

# UTAH VALLEY UNIVERSITY

A COMPONENT UNIT OF THE STATE OF UTAH

## 2010 ANNUAL FINANCIAL REPORT









## Table of Contents

President's Message	1
Independent State Auditor's Report	2 – 3
Management's Discussion and Analysis	5 – 14
Statement of Net Assets	16
Statement of Revenues, Expenses, and Changes in Net Assets	17
Statement of Cash Flows	18
Notes to the Financial Statements	20 – 42



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## President's Message

This 2009-10 fiscal year marked my inaugural year as President of Utah Valley University. I am immensely gratified by the progress UVU has made this year toward fulfilling its mission and core themes.

Consider just a few of the noteworthy efforts we have made this year to translate these themes into action:

- Legislative funding for a new 160,000 square foot science building
- \$1 million fundraising campaign to purchase Steinway pianos resulting in UVU receiving the distinguished designation as an All-Steinway School
- Record high enrollments with 28,765 students in Fall 2009
- Initiation of a Presidential Freshman Reading program
- Opening of the remodeled Losee Center for Student Success
- First master's level graduates (Education), initiation of the second graduate program (Master of Nursing) and approval for the third graduate program (MBA)
- Formulation of UVU's Business Engagement Strategy in concert with 50 of Utah Valley's top business leaders
- Record number of degrees awarded, 1,980 baccalaureate degrees, 1,748 associates degrees and certificates, and 11 master's degrees (Education)
- Selection of the UVU Ballroom Formation Team as the first Dancing With the Stars National Collegiate Championship in front of 20 million viewers

While state tax funding during 2009-10 was less than in 2008-09, the university benefited from ARRA funding and additional tuition revenue from enrollment growth. The combined challenge of reduced tax fund support and record enrollments has been managed through careful stewardship of our financial resources and implementation of additional efficiencies.

We could not have achieved the success we did had it not been for so many faculty, staff, students, community partners, and board members contributing so much time and so many talents and resources to a new spirit of university excellence. I am immensely gratified by our institutional progress and look forward to even greater things in the future.

Best,

A handwritten signature in black ink, reading "Matthew S. Holland".

Matthew S. Holland  
President



**Auston G. Johnson, CPA**  
UTAH STATE AUDITOR

**STATE OF UTAH**  
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**INDEPENDENT STATE AUDITOR'S REPORT**

To the Board of Trustees, Audit Committee,  
and  
Dr. Matthew S. Holland, President  
Utah Valley University

We have audited the accompanying financial statements of Utah Valley University (the University) and, based on the report of other auditors, its discretely presented component unit foundation, which collectively comprise the University's basic financial statements, as of and for the year ended June 30, 2010, as listed in the Table of Contents. The University is a component unit of the State of Utah. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit foundation. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit foundation, is based on the report of the other auditors. The prior year summarized comparative information has been derived from the University's 2009 financial statements, and in our report dated November 24, 2009, we expressed an unqualified opinion on the basic financial statements.

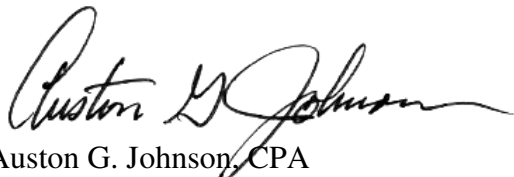
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.



In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and of its discretely presented component unit foundation as of June 30, 2010 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2010 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

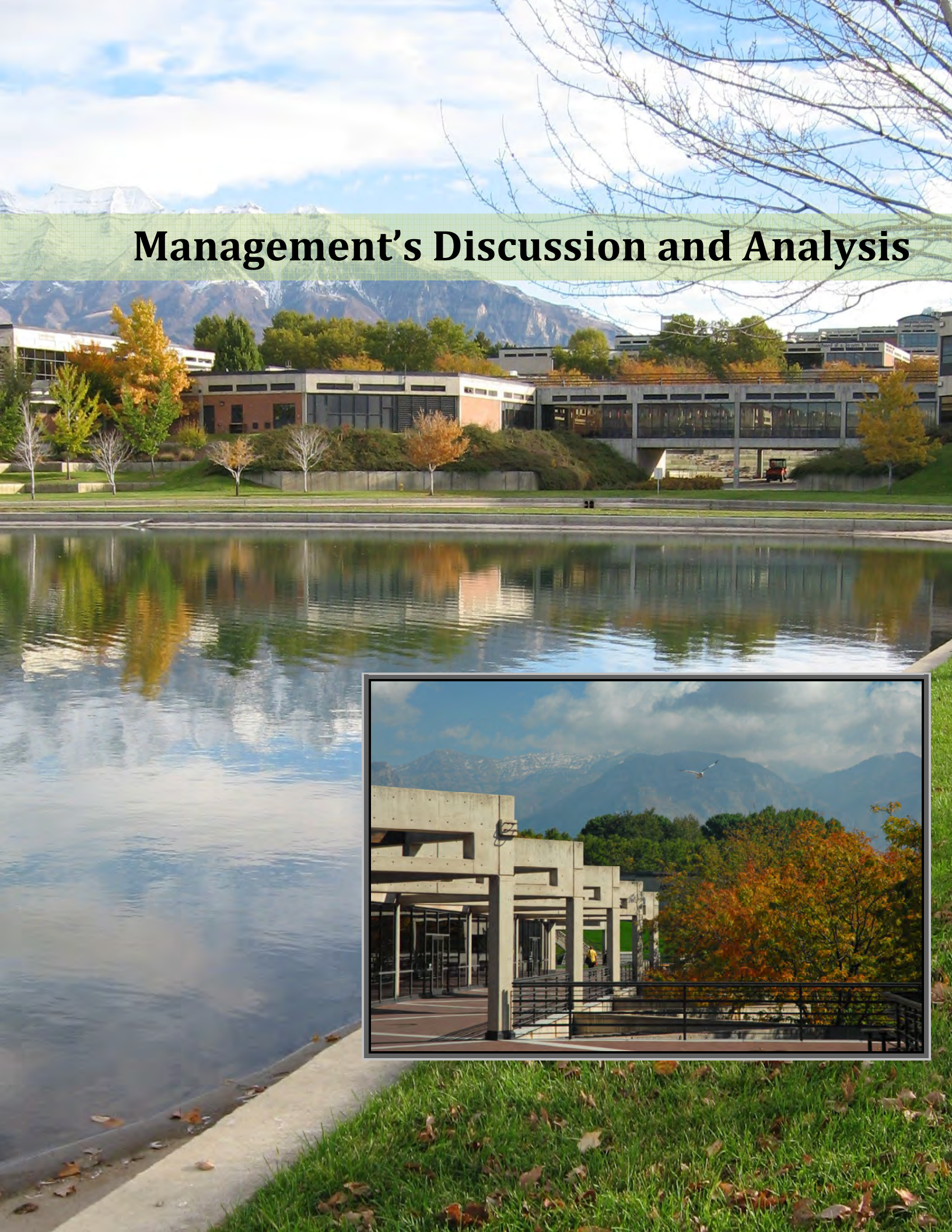
The accompanying management's discussion and analysis on pages 5 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Auston G. Johnson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Auston G. Johnson, CPA  
Utah State Auditor  
November 18, 2010



# Management's Discussion and Analysis





## Introduction

The following discussion and analysis provides an overview of the financial position and results of activities of Utah Valley University (the University) for the year ended June 30, 2010, with comparative information for the year ended June 30, 2009. This discussion is prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow these sections.

The Utah Valley University Foundation (the Foundation) is a separate but affiliated non-profit corporation. The accounts of the Foundation are audited separately and reported in the Component Unit column of the financial statements. The audited financial statements for the Foundation are available through the University's Institutional Advancement Office.

## Financial Highlights

- The University's net assets increased by \$19.2 million during the fiscal year.
- Federal grants and contracts increased by \$33.3 million during the fiscal year.
- State appropriations decreased by \$17.0 million during the fiscal year.
- Enrollment increased by 12.5% in total headcount and 14.3% in full time equivalents.

## Overview of the Financial Statements and Financial Analysis

The financial statements are prepared in accordance with Governmental Accounting Standards Board principles. Three financial statements are presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and, the Statement of Cash Flows.

## Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the University. The Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (Assets minus Liabilities or Equity). The difference between current and noncurrent assets is discussed in the footnotes to the financial statements.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available for continued operations of the University. A determination can also be made as to the debts owed to vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the University.

Net assets are divided into three major categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The first category, invested in capital assets, net of related debt, provides the University's equity in property, plant, and equipment owned by the University. The second net asset category is restricted net assets, which is divided into two subcategories, nonexpendable and expendable. The corpus of nonexpendable restricted net assets is only available for investment purposes. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available for expenditure for any lawful purpose of the University.

# Statement of Net Assets, Condensed

	2010	2009	Change	% Change
<b>ASSETS</b>				
Current assets	\$ 93,856,717	\$ 75,471,446	\$ 18,385,271	24.4%
Noncurrent notes and accounts receivable, net	4,296,460	3,021,127	1,275,333	42.2%
Capital assets, net	214,850,148	215,058,255	(208,107)	(0.1%)
<b>Total assets</b>	<b>313,003,325</b>	<b>293,550,828</b>	<b>19,452,497</b>	<b>6.6%</b>
<b>LIABILITIES</b>				
Current liabilities	21,729,777	18,825,773	2,904,004	15.4%
Noncurrent liabilities	26,933,236	29,588,209	(2,654,973)	(9.0%)
<b>Total liabilities</b>	<b>48,663,013</b>	<b>48,413,982</b>	<b>249,031</b>	<b>0.5%</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of debt	194,523,530	192,169,656	2,353,874	1.2%
Restricted expendable	8,843,902	11,221,694	(2,377,792)	(21.2%)
Unrestricted	60,972,880	41,745,496	19,227,384	46.1%
<b>Total net assets</b>	<b>\$ 264,340,312</b>	<b>\$ 245,136,846</b>	<b>\$ 19,203,466</b>	<b>7.8%</b>

The increase in current assets held by the University is mainly due to an increase in cash of \$15.4 million and increases of \$4.0 million in accounts receivable. The overall increase in current assets is mainly due to an increase in tuition and fees, and federal grants and contracts. A majority of the increase in accounts receivable is due to the timing of Federal reimbursement grants and a receivable from the State related to the purchase of land by the University.

