah Retirement Systems (Systems) and eligible exempt employees (as defined by the U.S. Fair Labor

Figure 3 (in thousands of dollars)	Beginning Balance	Additions	Retirements	Ending Balance
Buildings	$ 3,590,483	$ 147,517	$ (12,967)	$ 3,725,033
Infrastructure and improvements	442,587	26,885	(4,115)	465,357
Land	56,280	29,465	(480)	85,265
Equipment (including intangibles)	1,177,729	101,225	(53,201)	1,225,753
Library materials	146,236	743	(13,583)	133,396
Art and special collections	80,236	2,979	(53)	83,162
Construction in progress	376,964	258,418	(131,345)	504,037
Total cost	5,870,515	567,232	(215,744)	6,222,003
Less accumulated depreciation				
Buildings	1,378,468	113,465	(10,627)	1,481,306
Infrastructure and improvements	229,361	24,668	(4,031)	249,998
Equipment	857,314	97,194	(48,510)	905,998
Library materials	127,831	1,672	(13,583)	115,920
Total accumulated depreciation	2,592,974	236,999	(76,751)	2,753,222
Capital assets, net	$ 3,277,541	$ 330,233	$ (138,993)	$ 3,468,781

Standards Act) are covered by defined contribution plans, such as the Teachers Insurance and Annuity Association (TIAA), the UUHC 401(a) Plan, the UUHC Hospital Plan Plus (HPP) Benefit Program, or Fidelity Investments (Fidelity). Eligible employees of ARUP are covered by a separate defined contribution pension plan and a profit sharing plan.

Defined Benefit Plans

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

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

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

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

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

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

Summary of Benefits by System

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

* With actuarial reductions

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

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

	Paid by Employer for Employee	Employer Contribution Rates
Noncontributory System		
State and School Division Tier 1	N/A	22.19%
Contributory System		
State and School Division Tier 1	6%	17.70%
State and School Division Tier 2*	N/A	18.87%
Public Safety System		
Public Safety Tier 1	N/A	41.35%
Public Safety Tier 2*	N/A	29.80%

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

For the year ended June 30, 2019, the University and employee contributions to the plans were as follows:

	Employer Contributions	Employee Contributions
Noncontributory System	$ 24,357,470	N/A
Contributory System	703,592	$ 238,506
Public Safety System	766,954	-
Tier 2 Public Employees System	4,993,396	-
Tier 2 Public Safety and Firefighter System	215,306	-
Total	$ 31,036,718	$ 238,506

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

At June 30, 2019, the University's net pension asset and liability were as follows:

	Proportionate Share December 31, 2018	Proportionate Share December 31, 2017	Change Increase/(Decrease)	Net Pension Asset	Net Pension Liability
Noncontributory System	4.1508111%	4.4314989%	(0.2806878%)	-	$ 154,431,638
Contributory System	21.3415034%	20.1819859%	(1.1595175%)	-	15,152,551
Public Safety System	1.7408888%	1.7119332%	0.0289556%	-	4,167,255
Tier 2 Public Employees System	2.3921260%	3.1919359%	(0.7998099%)	-	1,024,497
Tier 2 Public Safety and Firefighter System	0.3597768%	0.3045036%	(0.0552732%)	$ 3,523	9,014
Total Net Pension Asset / Liability				$ 3,523	$ 174,784,955

The net pension asset and liability were measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2019, the University recognized pension expense of $36,634,925 for the defined benefit pension plans.

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 858,344	$ 2,473,193
Changes in assumptions	16,267,514	18,737
Net difference between projected and actual earnings on pension plan investments	31,674,490	-
Changes in proportion and differences between contributions and proportionate share of contributions	528,415	12,424,994
Contributions subsequent to the measurement date	15,482,166	-
Total	$ 64,810,929	$ 14,916,924

Contributions made between January 1, 2019 and June 30, 2019 of $15,482,166 are reported as deferred outflows of resources related to pensions. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended December 31	Net Deferred Outflows/ (Inflows) of Resources
2019	$ 14,087,820
2020	2,461,798
2021	2,589,840
2022	15,112,313
2023	27,563
Thereafter	132,505

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

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

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

		Expected Return Arithmetic Basis	
Asset Class	**Target Asset Allocation**	**Real Return Arithmetic Basis**	**Long-Term expected portfolio real rate of return**
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
Inflation			2.50%
Expected arithmetic nominal return			7.25%

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

The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained the same at 6.95 percent from the prior measurement period.

