The University of Vermont

ANNUAL 2023 Financial Report

UNIVERSITY OF VERMONT & STATE AGRICULTURAL COLLEGE
(a component unit of the State of Vermont)

Photo credit Brian Jenkins

The University *of* Vermont

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Leslie Parise	Dean, College of Agriculture and Life Sciences
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Sanjay Sharma	Dean, The Grossman School of Business
Katharine Shepherd	Dean, College of Education and Social Services
Allan Strong	Interim Dean, The Rubenstein School of Environment and Natural Resources

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UNIVERSITY OF VERMONT & STATE AGRICULTURAL COLLEGE
(a component unit of the State of Vermont)

Photo credit Mario Morgado

Letter *from* the President

Members of the Board of Trustees,

I attach the Annual Financial Report for the Fiscal Year ended June 30, 2023. The state of UVM's finances is sound.

These financial statements illustrate the university's financial health, which is bolstered by an increase in the University's net position. As a result of increases in investment income and facilities and administration revenues related to growth in grants and contracts, and reductions in costs for administering benefits, these statements show a net increase of $167.1 million. As of June 30, 2023, the market value of the entire combined endowment (UVM and UVM Foundation) was $803 million. It is important to note that endowment gifts and research awards are almost entirely restricted for specific purposes by the donors and the entities that award the grants.

The University remains focused on student affordability and financial access, quality enhancements, strategic alignment of priorities, reinforcement of our distinctive research strengths, development of graduate education, engagement with the state and our communities, and resource and revenue growth. This focus helps ensure a financially healthy UVM, which enables our positive student experience and the university's substantial contributions to the state, the region, and the country.

Best Wishes

Suresh Garimella

Suresh Garimella

The University of Vermont

Management's Responsibility for the Financial Report

The accompanying financial statements of the University of Vermont and State Agricultural College for the year ended June 30, 2023 are official documents prepared in accordance with U.S. generally accepted accounting principles set forth for public colleges and universities by the Governmental Accounting Standards Board.
The management of the University is responsible for the integrity and objectivity of these financial statements, which are accessible to all. The University's system of internal accounting controls is designed to ensure that the financial reports and the books of account properly reflect the transactions of the institution, in accordance with established policies and procedures as implemented by qualified personnel.

The University Trustees selected the certified public accounting firm of KPMG, LLP to conduct the annual financial audit for fiscal year 2023.

Periodically throughout the year, the Trustee Audit Committee meets with the Office of Audit Services, the Office of Compliance and Privacy Services and the external independent audit firm to review the audit plan and later the report. The Vermont State Auditor is invited to attend those meetings to offer comments and opinions. KPMG, the Office of Audit Services, and the Office of Compliance and Privacy Services have full access to the University Trustees and the State Auditor throughout the year.

Richard H. Cate
Vice President for Finance
and Administration

Claire L. Burlingham
University Controller

KPMG LLP
One Park Place
463 Mountain View Drive, Suite 400
Colchester, VT 05446-9909

Independent Auditors' Report

The Honorable Douglas Hoffer,
Auditor of Accounts, State of Vermont
and
The Board of Trustees of University of Vermont and State Agricultural College:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of University of Vermont and State Agricultural College (collectively, the University), a component unit of the State of Vermont, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units, of the University, as of June 30, 2023 and June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of University Medical Education Associates, Inc. (UMEA), which represent 15% and 15%, respectively, of the total assets of the aggregate discretely presented component units as of June 30, 2023 and 2022, and 13% and 12%, respectively, of the total operating revenues for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for UMEA, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and schedule of changes in the University's total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the letter from the President and management's responsibility for the financial report but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2023 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 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 the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Colchester, Vermont
November 10, 2023

The University of Vermont

Management's Discussion and Analysis (Unaudited)

June 30, 2023 and 2022

Introduction

The Management's Discussion and Analysis (MD&A) provides a broad overview of the University of Vermont's financial condition as of June 30, 2023 and 2022, the results of its operations for the years then ended, significant changes from the previous years, and outlook for the future where appropriate and relevant. Management has prepared the financial statements and related footnote disclosures along with this MD&A. The MD&A should be read in conjunction with the audited financial statements and related notes.