The University made various capital asset additions during fiscal year 2010. A number of building additions and remodels were made and various equipment was purchased and some capital assets were disposed of during the year. The net capital asset changes totaled \$8.3 million. This net increase in capital assets was offset by a net increase in depreciation of \$8.5 million, which nets to a decrease in capital assets of \$0.2 million.

Current liabilities increased this fiscal year due mainly to increases in deferred revenue, which is mainly made up of tuition funds that have been received, but services have not been provided and Federal grant funds that have been received but not expended. Current liabilities also increased due to the timing of the payments of payroll related obligations.

The decrease in noncurrent liabilities was related to payments made towards the bonds, leases, and notes owed by the University. No new bonds were issued during the year.

**Statement of Revenues, Expenses, and Changes in Net Assets**

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

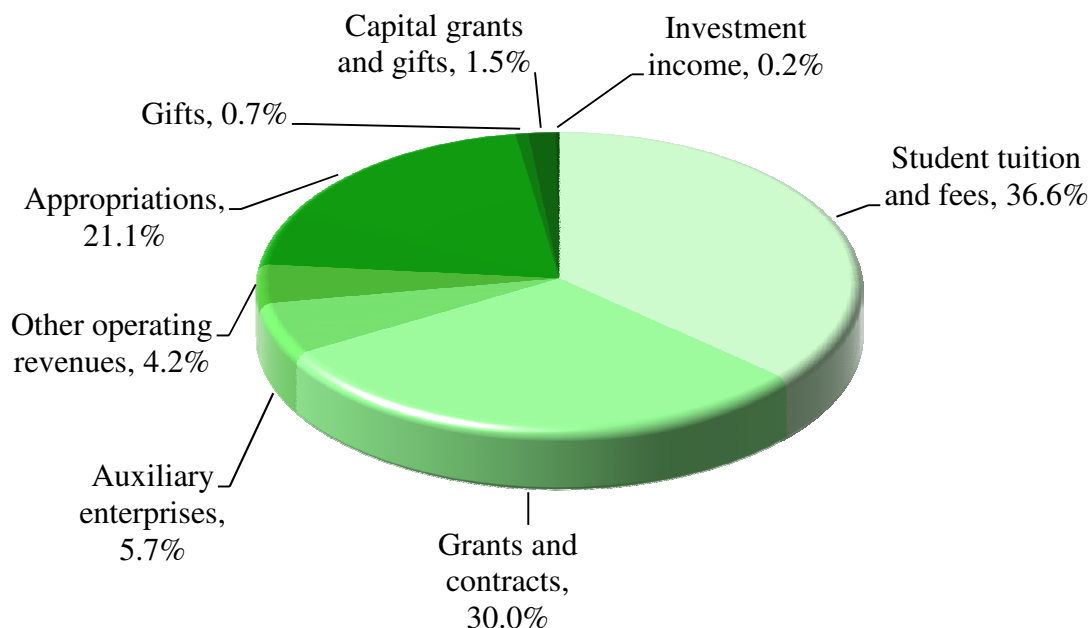
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for operating revenues and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods or services for those revenues.

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

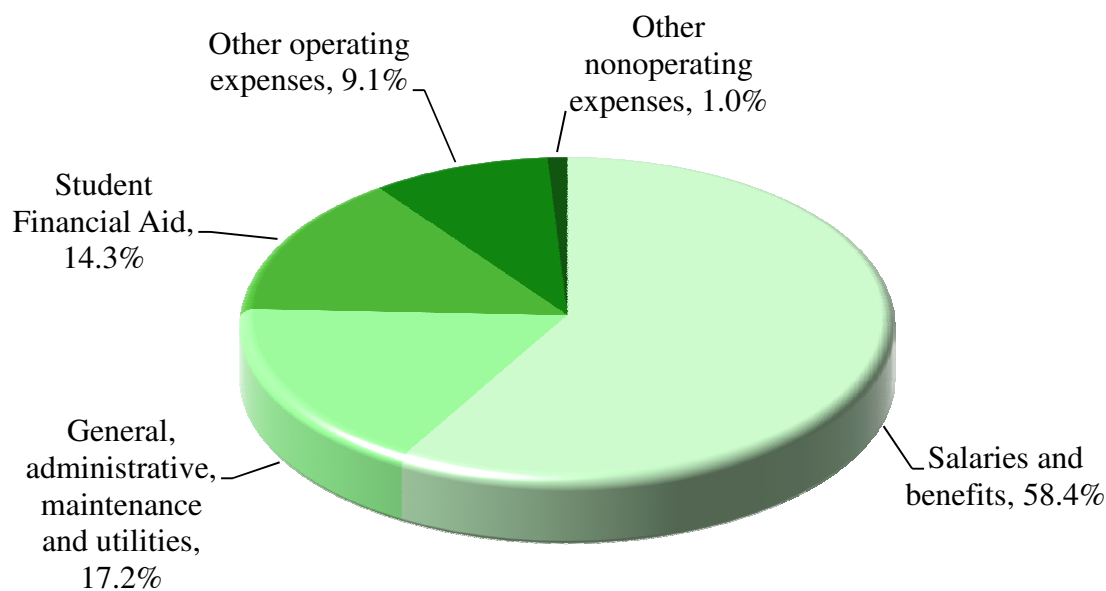
	2010	2009	Change	% Change
<b>REVENUES</b>				
<i>Operating revenues</i>				
Student tuition and fees	\$ 88,694,792	\$ 81,061,013	\$ 7,633,779	9.4%
Grants and contracts	-	32,305	(32,305)	(100.0%)
Auxiliary enterprises	13,750,490	14,514,381	(763,891)	(5.3%)
Other	10,266,883	9,355,079	911,804	9.7%
<b>Total operating revenues</b>	<b>112,712,165</b>	<b>104,962,778</b>	<b>7,749,387</b>	<b>7.4%</b>
<b>EXPENSES</b>				
<i>Operating expenses</i>				
Salaries and benefits	130,321,029	126,965,187	3,355,842	2.6%
Student financial aid	31,836,432	20,211,452	11,624,980	57.5%
General and administrative, maintenance and utilities	38,480,357	41,320,935	(2,840,578)	(6.9%)
Auxiliary enterprises	10,292,723	10,038,236	254,487	2.5%
Other	9,968,580	8,693,904	1,274,676	14.7%
Total operating expenses	220,899,121	207,229,714	13,669,407	6.6%
<b>Operating loss</b>	<b>(108,186,956)</b>	<b>(102,266,936)</b>	<b>(5,920,020)</b>	<b>5.8%</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	49,146,456	66,156,674	(17,010,218)	(25.7%)
Grants and contracts	72,800,343	39,497,268	33,303,075	84.3%
Gifts	1,762,466	2,541,206	(778,740)	(30.6%)
Investment income	545,852	1,320,879	(775,027)	(58.7%)
Other nonoperating revenues (expenses)	(2,300,176)	1,725,868	(4,026,044)	(233.3%)
Net nonoperating revenues	121,954,941	111,241,895	10,713,046	9.6%
<b>Income before other revenues</b>	<b>13,767,985</b>	<b>8,974,959</b>	<b>4,793,026</b>	<b>53.4%</b>
Capital appropriations	1,853,385	46,480,126	(44,626,741)	(96.0%)
Capital grants and gifts	3,582,096	3,107,147	474,949	15.3%
Other revenues	5,435,481	49,587,273	(44,151,792)	(89.0%)
<b>Increase in net assets</b>	<b>19,203,466</b>	<b>58,562,232</b>	<b>(39,358,766)</b>	<b>(67.2%)</b>
Net assets – beginning	245,136,846	186,574,614	58,562,232	31.4%
Net assets - ending	<b>\$ 264,340,312</b>	<b>\$ 245,136,846</b>	<b>\$ 19,203,466</b>	<b>7.8%</b>

The following graphs illustrate operating and nonoperating revenues and expenses as a percent of the total for the year ended June 30, 2010.

### Operating and nonoperating revenues



### Operating and nonoperating expenses



The Statement of Revenues, Expenses, and Changes in Net Assets reflects an increase in net assets of \$19.2 million. Operating revenues increased \$7.7 million. Tuition and fees accounted for a significant portion of that increase with a \$7.6 million increase over the prior reporting period due mainly to an overall increase in student full time equivalents of 14.3%. Also attributing to the increase was an increase in tuition rates of approximately 7.9% from the previous school year.

Operating expenses increased by \$13.7 million. The majority of the increase was due to increases in student financial aid with a smaller increase in salary and benefit expenses. Student financial aid increased by \$11.6 million or 57.5% due to an increase in federal funding. Total aid and waivers awarded increased by \$23.2 million due to the increase in students and an increase in financial awards but the offsetting adjustment for scholarship discounts and allowances increased from \$12.5 million to \$24.1 million, thus reducing the total amount of aid reported by \$11.6 million.

Salaries and benefits increased by \$3.4 million or 2.6% attributable to the addition of new faculty and staff positions during the year as well as equity and retention increases. The

increase occurred in benefits due to the increase in salaries which subsequently increased the amount of taxes and retirement contributions paid by the University. The University also saw an increase in the amount of medical claims paid under the University's self-funded medical and dental insurance plan.

General and administrative, and maintenance and utilities expenses saw an overall decrease of \$2.8 million or 6.9%. Accounting for that change were decreases in computer and software purchases, office furniture purchases, and instructional equipment and supplies.

