A COMPONENT UNIT OF THE STATE OF UTAH

2011 Annual **FINANCIAL REPORT**

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President's **MESSAGE**

Earlier this year, a member of a prominent advisory board at Utah Valley University took on Mount Everest. Among the items he carried on the prodigious hike was a UVU flag, which he took from his pack and posed for a picture upon reaching the summit. His message, which now hangs outside my office door with the photo, was simple yet powerful: a UVU education can take you anywhere.

Beyond empowering students to reach higher, Mr. Frey's symbolic gesture atop the world's highest peak is a metaphor for UVU as an institution. This university is on the rise. In 2011, Utah's youngest state university also became its largest, as UVU crested 33,000 students. This latest milestone is a powerful testament to how popular UVU has become as a destination for students in various fields of study. But even as UVU is getting larger, the institution is becoming more serious about academic rigor and scholarly discovery. Also this year, UVU rolled out "structured enrollment," which is an innovative enrollment plan that produces, for the first time, enrollment standards while still allowing any student to be admitted and move toward graduation in a way that best suits his or her goals and level of preparation. This model will provide customized paths to opportunity for students and align the University's resources in an effective manner.

This open door to excellent higher education is made possible because the excellent faculty, staff and administrators at UVU continue to find ways to innovate and identify new efficiencies in the face of an ongoing economic slump. In 2011, a study by Jack Faucett Associates painted a picture of UVU's economic impact and value added to the State of Utah. UVU returns every state dollar it receives nearly eight-fold for an annual economic impact of more than $534 million, and a single graduating class contributes an increased lifetime earning potential of almost $2 billion to the economy.

Clearly, UVU is an example of how collective focus on an important goal can bring about incredible results, but we aren't satisfied. The State supports the goal of getting 66 percent of adults a diploma or certificate by 2020, up from 39 percent currently, and much of the growth needed to reach that mark will be shouldered by open-admission institutions like UVU. In spite of our continued efforts at efficiency, we are running out of headroom. We need a greater investment from the State and private philanthropists if we are to keep Utah competitive through access to quality higher education. Thank you for supporting the vital role of higher education. Our efforts to advance UVU's critical mission are infinitely more effective when we are linked with good friends like you.

Sincerely,

Matthew S. Holland
President

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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, 2011, 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.

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 previously 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, 2011 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 January 20, 2012 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 4 through 11 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.

Auston G. Johnson

Auston G. Johnson, CPA
Utah State Auditor
January 20, 2012

Management's **DISCUSSION & 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, 2011, with comparative information for the year ended June 30, 2010. 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 nonprofit 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 $15.8 million during the fiscal year.
- Grants and contracts increased by $3.33 million during the fiscal year.
- State appropriations increased by $10.6 million during the fiscal year.
- Enrollment increased by 10.0% in total headcount and 8.4% 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.

	2011	2010	Change	% Change
ASSETS				
Current assets	$ 104,858,195	$ 93,856,717	$ 11,001,478	11.7%
Noncurrent notes and accounts receivable, net	3,753,689	4,296,460	(542,771)	(12.6%)
Capital assets, net	219,580,057	214,850,148	4,729, 909	2.2%
Total Assets	328,191,941	313,003,325	15,188, 616	4.9%
LIABILITIES				
Current liabilities	24,275,683	21,729,777	2,545,906	11.7%
Noncurrent liabilities	23,726,733	26,933,236	(3,206,503)	(11.9%)
Total Liabilities	48,002,416	48,663,013	(660,597)	(1.4%)
NET ASSETS				
Invested in capital assets, net of debt	202,147,854	194,523,530	7,624,324	3.9%
Restricted expendable	8,306,691	8,843,902	(537,211)	(6.1%)
Unrestricted	69,734,980	60,972,880	8,762,100	14.4%
Total Net Assets	$ 280,189,525	$ 264,340,312	$ 15,849,213	6.0%

The increase in current assets held by the University is mainly due to an increase in cash of $16.1 million and decreases of $4.5 million in accounts receivable and $1.3 million in short term investments. The overall increase in cash is mainly due to an increase in tuition and fees, and federal grants and contracts. A majority of the decrease in accounts receivable is due to the timing of Federal reimbursement grants and a prior-year receivable from the State related to the purchase of land by the University.

The University made various capital asset additions during fiscal year 2011. 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 cost of capital asset increases and decreases totaled $14.5 million. This net increase in capital assets was offset by net depreciation expense of $9.8 million, which nets to an increase in capital assets of $4.7 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 payments due to the State.

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 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

REVENUES	2011	2010	Change	% Change
Operating revenues				
Student tuition and fees	$ 97,757,481	$ 88,694,792	$ 9,062,689	10.2%
Grants and contracts	16,680	-	16,680	100.0%
Auxiliary enterprises	15,159,584	13,750,490	1,409,094	10.2%
Other operating revenues	9,811,430	10,266,883	(455,453)	(4.4%)
Total operating revenues	***122,745,175***	***112,712,165***	***10,033,010***	***8.9%***
EXPENSES				
Operating expenses				
Salaries & benefits	143,340,652	130,321,029	13,019,623	10.0%
Student financial aid	43,496,342	31,836,432	11,659,910	36.6%
General and administrative, maintenance and utilities	39,693,252	38,480,357	1,212,895	3.2%
Auxiliary enterprises	11,597,348	10,292,723	1,304,625	12.7%
Other	10,635,480	9,968,580	666,900	6.7%
Total operating expenses	***248,763,074***	***220,899,121***	***27,863,953***	***12.6%***
Operating loss	***(126,017,899)***	***(108,186,956)***	***(17,830,943)***	***16.5%***
NONOPERATING REVENUES (EXPENSES)				
State appropriations	59,780,862	49,146,456	10,634,406	21.6%
Grants and contracts	76,126,464	72,800,343	3,326,121	4.6%
Gifts	2,613,472	1,762,466	851,006	48.3%
Investment income	505,672	545,852	(40,180)	(7.4%)
Other nonoperating revenues (expenses)	(1,227,477)	(2,300,176)	1,072,699	(46.6%)
Net nonoperating expenses	137,798,993	121,954,941	15,844,052	13.0%
Income before other revenues	***11,781,094***	***13,767,985***	***(1,986,891)***	***(14.4%)***
Capitol appropriations	-	1,853,385	(1,853,385)	(100%)
Capital grants and gifts	4,068,119	3,582,096	486,023	13.6%
Total other revenues	***4,068,119***	***5,435,481***	***(1,367,362)***	***(25.2%)***
Increase in net assets	***15,849,213***	***19,203,466***	***(3,354,253)***	***(17.5%)***
NET ASSETS				
Net assets--beginning of year	264,340,312	245,136,846	19,203,466	7.8%
Net assets--end of year	***$280,189,525***	***$ 264,340,312***	***$ 15,849,213***	***6.0%***

