

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
(A Component Unit of Utah Valley University)

FINANCIAL STATEMENTS

Year Ended June 30, 2022



a dba of Heaton & Company, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Utah Valley University Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Utah Valley University Foundation, Inc. (the Foundation), a nonprofit organization and a component unit of Utah Valley University, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Foundation'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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 audits 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Foundation'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 Foundation's internal control over financial reporting and compliance.

Pinnacle Accountancy Group of Utah

Farmington, Utah
November 15, 2022

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UTAH VALLEY UNIVERSITY FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)

The management's discussion and analysis provides an overview of the financial position and results of activities of Utah Valley University Foundation, Inc. (the Foundation) for the year ended June 30, 2022, with comparative information for the year ended June 30, 2021. This overview is required by the Governmental Accounting Standards Board (GASB) Statement no. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. This discussion is prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Foundation is a separate but affiliated non-profit corporation. The accounts of the Foundation are reported as a discrete component unit in the University's financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

The Foundation's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with generally accepted accounting principles promulgated by GASB. The financial statements focus on the financial condition of the Foundation, the results of operations, and cash flows of the Foundation as a whole. The accrual basis of accounting is used for presentation. See the notes to the financial statements for a summary of the Foundation's significant accounting policies.

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the Foundation as of a specific date and includes all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Foundation. The change in net position – the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources – is one indicator of the current financial position of the Foundation; however, other non-financial factors, such as the national and international economy must also be considered when assessing the overall health of the Foundation.

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)

STATEMENT OF NET POSITION (continued)

The differences in net position that occur over time indicate whether the overall financial condition of the Foundation has improved or deteriorated. Assets and liabilities are reported at cost, approximating fair value, with the exception of investments, which are reported at fair value, and capital assets, which are stated at the historical cost less accumulated depreciation. Restricted net position is comprised of expendable and nonexpendable assets and consists of assets that have constraints placed upon their use either by external donors or creditors or through laws or regulations imposed through constitutional provisions or enabling legislation. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding borrowings attributable to the acquisition, construction, or improvement of those assets. Unrestricted net position consists of those assets that do not meet the definition of restricted or net investment in capital assets.

The following summarizes the Foundation's net position for the years ended June 30, 2022 and 2021, respectively:

Condensed Statements of Net Position				
	2022	2021	Change	% Change
Assets:				
Total Current Assets	\$ 58,761,493	\$ 11,987,737	\$ 46,773,756	390.2%
Total Noncurrent Assets	98,968,775	130,016,849	(31,048,074)	(23.9%)
Total Assets	\$ 157,730,268	\$ 142,004,586	\$ 15,725,682	11.1%
Liabilities:				
Noncurrent Liabilities	\$ 141,314	\$ 158,801	\$ (17,487)	(11.0%)
Total Liabilities	141,314	158,801	(17,487)	(11.0%)
Deferred Inflows of Resources	\$ 1,778,607	\$ 1,911,717	\$ (133,110)	(7.0%)
Net Position				
Restricted				
Nonexpendable Scholarships	70,928,826	52,128,603	18,800,223	36.1%
Expendable Scholarships	76,695,215	80,790,942	(4,095,727)	(5.1%)
Unrestricted	8,186,306	7,014,523	1,171,783	16.7%
Total Net Position	\$ 155,810,347	\$ 139,934,068	\$ 15,876,279	11.3%

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)

STATEMENT OF NET POSITION (continued)

Foundation's total assets were \$157.7 million as of June 30, 2022. This balance reflects an increase of approximately \$15.7 million, or 11.1%, compared to June 30, 2021. This is the result of funds raised and added to the endowment offsetting a decrease in contributions (pledges) receivable. Current assets comprise \$58.7 million of total assets and consist mostly of unrestricted cash and cash equivalents, investments, and the current portions of contributions and notes receivable. Noncurrent assets comprised \$98.9 million of the Foundation's total assets and include restricted cash and cash equivalents, investments, and contributions and notes receivable that are expected to be collected beyond the next 12 months. Restricted cash includes funds held for current building projects and long-term program funds.