Total nonoperating revenues and expenses increased by \$10.7 million or 9.6%. Most of this increase was due to federal grants and contracts increasing by \$33.3 million, with an offsetting decrease in state appropriations of \$17.0 million.

Other revenues decreased in total by \$44.2 million. Capital appropriations decreased \$44.6 million as funding for the Digital Learning Center was reported at the completion of the project in the prior fiscal year. Capital grants and gifts increased by \$475 thousand due to an increase in donations.

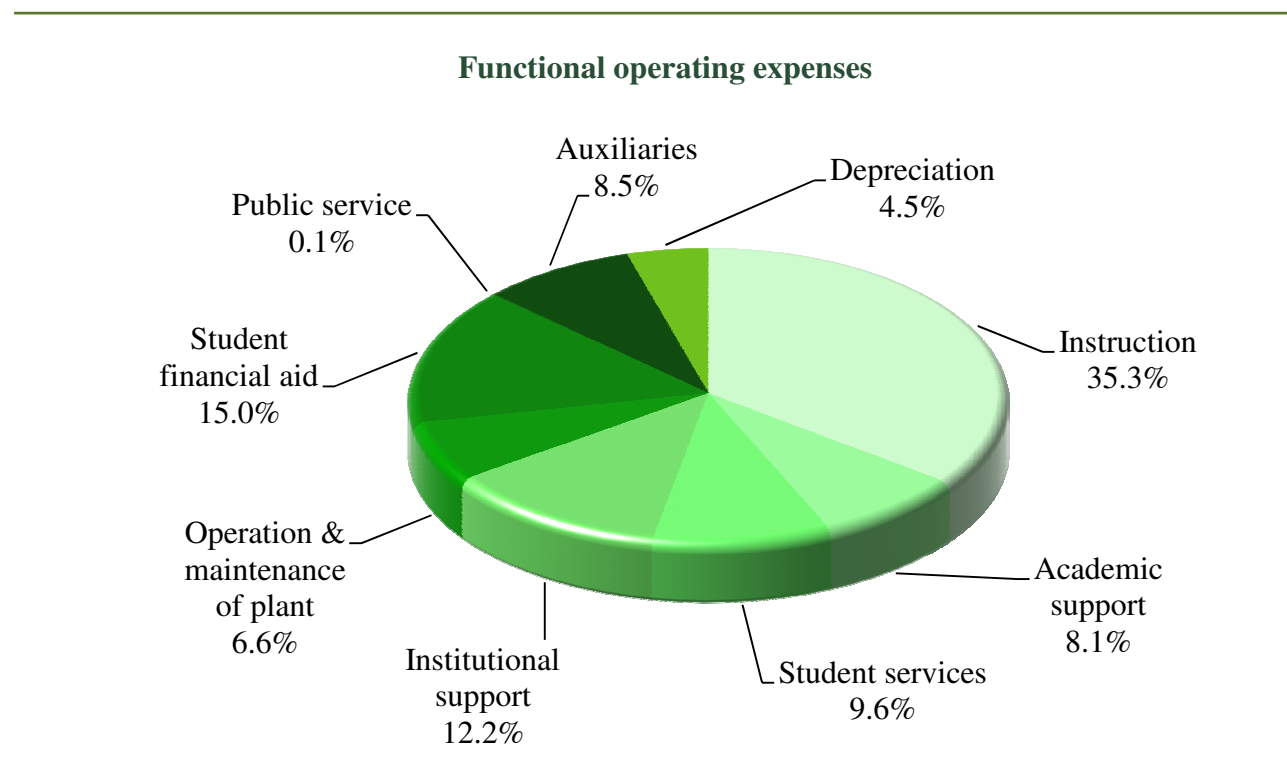


The following is a summary of the University's expenses by programmatic (functional)

classification for the years ended June 30, 2010, and 2009:

	2010	2009	Change	% Change
<b>Operating Expenses</b>				
Instruction	\$ 77,914,185	\$ 75,849,314	\$ 2,064,871	2.7%
Academic support	17,857,244	18,421,577	(564,333)	(3.1%)
Student services	21,300,140	20,630,070	670,070	3.2%
Institutional support	26,920,325	26,346,988	573,337	2.2%
Operation & maintenance of plant	14,610,029	17,053,359	(2,443,330)	(14.3%)
Student financial aid	33,210,085	21,862,560	11,347,525	51.9%
Public service	269,756	199,209	70,547	35.4%
Auxiliaries	18,848,777	18,172,733	676,044	3.7%
Depreciation	9,968,580	8,693,904	1,274,676	14.7%
<b>Total Operating Expenses</b>	<b>220,899,121</b>	<b>207,229,714</b>	<b>13,669,407</b>	<b>6.6%</b>

The following graph illustrates functional operating expenses as a percent of the total for the year ended June 30, 2010.



The \$2.0 million increase in instruction related costs are related to an increase of \$2.4 million in salaries and an offsetting decrease in expenses for General and Administrative of \$0.4 million. Costs associated with academic support are fairly consistent with the prior year with a decreased of \$0.6 million or 3.1%.

Costs associated with student services increased by \$0.7 million with \$0.6 million of the increase being related to increases in salaries. The remaining change is related to slight increases in general and administrative and maintenance costs.

Costs related to institutional support saw an increase of \$0.6 million of which \$1.0 million of the increase is related to benefit increases with and offsetting decrease in maintenance costs of \$0.4 million.

Operation and maintenance of plant expenditures decreased \$2.4 million due to general and administrative costs decreasing by \$2.2 million. These costs were less in the current year as fewer equipment and furniture purchases were made. There was also a decrease of nearly \$0.3 million in salary and benefits costs.

The functional expense of student financial aid increased by \$11.3 million. As explained previously, this increase is due mostly to an increase in students and financial aid awards.

Public service saw a small decrease of \$71 thousand and depreciation increased by \$1.3 million.

Auxiliaries experienced an increase of \$0.7 million due mostly to an increase in cost of goods sold of \$0.3 million and an increase of maintenance of \$0.2 million.

### Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the year. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities. This section shows the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with the cash used for the acquisition and construction of capital related items. The fourth section details the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

# Statement of Cash Flows, Condensed

	2010	2009	Change	% Change
Cash provided (used) by:				
Operating activities	\$(96,711,766)	\$ (89,907,619)	\$ (6,804,147)	7.6%
Noncapital financing activities	122,052,193	109,152,533	12,899,660	11.8%
Capital and related financing activities	(10,531,003)	(10,304,295)	(226,708)	2.2%
Investing activities	547,783	1,321,193	(773,410)	(58.5%)
Change in cash	15,357,207	10,261,812	5,095,395	49.7%
Cash - beginning of year	65,597,465	55,335,653	10,261,812	18.5%
<b>Cash – end of year</b>	<b>\$ 80,954,672</b>	<b>\$ 65,597,465</b>	<b>\$ 15,357,207</b>	<b>23.4%</b>

The University's cash increased due to an increase in cash provided by noncapital financing activities. The increase in cash provided by noncapital financing activities of \$12.9 million over the prior year is related to an increase in cash provided of \$31.5 million in federal, state and private grants. There was a \$17.9 million decrease in cash provided by state appropriations.

Operating activities accounted for a \$6.8 million increase in cash used compared to the prior year. There was an increase in cash provided by tuition and fees of \$7.3 million and a decrease in payments to suppliers of \$1.7 million, however, these increases were overshadowed by an \$11.6 million increase in cash used for student scholarships and fellowships. There was also a \$3.2 million increase in cash used for employee services and benefits.

Capital and related financing activities saw an increase in cash used of \$0.2 million when compared to the prior year. This slight increase is due primarily to receiving less in proceeds from the sale of capital assets and less in proceeds from issuing debt than the prior year. The University also spent less on the purchase of capital assets than the prior year.

The decrease in cash provided by investing activities as compared to the prior year is due to a decrease in the amount of interest received during the year due to significantly lower interest rates.

## Outlook

The University's overall financial position is strong and in spite of the current economic conditions the outlook for the future looks bright. The economy of the State of Utah has weathered the recent economic struggles better than most states but it is not without its own challenges and future revenue shortfalls are still expected. The State is expecting the economy to gradually strengthen during 2011. State appropriations for higher education are expected to remain at 2010 levels during this economic recovery period.

As State funding experienced cuts, total student enrollment increased by 12.5% and tuition increased by \$7.6 million, for fiscal year 2010. During fall of 2010 the University experienced an increase in enrollment of 11.6% over fall of 2009. Tuition and fees as a percent of total revenues (36.8%) is greater than the percentage of state appropriations as a percentage of total revenue (20.4%) for the University, therefore, the expectation of appropriations being held at

2010 amounts will be tempered by the increase in tuition and fees collected.

Enrollment has increased at the University for the 12<sup>th</sup> consecutive semester and the University has over 32,500 students enrolled. The University is continuing to project growth in enrollment over the next ten years, and the University is making every effort to meet the challenges related to growth, while continuing to preserve the standards of excellence and maintaining its commitment to engaged learning. The move to a university from a state college continues to further advance the schools' role in the community by allowing the University to offer a wider range of opportunities, not only to the students, but to the community.

The University will continue to take a conservative approach to acquiring debt for construction and expansion of facilities. Construction of the new Science building began in August 2010 and will be completed in the fall of 2012. The new science building will be 160,000 square feet and cost approximately \$30.6 million.

Given the challenges that exist, Utah Valley University is well positioned to overcome the challenges of growth and future economic conditions. The University will make the necessary investments that will secure an even brighter future.