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, CONDENSED (CONTINUED)

The Statement of Revenues, Expenses, and Changes in Net Assets reflects an increase in nets assets of $15.8 million. Operating revenues increased $10.0 million. Tuition and fees accounted for a significant portion of that increase with a $9.1 million increase over the prior reporting period due mainly to an overall increase in student full time equivalents of 8.4%. Also attributing to the increase was an increase in tuition rates of approximately 5.9% from the previous school year.

Operating expenses increased by $27.9 million. The majority of the increase was due to increases in salaries and benefits and student financial aid. Salaries and benefits increased by $13.0 million due to an increased need for instructors to meet the demands of increased enrollment as well as equity and retention increases. Due to accreditation requirements, many full-time instructors were hired to replace adjunct professors. 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.

Student financial aid increased by $11.7 million or 36.6% due to an increase in federal funding. Total aid and waivers awarded increased by $17.0 million due to the increase in students and an increase in financial awards. However, the offsetting adjustment for scholarship discounts and allowances increased from $24.1 million to $29.4 million, thus reducing the total amount of aid reported by $5.3 million.

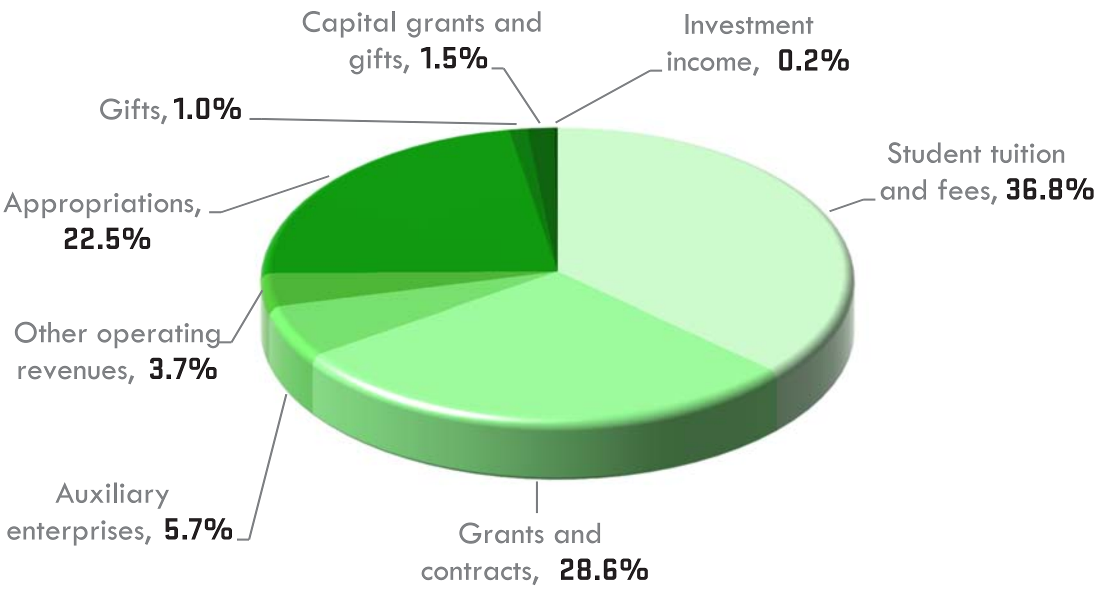
General and administrative, and maintenance and utilities expenses saw an overall increase of $1.2 million or 3.2%. Accounting for that change were increases in computer and software purchases, office furniture purchases, and instructional equipment and supplies.

Total nonoperating revenues and expenses increased by $15.8 million or 13.0%. Most of this increase was due to state appropriations increasing by $10.6 million and an increase in grants and contracts of $3.3 million.