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

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Proportionate Share of Net Pension Liability (Asset)			
Noncontributory System	$ 277,584,864	$154,431,638	$ 51,398,588
Contributory System	31,754,266	15,152,551	985,876
Public Safety	7,512,355	4,167,255	1,417,617
Tier 2 Public Employees System	4,104,329	1,024,497	(1,352,365)
Tier 2 Public Safety and Firefighter System	67,992	9,014	(36,118)
Totals	$ 321,023,806	$174,784,955	$ 52,413,598

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

Defined Contribution Plans

The University offers employees the choice between URS, TIAA, and Fidelity for individual retirement funds. Employees who participate in the State and School Noncontributory and Tier 2 pension plans also participate in qualified contributory 401(k) savings plans administered by the Utah Retirement Systems (Systems). For employees participating in the Noncontributory, Contributory and Public Safety systems, the University contributes 1.5%, 1.15%, and 0.74%, respectively of participating employees' annual salaries to a 401(k) plan administered by the Systems. For employees participating in the Tier 2 Public Employee defined contribution plan and Tier 2 Public Safety and Firefighter defined contribution plan, the University is required to contribute 20.02% and 30.54%, respectively, of the employee's salary, of which 10% and 12%, respectively, is paid into the 401(k) plan while the remainder is contributed to the Tier 1 Contributory Public Employee System, as required by law. During the year ended June 30, 2019, the University's contribution totaled $2,644,513, which was included in the pension expense, and the participating employees' voluntary contributions totaled $221,804. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

TIAA and Fidelity provide individual retirement fund contracts with each participating employee. Employees may allocate contributions by the University to any or all of the providers and the contributions to the employee's contract(s) become vested at the time the contribution is made. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. Benefits provided to retired employees are based on the value of the individual contracts and the estimated life expectancy of the employee at retirement. For the year ended June 30, 2019, the University's contribution to these defined contribution pension plans was 14.20% of the employees' annual salaries. Additional contributions are made by the University based on employee contracts. The University has no further liability once contributions are made.

UUHC employees hired prior to January 1, 2001, who were not enrolled in the URS program, are enrolled in a 401(a) defined contribution plan that is administered by the UUHC Chief Human Resources Officer. The administrator has the authority to amend, modify, or terminate the plan. UUHC is required to contribute 14.2% of covered payroll to the plan for the employees covered under this plan. Hospital employees hired subsequent to December 31, 2000 are enrolled in a separate 401(a) plan, the Hospital Plan Plus (HPP) Benefit Program. UUHC contributes 6% for employees covered under this plan. In addition, these employees are eligible for a match on employee contributions to a 403(b) Match Plan up to 3% of salary and fully vest in the UUHC's contributions to both plans after six years of service. Plan member contributions were approximately $30,480,000 for the year ended June 30, 2019.

The ARUP defined contribution pension and profit sharing plans provide retirement benefits for all employees. Employees may choose to pay

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

Contributions to the profit sharing plan are at the discretion of ARUP and are made subject to certain tenure-based and hours-worked thresholds. Employees are fully vested in the profit sharing plan after five years of service. Voluntary contributions to the profit sharing plan by employee participants totaled $21,201,319 for the year ended June 30, 2019.

In addition, employees of the University may also contribute to 403(b), 457(b) traditional, Roth IRA, or a 401(k) plan. The total fiscal year 2019 employee contributions to these plans were $96,750,557.

For the year ended June 30, 2019, the University's contributions to the defined contribution plans were equal to the required amounts, as shown in *Figure 4*.

Figure 4	2019
TIAA	$ 95,628,493
Fidelity	87,612,266
401(a), Hospital Plan Plus, & 403(b)	48,921,000
Employer 401(k) Contributions	2,644,513
ARUP defined contribution plan	16,869,010
ARUP Profit sharing plan	13,011,430
Total employer contributions	$ 264,686,712

9. UNEARNED REVENUE

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

10. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others for the sole benefit of the University are neither in the possession of nor under the management of the University. These funds, which are not recorded on the University's financial records and which arose from contributions, are held and administered by external fiscal agents, selected by the donors, who distribute net income earned by such funds to the University, where it is recorded when received. The fair value of funds held in trust at June 30, 2019 was $144,477,784.

In addition, certain funds held in trust by others are comprised of stock, reported at a value of $13,816,755 as of June 30, 2019, based on a predetermined formula. The fair value of this stock as of June 30, 2019 cannot be determined because the stock is not actively traded.

11. RISK MANAGEMENT AND INSURANCE

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

In addition, the University maintains self-insurance funds for health care, dental, and auto/physical damage, as well as hospital and physicians malpractice liability self-insurance funds. The malpractice liability self-insurance funds are held in trust with an independent financial institution in compliance with Medicare reimbursement regulations. Based on an analysis prepared by an independent actuary, the administration believes that the balance in the trust funds as of June 30, 2019, is adequate to cover any claims incurred through that date. The University and UUHC have a "claims made" umbrella health care professional malpractice insurance policy in an amount considered adequate by its respective administrations for catastrophic malpractice liabilities in excess of the trusts' fund balances, the coverage provides for $15 million per claim and $15 million in the aggregate.

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

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

Figure 5	2019	2018
Estimated claims liability - beginning of year	$ 83,450,308	$ 84,541,532
Current year claims and changes in estimates	233,274,963	175,096,798
Claim payments, including related legal and administrative expenses	(226,044,359)	(176,188,022)
Estimated claims liability - end of year	$ 90,680,912	$ 83,450,308

The University has recorded the investments of the malpractice liability trust funds at June 30, 2019, and the estimated liability for self-insurance claims at that date in the Statement of Net Position. The income on fund investments, the expenses related to the administration of the self-insurance and malpractice liability trust funds, and the estimated provision for the claims liability for the year then ended are recorded in the Statement of Revenues, Expenses, and Changes in Net Position.