# Financial Statements



# UTAH VALLEY UNIVERSITY

## Statement of Net Assets As of June 30, 2010

	Primary Institution UVU 2010	Component Unit UVU Foundation 2010	Total 2010	Comparative Total 2009
<b>ASSETS</b>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 80,954,672	\$ 843,923	\$ 81,798,595	\$ 65,808,527
Short term investments	1,277,070	-	1,277,070	1,252,645
Accounts receivable, net	4,917,120	-	4,917,120	3,815,306
Accounts receivable - state agency	3,025,680	-	3,025,680	1,364,561
Notes receivable - related party	-	293,251	293,251	287,898
Notes and pledges receivable, net	245,172	3,491,314	3,736,486	1,965,674
Prepaid expenses, deferred charges	360,560	5,567	366,127	346,436
Inventories	3,076,443	-	3,076,443	2,684,527
Total current assets	93,856,717	4,634,055	98,490,772	77,525,574
<i>Noncurrent assets</i>				
Restricted investments	-	17,456,847	17,456,847	15,977,714
Accounts receivable, net	2,616,928	-	2,616,928	1,400,420
Notes receivable - related party	-	1,823,564	1,823,564	2,119,013
Notes and pledges receivable, net	1,679,532	2,356,812	4,036,344	3,427,389
Other long term assets	-	4,777,312	4,777,312	4,357,616
Non depreciable capital assets	21,789,871	2,457,600	24,247,471	23,862,440
Depreciable capital assets, net	193,060,277	4,478,146	197,538,423	199,883,784
Total noncurrent assets	219,146,608	33,350,281	252,496,889	251,028,376
<b>Total assets</b>	<b>313,003,325</b>	<b>37,984,336</b>	<b>350,987,661</b>	<b>328,553,950</b>
<b>LIABILITIES</b>				
<i>Current liabilities</i>				
Accounts payable	2,589,427	-	2,589,427	2,171,070
Accounts payable - state agency	755,948	-	755,948	1,491,129
Accrued liabilities	6,297,574	493,502	6,791,076	5,439,353
Accrued liabilities - state agency	532,397	-	532,397	513,292
Other liabilities	940,341	-	940,341	972,936
Deferred revenue	7,206,900	-	7,206,900	5,045,630
Current portion of notes - related party	293,251	-	293,251	287,898
Current portion of bonds and capital leases	2,601,163	72,787	2,673,950	3,031,144
Funds held for others	512,776	-	512,776	920,204
Total current liabilities	21,729,777	566,289	22,296,066	19,872,656
<i>Noncurrent liabilities</i>				
Accrued liabilities	3,514,068	-	3,514,068	3,806,541
Deferred revenue	5,783,621	-	5,783,621	5,696,806
Deferred revenue - state agency	177,661	-	177,661	-
Notes - related party	1,776,812	-	1,776,812	2,070,063
Bonds and capital leases	15,681,074	99,580	15,780,654	18,187,166
Total noncurrent liabilities	26,933,236	99,580	27,032,816	29,760,576
<b>Total liabilities</b>	<b>48,663,013</b>	<b>665,869</b>	<b>49,328,882</b>	<b>49,633,232</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	194,523,530	6,763,379	201,286,909	200,169,952
Restricted for:				
Nonexpendable				
Scholarships	-	10,981,454	10,981,454	10,756,793
Expendable				
Scholarships and grants	1,485,946	18,923,835	20,409,781	22,369,091
U. S. government grants, refundable	1,744,909	-	1,744,909	1,744,909
Loans	841,463	-	841,463	968,397
Capital projects	4,329,185	-	4,329,185	570,911
Debt service	442,399	-	442,399	478,988
Unrestricted	60,972,880	649,799	61,622,679	41,861,677
<b>Total net assets</b>	<b>\$ 264,340,312</b>	<b>\$ 37,318,467</b>	<b>\$ 301,658,779</b>	<b>\$ 278,920,718</b>

The accompanying notes are an integral part of the Financial Statements

# UTAH VALLEY UNIVERSITY

## Statement of Revenues, Expenses, and Changes in Net Assets For the Year Ended June 30, 2010

	Primary Institution UVU 2010	Component Unit UVU Foundation 2010	Total 2010	Comparative Total 2009
<b>REVENUES</b>				
<i>Operating revenues</i>				
Student tuition and fees (net of allowances of \$21,915,198)	\$ 88,694,792	\$ -	\$ 88,694,792	\$ 81,061,013
Federal grants and contracts	-	-	-	32,152
Private grants and contracts	-	-	-	153
Sales and services of education departments	6,042,672	-	6,042,672	5,210,817
Auxiliary enterprises (net of scholarship allowances of \$2,204,210)	13,750,490	-	13,750,490	14,514,381
Other operating revenues	4,224,211	-	4,224,211	4,144,262
<b>Total operating revenues</b>	<b>112,712,165</b>	<b>-</b>	<b>112,712,165</b>	<b>104,962,778</b>
<b>EXPENSES</b>				
<i>Operating expenses</i>				
Salaries	94,368,696	-	94,368,696	91,765,164
Fringe benefits	35,952,333	-	35,952,333	35,200,023
Student financial aid	31,836,432	1,084,902	32,921,334	21,110,960
Maintenance and utilities	8,472,132	-	8,472,132	8,596,289
General and administrative	30,008,225	4,930,464	34,938,689	37,609,315
Cost of goods sold - auxiliary enterprises	10,292,723	-	10,292,723	10,038,236
Depreciation	9,968,580	-	9,968,580	8,693,904
Total operating expenses	220,899,121	6,015,366	226,914,487	213,013,891
<b>Operating loss</b>	<b>(108,186,956)</b>	<b>(6,015,366)</b>	<b>(114,202,322)</b>	<b>(108,051,113)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	49,146,456	-	49,146,456	66,156,674
State appropriated American Recovery and Reinvestment Act Funds	13,977,600	-	13,977,600	2,483,000
Federal grants and contracts	53,612,798	-	53,612,798	31,396,537
State grants and contracts	5,209,945	-	5,209,945	5,617,731
Gifts	1,762,466	7,143,134	8,905,600	6,778,988
Investment income (loss) (net of Foundation investment expense of \$185,889)	545,852	2,155,801	2,701,653	(5,335,845)
Interest on capital asset-related debt	(1,221,225)	-	(1,221,225)	(1,326,107)
Other nonoperating revenues (expenses)	(1,078,951)	17,815	(1,061,136)	3,191,839
Net nonoperating revenues	121,954,941	9,316,750	131,271,691	108,962,817
<b>Income before other revenues, expenses, gains, or losses</b>	<b>13,767,985</b>	<b>3,301,384</b>	<b>17,069,369</b>	<b>911,704</b>
Capital appropriations	1,853,385	-	1,853,385	46,480,126
Gifts to endowments	-	233,211	233,211	419,274
Capital grants and gifts	3,582,096	-	3,582,096	3,107,147
Total other revenues	5,435,481	233,211	5,668,692	50,006,547
<b>Increase in net assets</b>	<b>19,203,466</b>	<b>3,534,595</b>	<b>22,738,061</b>	<b>50,918,251</b>
<b>NET ASSETS</b>				
Net assets--beginning of year, as restated	245,136,846	33,783,872	278,920,718	228,002,467
<b>Net assets--end of year</b>	<b>\$ 264,340,312</b>	<b>\$ 37,318,467</b>	<b>\$ 301,658,779</b>	<b>\$ 278,920,718</b>

The accompanying notes are an integral part of the Financial Statements



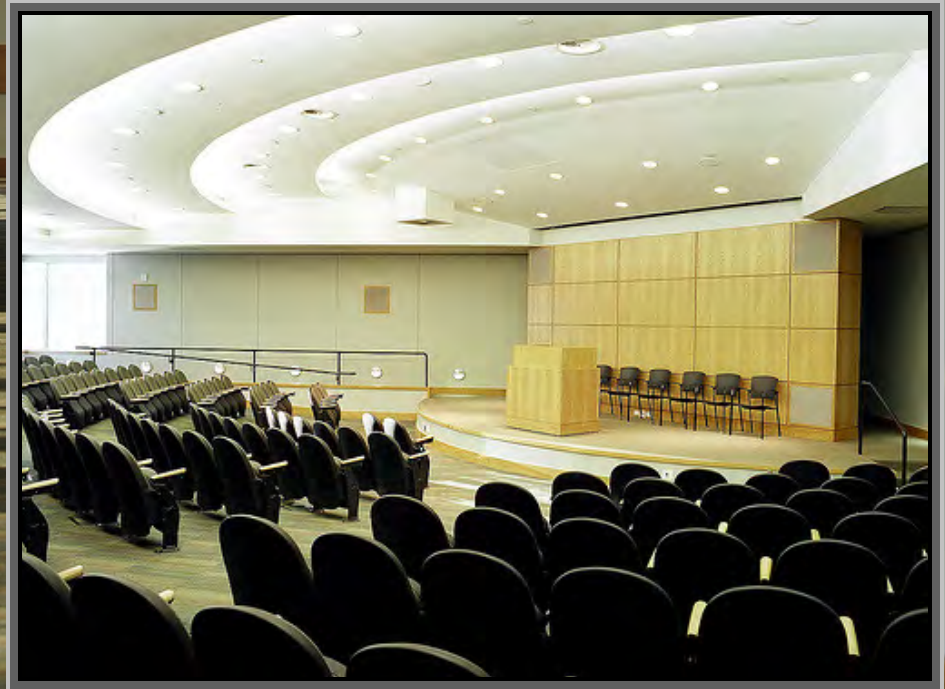
# UTAH VALLEY UNIVERSITY

## Statement of Cash Flows For the Year Ended June 30, 2010

	Primary Institution UVU
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from tuition and fees	\$ 89,660,271
Receipts from auxiliary and educational sales and services	20,031,891
Collection of loans to students	153,981
Payments to suppliers	(49,582,761)
Payments for employee services and benefits	(129,225,478)
Payments for student aid: scholarships and fellowships	(31,837,348)
Loans issued to students	(174,000)
Other operating payments	(223,430)
Other operating receipts	4,485,108
<b>Net cash used by operating activities</b>	<b>(96,711,766)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriations	48,098,871
Federal, state and private grants and contracts	72,241,179
Gifts	1,712,143
<b>Net cash provided by noncapital financing activities</b>	<b>122,052,193</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital grants and gifts received	1,616,218
Capital appropriations	51,561
Purchases of capital assets	(8,574,793)
Proceeds from disposal of capital assets	122,629
Principal paid on capital debt and leases	(3,011,733)
Interest paid on capital debt and leases	(1,114,562)
Proceeds from capital debt issued	379,677
<b>Net cash used by capital and related financing activities</b>	<b>(10,531,003)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipt of interest on investments	547,783
<b>Net cash provided by investing activities</b>	<b>547,783</b>
Net increase in cash	15,357,207
Cash and cash equivalents - beginning of year	65,597,465
<b>Cash and cash equivalents - end of year</b>	<b>\$ 80,954,672</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITY</b>	
<b>Operating income (loss)</b>	<b>\$ (108,186,956)</b>
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	9,968,580
Changes in assets and liabilities	
Receivables, net	(512,344)
Inventories	(391,916)
Prepaid expenses, deferred charges	(19,636)
Accounts payable	437,879
Accrued liabilities	1,116,431
Deferred revenue	1,428,043
Funds held for others	(519,252)
Other liabilities	(32,595)
<b>Net Cash Used by Operating Activities</b>	<b>\$ (96,711,766)</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>	
Donated library books	\$ 111,127
Donated assets	1,854,751
Assets contributed by DFCM	1,853,385
<b>Total Noncash Activities</b>	<b>\$ 3,819,263</b>