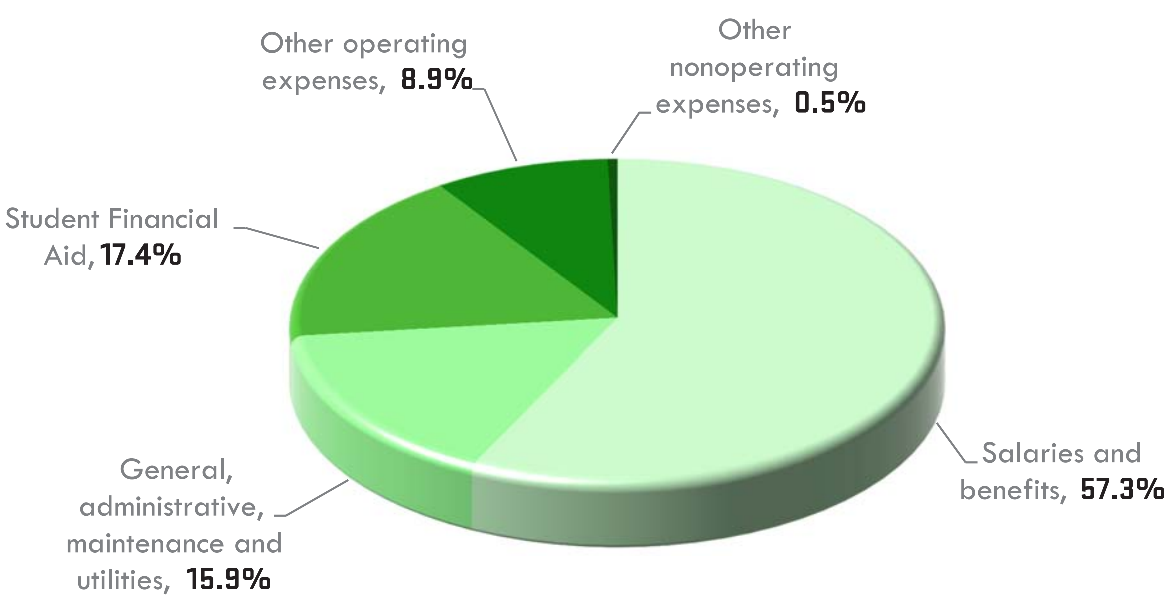
Other revenues decreased in total by $1.4 million. Capital appropriations decreased $1.9 million as funding for a land purchase was in the prior fiscal year. Capital grants and gifts increased by $0.5 million due to an increase in donations.

OPERATING AND NONOPERATING REVENUES

The following graphs illustrate operating and nonoperating revenues and expenses as a percent of the total for the year ended June 30, 2011



OPERATING AND NONOPERATING EXPENSES

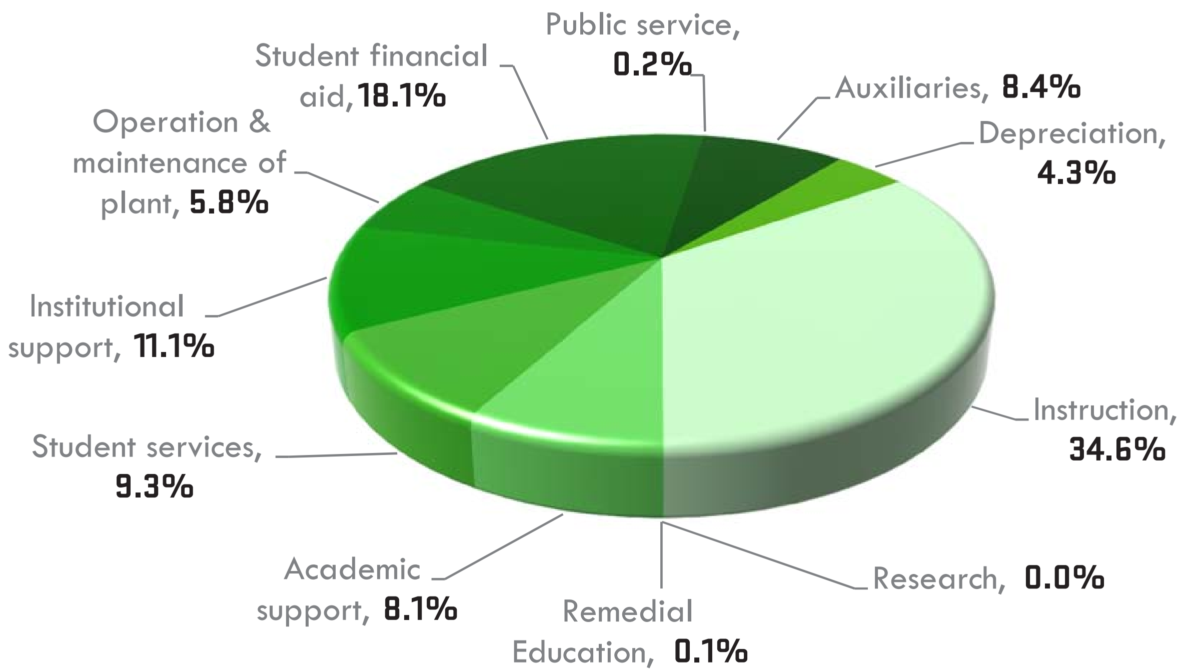


FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

The following is a summary of the University's expenses by programmatic (functional) classification for the years ended June 30, 2011, and 2010:

OPERATING EXPENSES	2011	2010	Change	% Change
Instruction	$ 86,149,994	$ 77,914,185	$ 8,235,809	10.6%
Academic support	20,260,693	17,857,244	2,403,449	13.5%
Student services	23,183,835	21,300,140	1,883,695	8.8%
Institutional support	27,639,169	26,920,325	718,844	2.7%
Operation & maintenance of plant	14,515,334	14,610,029	(94,695)	(0.6%)
Student financial aid	45,003,847	33,210,085	11,793,762	35.5%
Public service	396,328	269,756	126,572	46.9%
Research	10,275	-	10,275	100%
Remedial Education	127,525	-	127,525	100%
Auxiliaries	20,840,594	18,848,777	1,991,817	10.6%
Depreciation	10,635,480	9,968,580	666,900	6.7%
Total Operating Expenses	*$ 248,763,074*	*$ 220,899,121*	*$ 27,863,953*	*12.6%*

The following graph illustrates Functional Operating Expenses as a percent of the total for the year ended June 30, 2011.



The $8.2 million increase in instruction related costs are due to an increase of $7.3 million in salaries and benefits. Costs associated with academic support increased from the prior year with an increase of $2.4 million or 13.5%. The increase was due primarily to an increase of $1.4 million in salaries and benefits and $1.0 million increase in general and administrative costs.