Liabilities for the Foundation totaled \$141.3 thousand as of June 30, 2022. This balance reflects a decrease of approximately \$17.4 thousand, or 11.0%, compared to June 30, 2021, due to a decrease in liabilities related to annuitant payments.

Deferred inflows of resources represent an acquisition of net position that applies to a future period. The Foundation classifies changes in irrevocable split-interest agreements and trusts held by others as deferred inflows of resources. Changes in deferred inflows of resources are attributable to changes in fair value, changes in liabilities due to trust and life income beneficiaries, new split-interest agreements and maturities during the year. The Foundation's deferred inflows of resources totaled \$1.77 million as of June 30, 2022. This balance reflects a decrease of \$133 thousand, or 7.0%, compared to June 30, 2021, due to changes in value of split-interest agreements as well as proceeds the Foundation received on trusts that matured during the year.

Changes in assets, liabilities, and deferred inflows of resources during the fiscal year 2022 resulted in an overall increase in net position of approximately \$15.8 million over the prior year. This increase is primarily due to contributions to building and program funds, which increased cash approximately \$21.5 million, and negative market returns, which decreased investments approximately \$3.7 million, combining with decreases in contributions (pledges) receivable which totaled approximately \$2.8 million.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the operating and nonoperating revenues received by the Foundation, the operating and nonoperating expenses paid by the Foundation, and any other revenues, expenses, gains, or losses of the Foundation. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the Foundation's changes in net position for the years ended June 30, 2022 and 2021, respectively:

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION *(continued)*

Condensed Statements of Revenues, Expenses, and Changes in Net Position

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% Change</u>
Operating Revenues	\$ 13,209,522	\$ 13,365,823	\$ (156,301)	(1.2%)
Less Operating Expenses	10,988,640	19,529,119	(8,540,479)	(43.7%)
Operating Income (Loss)	2,220,882	(6,163,296)	8,384,178	(136.0%)
Non-operating revenue	3,208,982	11,679,617	(8,470,635)	(72.5%)
Income before endowment contributions	\$ 5,429,864	\$ 5,516,321	\$ (86,457)	(1.6%)
Contributions to permanent endowments	10,446,415	1,758,554	8,687,861	494.0%
Change in Net Position	\$ 15,876,279	\$ 7,274,875	\$ 8,601,404	118.2%
Net position--beginning of year	139,934,068	132,659,193	7,274,875	5.5%
Net position--end of year	\$ 155,810,347	\$ 139,934,068	\$ 15,876,279	11.3%

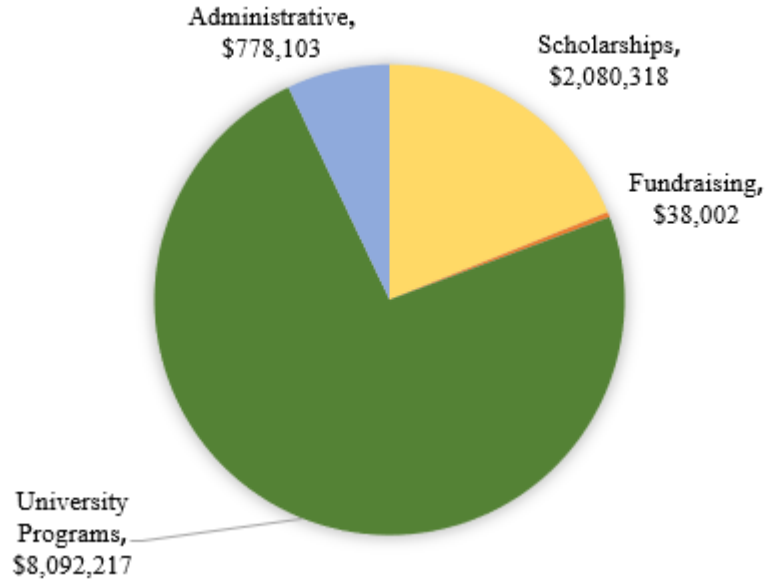
Total operating revenues were \$13.2 million for the year ended June 30, 2022, as compared to \$13.4 million the previous year, and includes restricted-expendable contributions, and other miscellaneous operating activity. Contributions represent the majority of operating revenue, the bulk of which is restricted by purpose to various projects and programs. Returns from investments, largely unrealized, decreased by \$8.47 million, or 72.5% over the previous year, reflecting the decrease in financial markets as a whole. These funds are primarily allocated to the growth of endowed funds.