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

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

UUHIP has a reinsurance arrangement whereby premiums and benefits are ceded to another insurance company. The agreement is for certain coverage that provides reinsurance protection for 100% of qualified health claims in excess of $600,000 per occurrence. Premiums to reinsurers for reinsurance ceded reduced premium revenue by approximately $2,003,000 during 2018. Excluding amounts recoverable under the ACA transitional reinsurance program, UUHIP had approximately $236,000 in reinsurance recoupments that reduced health benefits during 2018. During the year ended December 31, 2018, UUHIP did not commute any ceded reinsurance nor did it enter into or engage in any loss portfolio transfer for any lines of business. Changes in UUHIP's estimated claims liability for the years ended December 31 is shown in *Figure 6*.

Figure 6	2018	2017
Estimated claims liability - beginning of year	$ 4,793,797	$ 2,553,007
Current year claims and changes in estimates	136,470,456	40,563,004
Claim payments, including related legal and administrative expenses	(124,891,561)	(38,322,214)
Estimated claims liability - end of year	$ 16,372,692	$ 4,793,797

12. INCOME TAXES

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

UURF is not subject to income taxes under Section 501(c)(3) of the IRC. ARUP is also not subject to income taxes based on a private letter ruling from the Internal Revenue Service stating that certain income providing an essential governmental function is exempt from federal income taxes under IRC Section 115.

13. HOSPITAL REVENUE

A. Net Patient Service Revenue

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

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

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

B. Charity Care

UUHC maintains records to identify and monitor the level of charity care it provides. Based on established rates, the charges foregone as a result of charity care during the year ended June 30, 2019, were approximately $82.1 million.

14. LEASES

A. Revenue

UURF receives lease revenues from noncancellable sublease agreements with tenants of the Research Park and from tenants occupying eight buildings owned by UURF. The lease revenue to be received from these noncancellable leases for each of the subsequent five years is approximately $11 million. Most lease revenue is subject to escalation based on changes in the Consumer Price Index (CPI). Since such escalations are dependent upon future changes in the CPI, these escalations, if any, are not reflected in the minimum noncancellable lease revenues listed above.

At June 30, 2019, the historical cost of land and buildings held for lease and the related accumulated depreciation was $88.8 million and $28.7 million, respectively.

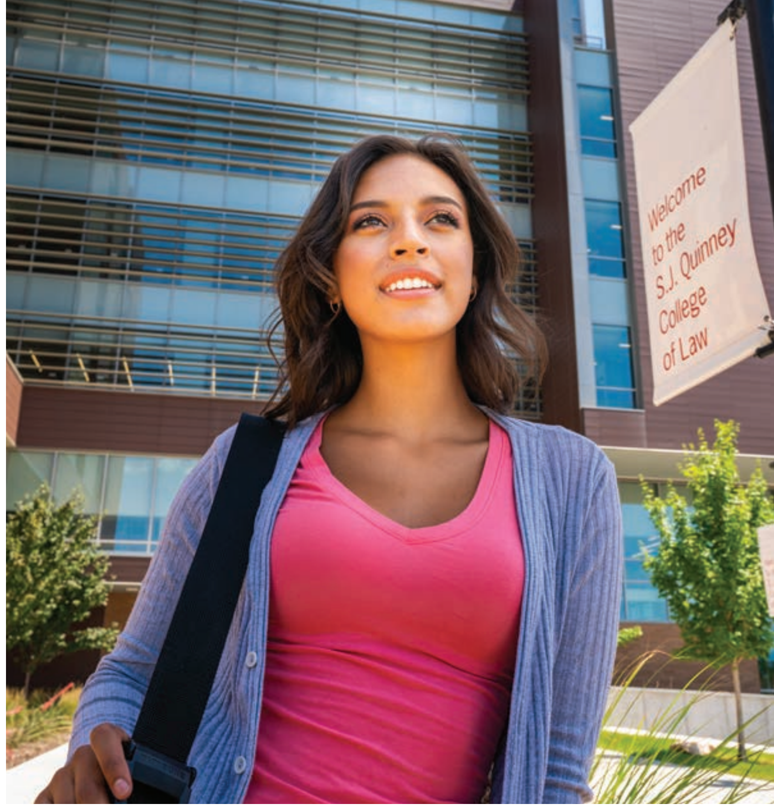
B. Commitments

The University leases buildings and office and computer equipment. Capital leases are valued at the present value of future minimum lease payments. Assets associated with the capital leases are recorded as buildings and equipment together with the related long-term obligations. Assets currently financed as capital leases amount to $80.9 million and $157.5 million for buildings and equipment, respectively. Accumulated depreciation for these buildings and equipment was $16.2 million and $76.1 million, respectively. Operating leases and related assets are not recorded in the Statement of Net Position. Payments are recorded as expenses when incurred and amount to $34.3 million for the University and $1.1 million for component units for the year ended June 30, 2019. Total operating lease commitments for the University include approximately $29.4 million of commitments to component units.