The accompanying notes are an integral part of the Financial Statements

# Notes to the Financial Statements



## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

Utah Valley University (the University) is a component unit of the State of Utah. The financial activity of the University is included in the State's Comprehensive Annual Financial Report. The accompanying financial statements include all activities that are directly controlled by the University. In addition, the financial statements include the financial position and activities of the University's discretely presented component unit, the Utah Valley University Foundation (the Foundation).

The Foundation is a separate but affiliated non-profit corporation. The accounts of the Foundation are reported under the heading "Component Unit" in the financial statements. The Foundation is administered by a Board of Directors comprised of various members of the local community. The President of the University is a permanent non-voting member of the Board. The University also provides accounting and financial services to the Foundation.

The Foundation issues separate financial statements which are audited by independent auditors. These statements follow the Financial Accounting Standards Board (FASB) guidelines. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component unit's financial information included in the University's financial report.

The Foundation publishes audited financial statements annually. A copy of the audited financial statements can be obtained from the University's Institutional Advancement Office

at 800 West University Parkway, Orem, Utah 84058.

The financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2009, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

### Basis of Accounting

For financial reporting purposes, the University is considered a special purpose government entity engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The University has the option to apply all FASB pronouncements issued after November 30, 1989, unless they conflict with GASB. The University has elected not to exercise this option.

### Cash Equivalents

For the purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Utah Public Treasurer's Investment Fund (PTIF) are considered cash equivalents.



## Investments

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

## Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Utah. Accounts receivable also include amounts due from the Federal Government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

## Inventories

Inventories are carried at the lower of cost or market on either the first-in, first-out (FIFO) basis or on the average cost basis.

## Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted noncurrent assets in the statement of net assets.

## Capital Assets

Capital assets are recorded at cost on the date of acquisition or in the case of gifts, fair market value at the date of donation. For equipment,

the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Buildings, building additions, and building improvements that extend the useful life of the asset or infrastructure, and leasehold and land improvements are capitalized if the cost is over \$50,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets: 40 years for buildings, 30 years for infrastructure and aircraft (less than 15 years old when acquired), 20 years for the library collection, 15 years for aircraft (greater than 15 years old when acquired), 10 years for land improvements and works of art, and 3 to 5 years for equipment. Leasehold improvements are amortized over the lesser of the useful life of the improvement or the lease term.

## Noncurrent Liabilities

Noncurrent liabilities include: (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; and (2) estimated amounts for accrued liabilities that will not be paid within the next fiscal year.

## Deferred Revenues

Deferred revenues include amounts received for tuition, fees, and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grants and contract sponsors that have not yet been earned.

## Bond Discounts/Premiums/Issuance Costs/Deferred Amount on Refunding

Bond discounts and premiums, as well as issuance costs and the deferred amount on

refunding, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium, discount, or deferred amount on refunding. Issuance costs are reported as deferred charges.

### Compensated Absences

Employee vacation and compensation pay is accrued at year end for financial statement purposes. The liability and expense incurred are recorded at year end as accrued liabilities in the Statement of Net Assets.

### Classification of Revenues and Expenses

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

**Operating Revenues:** Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) applicable Federal, state and local grants and contracts, and (4) fees charged to institutional loans.

**Nonoperating Revenues:** Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating cash flows by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, GASB No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, such as state appropriations, investment income, and Pell Grants and like revenues.

**Operating Expenses:** With the exception of interest expense and losses on the disposal of capital assets, all expense transactions are classified as operating expenses.

### Restricted and Unrestricted Resources

When expenses are incurred for purposes for which both restricted and unrestricted resources are available, it is the University's general policy to use restricted resources first.

### Net Assets

The University's net assets are classified as follows:

**Invested in capital assets, net of related debt:** This amount represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

**Restricted net assets – nonexpendable:** Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to the principal.

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

**Unrestricted net assets:** Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, sales and services of educational departments, and auxiliary

enterprises. These resources are used for educational and general operations of the University, and may be used for any purpose at the discretion of the governing board to meet current expenses. These resources include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

## NOTE 2. DEPOSITS AND INVESTMENTS

### The University

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) and State Board of Regents Rule 541, Management and Reporting of Institutional Investments (Rule 541).

### Deposits

At June 30, 2010, the carrying amounts of the University's deposits and bank balances were \$4,294,097 and \$5,380,332, respectively. The bank balances of the University were insured for \$500,000, by the Federal Deposit Insurance Corporation. The bank balances in excess of \$500,000 were uninsured and uncollateralized, leaving \$4,880,332 exposed to custodial credit risk. All deposits were held by a qualified depository as defined by the State Money Management Act. The State of Utah does not require collateral on 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 to the University. The University does not have a formal deposit policy for custodial credit risk.

### 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 the issuers of the investment securities.

Statutes authorize the University to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; 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; and the Utah State Public Treasurer’s Investment Fund.

The UPMIFA and Rule 541 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 Securities and Exchange Commission; 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.

The Utah State Treasurer’s Office operates the Public Treasurer’s Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2010, the University had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)
		Less than One
State of Utah Public Treasurer’s Investment Fund	\$ 77,883,649	\$ 77,883,649
<b>Totals</b>	<b>\$ 77,883,649</b>	<b>\$ 77,883,649</b>

### 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 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 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.

### *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.

At June 30, 2010, the University had investments and quality ratings as follows:

Investment Type	Fair Value	Quality Rating
		Unrated
State of Utah Public Treasurer's Investment Fund	\$ 77,883,649	\$ 77,883,649
<b>Totals</b>	<b>\$ 77,883,649</b>	<b>\$ 77,883,649</b>

### *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 Money Management Council or the UPMIFA and Rule 541, as applicable. Rule 17 of the Money Management Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to between 5 and 10% depending upon the total dollar amount held in the portfolio. For endowment funds, Rule 541 requires that a minimum of 25% of the overall endowment portfolio be invested in fixed income or cash equivalents. Also, the overall endowment portfolio cannot consist of more than 75% equity investments. Rule 541 also limits investments in alternative investment funds, as allowed by Rule 541, to between 0% and 30% based on the size of the University's endowment fund.

### *Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the 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 does not have a formal policy for custodial credit risk.

### **The Foundation**

#### **Deposits – The Foundation**

The Foundation maintains its cash balances in the PTIF and in several financial institutions. The amount on deposit at June 30, 2010, in the PTIF account was \$808,155 and was combined with the University's PTIF account. Although this amount is not covered by federal depository insurance nor guaranteed by the State, PTIF balances are secured by investments purchased in compliance with the Act. The total amount



deposited in various other financial institutions at June 30, 2010, was \$35,768, all of which was insured by the federal depository insurance.

#### *Custodial Credit Risk – The Foundation*

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned to the Foundation.

The Foundation does not have a formal deposit policy for custodial credit risk.

#### **Investments – The Foundation**

As of June 30, 2010, the Foundation had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than One	One to Five	Five to Ten	Ten to Twenty
Money market accounts	\$ 895,534	\$ 895,534	\$ -	\$ -	\$ -
Certificates of deposit	651,582	271,315	380,267	-	-
US government securities	2,490,800	340,347	1,701,544	55,644	393,265
Corporate bonds	3,425,716	42,504	2,865,960	517,252	-
Mutual funds	356,639	350,889	5,750	-	-
Total	7,820,271	<b>\$ 1,900,589</b>	<b>\$ 4,953,521</b>	<b>\$ 572,896</b>	<b>\$ 393,265</b>
Common and preferred stocks	9,636,576				
<b>Total</b>	<b>\$ 17,456,847</b>				

#### *Interest Rate Risk – The Foundation*

Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. The Foundation investment policy limits investing in any issuance with a maturity over 30 years and requires the overall portfolio average life to be less than 15 years as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### *Credit Risk – The Foundation*

Credit quality can be a depiction of potential variable cash flows and credit risk. The credit rating reported is a weighted average of the Standard & Poor's rating of all Foundation holdings. The Foundation does not have a formal investment policy that limits its investment choices in regard to credit quality ratings.

At June 30, 2010, the Foundation's credit quality ratings for investments in debt securities were as follows:

Investment Type	Fair Value	Quality Rating			
		AAA to A+	A	B	Unrated
Money market accounts	\$ 895,534	\$ -	\$ -	\$ -	\$ 895,534
Corporate bonds	3,425,716	511,016	750,876	330,047	1,833,777
Mutual funds	356,639	-	-	-	356,639
<b>Totals</b>	<b>\$ 4,677,889</b>	<b>\$ 511,016</b>	<b>\$ 750,876</b>	<b>\$ 330,047</b>	<b>\$ 3,085,950</b>

*Custodial Credit Risk - Foundation*

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Foundation will not be able to recover the value of the investments that are in the possession of an outside party. The Foundation does not have a formal investment policy for custodial credit risk in regard to the custody of the Foundations investments.

issuer, this concentration presents a heightened risk of potential loss. The Foundation's investment policy limits to 3% of the total portfolio fair value the amount the Foundation may invest in any one issuer.