Total operating expenses of \$10.9 million for the year ended June 30, 2022 includes costs to support Utah Valley University programs, fundraising, and other management and general administrative expenses in support of the Foundation's mission. This amount reflects a decrease of approximately \$8.5 million, or 43.7%, over the same period ended June 30, 2021, and is the result of a decrease in University programs related to building costs being paid in 2021 that did not occur in 2022. Administrative expenses decreased \$500 thousand or 57.5% in relation to 2021.

The following illustrates the operating expenses by source that were used to fund operating activities for the fiscal year ended June 30, 2022:

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION *(continued)*



Contributions to permanent endowments were \$10.4 million for the year ended June 30, 2022, as compared to \$1.8 million the previous year.

The following summarizes the revenues by source that were used to fund activities for the fiscal years ended June 30, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Contributions	\$ 12,746,933	\$ 12,876,668
Investment earnings	3,208,982	11,679,617
Other Support and revenue	462,589	489,155
Total Revenues	\$ 16,418,504	\$ 25,045,440

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)

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 Foundation during the year. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash provided or used by the operating activities of the Foundation. The second section reflects cash flows from non-capital financing activities. This section shows the cash received and spent for non-operating, non-investing, and non-capital 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 provided or used in operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

The following summarizes the Foundation's statement of cash flows for the years ended June 30, 2022 and 2021, respectively:

Condensed Statements of Cash Flows

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>% Change</u>
Cash provided (used) by:				
Operating Activities	\$ 5,464,919	\$ 999,734	4,465,185	446.6%
Non-capital financing activities	10,364,901	1,665,528	8,699,373	522.3%
Capital and related financing activities	-	-	-	-
Investing Activities	5,673,708	2,783,648	2,890,060	103.8%
Change in cash	\$ 21,503,528	\$ 5,448,910	\$ 16,054,618	294.6%
Cash and cash equivalents - beginning of year	50,091,617	44,642,707	5,448,910	12.2%
Cash and cash equivalents - end of year	\$ 71,595,145	\$ 50,091,617	\$ 21,503,528	42.9%

The Foundation's cash increased by \$21.5 million for the year ended June 30, 2022. This is mainly due to increases of contributions and investments while operational cash flows increased \$5.4 million due in large part to a decrease in payments for goods and services. This decrease in payments for goods and services is the result of non-recurring outflows to the University in fiscal year 2021, related to building construction, that did not occur in fiscal year 2022.

Operating activities include cash flows from contributions received (\$15.6 million) as well as cash outflows related to University programs (\$8.5 million) and scholarships (\$2.1 million).

Non-capital financing activities increased \$8.7 million from the prior year as a result of an increase in contributions to the endowment as compared to the prior year.

Investing Activities increased \$2.9 million from the prior year primarily from return on investments received during the fiscal year.

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)

OUTLOOK

The economic outlook of the Foundation is affected by several factors, including state support received from the University, charitable contributions and fundraising campaigns, recent tax law changes, financial markets, as well as investment returns. The Foundation continues to practice prudence in its investments and expenditures to allow it to be well positioned for changes to these various factors while continuing to provide support to the University.

The economy in the State of Utah affects state appropriations to the University, which may result in a change in the amount of support the Foundation receives from the University in the future. As with other states, the continuing pandemic has created ongoing uncertainty regarding the economy in Utah. Management is not aware of any other factors within management's control that would have a significant impact on future periods.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Utah Valley University Foundation, Inc., 800 West University Parkway MS111, Orem, Utah 84058.