Future minimum lease commitments for operating and capital leases as of June 30, 2019 are shown in *Figure 7*.

Figure 7

Fiscal Year	Operating	Capital
2020	$ 33,752,323	$ 36,226,527
2021	30,244,289	30,761,088
2022	25,110,425	30,649,054
2023	21,223,501	27,638,190
2024	19,083,481	14,279,739
2025–2029	58,149,935	62,333,688
2030–2034	15,272,541	13,118,625
2035–2039	12,297,774	
2040–2044	12,569,637	
2045–2049	13,095,323	
2050–2054	2,198,281	
2055–2059	45,304	
Total future minimum lease payments	$ 243,042,814	215,006,911
Amount representing interest		(30,619,829)
Present value of future minimum lease payments		$ 184,387,082



15. BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES

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

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

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

During fiscal year 2019, the University issued $80.04 million of General Revenue Bonds, Series 2018A. Proceeds from these bonds are to be used to finance a portion of the costs of constructing an expansion to existing student housing and dining facilities on the University main campus and, to pay costs of issuance.

The following schedule lists the outstanding bonds payable and certificates of participation of the University at June 30, 2019:

Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Current Liability	Balance 6/30/2019(a)
Auxiliary and Campus Facilities						
Series 1998A - Revenue Refunding	7/1/98	2029	4.100% - 5.250%	$120,240,000	$ 40,298	$ 30,866,757
Series 2010A - Revenue Refunding	5/11/10	2020	2.000% - 5.000%	23,515,000	177,661	177,661
Series 2010C - Revenue	12/28/10	2036	1.750% - 5.890%	42,525,000	1,540,000	35,595,000
Series 2012A - Revenue	7/10/12	2030	2.000% - 5.000%	46,235,000	2,231,818	6,919,956
Hospital Facilities						
Series 2006A - Revenue Refunding	10/26/06	2022	4.000% - 5.250%	77,145,000	3,157,586	9,799,327
Series 2009B - Taxable Revenue	12/17/09	2031	4.697% - 5.247%	41,785,000	2,485,000	37,040,000
Series 2010 - Revenue	8/2/10	2021	3.000% - 5.000%	36,120,000	3,161,451	7,497,729
Series 2011A - Revenue Refunding	5/24/11	2027	3.600%	20,145,000	1,290,000	2,625,000
Series 2011B – Revenue Refunding	7/28/11	2021	3.350% - 5.000%	66,480,000	3,408,777	6,758,693
Research Facilities						
Series 2009B - Taxable Revenue	8/26/09	2029	5.670% - 6.279%	27,730,000	-	15,170,000
General Revenue						
Series 2013A - Revenue	7/30/13	2043	5.000%	127,925,000	2,756,796	17,921,800
Series 2014A - Revenue Refunding	4/1/14	2027	4.000% - 5.000%	32,785,000	781,267	26,291,702
Series 2014B - Revenue Refunding	7/15/14	2038	2.000% - 5.000%	76,200,000	3,257,509	35,160,019
Series 2015A - Revenue Refunding	1/7/15	2034	1.500% - 5.000%	45,330,000	6,058,734	18,834,490
Series 2015B - Revenue Refunding	5/13/15	2035	3.000% - 5.000%	91,570,000	2,590,721	91,982,576
Series 2016A - Revenue Refunding	3/8/16	2036	3.000% - 5.000%	68,210,000	4,185,122	78,286,795
Series 2016B – Revenue Refunding	11/29/16	2036	2.000% - 5.000%	131,720,000	3,843,262	151,889,289
Series 2017A – Revenue Refunding	9/13/17	2039	4.000% - 5.000%	155,930,000	4,976,060	182,006,912
Series 2017B – Revenue Refunding	12/21/17	2038	3.000% - 5.000%	96,550,000	2,423,151	113,879,802
Series 2018A – Revenue	7/17/18	2044	4.000% - 5.000%	80,040,000	-	91,374,767
Certificates of Participation						
Series 2015	6/10/15	2026	1.800%	10,050,000	1,810,000	6,980,000
Total					$ 50,175,213	$967,058,275

(a) Includes unamortized premiums on refunding.

UURF has purchased four buildings with three mortgages that are guaranteed by the University, as well as, two Notes Payable to the University. The remaining amounts of the mortgages are $630,050 at 8.87% interest, $685,977 at 7.15% interest and $23,280,998 at 5.53% interest. The mortgages will be paid off on April 1, 2020, September 1, 2021 and September 30, 2028, respectively. The Notes call for annual payments at 4% and 2% interest until June and October 2024.

The following schedule summarizes the changes in long-term liabilities for the year ended June 30, 2019.