**NOTE 3. ACCOUNTS AND NOTES AND PLEDGES RECEIVABLE**

University accounts receivable consisted of the following at June 30, 2010:

*Concentration of Credit Risk - Foundation*

Although investments intrinsically carry credit risk, when investments are concentrated in one

Current accounts receivable, net	
Student tuition and fees	\$ 2,044,623
Operating activities	247,836
Auxiliary enterprises	748,643
Federal and state grants and contracts	2,138,167
Total	5,179,269
Less allowance for doubtful accounts	(262,149)
Total	4,917,120
Current accounts receivable-state agency	
Operating activities	87
Utah Department of Facilities Construction and Management	1,801,824
Federal and state grants and contracts	1,223,769
Total	3,025,680
Noncurrent accounts receivable, net	
Student tuition and fees	3,389,119
Less allowance for doubtful accounts	(772,191)
Total	2,616,928
<b>Total</b>	<b>\$ 10,559,728</b>

University notes and pledges receivable consisted of the following at June 30, 2010:

Current notes and pledges receivable, net	
Loans to students	\$ 352,286
Less allowance for doubtful accounts	(107,114)
Total	<u>245,172</u>
Noncurrent notes and pledges receivable, net	
Loans to students	1,933,749
Less allowance for doubtful accounts	(254,217)
Total	<u>1,679,532</u>
<b>Total</b>	<b><u><u>\$ 1,924,704</u></u></b>

Student loans made through the Federal Perkins Loan Program comprise substantially all of the notes receivable at June 30, 2010. Under this perpetual loan program, the Federal Government provides approximately 75% of the initial funds contributed to the program which in turn are issued as loans to students. The University provides a matching contribution to the fund of 25%. Under certain conditions, loans can be forgiven at annual rates of 10% to 30% of the balance up to maximums of 50% to 100% of the balance of the loan. The Federal Government reimburses the University a portion of amounts canceled under these provisions.

As the University determines that loans are uncollectible and not eligible to be forgiven by the Federal Government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans which in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2010, the allowance for uncollectible loans was \$361,331.

#### NOTE 4. PREPAID EXPENSES AND DEFERRED CHARGES

Prepaid expenses and deferred charges consisted of the following at June 30, 2010:

<b>Prepaid expenses</b>	
Earnest money on building purchase	\$ 100,000
Prepaid insurance	128,761
Prepaid asset purchases	<u>18,528</u>
Total	<u>247,289</u>
<b>Deferred charges</b>	
Bond issue costs	157,271
Credits due the Bookstore	<u>(44,000)</u>
Total	<u>113,271</u>
<b>Total</b>	<b><u><u>\$ 360,560</u></u></b>

#### NOTE 5. INVENTORIES

Inventories at June 30, 2010 were as follows:

Auxiliary enterprises	\$ 2,422,170
Supplies and other inventory	<u>654,273</u>
<b>Total</b>	<b><u><u>\$ 3,076,443</u></u></b>

**NOTE 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

University accounts payable consisted of the following at June 30, 2010:

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<b>Current accounts payable</b>	
Interest payable	\$ 139,860
Vendors payable	2,110,347
State and federal grants	68,598
Employee deposits payable	<u>270,622</u>
Total	<u>2,589,427</u>
<b>Current accounts payable-state agency</b>	
State taxes payable	33,100
Interest payable	46,751
Vendors payable	69,667
Utah Department of Facilities Construction and Management payable	<u>606,430</u>
Total	<u>755,948</u>
<b>Total</b>	<u><u>\$ 3,345,375</u></u>

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University accrued liabilities consisted of the following at June 30, 2010:

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<b>Current accrued liabilities</b>	
Federal taxes payable	\$ 1,121,812
Wages payable	479,628
Early retirement payable	590,601
Accrued leave payable	1,253,998
Medical and dental claims payable	2,120,285
Payroll liabilities	<u>731,250</u>
Total	6,297,574
<b>Current accrued liabilities-state agency</b>	
State taxes payable	348,460
Payroll liabilities	<u>183,937</u>
Total	532,397
<b>Noncurrent accrued liabilities</b>	
Early retirement payable	968,045
Accrued leave payable	<u>2,546,023</u>
Total	<u>3,514,068</u>
<b>Total</b>	<u><u>\$ 10,344,039</u></u>

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**NOTE 7. DEFERRED REVENUE**

Deferred revenue of the University consisted of the following at June 30, 2010:

<b>Current deferred revenue</b>	
Prepaid tuition and fees	\$ 5,706,900
Federal program scholarships	<u>1,500,000</u>
Total	<u>7,206,900</u>
<b>Noncurrent deferred revenue</b>	
Federal program scholarships	<u>5,783,621</u>
<b>Noncurrent deferred revenue-state agency</b>	
Project repairs	<u>177,661</u>
<b>Total</b>	<b><u>\$ 13,168,182</u></b>

**NOTE 8. CAPITAL ASSETS**

The following are the changes in capital assets of the University for the year ended June 30, 2010:

	<b>Beginning Book Value</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Book Value</b>
<b>Capital assets not being depreciated</b>				
Land	\$ 13,730,888	\$ 2,050,925	\$ (1,082)	\$ 15,780,731
Land improvements- non depreciable	4,010,549	3,595	-	4,014,144
Works of art and historical treasures	326,298	233,100	-	559,398
Construction in process	<u>3,337,105</u>	<u>3,343,835</u>	<u>(5,245,342)</u>	<u>1,435,598</u>
Total not being depreciated	<u>21,404,840</u>	<u>5,631,455</u>	<u>(5,246,424)</u>	<u>21,789,871</u>
<b>Capital assets being depreciated</b>				
Land improvements – depreciable	3,983,600	859,362	-	4,842,962
Infrastructure	16,985,857	88,455	-	17,074,312
Buildings	212,719,725	4,345,491	(2,103,518)	214,961,698
Leasehold Improvements	1,113,726	1,439,156	(920,000)	1,632,882
Equipment	30,904,252	4,310,173	(395,148)	34,819,277
Library books	<u>5,229,201</u>	<u>411,086</u>	<u>(82,955)</u>	<u>5,557,332</u>
Total being depreciated	<u>270,936,361</u>	<u>11,453,723</u>	<u>(3,501,621)</u>	<u>278,888,463</u>
<b>Less accumulated depreciation</b>				
Land improvements – depreciable	2,641,677	316,457	-	2,958,134
Infrastructure	3,299,245	562,161	-	3,861,406
Buildings	49,477,268	5,321,112	(26,222)	54,772,158
Leasehold Improvements	960,564	104,388	(920,000)	144,952
Equipment	18,835,831	3,393,957	(395,148)	21,834,640
Library Books	<u>2,068,361</u>	<u>270,505</u>	<u>(81,970)</u>	<u>2,256,896</u>
Total accumulated depreciation	<u>77,282,946</u>	<u>9,968,580</u>	<u>(1,423,340)</u>	<u>85,828,186</u>
Total depreciable capital assets, net	<u>193,653,415</u>	<u>1,485,143</u>	<u>(2,078,281)</u>	<u>193,060,277</u>
<b>Total capital assets, net</b>	<b><u>\$ 215,058,255</u></b>	<b><u>\$ 7,116,598</u></b>	<b><u>\$(7,324,705)</u></b>	<b><u>\$ 214,850,148</u></b>

The capital assets of the Foundation for years ending June 30 were as follows:

	<b>2010</b>	<b>2009</b>
Rental income		
property	\$ 4,478,146	\$ 6,230,368
Land	2,457,600	2,457,600
<b>Total</b>	<b>\$ 6,935,746</b>	<b>\$ 8,687,968</b>

## NOTE 9. BONDS PAYABLE

Bonds payable consist of the Municipal Building Authority of Utah County, Utah, Lease Revenue Bonds, (Federally Taxable), Series 2004A and Lease Revenue Refunding Bonds, Series 2004B (Utah Valley State College Project) {MBA 2004A&B} and the State Board of Regents of the State of Utah, Student Center Building Fee and Unified System Revenue Refunding Bonds, Series 2004A and Series 2004B (Federally Taxable) {SBR 2004A&B}.

The Municipal Building Authority of Utah County, Utah, issued Lease Revenue Bonds, (Federally Taxable) Series 2004A (Utah Valley State College Project), in the amount of \$3,900,000 and Lease Revenue Refunding Bonds, Series 2004B (Utah Valley State College Project), in the amount of \$2,600,000, on August 3, 2004. The Authority leased the 2004 Projects to Utah County, Utah pursuant to a Master Lease Agreement dated August 1, 2004. The County, in turn, subleased the Series 2004 Projects to the State Board of Regents of

the State of Utah on behalf of the University, pursuant to a Sublease Agreement dated as of August 1, 2004. The MBA 2004A&B Bonds were issued for the purpose of (i) refunding all of the Authority's outstanding 1999 Bonds; (ii) financing the acquisition and construction of a baseball stadium and related improvements; (iii) satisfying a reserve fund requirement; and (iv) paying the costs associated with the issuance of the 2004 Bonds.

The State Board of Regents of the State of Utah issued Student Center Building Fee and Unified System Revenue Refunding Bonds, Series 2004A, in the amount of \$11,020,000, and Student Center Building Fee and Unified System Revenue Refunding Bonds, (Federally Taxable) Series 2004B, in the amount of \$4,035,000 for and on behalf of the University on August 3, 2004. The SBR 2004A&B Bonds were issued for the purpose of (i) refunding all of the State Regent's outstanding 2000 Bonds and the 1995A Bonds; (ii) satisfying a reserve fund requirements; and (iii) paying the costs associated with the issuance of the 2004 Bonds.