Costs associated with student services increased by $1.9 million with $1.4 million of the increase being related to increases in salaries and benefits. The remaining change is related to slight increases in general and administrative and maintenance costs.

Costs related to institutional support saw an increase of $0.7 million of which $1.9 million of the increase is related to salary and benefit increases with an offsetting decrease in maintenance and general and administrative costs of $0.3 million and $0.9 million, respectively.

Operation and maintenance of plant expenditures decreased $0.1 million due to general and administrative costs decreasing by $0.5 million. These costs were less in the current year as fewer equipment and furniture purchases were made. There was also an increase of $0.6 million in salary and benefits costs.

The functional expense of student financial aid increased by $11.8 million. As explained previously, the increase is due mostly to an increase in students and financial aid awards. Public service saw a small decrease of $0.1 million and depreciation increased by $0.7 million.

Auxiliaries experienced an increase in expenses of $2.0 million due mostly to an increase in cost of goods sold of $1.3 million and an increase of general and administrative expenses of $0.5 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

CASH FLOWS	2011	2010	Change	% Change
Cash Provided (used) by:				
Operating Activities	$ (113,103,562)	$ (96,711,766)	$ (16,391,796)	16.9%
Noncapital financing	140,027,020	122,052,193	17,974,827	14.7%
Capital and related financing activities	(12,638,519)	(10,531,003)	(2,107,516)	20.0%
Investing activities	1,793,038	547,783	1,245,255	227.3%
Change in cash	16,077,977	15,357,207	720,770	4.7%
Cash - beginning of year	80,954,672	65,597,465	15,357,207	23.4%
Cash - end of Year	$ 97,032,649	$ 80,954,672	$ 16,077,977	19.9%

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 $18.0 million over the prior year is due to an increase in cash provided of $11.2 million in state appropriations, $5.9 million in grants, and $0.9 million in gifts.

Operating activities accounted for a $16.4 million increase in cash used compared to the prior year. There was an increase in cash provided by tuition and fees of $10.2 million and a decrease in payments to suppliers of $2.2 million, however, these increases were overshadowed by an $11.7 million increase in cash used for student scholarships and fellowships. There was also a $14.1 million increase in cash used for employee services and benefits.

Capital and related financing activities saw an increase in cash used of $2.1 million when compared to the prior year. This increase is due primarily to an increase in the cash used for the purchase of capital assets of $3.4 million. The increase was offset by cash provided by capital appropriations of $1.7 million.

The increase in cash provided by investing activities as compared to the prior year is due to the proceeds received from the sale and maturity of investments of $1.3 million.

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. The State is expecting the economy to gradually strengthen during 2012. State appropriations for higher education are expected to remain at 2011 levels during this economic recovery period.

Total student enrollment increased by 10.0% and tuition increased by $9.1 million, for fiscal year 2011. During fall of 2011 the University experienced an increase in enrollment of 2.6% over fall of 2010. 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 (22.5%) for the University, therefore, the expectation of appropriations being held at 2011 amounts will be tempered by the increase in tuition and fees collected.

Enrollment has increased at the University for the 12th consecutive semester and the University has over 33,500 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 school's role in the community by allowing the University to offer a wider range of opportunities, not only to the students, but to the community as well.

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.

Statement of **NET ASSETS**

AS OF JUNE 30, 2011

ASSETS	Primary Institution UVU	Component Unit UVU Foundation	Total
Current assets			
Cash and cash equivalents	$ 97,032,649	$ 4,996,132	$ 102,028,781
Accounts receivable, net	2,535,761	-	2,535,761
Accounts receivable - state agency	869,898	-	869,898
Notes receivable - related party	-	98,930	98,930
Notes and pledges receivable, net	217,281	4,608,849	4,826,130
Prepaid expenses, deferred charges	339,221	5,606	344,827
Inventories	3,863,385	-	3,863,385
Total current assets	104,858,195	9,709,517	114,567,712
Noncurrent assets			
Restricted investments	-	20,457,098	20,457,098
Accounts receivable, net	2,295,036	-	2,295,036
Notes receivable - related party	-	1,722,302	1,722,302
Notes and pledges receivable, net	1,458,653	6,162,026	7,620,679
Other long term assets	-	3,793,111	3,793,111
Non depreciable capital assets	28,117,021	59,000	28,176,021
Depreciable capital assets, net	191,463,036	4,213,455	195,676,491
Total noncurrent assets	223,333,746	36,406,992	259,740,738
Total assets	*328,191,941*	*46,116,509*	*374,308,450*
LIABILITIES			
Current liabilities			
Accounts payable	2,698,770	-	2,698,770
Accounts payable - state agency	1,544,672	-	1,544,672
Accrued liabilities	6,577,611	455,280	7,032,891
Accrued liabilities - state agency	579,047	-	579,047
Other liabilities	804,270	-	804,270
Deferred revenue	8,648,742	-	8,648,742
Current portion of notes - related party	98,930	-	98,930
Current portion of bonds and capital leases	2,723,503	78,859	2,802,362
Funds held for others	600,138	-	600,138
Total current liabilities	24,275,683	534,139	24,809,822
Noncurrent liabilities			
Accrued liabilities	3,262,250	-	3,262,250
Deferred revenue	5,651,369	-	5,651,369
Deferred revenue - state agency	177,661	-	177,661
Notes - related party	1,677,882	-	1,677,882
Bonds and capital leases	12,957,571	20,721	12,978,292
Total noncurrent liabilities	23,726,733	20,721	23,747,454
Total liabilities	*48,002,416*	*554,860*	*48,557,276*
NET ASSETS			
Invested in capital assets, net of related debt	202,147,854	4,172,875	206,320,729
Restricted for:			
Nonexpendable			
Scholarships	-	12,278,143	12,278,143
Expendable			
Scholarships and grants	554,870	28,187,482	28,742,352
U. S. government grants, refundable	1,744,909	-	1,744,909
Loans	789,757	-	789,757
Capital projects	4,779,087	-	4,779,087
Debt service	438,068	-	438,068
Unrestricted	69,734,980	923,149	70,658,129
Total net assets	*$280,189,525*	*$45,561,649*	*$325,751,174*