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	$ 939,064,076	$ 91,374,821	$ 70,359,622	$ 960,079,275	$ 48,365,213
Certificates of participation	8,725,000	-	1,745,000	6,980,000	1,810,000
Capital leases payable	162,320,136	43,803,814	21,736,868	184,387,082	30,973,129
Notes and contracts payable	31,093,440	161,580	3,364,217	27,890,803	3,303,992
Total long-term debt	1,141,202,652	135,340,215	97,205,707	1,179,337,160	84,452,334
Compensated absences	93,939,157	88,122,040	83,555,217	98,505,980	73,926,512
Net pension liability	112,952,503	61,832,452	-	174,784,955	-
Deposits & other liabilities	149,163,563	194,230,360	132,476,693	210,917,230	166,599,468
Total long-term liabilities	$1,497,257,875	$ 479,525,067	$ 313,237,617	$1,663,545,325	$ 324,978,314

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

	Payments	
Fiscal Year	Principal	Interest
2020	$ 84,453,334	$ 48,548,570
2021	85,806,522	45,550,166
2022	88,648,794	42,467,089
2023	92,315,619	38,703,608
2024	83,158,252	34,717,245
2025 – 2029	381,231,702	120,757,639
2030 – 2034	220,105,651	49,100,105
2035 – 2039	98,402,599	16,425,641
2040 – 2044	35,601,900	4,407,450
2045 – 2049	9,612,787	133,625
Total	$ 1,179,337,160	$ 400,811,138

Interest related to bond systems with pledged revenues amounts to $363,246,641 and is included in the interest amounts in the above schedule.

16. RETIREMENT OF DEBT

In the prior years, the University defeased certain revenue bonds by placing the proceeds of new bonds and various bond reserves in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. The total principal amount of defeased bonds held in irrevocable trusts at June 30, 2019 is $370,000,000.

17. PLEDGED BOND REVENUE

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

Figure 8 presents the net revenue pledged and the principal and interest paid for the year ended June 30, 2019.

Figure 8	
Revenue	
Operating revenue	$ 3,200,999,482
Nonoperating revenue	118,905,064
Total revenue	3,319,904,546
Expenses	
Operating expenses	3,007,317,155
Total expenses	3,007,317,155
Net pledged revenue	$ 312,587,391
Principal and interest paid	$ 100,759,014

18. FUNCTIONAL CLASSIFICATION OF EXPENSES

The following schedule presents, in thousands of dollars, operating expenses by functional classification for the year ended June 30, 2019:

Function	Compensation and Benefits	Supplies and Services	Utilities	Scholarships & Fellowships	Depreciation	Medical Claims	Component Units	Total
Instruction	$ 399,089	$ 67,501	$ 2,531	$ 65,119				$ 534,240
Research	276,596	132,055	1,556	3,509				413,716
Public service	584,566	73,106	27,450	1,841	$ 1			686,964
Academic support	137,910	39,553	2,705	543				180,711
Student services	44,770	32,017	4,555	732				82,074
Institutional support	160,424	1,036	6,390	1,788				169,638
Plant maintenance	41,296	43,961	18,432	4				103,693
Student aid	4,605	69,980	14	(46,089)				28,510
Other	93,078	(40,224)	4,270	5,466	134,922			197,512
Hospital	943,591	840,986	19,255		70,744	$ 177,957		2,052,533
Component units	5,981				30,654		$ 619,091	655,726
Total	$ 2,691,906	$ 1,259,971	$ 87,158	$ 32,913	$ 236,321	$ 177,957	$ 619,091	$ 5,105,317

19. JOINT VENTURES

The Utah Education Network (UEN) is a publicly funded consortium administered by the University supporting educational technology needs for Utah's public and higher education institutions, public libraries, and state agencies. UEN provides internet access for all Utah public middle schools, high schools, and higher education institutions. UEN also operates a fully interactive distance learning network interconnecting public schools and higher education institutions statewide. State appropriation support of UEN amounted to $33.8 million for the year ended June 30, 2019. UEN is not separately audited but is included in the audited financial statements of KUEN, a public broadcasting television station operated by the University. Copies of those statements may be obtained from KUEN's administrative offices.

20. BLENDED COMPONENT UNITS

The following schedules present, condensed statements of net position, changes in net position, and cash flows for UURF, ARUP and

UUHIP. Amounts for UURF and ARUP are for the year ended June 30, 2019, and UUHIP are for the year ended December 31, 2018.