UTAH VALLEY UNIVERSITY FOUNDATION, INC.

Statement of Net Position

For the Year Ended June 30, 2022

	<u>2022</u>
ASSETS:	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 50,433,625
Cash value of life insurance	10,179
Contributions receivable, net	6,645,947
Notes Receivable	941,275
Notes Receivable from UVU	730,467
Total Current Assets	<u>\$ 58,761,493</u>
<i>Non-current Assets</i>	
Restricted cash, cash equivalents	\$ 21,161,520
Restricted Investments	49,767,306
Contributions receivable, net	12,612,534
Notes Receivable	1,868,611
Notes Receivable from UVU	6,143,305
Investment in UVU Student Housing LLC	5,599,092
Other Assets	37,800
Contributions receivable from CRUTs	1,778,607
Total Noncurrent Assets	<u>98,968,775</u>
TOTAL ASSETS	<u>\$ 157,730,268</u>
LIABILITIES:	
Deferred Annuity Payments	\$ 141,314
TOTAL LIABILITIES	<u>141,314</u>
DEFERRED INFLOWS OF RESOURCES	
Split-interest agreements for remainder interests	\$ 1,778,607
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,778,607</u>
NET POSITION:	
Restricted	
Nonexpendable Scholarships	70,928,826
Expendable Scholarships	76,695,215
Unrestricted	8,186,306
TOTAL NET POSITION	<u><u>\$ 155,810,347</u></u>

The accompanying notes to financial statements are an integral part of this statement.

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

	2022
OPERATING REVENUES	
Contributions	\$ 12,746,933
Other Operating Revenues	462,589
TOTAL OPERATING REVENUES	13,209,522
OPERATING EXPENSES	
<i>Program Services:</i>	
Scholarships	2,080,318
Fundraising	38,002
Academic Support	7,676,998
Transfers of in-kind Donations	351,191
Annuity Costs	64,028
<i>Supporting Services:</i>	
Salaries	13,777
Fringe Benefits	7,007
Investment Costs	371,091
General Administration	386,228
TOTAL OPERATING EXPENSES	10,988,640
OPERATING INCOME	2,220,882
NON-OPERATING REVENUES	
Investment income	3,010,489
Investment gains	198,493
NET NON-OPERATING REVENUES	3,208,982
INCOME BEFORE ENDOWMENT CONTRIBUTIONS	5,429,864
ENDOWMENT CONTRIBUTIONS	
Contributions to Endowments	10,446,415
CHANGE IN NET POSITIONS	\$ 15,876,279
Net Position--beginning of year	139,934,068
NET POSITION--END OF YEAR	\$ 155,810,347

The accompanying notes to financial statements are an integral part of this statement.

UTAH VALLEY UNIVERSITY FOUNDATION, INC.

Statement of Cash Flows

For the Year Ended June 30, 2022

	2022
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts of Contributions	\$ 15,575,706
Payments for Goods and Services	(8,472,273)
Payments for Employee Services and Benefits	(20,784)
Payments for Student Aid: Scholarships and Fellowships	(2,080,318)
Other operating receipts	462,588
Net Cash provided by Operations	5,464,919
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Contributions to Permanent Endowments	10,446,416
Deferred annuity payments	(81,515)
Net Cash provided by non-capital financing activities	10,364,901
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	9,855,147
Issuance of notes receivable	(450,500)
Principal received on notes receivable	1,657,575
Receipt of interest on investments	881,742
Purchase of investments	(6,270,256)
Net cash provided by investing activities	5,673,708
Net change in cash and cash equivalents	21,503,528
Cash and cash equivalents - beginning of year	50,091,617
Cash and cash equivalents - end of year	\$ 71,595,145

**Reconciliation Of Operating Income (Loss) To
Net Cash Provided By Operating Activities**

Operating Income (Loss)	2,220,882
Contributions and CRUT's receivable	3,313,073
Prepaid expenses, deferred charges	46
Accrued Liabilities	64,028
Deferred Inflows of Resources	(133,110)
Net Cash Provided by Operating Activities	\$ 5,464,919

The accompanying notes to financial statements are an integral part of this statement.