The accompanying notes are an integral part of the Financial Statements

Statement of **REVENUES, EXPENSES**, & **CHANGES IN NET ASSETS**

FOR THE YEAR ENDED JUNE 30, 2011

REVENUES	Primary Institution UVU	Component Unit UVU Foundation	Total
Operating revenues			
Student tuition and fees (net of allowances of $28,646,862)	$ 97,757,481	-	$ 97,757,481
Private grants and contracts	16,680	-	16,680
Sales and services of education departments	5,108,494	-	5,108,494
Auxiliary enterprises (net of scholarship allowances of $2,705,544)	15,159,584	-	15,159,584
Other operating revenues	4,702,936	-	4,702,936
Total operating revenues	***122,745,175***	-	***122,745,175***
EXPENSES			
Operating expenses			
Salaries	102,685,119	-	102,685,119
Fringe benefits	40,655,533	-	40,655,533
Student financial aid	43,496,342	1,033,340	44,529,682
Maintenance and utilities	8,698,104	-	8,698,104
General and administrative	30,995,148	5,033,308	36,028,456
Cost of goods sold - auxiliary enterprises	11,597,348	-	11,597,348
Depreciation	10,635,480	-	10,635,480
Total operating expenses	248,763,074	6,066,648	254,829,722
Operating loss	***(126,017,899)***	***(6,066,648)***	***(132,084,547)***
NONOPERATING REVENUES (EXPENSES)			
State appropriations	59,780,862	-	59,780,862
State appropriated American Recovery and Reinvestment Act Funds	2,043,600	-	2,043,600
Federal grants and contracts	69,095,532	-	69,095,532
State grants and contracts	4,987,332	-	4,987,332
Gifts	2,613,472	11,171,435	13,784,907
Investment income (net of Foundation investment expense of $191,619)	505,672	2,577,720	3,083,392
Interest on capital asset-related debt	(1,056,732)	-	(1,056,732)
Other nonoperating expenses	(170,745)	(5,143)	(175,888)
Net nonoperating revenues (expenses)	137,798,993	13,744,012	151,543,005
Income before other revenues, expenses, gains, or losses	***11,781,094***	***7,677,364***	***19,458,458***
Gifts to endowments	-	565,818	565,818
Capital grants and gifts	4,068,119	-	4,068,119
Total other revenues	4,068,119	565,818	4,633,937
Increase in net assets	***15,849,213***	***8,243,182***	***24,092,395***
NET ASSETS			
Net assets--beginning of year	264,340,312	37,318,467	301,658,779
Net assets--end of year	***$ 280,189,525***	***$ 45,561,649***	***$ 325,751,174***

The accompanying notes are an integral part of the Financial Statements

Statement of **CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2011

	Primary Institution UVU
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and fees	$ 99,872,279
Receipts from grants and contracts	16,680
Receipts from auxiliary and educational sales and services	21,025,787
Collection of loans to students	227,193
Payments to suppliers	(51,770,080)
Payments for employee services and benefits	(143,281,337)
Payments for student aid: scholarships and fellowships	(43,496,678)
Loans issued to students	(79,750)
Other operating payments	(349,051)
Other operating receipts	4,731,395
Net cash used by operating activities	***(113,103,562)***
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	59,325,574
Federal, state and private grants and contracts	78,108,355
Gifts	2,593,091
Net cash provided by noncapital financing activities	***140,027,020***
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants and gifts received	1,485,701
Capital appropriations	1,798,211
Purchases of capital assets	(11,986,616)
Proceeds from disposal of capital assets	11,000
Principal paid on capital debt and leases	(2,990,171)
Interest paid on capital debt and leases	(956,644)
Net cash used by capital and related financing activities	***(12,638,519)***
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	1,287,235
Receipt of interest on investments	505,803
Net cash provided by investing activities	***1,793,038***
Net increase in cash	16,077,977
Cash and cash equivalents - beginning of year	80,954,672
Cash and cash equivalents - end of year	***$ 97,032,649***
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	**$ (126,017,899)**
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	10,635,480
DFCM projects not capitalized	455,288
Changes in assets and liabilities	
Receivables, net	1,645,448
Inventories	(786,942)
Prepaid expenses, deferred charges	21,339
Accounts payable	109,485
Accrued liabilities	74,869
Deferred revenue	991,843
Funds held for others	(96,402)
Other liabilities	(136,071)
Net Cash Used by Operating Activities	***$ (113,103,562)***
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Donated library books	$78,818
Donated assets	2,503,600
Total Noncash Activities Total net assets	***$ 2,582,418***

The accompanying notes are an integral part of 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. It is considered a component unit because it was established under Utah statute, receives funding appropriations from the State, and is financially accountable to the State. 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). A discrete component unit is an entity which is legally separate from the University, but which is financially accountable to the University or whose relationship with the University is such that excluding it would cause the University's financial statements to be misleading or incomplete.

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 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Auxiliary enterprises 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, 2011, the carrying amounts of the University's deposits and bank balances were $9,207,403 and $9,695,035, respectively. The bank balances of the University were fully insured by the Federal Deposit Insurance Corporation and the Temporary Liquidity Guarantee Program. 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; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; 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, 2011, 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	$ 87,771,402	$ 87,771,402
Totals:	***$ 87,771,402***	***$ 87,771,402***

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act or the UPMIFA and Rule 541, as applicable. For non-endowment funds, Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 13 months 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.