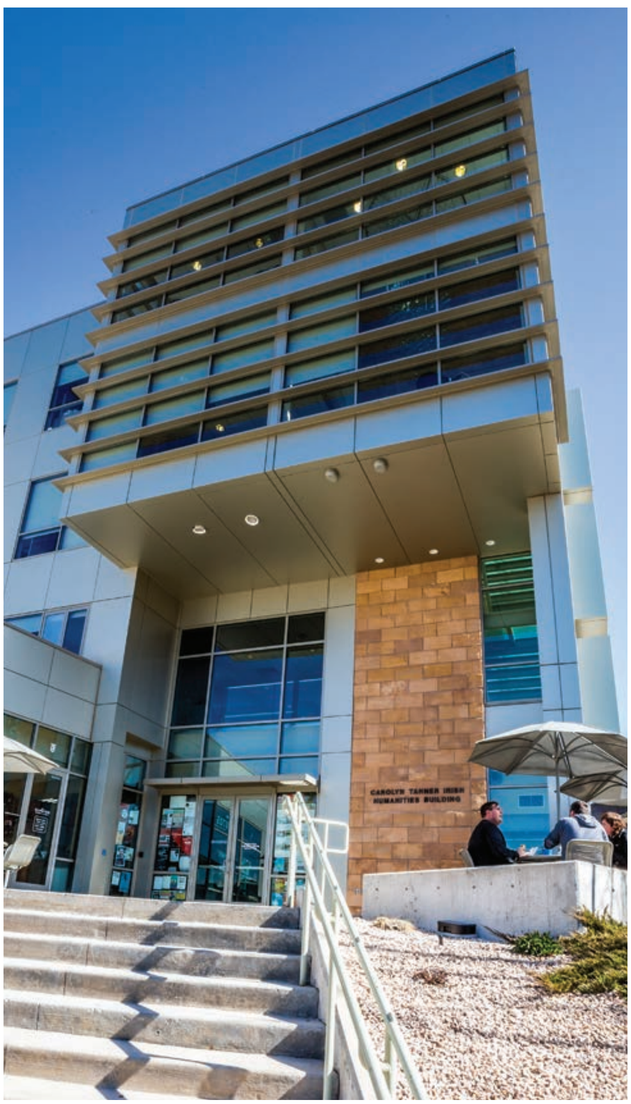
Condensed Statement of Net Position					
	UURF	ARUP	UUHIP	Eliminations	Total
ASSETS					
Current Assets					
Receivable from University		$ 6,536,858		$ (6,536,858)	$ -
Other	$ 19,658,676	313,630,254	$ 110,456,425		443,745,355
Capital assets, net	60,955,443	264,403,959			325,359,402
Other noncurrent assets	7,740,877	4,775,276		(2,319,215)	10,196,938
Total assets	88,354,996	589,346,347	110,456,425		779,301,695
LIABILITIES					
Current liabilities					
Payable to University		13,446,427	33,874,046	(47,320,473)	-
Other	7,849,513	69,158,114	31,373,175		108,380,802
Noncurrent liabilities	26,010,426			(4,995,747)	21,014,679
Total liabilities	33,859,939	82,604,541	65,247,221		129,395,481
NET POSITION					
Net investment in capital assets	31,361,670	264,403,959			295,765,629
Restricted expendable			45,209,204		45,209,204
Unrestricted	23,133,387	242,337,847		43,460,147	308,931,381
Total net position	$ 54,495,057	$ 506,741,806	$ 45,209,204		$ 649,906,214

Condensed Statement of Revenues, Expenses, and Changes in Net Position					
	UURF	ARUP	UUHIP	Eliminations	Total
OPERATING REVENUES					
Leases	$ 17,107,164			$ (5,339,828)	$ 11,767,336
Royalties	10,002,894				10,002,894
Sales and services		$ 685,167,240	$ 192,634,339	(168,311,154)	709,490,425
Net increase in fair value of investments	273				273
Total operating revenues	27,110,331	685,167,240	192,634,339		731,260,928
OPERATING EXPENSES					
Operating expenses	17,747,780	564,370,167	164,914,491	(23,512,966)	723,519,472
Depreciation	2,362,451	28,291,499			30,653,950
Total operating expenses	20,110,231	592,661,666	164,914,491		754,173,422
Operating income	7,000,100	92,505,574	27,719,848		(22,912,494)
NONOPERATING REVENUES (EXPENSES)					
Investment income	89,918	6,504,153	726,547		7,320,618
Interest expense	(1,629,866)				(1,629,866)
Federal income tax expense			(5,622,728)		(5,622,728)
Sale of equity investments	467,723				467,723
Contributions from (distributions to) the University	1,046,962	(65,499,213)		66,749,832	2,297,581
Total nonoperating revenues/(expenses)	(25,263)	(58,995,060)	(4,896,181)		2,833,328
Net increase in net position	6,974,837	33,510,514	22,823,667		(20,079,166)
NET POSITION					
Net position – beginning of year	47,520,220	473,231,292	22,385,537	126,848,331	669,985,380
Net position – end of year	$ 57,495,057	$ 506,741,806	$ 45,209,204		$ 649,906,214

Condensed Statement of Cash Flows	UURF	ARUP	UUHIP	Eliminations	Total
Net cash provided by operating activities	$ 7,779,324	$ 121,255,229	$ 51,708,018	$ (143,601,158)	$ 37,141,413
Net cash provided/(used) by noncapital financing activities	1,046,962	(60,416,194)		59,165,575	(203,657)
Net cash used by capital and related financing activities	(1,926,938)	(62,164,185)			(64,091,123)
Net cash provided/(used) by investing activities	1,144,062	62,128,820	(32,103,138)	(2,319,215)	28,850,529
Net increase (decrease) in cash	8,043,410	60,803,670	19,604,880		1,697,162
Cash - beginning of year	13,210,084	5,843,625	9,807,838		28,861,547
Cash - end of year	$ 21,253,494	$ 66,647,295	$ 29,412,718		$ 30,558,709

21. LINE OF CREDIT

ARUP has an uncollataeralized line of credit with a bank that provides for borrowings up to $10.0 million and is established as a contingency reserve to provide liquidity in the event disbursements presented to the bank exceed available cash balances. The line of credit bears interest at the lender's 90-day LIBOR rate (2.32% at June 30, 2019) plus 2.0%, but not to exceed the maximum rate allowed by applicable law. The agreement requires renewal every second year in November. The current agreement expires on November 30, 2020. ARUP pays no fees for the unused portion of this line of credit, and there are no compensating balance requirements imposed. There were no borrowings on this line of credit during the year ended June 30, 2019.