Bonds payable at June 30, 2010 consisted of the following:

Description	Original Issue	Balance June 30, 2010	Due Within One Year
MBA 2004A Lease Revenue Bonds (federally taxable), due in annual installments through 2019, interest rates 4.5% to 6.0%	\$ 3,900,000	\$ 2,930,000	\$ 225,000
Less discount	(16,666)	(10,416)	(1,042)
Total net MBA 2004A	3,883,334	2,919,584	223,958
MBA 2004B Lease Revenue Refunding Bonds, due in annual installments through 2014, interest rates 3.0% to 4.2%	2,600,000	1,300,000	240,000
Plus premium	37,378	16,990	3,398
Less deferred amount on refunding	(286,406)	(121,083)	(27,942)
Total net MBA 2004B	2,350,972	1,195,907	215,456
SBR 2004A Student Center Building Fee and Unified System Revenue Refunding Bonds, due in annual installments through 2020, interest rates 3.0% to 4.5%	11,020,000	5,750,000	1,310,000
Plus premium	105,719	68,406	6,219
Less deferred amount of refunding	(1,097,895)	(698,149)	(67,563)
Total net SBR 2004A	10,027,824	5,120,257	1,248,656
SBR 2004B Student Center Building Fee and Unified System Revenue Refunding Bonds (federally taxable), due in annual installments through 2011, interest rate 5.0%	4,035,000	630,000	305,000
Plus premium	119,799	29,950	14,975
Less deferred amount of refunding	(172,564)	(31,736)	(23,802)
Total net SBR 2004B	3,982,235	628,214	296,173
<b>Total net bonds</b>	<b>\$ 20,244,365</b>	<b>\$ 9,863,962</b>	<b>\$ 1,984,243</b>

Principal and interest on the SBR 2004A&B Bonds and the MBA 2004A&B Bonds are secured by pledged revenues which consist of all (i) net operating revenues of the Bookstore,

the Student Center, and all University Food Services; (ii) Student Center building fees; (iii) investment income; and (iv) HUD subsidy grant.

The following is a summary of the pledged revenues for fiscal year 2010 and the bond payments due in fiscal year 2011:

<b>Pledged revenues</b>	
Building fee – Spring	\$ 1,399,143
Building fee – Summer	475,671
Building fee – Fall	1,409,760
Total building fees	<u>3,284,574</u>
Net auxiliary profits	601,770
Total pledged revenues	<u>3,886,344</u>
Principal and interest payments	
SBR 2004A&B Bonds	1,846,153
MBA 2004A&B Bonds	675,322
Total principal and interest payments	<u>2,521,475</u>
Pledged revenues in excess of payments	<u>1,364,869</u>
<b>Pledged revenues in excess of 110%</b>	<b>\$ 1,112,722</b>

In addition, the SBR 2004A&B Bonds and the MBA 2004A&B Bonds are insured by a financial guaranty insurance policy issued by XL Capital Assurance Inc. The SBR 2004A&B Bonds and the MBA 2004A&B Bonds Debt Service Reserve Requirements have been met

by the purchase of a Reserve Instrument from XL Capital Assurance Inc.

The scheduled maturities of bonds payable at June 30, 2010, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,080,000	\$ 441,475	\$ 2,521,475
2012	2,170,000	353,882	2,523,882
2013	795,000	289,632	1,084,632
2014	835,000	253,035	1,088,035
2015	875,000	214,333	1,089,333
2016-2020	3,450,000	552,739	4,002,739
2021	405,000	9,113	414,113
<b>Total</b>	<b><u>\$ 10,610,000</u></b>	<b><u>\$ 2,114,209</u></b>	<b><u>\$ 12,724,209</u></b>



## NOTE 10. OPERATING LEASES

The University leases airport facilities and land under non-cancelable operating leases. Total costs for such leases were \$36,746 for the year ended June 30, 2010.

The following is a schedule by year of future operating lease payments for the previously described operating leases:

<b>Fiscal Year Ending June 30</b>	<b>Operating Leases</b>
2011	\$ 38,715
2012	38,715
2013	38,716
2014	38,716
2015	38,895
2016-2020	204,485
2021-2025	212,380
2026-2030	77,418
<b>Total future minimum lease payments</b>	<b>\$ 688,040</b>

## NOTE 11. CAPITAL LEASE OBLIGATIONS

The University has acquired certain equipment under various lease-purchase contracts or other capital lease agreements. The cost of University assets held under capital leases totaled \$13,620,060 as of June 30, 2010. Accumulated depreciation of leased equipment totaled \$2,527,650 at June 30, 2010.

The assets acquired through capital leases are as follows:

Aircraft	\$ 2,292,240
Less: accumulated depreciation	(767,478)
Student Services equipment	224,408
Less: accumulated depreciation	(118,606)
Fire trucks	379,677
Less: accumulated depreciation	(33,495)
ESCO Energy Savings Projects	10,723,735
Less: accumulated depreciation	(1,608,071)
<b>Total net capital lease assets</b>	<b>\$ 11,092,410</b>

The following is a schedule by year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2010:

<b>Fiscal Year Ending June 30</b>	<b>Capital Leases</b>
2011	\$ 1,005,262
2012	992,536
2013	1,002,781
2014	984,664
2015	892,129
2016-2020	4,443,017
2021-2022	1,678,100
Total future minimum lease payments	10,998,489
Amounts representing interest	(2,580,214)
<b>Present value of net minimum lease payments</b>	<b>\$ 8,418,275</b>

## NOTE 12. EARLY RETIREMENT LIABILITY

The University provides an early retirement option to qualified employees who are approved by the administration in accordance with University policy as approved by the State Board of Regents. Employees who retire from the University on or after age 57 and whose combined total of age and years of service is 75 or greater may be qualified to receive benefits.

Benefits are payable for five years or until the retiree reaches age 65, whichever occurs first. The benefits include a stipend equal to 20 percent of the retiree's salary at the time of active employment along with medical and dental insurance. The stipend is paid semi-monthly. During the fiscal year ended June 30, 2010, 35 employees participated in the early retirement plan, of which 32 retirees received medical and dental insurance benefits and 32 received stipends.

The projected future cost of these stipends, and medical and dental insurance benefits have been

calculated based on current payments plus projected increases expected of 1.92% and 3.20% respectively, based on historical data. The amount recognized on the financial statements was calculated at the discounted present value of the projected future costs.

The discount rate used of 0.7% was based on the estimated yield expected to be earned on the investments of the University. These benefits are funded on a pay-as-you-go basis from current funds each year. For the year ended June 30, 2010, the expenses for the 20 percent incentive stipend were \$347,286 and the expenses for medical and dental insurance were \$304,129.

## NOTE 13. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes to the University's long-term liabilities during the fiscal year ended June 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
Revenue bonds	\$12,615,000	\$ -	\$(2,005,000)	\$10,610,000	\$2,080,000
Less deferred amounts, discounts, and premiums	(841,795)	-	95,757	(746,038)	(95,757)
Total bonds payable	11,773,205	-	(1,909,243)	9,863,962	1,984,243
Capital leases	8,757,433	379,677	(718,835)	8,418,275	616,920
Total bonds and capital leases	20,530,638	379,677	(2,628,078)	18,282,237	2,601,163
Note payable – related party	2,357,961	-	(287,898)	2,070,063	293,251
Early retirement	2,049,095	160,965	(651,415)	1,558,645	590,601
Accrued leave	3,654,093	2,588,918	(2,442,989)	3,800,022	1,253,998
<b>Total</b>	<b><u>\$28,591,787</u></b>	<b><u>\$3,129,560</u></b>	<b><u>\$(6,010,380)</u></b>	<b><u>\$25,710,967</u></b>	<b><u>\$4,739,013</u></b>

The Foundation's liabilities for the years ending June 30 were as follows:

	2010	2009
Notes payable	\$ 172,367	\$ 687,672
Deferred annuity payments	493,502	531,578
<b>Total</b>	<b>\$ 665,869</b>	<b>\$ 1,219,250</b>

## NOTE 14. PENSION PLANS AND RETIREMENT BENEFITS

### Plan Description

The University contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (the Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective chapters of Title 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement and Insurance Benefit Act in Title 49 provides for the administration of the Systems and Plans under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

### Funding Policy

Plan members in the State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and the University is required to contribute 9.73% of their annual covered salary. In the State and School Noncontributory Retirement System, the University is required to contribute 14.22% (with an additional 1.5% to a 401(k)) of their annual covered salary. The contribution rates are actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The University contributions to the State and School Contributory Retirement System for the years ending June 30, 2010, 2009, and 2008 were \$167,923, \$197,082, and \$198,408 respectively and for the Noncontributory Retirement System the contributions for June 30, 2010, 2009, and 2008 were \$2,809,631, \$2,923,552, and \$2,729,565 respectively. Employer contributions to the 401(k) plan for the same years were \$296,375, \$308,394, and \$287,931, respectively. The contributions were equal to the required contributions for each year.

Employee contributions to the 401(k) plan for the years ended June 30, 2010, 2009, and 2008 were \$645,443, \$709,064, and \$725,588, respectively.

Teacher's Insurance and Annuity Association provides individual retirement fund contracts with each participating employee. Benefits provided to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement, and are fully vested from the date of employment. Employees are eligible to participate from the date of employment and are not required to contribute to the fund.

For the year ended June 30, 2010, the University's contribution to this defined contribution plan was 14.2% of the employee's eligible annual salary or \$6,404,316. The University has no further liability once annual contributions are made.

#### NOTE 15. RISK MANAGEMENT

Due to the diverse risk exposure of the University, the insurance portfolio contains a full variety of coverage. The University participates in basic general liability, tort claim coverage, directors and officers liability, and property and casualty programs provided by the State of Utah Department of Risk Management. The University's liabilities for this policy are limited to the cost of premiums. In addition to these basic policies, the University's Department of Risk, Plant, and Property Management establishes guidelines in risk assessment, risk avoidance, risk transfer, and risk acceptance. The University's buildings and contents are insured for replacement value. Each loss incident is subject to a \$1,000 deductible.