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
(A Component Unit of Utah Valley University)
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization - Utah Valley University Foundation, Inc. (the Foundation) was incorporated August 27, 1981 in the state of Utah. The Foundation is administered by a Board of Directors consisting of a minimum of six voting members and a non-voting executive director. The Utah Valley University (the University) president is a member of the Board of Directors.

The mission of the Foundation is to raise and administer funds to support the growth, development, and advancement of the University as a quality educational institution.

Reporting Entity - The Foundation is a nonprofit organization and is a separate but affiliated nonprofit organization of the University, which is a component unit of the State of Utah. Management has applied the requirements of Governmental Accounting Standards Board (GASB) Statements No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statements No. 61, *The Financial Reporting Entity: Omnibus* in defining the Foundation. The Foundation meets GASB criteria to be considered a component unit of the University.

Income Taxes - The Foundation received its determination from the Internal Revenue Service that it is a 501(c)(3) organization in August 1982 and is classified as a public charity. The Foundation is exempt from federal and state income taxes (except on income derived from unrelated business activities). At June 30, 2022, the Foundation has not recorded a tax liability as it has no unrelated business activities.

Basis of Presentation - The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

Basis of Accounting - The Foundation prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for government business-type activities. Accordingly, revenues are recognized when earned and expenses are recognized when the liability is incurred, regardless of the timing of the related cash flows. The Foundation follows the principles of fund accounting whereby separate accounts are maintained for each fund in the general ledger to ensure compliance with donor restrictions. For financial reporting purposes, these funds are combined into one column.

Restricted and Unrestricted Revenue and Support - Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions.

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
(A Component Unit of Utah Valley University)
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies
(continued)

Revenue Recognition - The Foundation recognizes gifts of cash, investment securities or pledges receivable as revenue when all eligibility requirements have been met, with the exception of pledges to the endowment, which are recognized when funds are received. Donations of securities, equipment, real estate, and other non-monetary items are recorded as revenue based on their estimated fair value at the date of donation. Contributions designated by donors to be used in future years are recorded as unearned revenue until such time restrictions have elapsed. Donated services are not recognized by the Foundation.

Cash and Cash Equivalents - The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Foundation also considers amounts deposited in the University accounts with the Utah Public Treasurers' Investment Fund (see Note 2) to be cash equivalents.

Contributions Receivable - Contributions are recorded when the unconditional promise to give's collection is expected in the near term and is probable. An allowance for uncollectible contributions is estimated as a percentage of contributions receivable at year end based on the Foundation's historical collection experience. Allowance as of June 30, 2022 is \$4,787,216.

Investments - Investments are presented in the financial statements at fair value. For further explanation on the methodologies used to determine fair value, including net asset value (NAV), see Note 6. Gains and losses on investments and changes in fair values are considered elements of revenue.

Other Assets - Other assets held are stated at cost or fair value, whichever is lower.

Estimates - The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and support and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Financial Instruments

The Foundation's cash equivalents are held by the University. These deposits are held in the name of the University in the Utah Public Treasurers' Investment Fund (PTIF). The PTIF is an external investment pool managed by the Utah State Treasurer. The balance held by the University, recorded at fair value, is \$71,595,145 at June 30, 2022. The reported value of the pool is the same as the fair value of the pool shares. The credit quality of the PTIF is not rated.

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
(A Component Unit of Utah Valley University)
NOTES TO FINANCIAL STATEMENTS

Note 2. Financial Instruments (continued)

Although this amount is not covered by federal depository insurance nor guaranteed by the State, PTIF deposits are secured by investments purchased in compliance with the Utah State Money Management Act.

Note 3. Beneficiary Interest in Life Insurance Policies

The Foundation is owner and beneficiary of certain life insurance policies. Accordingly, the Foundation has access to the cash values and dividends of the policies. Total insurance in force was \$100,000 and cash values were \$10,179 at June 30, 2022.