The University of Vermont ("the University") is a public, non-profit, comprehensive research institution of higher education established in 1791 as the fifth college in New England. The University consists of seven undergraduate schools and colleges, including the Colleges of Agriculture and Life Sciences, Arts and Sciences, Education and Social Services, Engineering and Mathematical Sciences, Nursing and Health Sciences, the Grossman School of Business, and the Rubenstein School of Environment and Natural Resources. The University also includes the Patrick Leahy Honors College, the Robert Larner, M.D. College of Medicine, Professional and Continuing Education, Extension and the Graduate College. The University is the only comprehensive research university in Vermont. The University has 11,614 undergraduate students and 1,664 graduate and medical students. It is located in Burlington, Vermont with satellite instructional and research sites throughout Vermont. It is a component unit of the State of Vermont as it receives an annual appropriation from the State. For financial reporting purposes, the University's reporting entity consists of all sectors of the University and includes discretely presented financial information for University Medical Education Associates, Inc. (UMEA) and the University of Vermont and State Agricultural College Foundation, Inc. (UVMF). UMEA is a legally separate tax-exempt component unit of the University whose purpose is to support the operations, activities and objectives of the Robert Larner, M.D. College of Medicine of the University. UVMF is a legally separate tax-exempt component unit of the University whose purpose is to secure and manage private gifts for the sole benefit of the University. The University's reporting entity will also include its equity interest in Catamount Run beginning in fiscal 2024 although a capital contribution was made in fiscal 2023. Catamount Run is a legally separate component unit of the University whose primary purpose is to construct housing in close proximity to the University campus and to manage the property, leasing units to University students, employees and the public. The MD&A discusses the University's financial statements only and not those of its component units.

The focus of the MD&A is on the University's financial information contained in the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

Strategic Direction and Economic Outlook

The President's strategic vision, Amplifying Our Impact, utilizes a three-pronged approach which includes ensuring student success, investing in distinctive research strengths, and fulfilling the land grant mission.

Ensuring Student Success - The University has a culture of strong faculty mentorship and staff dedicated to student growth. The connection between health and well-being and academic achievement is promoted holistically. The University will continue to build on that legacy by making the success of its students and alumni a core measure in everything it does. The University will focus on ensuring that it offers a vibrant educational experience, that it remains affordable and accessible to a broad and diverse population, and that it provides support and meaningful opportunity well beyond graduation.

Investing in Distinctive Research Strengths - UVM has built distinctive research strengths that align with the urgent—and interdependent—need to support the health of our environment and our societies. Strategic investment of available resources will accelerate and enhance these distinctive strengths, positioning the University as the preeminent institution for innovative and sustainability-focused solutions. Articulation of distinctive strengths will also grow corporate, philanthropic, foundation, and federal partnerships to enhance UVM's research portfolio, impact and recognition, and make enriching new opportunities available to faculty and students.

Fulfilling the Land Grant Mission - As one of the nation's first land grant institutions, the University's alignment with the state is fitting. The University is nationally acclaimed for helping Vermonters tackle everything from farm viability to complex environmental issues to business growth. The University supports commercialization and job creation initiatives in the state, and partnerships with large corporations enable the possibility of attracting satellite operations, jobs, and a talented workforce to the state. The University intends to create a more streamlined gateway for Vermonters to learn about and access the many resources the University offers. Efforts to set up that front door, inviting the community to engage more fully with the University, are underway.

In fiscal 2023, UVM launched three new centers and institutes: the Osher Center for Integrative Health, the Institute for Rural Partnerships, and the Institute for Agroecology.