#### NOTE 16. SELF-INSURANCE FOR EMPLOYEE HEALTH AND DENTAL CARE

As of July 1, 2006 the University established a self-insurance fund for employee health and dental care costs thus assuming full risk of loss. The University has established a reserve fund from which claims are paid. Educators Mutual Insurance Association of Utah has been contracted with by the University to provide certain administrative and management services such as the evaluation and payment of claims. In addition a consulting firm has been hired by the University to advise the University with regards to the plan. The estimated claims liability was estimated based upon past experience adjusted for current trends. The estimate reflects the ultimate cost of settling the claims.

Changes in the University's estimated self-insurance claims as of June 30, are as follows:

	2010	2009
Estimated claims liability - beginning of year	\$ 1,972,034	\$ 2,006,564
Current year claims and changes in estimates	16,867,781	15,704,076
Claim payments and administrative expenses	16,719,530	15,738,606
<b>Estimated claims liability - end of year</b>	<b>\$ 2,120,285</b>	<b>\$ 1,972,034</b>

#### NOTE 17. COMMITMENTS AND CONTINGENT LIABILITIES

The University, through an Interlocal Cooperation Agreement (the Agreement), is a participant with Utah County (the County) in a joint venture to operate the McKay Events

Center (the Center) located on the University's campus. The Agreement provides that the title to the Center be held by the University and neither the County nor any other party may obtain any property interest in the land or the facility. The agreement also provides that in consideration of the financial contribution made

by the County, at least 40 percent of the usage of the Center be for public and/or community use. The investment in the Center and the operating results are accounted for in the University's financial statements. There are no separately issued financial statements for this joint venture.

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. It is highly unlikely that any disallowances would be material.

The 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 capital assets on the books of the University. Construction projects are recorded on the books of the University as funds are expensed, or when projects are substantially completed if funded through State Appropriations administered through DFCM.

As of June 30, 2010, the University had the following outstanding commitments to DFCM for various projects:

Intermural fields restroom	\$ 112,551
Extended education building entrance	245,344
Murdock building remodel	129,004
Facilities building improvements	27,067
Campus entry design	6,500
Dental lab improvements	125,965
Athletic track and field facility	667,429
Campus fountain improvements	12,545
Campus master plan	493
Economic development building	2,597,296
Business building improvements	2,259,129
<b>Total</b>	<b>\$ 6,183,323</b>

These commitments represent funds needed in the future and are not recorded on the books.

## NOTE 18. RELATED PARTY TRANSACTIONS

The University entered into various agreements involving the Foundation:

- A. The University leased four buildings from the Foundation. One of the building leases expires September 2012 (one expired in 2010 and one was terminated in 2009 as described in B below) and the fourth building lease expires June 2027. The lease agreements call for fixed payments that in substance provide adequate cash flows to service the debt on the buildings and provide a return of the Foundation's investment in the buildings.



The future minimum annual payments to be paid under the lease agreements are as follows for the years ending June 30:

2011	\$ 270,761
2012	270,761
2013	270,761
2014	186,761
2015	186,761
2016-2020	933,805
2021-2025	933,805
2026-2027	373,522
<b>Total</b>	<b>\$ 3,426,937</b>

- B. The Foundation donated one of its buildings to the University during the year ended June 30, 2010. The Foundation originally acquired this building valued at \$1,935,000 by recognizing a donation of \$1,015,000 and by assuming debt of \$920,000. The building's net book value (its carrying value of \$1,935,000 less accumulated depreciation of \$495,844) was \$1,439,156 when donated to the University. This is reported as part of "Transfers of donated in-kind materials and equipment" in the Statement of Activities of the Foundation's financial statement.

The Foundation donated one of its buildings to the University during the year ended June 30, 2009. The Foundation originally paid \$2,661,039 for the building by paying cash of \$1,205,179 and by assuming and issuing \$1,455,860 of notes payable. The University assumed the outstanding notes payable of \$351,699 and allowed the Foundation to retain the \$755,065 in prepaid rent paid to the Foundation in prior years. The Foundation reported the difference between the building's net book value, the debt assumed, and prepaid rent retained (\$989,442) as an expense during the year. The buildings net book value (its cost of \$2,661,039 net of accumulated depreciation of \$564,833) was \$2,096,206 when donated to the University in 2009. This was reported as part of "Transfers of donated in-kind

materials and equipment" in the Statement of Activities of the Foundation's financial statement.

The Foundations activity has been reported under "General and Administrative" in the University's Statement of Revenues, Expenses, and Changes in Net Assets. The donation to the University is reported as part of "Capital grants and gifts" in the same statement.

- C. During the year ended June 30, 2007, the Foundation sold a parcel of land to the University. The sales price to the University was \$1,000,000 in the form of a note bearing interest at 8 percent with annual principal payments of \$200,000. The amount due at June 30, 2010 and 2009, respectively, was \$200,000 and \$400,000.

During the year ended June 30, 2009 the University borrowed \$2,000,000 from the Foundation to acquire a number of buildings adjacent to campus. The note carries a term of 15 years and bears a 6 percent interest rate with semi-annual payments of \$102,039 and matures August 2023. The amount due as of June 30, 2010 and 2009, respectively, was \$1,916,815 and \$2,006,910 including accrued interest of \$46,752 and \$48,949.

The principal maturities on these notes as of June 30, is as follows:

2011	\$ 293,252
2012	98,930
2013	104,955
2014	111,347
2015	118,128
2016-2020	707,722
2021-2024	635,729
<b>Total</b>	<b>\$ 2,070,063</b>

D. During the years ended June 30, 2010 and 2009, the Foundation had certain additional transactions with the University in its capacity to support the University. The Foundation forwarded funds and donated in-kind materials and equipment to the University for scholarships, awards, departments, and general use. Funds forwarded to departments during the years ended June 30, 2010 and 2009 were used towards wages and purchases of items to enhance University programs. The University provides facilities and services to the Foundation, the value of which is undetermined and is not recorded on the financial statements.

#### NOTE 19. SUBSEQUENT EVENT

At the end of July 2010 the University purchased a building adjacent to the Orem Campus for \$2,100,000. At June 30, a deposit of \$100,000 was held in escrow.

#### NOTE 20. RESTATEMENT OF PREVIOUSLY REPORTED AMOUNTS

The University made changes to previously reported amounts to reflect the transfer of the remodel of the LRC building from DFCM to the University as of June 30, 2009. The University was expecting the transfer to be made in 2010.

An additional change was made to better reflect grant funds reported as revenues from fiscal years 2006 to 2009. The grant funds received are being held for scholarships which will be paid out through subsequent years. The grant funds that have not been paid out under the scholarship program as of June 30, 2010 and 2009, respectively, have been restated as deferred revenue:

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#### Statement of Net Assets Comparative Totals as of June 30, 2009

	<u>As Originally Reported</u>	<u>As Adjusted</u>	<u>Change</u>
<b>ASSETS</b>			
Non depreciable capital assets	\$ 26,994,933	\$ 23,862,440	\$ (3,132,493)
Depreciable capital assets, net	195,501,457	199,883,784	4,382,327
<b>LIABILITIES</b>			
Deferred revenue	4,456,517	10,742,436	6,285,919
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	198,920,118	200,169,952	1,249,834
Unrestricted	48,147,596	41,861,677	(6,285,919)

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**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Comparative Totals For the Year Ended June 30, 2009**

	<b>As Originally Reported</b>	<b>As Adjusted</b>	<b>Change</b>
<b>EXPENSES</b>			
Depreciation	\$ 8,638,586	\$ 8,693,904	\$ 55,318
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal grants and contracts	32,802,159	31,396,537	(1,405,622)
Capital appropriations	45,174,974	46,480,126	1,305,152
<b>NET ASSETS</b>			
Net assets - beginning of year	232,882,764	228,002,467	(4,880,297)

**NOTE 21. NATURAL  
CLASSIFICATIONS WITH  
FUNCTIONAL CLASSIFICATIONS**

The University's operating expenses by functional classification were as follows:

**Year Ended June 30, 2010**  
**Natural Classification**

<b>Functional Classification</b>	<b>Compensation</b>	<b>Benefits</b>	<b>Financial Aid</b>	<b>Maintenance</b>	<b>General and Administrative</b>	<b>Auxiliary</b>	<b>Depreciation</b>	<b>Total</b>
Instruction	\$ 50,314,023	\$ 18,417,812	\$ -	\$ 576,463	\$ 8,605,887	\$ -	\$ -	\$ 77,914,185
Academic Support	9,580,409	3,787,386	-	164,794	4,324,655	-	-	17,857,244
Student Services	11,646,588	4,968,640	-	101,270	4,583,642	-	-	21,300,140
Institutional Support	13,193,223	5,044,798	-	1,308,784	7,373,520	-	-	26,920,325
Operation and Maintenance of Plant	4,521,008	2,461,067	-	5,734,222	1,893,732	-	-	14,610,029
Student Financial Aid	1,327,469	46,184	31,836,432	-	-	-	-	33,210,085
Public Service	137,930	53,333	-	600	77,893	-	-	269,756
Auxiliaries	3,648,046	1,173,113	-	585,999	3,148,896	10,292,723	-	18,848,777
Depreciation	-	-	-	-	-	-	9,968,580	9,968,580
<b>Total Expenses</b>	<b>\$ 94,368,696</b>	<b>\$ 35,952,333</b>	<b>\$ 31,836,432</b>	<b>\$ 8,472,132</b>	<b>\$ 30,008,225</b>	<b>\$ 10,292,723</b>	<b>\$ 9,968,580</b>	<b>\$ 220,899,121</b>

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**This report is prepared by the Office of the  
Vice President of Administration and  
External Affairs, Dr. Val L. Peterson, PhD**

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