For insurance premiums paid by the Foundation, the change in cash surrender value during the period is an adjustment of premiums paid in determining the expense to be recognized for the period. For insurance premiums paid by the policy donor, the change in each surrender value during the period is recognized as a contribution for the period.

Note 4. Contributions Receivable

Contributions are recorded when the unconditional promise to give's collection is expected in the near term and is probable. An allowance for uncollectible contributions is estimated as a percentage of contributions receivable at year end based on the Foundation's historical collection experience. All contributions receivable (at their net present value and net of an allowance for uncollectible amounts) are restricted for various purposes at June 30, 2022 as follows:

	<u>2022</u>
UCCU Center	\$ 1,904,201
Scholarships	218,368
School of business	7,371,222
Performing arts building	1,143,751
Autism building	226,422
Athletics practice facility	14,012
Roots of Knowledge	53,078
Center for Constitutional Studies	200,146
Women's Success Center	117,604
Other	<u>8,009,677</u>
Contributions receivable, net	<u>\$19,258,481</u>

Unconditional promises to give will be received (depending on the donor) from within one year to ten years. Contributions to be received after June 30, 2022 have been discounted to their net present value using the June 2022 Applicable Federal Rates for the anticipated collection period. The Applicable Federal Rates discount rate ranged from 0.18 to 3.11 percent.

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
(A Component Unit of Utah Valley University)
NOTES TO FINANCIAL STATEMENTS

Note 4. Contributions Receivable (continued)

Contributions receivable are as follows at June 30, 2022:

	<u>2022</u>
Receivable within one year	\$ 6,645,947
Receivable from one to five years	12,754,684
Receivable in more than five years	<u>7,890,000</u>
Total contributions receivable	27,290,631
Discount contributions to net present value	(3,244,934)
Allowance for uncollectible contributions	<u>(4,787,216)</u>
Contributions receivable, net	<u><u>\$19,258,481</u></u>

Note 5. Investments

Investments consist of the following at June 30, 2022:

	<u>2022</u>
Common and preferred stocks	\$ 9,169,585
Mutual funds	26,485,863
Money market accounts	246,767
Alternatives	<u>13,865,091</u>
	<u><u>\$49,767,306</u></u>

The Foundation's investments have the following maturities at June 30, 2022:

	Fair Value	<u>Investment Maturities (in Years)</u>			
		Less than 1	1 to 5	5 to 10	10 to 20
Mutual funds	\$26,485,863	\$26,485,863	\$ -	\$ -	\$ -
Money market accounts	246,767	246,767	-	-	-
Total investments with a maturity	<u>\$26,732,630</u>	<u>\$26,732,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Common and preferred stocks	9,169,585				
Alternatives	<u>13,865,091</u>				
	<u><u>\$49,767,306</u></u>				

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
(A Component Unit of Utah Valley University)
NOTES TO FINANCIAL STATEMENTS

Note 5. Investments (continued)

Credit quality ratings for investments in debt securities are as follows at June 30, 2022:

	Fair Value	Credit Rating			Unrated
		AAA to A+	A to A-	B or Lower	
Mutual funds	\$26,485,863	\$ -	\$ -	\$ -	\$26,485,863
Money market accounts	246,766	-	-	-	246,766
	<u>\$26,732,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$26,732,629</u>

Credit Risk - 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 & Poors ratings of all Foundation holdings. The Foundation does not have a formal investment policy that limits its investment choices in regard to credit quality ratings.

Interest Rate Risk - 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's investment policy limits investing in any issuance with a maturity of 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.

Custodial Credit Risk - 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 Foundation's investments.

Concentration of Credit Risk - Although investments intrinsically carry credit risk, when investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The Foundation's investment policy limits to 3 percent of the total portfolio fair value the amount the Foundation may invest in any one issuer.