22. LITIGATION

On June 27, 2019, a lawsuit was filed against the University by the parents of a student killed on campus. The outcome of this case is not possible to determine as of year-end. The claims in this case are covered by the Utah Division of Risk Management, and the University is represented by the Office of the Utah Attorney General in the lawsuit. For more information, please contact Joni Jones, Assistant Attorney General, Director, Litigation Division, 160 East 300 South, 6th Floor, Salt Lake City, Utah 84114-0856, 801-366-0100. The ultimate disposition of this matter may or may not have an adverse effect on the University's financial position.

23. SUBSEQUENT EVENTS

On August 30, 2019, the University entered into a ten year, $50 million dollar, 2.29% interest, capital lease-purchase agreement for furniture and technology equipment for the benefit of the Hospital and Clinics system.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2017	2016	2015	2014
Noncontributory System					
Proportion of net pension liability (asset)	4.15081110%	4.43149890%	4.72255030%	5.06361980%	5.10932610%
Proportionate share of net pension liability (asset)	$ 154,431,638	$ 108,366,198	$ 153,053,931	$ 159,062,799	$ 128,373,118
Covered payroll	$ 112,399,637	$ 115,352,151	$ 120,168,221	$ 124,949,531	$ 129,614,271
Proportionate share of net pension liability (asset) as a percentage of covered payroll	137.40%	93.94%	127.37%	127.30%	99.00%
Plan fiduciary net position as a percentage of total pension liability	84.10%	89.20%	84.90%	84.50%	87.20%
Contributory System					
Proportion of net pension liability (asset)	21.34150340%	20.18198590%	20.57222910%	19.93038900%	18.75239770%
Proportionate share of net pension liability (asset)	$ 15,152,551	$ 1,328,057	$ 11,272,710	$ 12,489,421	$ 2,056,560
Covered payroll	$ 4,141,829	$ 4,591,975	$ 5,514,741	$ 6,313,501	$ 6,757,960
Proportionate share of net pension liability (asset) as a percentage of covered payroll	365.84%	28.92%	204.41%	197.82%	30.40%
Plan fiduciary net position as a percentage of total pension liability	91.40%	99.20%	93.40%	92.40%	98.70%
Public Safety System					
Proportion of net pension liability (asset)	1.74088880%	1.71193320%	1.48473260%	1.41567170%	1.14690980%
Proportionate share of net pension liability (asset)	$ 4,167,255	$ 2,976,823	$ 3,174,487	$ 3,047,750	$ 2,131,232
Covered payroll	$ 2,168,129	$ 2,272,929	$ 2,087,879	$ 1,951,440	$ 1,637,085
Proportionate share of net pension liability (asset) as a percentage of covered payroll	192.21%	130.97%	152.04%	156.18%	130.20%
Plan fiduciary net position as a percentage of total pension liability	83.20%	87.40%	83.50%	82.30%	84.30%
Tier 2 Public Employees System					
Proportion of net pension liability (asset)	2.39212600%	3.19193590%	4.60362900%	6.64369130%	6.78702880%
Proportionate share of net pension liability (asset)	$ 1,024,497	$ 281,424	$ 513,532	$ (14,503)	$ (205,677)
Covered payroll	$ 27,978,179	$ 31,272,494	$ 37,753,425	$ 42,922,742	$ 33,308,008
Proportionate share of net pension liability (asset) as a percentage of covered payroll	3.66%	0.90%	1.36%	(0.03%)	(0.60%)
Plan fiduciary net position as a percentage of total pension liability	90.80%	97.40%	95.10%	100.20%	103.50%
Tier 2 Public Safety and Firefighter System					
Proportion of net pension liability (asset)	0.35977680%	0.30450360%	0.43726900%	0.39878160%	0.36002060%
Proportionate share of net pension liability (asset)	$ 9,014	$ (3,523)	$ (3,796)	$ (5,826)	$ (5,326)
Covered payroll	$ 478,852	$ 321,462	$ 361,284	$ 237,408	$ 148,982
Proportionate share of net pension liability (asset) as a percentage of covered payroll	1.88%	(1.10%)	(1.05%)	(2.45%)	(3.60%)
Plan fiduciary net position as a percentage of total pension liability	95.60%	103.00%	103.60%	110.70%	120.50%