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS AND QUALITY RATINGS:

At June 30, 2011, the University had investments and quality ratings as follows:

Investment Type	Fair Value	Quality Rating Unrated
STATE OF UTAH PUBLIC TREASURER'S INVESTMENT FUND	$87,771,402	$87,771,402
Totals:	$ 87,771,402	$ 87,771,402

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, 2011, in the PTIF account was $4,952,375 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, are unrated, and have an average maturity of less than one year. The total amount deposited in various other financial institutions at June 30, 2011, was $42,823, 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.

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS - THE FOUNDATION

As of June 30, 2011, 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	$ 639,990	$ 639,990	$ -	$ -	$ -
Certificates of Deposits	643,279	566,529	76,750	-	-
US government securities	2,619,609	1,272,049	942,596	169,682	235,282
Corporate bonds	6,122,704	-	5,635,690	487,014	-
Mutal funds	542,718	530,804	11,914	-	-
Total	10,568,300	$ 3,009,372	$ 6,666,950	$ 656,696	$ 235,282
Common and preferred stocks	9,888,798				
Total	$ 20,457,098				

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.

CREDIT QUALITY RATINGS - THE FOUNDATION:

At June 30, 2011, 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	$ 639,990	-	-	-	$ 639,990
Corporate bonds	6,122,704	431,431	870,969	469,988	4,350,316
Mutal funds	542,718	-	-	-	542,718
Total	$ 7,305,412	$ 431,431	$ 870,969	$ 469,988	$ 5,533,024

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.

Concentration of Credit Risk - Foundation

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% 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, 2011:

Current accounts receivable, net	
Student tuition and fees	$ 2,029,917
Operating activities	242,283
Auxiliary enterprises	375,940
Federal and state grants and contracts	831,306
Total	***3,479,446***
Less allowance for doubtful accounts	(943,685)
Total	***2,535,761***
Current accounts receivable-state agency	
Operating activities	3,411
Federal and state grants and contracts	866,487
Total	***869,898***
Noncurrent accounts receivable, net	
Student tuition and fees	4,288,892
Less allowance for doubtful accounts	(1,993,856)
Total	***2,295,036***
Total	***$ 5,700,695***

University notes and pledges receivable consisted of the following at June 30, 2011:

Current notes and pledges receivable, net	
Loans to students	$ 287,799
Less allowance for doubtful accounts	(70,518)
Total	***217,281***
Noncurrent notes and pledges receivable, net	
Loans to students	1,727,347
Less allowance for doubtful accounts	(268,694)
Total	***1,458,653***
Total	***$ 1,675,934***

Student loans made through the Federal Perkins Loan Program comprise substantially all of the notes receivable at June 30, 2011. Under this perpetual loan program, the Federal Government provided approximately 75% of the initial funds contributed to the program which in turn are issued as loans to students. The University provided 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, 2011, the allowance for uncollectible loans was $339,212.

NOTE 4. PREPAID EXPENSES AND DEFERRED CHARGES

Prepaid expenses and deferred charges consisted of the following at June 30, 2011:

Prepaid expenses	
Prepaid leases	$ 250,324
Deferred charges	
Bond issue costs	132,897
Credits due the Bookstore	(44,000)
Total	88,897
Total	*$ 339,221*

NOTE 5. INVENTORIES

Inventories at June 30, 2011 were as follows:

Auxiliary enterprises	$ 3 ,305,825
Supplies and other inventory	557,560
Total	*$ 3,863,385*

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

University accounts payable consisted of the following at June 30, 2011

Current accounts payable	
Interest payable	$ 122,147
Vendors payable	2,187,396
State and federal grants	150,239
Employee deposits payable	238,988
Total	*2,698,770*
Current accounts payable-state agency	
State taxes payable	26,441
Interest payable	44,421
Vendors payable	58,756
Utah Department of Facilities Construction and Management payable	1,415,054
Total	1,544,672
Total	*$ 4 ,243,442*

University accrued liabilities consisted of the following at June 30, 2011:

Current accrued liabilities	
Federal taxes payable	$ 1,138,595
Wages payable	522,163
Early retirement payable	452,021
Accrued leave payable	1,391,508
Medical and dental claims payable	2,502,278
Payroll liabilities	571,046
Total	*6,577,611*
Current accrued liabilities-state agency	
State taxes payable	376,483
Payroll liabilities	202,564
Total	*579,047*
Noncurrent accrued liabilities	
Early retirement payable	523,757
Accrued leave payable	2,738,493
Total	3,262,250
Total	*$ 10,418,908*

NOTE 7. DEFERRED REVENUE

Deferred revenue of the University consisted of the following at June 30, 2011:

Current deferred revenue	
Prepaid tuition and fees	$ 6,698,742
Federal program scholarships	1,950,000
Total	*8,648,742*
Noncurrent deferred revenue	
Federal program scholarships	5,651,369
Noncurrent deferred revenue-state agency	
Project repairs	177,661
Total	*14,477,772*

NOTE 8. CAPITAL ASSETS

The following are the changes in capital assets of the University for the year ended June 30, 2011:

	Beginning Book Value	Increases	Decreases	Ending Book Value
Capital assets not being depreciated				
Land	$15,780,731	$3,509,380	$ -	$19,290,111
Land improvements- non depreciable	4,014,144	-	-	4,014,144
Works of art and historical treasures	559,398	85,000	-	644,398
Construction in process	1,435,598	6,302,067	(3,569,297)	4,168,368
Total not being depreciated	***21,789,871***	***9,896,447***	***(3,569,297)***	***28,117,021***
Capital assets being depreciated				
Land improvements – depreciable	4,842,962	1,484,488	-	6,327,450
Infrastructure	17,074,312	250,023	-	17,324,335
Buildings	214,961,698	2,811,318	-	217,773,016
Leasehold Improvements	1,632,882	-	-	1,632,882
Equipment	34,819,277	4,151,400	(877,242)	38,093,435
Library books	5,557,332	412,302	(22,574)	5,947,060
Total being depreciated	***278,888,463***	***9,109,531***	***(899,816)***	***287,098,178***
Less accumulated depreciation				
Land improvements – depreciable	(2,958,134)	(422,561)	-	(3,380,695)
Infrastructure	(3,861,406)	(568,443)	-	(4,429,849)
Buildings	(54,772,158)	(5,410,029)	-	(60,182,187)
Leasehold Improvements	(144,952)	(82,566)	-	(227,518)
Equipment	(21,834,640)	(3,868,208)	805,950	(24,896,898)
Library Books	(2,256,896)	(283,673)	22,574	(2,517,995)
Total accumulated depreciation	***(85,828,186)***	***(10,635,480)***	***828,524***	***(95,635,142)***
Total depreciable capital assets, net	***193,060,277***	***(1,525,949)***	***(71,292)***	***191,463,036***
Total capital assets, net	***$214,850,148***	***$8,370,498***	***$(3,640,589)***	***$219,580,057***

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

	2011	2010
Capital assets not being depreciated		
Land	$59,000	$2,457,600
Capital assets being depreciated		
Rental income property	4,213,455	4,478,146
Total	***$4,272,455***	***$6,935,746***

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.

University accounts receivable consisted of the following at June 30, 2011:

Description	Original Issue	Balance June 30, 2011	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	$2,705,000	$235,000
Less discount	(16,666)	(9,375)	(1,042)
Total net MBA 2004A	***3,883,334***	***2,695,625***	***233,958***
MBA 2004B Lease Revenue Refunding Bonds, due in annual installments through 2014, interest rates 3.75% to 4.2%	2,600,000	1,060,000	250,000
Plus premium	37,378	13,592	3,398
Less deferred amount on refunding	(286,406)	(93,140)	(27,942)
Total net MBA 2004B	***2,350,972***	***980,452***	***225,456***
SBR 2004A Student Center Building Fee and Unified System Revenue Refunding Bonds, due in annual installments through 2020, interest rates 4.0% to 4.5%	11,020,000	4,440,000	1,360,000
Plus premium	105,719	62,188	6,219
Less deferred amount of refunding	(1,097,895)	(630,586)	(67,563)
Total net SBR 2004A	***10,027,824***	***3,871,602***	***1,298,656***
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	325,000	325,000
Plus premium	119,799	14,975	14,975
Less deferred amount of refunding	(172,564)	(7,934)	(7,934)
Total net SBR 2004B	***3,982,235***	***332,041***	***332,041***
Total net bonds	***$20,244,365***	***$7,879,720***	***$2,090,111***

NOTE 9. BONDS PAYABLE (CONTINUED)

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 2011 and the bond payments due in fiscal year 2012:

PLEDGED REVENUES	
Building fee – Spring	$1,593,677
Building fee – Summer	593,042
Building fee – Fall	1,647,182
Total building fees	3,833,901
NET AUXILIARY PROFITS	869,429
Total pledged revenues	4,703,330
PRINCIPAL AND INTEREST PAYMENTS	
SBR 2004A&B Bonds	1,850,278
MBA 2004A&B Bonds	673,605
Total principal and interest payments	2,523,883
PLEDGED REVENUES IN EXCESS OF PAYMENTS	2,179,447
Pledged revenues in excess of 110%	*$1,927,059*

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, 2011, are as follows:

Year	Principal	Interest	Total
2012	$2,170,000	$353,883	$2,523,883
2013	795,000	289,632	1,084,632
2014	835,000	253,036	1,088,036
2015	875,000	214,332	1,089,332
2016	620,000	178,940	798,940
2017-2021	3,235,000	382,911	3,617,911
Total	*$8,530,000*	*$1,672,734*	*$10,202,734*

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, 2011.

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

Fiscal Year Ending June 30:	Operating Leases
2012	$ 38,716
2013	38,715
2014	38,716
2015	38,894
2016	40,864
2017-2021	206,489
2021-2026	186,102
2027-2031	60,828
Total future minimum lease payments	*$ 649,324*

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 $13,511,840 as of June 30, 2011. Accumulated depreciation of leased equipment totaled $3,040,425 at June 30, 2011

The assets acquired through capital leases are as follows:

Aircraft	$2,184,020
Less: accumulated depreciation	(798,088)
Student Services equipment	224,408
Less: accumulated depreciation	(167,379)
Fire trucks	379,677
Less: accumulated depreciation	(109,430)
ESCO Energy Savings Projects	10,723,735
Less: accumulated depreciation	(1,965,528)
Total net capital lease assets	***$10,471,415***

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, 2011:

Fiscal Year Ending June 30:	Capital Leases
2012	$ 992,536
2013	1,002,781
2014	984,664
2015	892,129
2016	893,047
2017-2021	4,470,928
2022	757,142
Total future minimum lease payments	9,993,227
Amounts representing interest	(2,191,872)
Present value of net minimum lease payments	***$ 7,801,355***

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 semimonthly. During the fiscal year ended June 30, 2011, 32 employees participated in the early retirement plan, of which 29 retirees received medical and dental insurance benefits and 30 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 1.56% and 2.19% 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 0.53% 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, 2011, the expenses for the 20 percent incentive stipend were $340,205 and the expenses for medical and dental insurance were $267,737.