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS

Note 5. Investments (continued)

Uniform Prudent Management of Institutional Funds Act - The Board of Directors of the Foundation has interpreted the State of Utah's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies - The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4-5 percent, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS

Note 5. Investments (continued)

Spending Policy - The Foundation has a policy of appropriating for distribution each year 4-5 percent of its endowment fund's moving-average fair value of the prior 3 years through the fiscal year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3 percent annually, which is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Note 6. Fair Value Measurements

A description of the valuation methodologies used to determine fair value for the assets measured is as follows:

Debt and equity securities classified in Level 1 – Valued using prices quoted in active markets for those securities.

Debt and equity securities classified in Level 2 – Valued using the published fair value per share (unit) for each Equity or Mutual fund. These investments typically trade in inactive markets but are valued based on significant other observable inputs, such as quoted market prices.

Equity securities classified as Level 3 – Valued manually using various sources of significant unobservable inputs, 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) – GASB Statement 72 allows for the use of net asset value to “establish the fair value of an investment that does not have a readily determinable fair value”. These are considered Alternative Investments and, generally do not have readily obtainable market values, and take the form of limited partnerships. The Foundation values these investments based on information provided by investment managers, such as the audited financial statements of these partnerships. If June 30 valuations are not available, the value is progressed from the most recent available valuation, taking into account subsequent calls and distributions.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS

Note 6. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value at June 30, 2022:

Investments by Fair Value Level	Fair Value	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Debt Securities				
Money Market accounts	\$ 246,767	\$ 246,767		
Total Debt Securities	246,767	246,767		
Equity Securities				
Common and preferred stocks	9,169,585	6,993,909	\$ 2,175,676	
Mutual funds	26,485,863	8,970,557	12,358,801	\$ 5,156,505
Total Equity Securities	35,655,448	15,964,466	14,534,477	5,156,505
Total Investments by Fair Value Level	35,902,215	16,211,233	14,534,477	5,156,505
Investments measured at net asset value (NAV)				
Hedge Funds	7,868,668			
Private Equity	3,592,614			
Private Natural Resources	936,935			
Private Real Estate	1,466,874			
Total Investments measured at NAV	13,865,091			
Total Investments measured at fair value	\$49,767,306	\$16,211,233	\$14,534,477	\$5,156,505

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
(A Component Unit of Utah Valley University)
NOTES TO FINANCIAL STATEMENTS

Note 6. Fair Value Measurements (continued)

Alternative investments generally have limited redemption options for the Foundation. The majority of these investments require 14 to 60 days' notice prior to any amount being redeemed. Two investments have no redemption option and may make future capital contribution calls and/or make distributions to the Foundation. These two funds' maturities/liquidations are currently unknown as are the amounts of any future capital contributions calls or distributions. The Foundation's total amount held in these two investments, at fair value, as of June 30, 2022 is \$2,403,809.

The following table presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the Foundation's alternative investments measured at NAV, as of June 30 2022:

Investments	Investments Measured at Net Asset Value (NAV)			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds	\$7,868,668		Daily, Monthly, 4 Yr. Rolling	1-90 days
Private Equity	3,592,614	\$1,157,319	N/A	N/A
Private Natural Resources	936,935		N/A	N/A
Private Real Estate	1,466,874	172,716	N/A	N/A
Total alternative investments	\$13,865,091			
Total unfunded commitments		\$1,330,035		

Note 7. Notes Receivable

The Foundation sold donated partnership interests by accepting notes receivable. The amount sold in fiscal year 2022, was valued at \$563,125. The Foundation received \$112,625 of cash, resulting in note receivable of \$450,500.

The notes receivable all bear interest at 5 percent, require annual payments with accrued interest, and mature from December 2021 to 2026. The amount due was \$1,282,110 (including accrued interest of \$31,610) at June 30, 2022.

Principal maturities for these notes receivable are summarized as follows for years ending after June 30, 2022:

2023	\$ 512,625
2024	312,625
2025	312,625
2025	112,625

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS

Note 7. Notes Receivable (continued)

The Foundation received a note for \$3,800,000 during the year ended June 30, 2016. This note bears interest at 2.23 percent, requires monthly payments of \$35,358, and matures March 2026. The amount due is \$1,527,776 (including accrued interest of \$2,739) at June 30, 2022.