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

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

Noncontributory System	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	$ 24,357,470	$ 25,003,713	$ 25,936,009	$ 27,133,967	$ 28,061,542	$ 27,124,989	$ 35,151,747	$ 26,111,760	$ 25,170,054	$ 22,945,702
Contribution in Relation to the Contractually Required Contribution	(24,357,470)	(25,003,713)	(25,936,009)	(27,133,967)	(28,061,542)	(27,124,989)	(35,151,747)	(26,111,760)	(25,170,054)	(22,945,702)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$111,057,075	$113,936,327	$118,147,239	$123,098,874	$126,960,128	$132,937,438	$150,750,438	$155,167,201	$154,233,966	$161,351,781
Contributions as a Percentage of Covered Payroll	21.9%	21.9%	22.0%	22.0%	22.1%	20.4%	23.3%	16.8%	16.3%	14.2%

Contributory System	2019	2018	2017	2016	2015	2014[1]	2013[1]	2012[1]	2011[1]	2010[1]
Contractually Required Contribution	$ 703,592	$ 754,331	$ 894,123	$ 1,058,540	$ 1,164,742	$ 1,096,361	$ 687,650	$ 403,590	$ 270,496	$ 1,397,844
Contribution in Relation to the Contractually Required Contribution	(703,592)	(754,331)	(894,123)	(1,058,540)	(1,164,742)	(1,096,361)	(687,650)	(403,590)	(270,496)	(1,397,844)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 3,975,096	$ 4,261,758	$ 5,051,541	$ 5,985,358	$ 6,580,469	$ 6,865,132	$ 5,696,793	$ 3,173,040	$ 1,517,153	$ 8,886,486
Contributions as a Percentage of Covered Payroll	17.7%	17.7%	17.7%	17.7%	17.7%	16.0%	12.1%	12.7%	17.8%	15.7%

Public Safety System	2019	2018	2017	2016	2015	2014[1]	2013[1]	2012[1]	2011[1]	2010[2]
Contractually Required Contribution	$ 766,954	$ 789,054	$ 739,683	$ 682,809	$ 550,177	$ 486,603	$ 468,024	$ 427,891	$ 407,628	N/A
Contribution in Relation to the Contractually Required Contribution	(766,954)	(789,054)	(739,683)	(682,809)	(550,177)	(486,603)	(468,024)	(427,891)	(407,628)	
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Covered Payroll	$ 2,107,865	$ 2,220,291	$ 2,212,011	$ 2,117,893	$ 1,707,174	$ 1,642,290	$ 1,611,246	$ 1,635,298	$ 1,244,666	
Contributions as a Percentage of Covered Payroll	36.4%	35.9%	33.4%	32.2%	32.2%	29.6%	29.0%	26.2%	32.7%	

Tier 2 Public Employees System	2019	2018	2017	2016	2015	2014[1]	2013[1]	2012[1]	2011[1]	2010[3]
Contractually Required Contribution	$ 4,993,396	$ 5,444,034	$ 6,127,098	$ 7,878,405	$ 6,995,912	$ 4,707,627	$ 2,945,339	$ 1,728,653	$ 1,158,587	N/A
Contribution in Relation to the Contractually Required Contribution	(4,993,396)	(5,444,034)	(6,127,098)	(7,878,405)	(6,995,912)	(4,707,627)	(2,945,339)	(1,728,653)	(1,158,587)	
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Covered Payroll	$ 26,511,616	$ 29,551,457	$ 33,628,505	$ 43,203,966	$ 38,336,356	$ 28,113,543	$ 24,400,464	$ 13,590,742	$ 6,498,259	
Contributions as a Percentage of Covered Payroll[5]	18.8%	18.4%	18.2%	18.2%	18.2%	16.7%	12.1%	12.7%	17.8%	

Tier 2 Public Safety and Firefighter System	2019	2018	2017	2016	2015	2014[1]	2013[1]	2012[1]	2011[4]	2010[4]
Contractually Required Contribution	$ 215,306	$ 102,648	$ 98,360	$ 103,266	$ 50,424	$ 32,261	$ 8,581	$ 3,929	N/A	N/A
Contribution in Relation to the Contractually Required Contribution	(215,306)	(102,648)	(98,360)	(103,266)	(50,424)	(32,261)	(8,581)	(3,929)		
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Covered Payroll	$ 722,503	$ 350,573	$ 336,733	$ 353,411	$ 172,330	$ 117,742	$ 77,303	$ 37,598		
Contributions as a Percentage of Covered Payroll[5]	29.8%	29.3%	29.2%	29.2%	29.3%	27.4%	11.1%	10.5%		

[1] Contractually Required Contributions, Contributions, and Covered Payroll include information for Tier 2 Employees. Prior to the implementation of GASB Statement No. 68, Tier 2 information was not separately available.
[2] The University of Utah began participating in Public Safety Systems in 2011.
[3] The Tier 2 Public Employees System was created in 2011.
[4] The University began contributing to the Tier 2 Public Safety and Firefighter System in 2012.
[5] For employees participating in the Public Employees and Public Safety Firefighters Tier 2 Systems, the University is required to contribute 18.44% and 29.28%, respectively, of the employees' salaries to the Systems.

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

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

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ANNUAL FINANCIAL REPORT

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