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, 2011:

Bonds payable:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$10,610,000	$ -	($2,080,000)	$8,530,000	$2,170,000
Less deferred amounts, discounts, and remiums	(746,038)	-	95,757	(650,281)	(79,889)
Total bonds payable	9,863,962	-	(1,984,243)	7,879,719	2,090,111
Capital leases	8,418,275	-	(616,920)	7,801,355	633,392
Total bonds and capital leases	18,282,237	-	(2,601,163)	15,681,074	2,723,503
Note payable – related party	2,070,063	-	(293,251)	1,776,812	98,930
Early retirement	1,558,645	25,075	(607,942)	975,778	452,021
Accrued leave	3,800,022	2,386,292	(2,056,314)	4,130,000	1,391,508
Total	*$25,710,967*	*$2,411,367*	*($5,558,670)*	*$22,563,664*	*$4,665,962*

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

	2011	2010
Notes payable	$99,580	$ 172,367
Deferred annuity payments	455,280	493,502
Total	*$ 554,860*	*$ 665,869*

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.

NOTE 14. PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

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 11.83% of their annual covered salary. In the State and School Noncontributory Retirement System, the University is required to contribute 16.32% (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, 2011, 2010, and 2009 were $199,029, $167,923, and $197,082, respectively, and for the Noncontributory Retirement System the contributions for June 30, 2011, 2010, and 2009 were $3,268,418, $2,809,631, and $2,923,552, respectively. Employer contributions to the 401(k) plan for the same years were $300,409, $296,375, and $308,394, 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, 2011, 2010, and 2009 were $621,798, $645,443, and $709,064, respectively.

Teacher's Insurance and Annuity Association as well as Fidelity Investments provide individual retirement fund contracts with participating employees. 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.

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

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

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.

	2011	2010
Estimated claims liability - beginning of year	$2,120,285	$ 1 ,972,034
Current year claims and changes in estimates	19,359,679	16,867,781
Claim payments and administrative expenses	(18,977,242)	(16,719,530)
Estimated claims liability - end of year	***$ 2,502,722***	***$ 2,120,285***

NOTE 17. COMMITMENTS AND CONTINGENT LIABILITIES

The University, through an Inter-local Cooperation Agreement (the Agreement), is a participant with Utah County (the County) in a joint venture to operate the UCCU 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, 2011, the University had the following outstanding commitments to DFCM for various projects:

West campus buildings improvements	$574,702
Student wellness center and parking structure	32,648
Multicultural remodel	400
Facilities building improvements	5,382
Flight center taxiway/ramp replacement	5,000
ESCO project phase2	516,560
Provo airport hanger exterior siding replacement	855,000
Economic development building	2,176,812
West parking lot addition	912,563
Total	*$5,079,067*

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 two buildings from the Foundation. One of the building leases expires September 2012 and the second 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:

2012	$ 270,761
2013	207,766
2014	186,761
2015	186,761
2016	186,761
2017-2021	933,805
2022-2026	933,805
2027	186,761
Total	***$ 3,093,181***

B. The Foundation donated land to the University during the year ended June 30, 2011. The Foundation originally received this land valued at $2,398,600 as a donation. This is reported as part of "Transfers of donated in-kind donations" in the Statement of Activities of the Foundation's financial statement.

C. 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, 2011, was $1,821,232 including accrued interest of $44,421.

The principal maturities on this note as of June 30, is as follows:

2012	$98,930
2013	104,955
2014	111,347
2015	118,128
2016	125,322
2017-2021	750,823
2022-2024	467,307
Total	***$ 1,776,812***

D. During the year ended June 30, 2011, the Foundation had certain additional transactions with the University in its capacity to support the University. The Foundation forwarded funds and donated inkind materials and equipment to the University for scholarships, awards, departments, and general use. Funds forwarded to departments during the year ended June 30, 2011 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

On September 1, 2011 the University purchased land valued at $20 million. A donation was made to the University of $10 million of the land. In addition an RDA credit for $5 million was received. The final cost to the University was $5 million. The University entered into a note payable with the Foundation for $3 million as part of the land purchase. The note carries a term of 20 years and bears an annual 6 percent interest rate with semi-annual payments of $129,787 and matures September 2031.

NOTE 20. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional classification for the year ending June 30, 2011 were as follows:

NATURAL CLASSIFICATIONS

	Compensation	Benefits	Financial Aid	Maintenance	General and Administrative	Auxiliary	Depreciation	Total
FUNCTIONAL CLASSIFICATION								
Instruction	$55,506,765	$20,481,411	$-	$1,155,480	$9,006,338	$-	$-	$86,149,994
Academic Support	10,503,692	4,299,650	-	169,376	5,287,975	-	-	20,260,693
Student Services	12,544,981	5,468,528	-	193,054	4,977,272	-	-	23,183,835
Institutional Support	13,888,855	6,282,442	-	1,043,181	6,424,691	-	-	27,639,169
Operation and Maintenance of Plant	4,788,123	2,771,070	-	5,526,253	1,429,888	-	-	14,515,334
Student Financial Aid	1,497,083	10,422	43,496,342	-	-	-	-	45,003,847
Public Service	124,780	51,892	-	594	219,062	-	-	396,328
Research	7,000	1,557	-	-	1,718			10,275
Remedial Education	103,846	20,808	-	-	2,871			127,525
Auxiliaries	3,719,994	1,267,753	-	610,166	3,645,333	11,597,348	-	20,840,594
Depreciation	-	-	-	-	-	-	10,635,480	10,635,480
Total Expenses	$102,685,119	$40,655,533	$43,496,342	$8,698,104	$30,995,148	$11,597,348	$10,635,480	$248,763,074

College GOVERNANCE

THIS REPORT IS PREPARED BY:
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2011 ANNUAL **FINANCIAL REPORT**