Principal maturities for this note receivable are summarized as follows for years ending after June 30, 2022:

2023	394,301
2024	403,184
2025	412,267
2026	315,284

Note 8. Charitable Remainder Unitrusts

The Foundation has been named a beneficiary in a number of charitable remainder unitrusts. A charitable remainder unitrust provides for the payment of distributions to the donor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). These agreements are irrevocable and unconditional. At the end of the trust's term, the remaining assets are available to be received by the beneficiaries named in the trust agreement.

The Foundation records the present value of the future benefits to be received from these trusts in the Statement of Revenues, Expenses, and Changes in Net Position as contributions with donor restrictions in the period the trusts are established. For the year ended June 30, 2022, there were no contributions of charitable remainder unitrusts.

The Foundation revalues the amounts receivable from the trusts each year based on the fair value of the trust assets and actuarial assumptions regarding the amount that will be available at the end of the trust's term. Actuarial assumptions include a) payout rates, b) guaranteed number of years of payouts and/or life expectancies, and c) discount rates. The change in value of the trust assets is recorded in the Statements of Revenue, Expenses, and Changes in Net Position as investment gains or losses with donor restrictions. Change in value of these trusts totaled a gain of \$387,064 for the year ended June 30, 2022.

Note 9. Investment in The Green LLC

In fiscal year 2017, the Foundation invested \$2,000,000 for a 43.245 percent interest in Palos Verdes Drive, LLC. In Fiscal Year 2020, this interest was reinvested in a new entity, UVU Student Housing, LLC dba The Green LLC, in which the Foundation holds a 4.909% ownership interest. This investment is increased or decreased with the Foundation's proportionate share of the profits or losses, as well as distributions, using the equity method of accounting. The Foundation recorded a gain of \$2,093,824, related to this investment for the year ended June 30, 2022. The current value is \$5,599,092, as of June 30, 2022.

UTAH VALLEY UNIVERSITY FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS

Note 10. Deferred Annuity Payments

The deferred annuity liability totaled \$141,314 at June 30, 2022. This liability represents amounts due to four donors in return for contributions received. The liability is the present value of the annuities based on the expected lives of the donors, annual payments to the donors, and stated interest rates. Should a donor's life exceed that expected, the Foundation would be required to continue making payments to the donor until death.

Note 11. Foundation Transactions with Utah Valley University

The Foundation has entered into various agreements involving the University:

The Foundation loaned the University \$6,138,268 during the year ended June 30, 2014. This note to the University bears interest at 5.5 percent, requires semi-annual payments of \$254,932, and matures June 2034. The amount due was \$4,444,145 (including accrued interest of \$8,133) at June 30, 2022.

The Foundation loaned the University \$3,201,970 during the year ended June 30, 2020. This note to the University bears interest at 5.5 percent, requires semi-annual payments of \$278,650, and matures May 2027. The amount due was \$2,429,627 (including accrued interest of \$22,069) at June 30, 2022.

Principal maturities for these notes receivable are summarized as follows for years ending after June 30, 2022:

2023	700,265
2024	739,309
2025	780,530
2026	824,050
2027-2031	2,406,886
2032-2034	1,392,530

Operations and Support - The Foundation had certain transactions with the University in its capacity to support the University during the years ended June 30, 2022. The Foundation forwarded funds and donated in-kind materials and equipment to the University for scholarships, awards, departments, and general use. Funds forwarded for departments include amounts 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 12. Subsequent Events

The Foundation has evaluated subsequent events through November 15, 2022, the date the financials were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be require.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Utah Valley University Foundation, Inc.

We have audited, in accordance with the 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, the financial statements of Utah Valley University Foundation, Inc. (the Foundation), a nonprofit organization and component unit of Utah Valley University, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 15, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pinnacle Accountancy Group of Utah

Farmington, Utah
November 15, 2022