One extraordinary award illustrates the power of UVM's capabilities. Northeast Sustainable Agriculture, Research, and Education (SARE), hosted at UVM, won $100 million from USDA over ten years to serve as the coordinating body for regional efforts in this extremely important and cross-disciplinary realm. A second noteworthy grant among many possible examples supports the Science of Online Corpora, Knowledge, and Stories (SOCKS), an enormous data analysis project that harnesses high performance computing to categorize and index qualitative online content all over the world. The NSF grant of $20 million includes specific support to increase computing resources for the social sciences at UVM and other institutions in the state.

UVM was the recipient of a specific new appropriation of $30 million to endow programs for academic excellence across the university and specifically in our honors college, including several grant, research, and fellowship support programs based there. This transformative federal appropriation will help us attract and support the best and brightest students and ensure that Vermonters have access to a world-class academic experience.

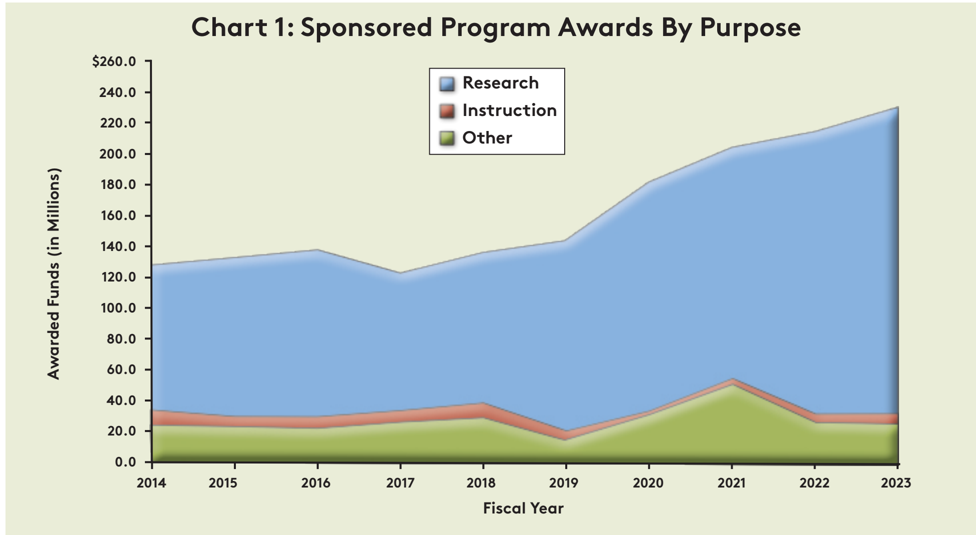


Chart 1 presents the activity of sponsored programs over the past decade.

Financial Highlights

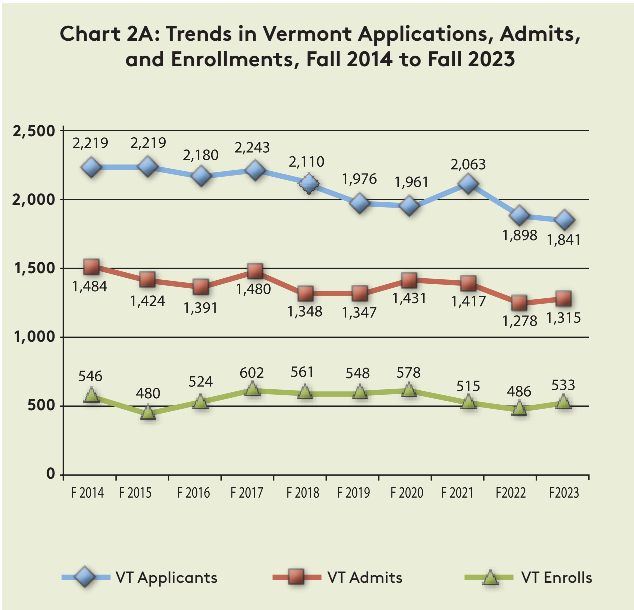
A. Revenues

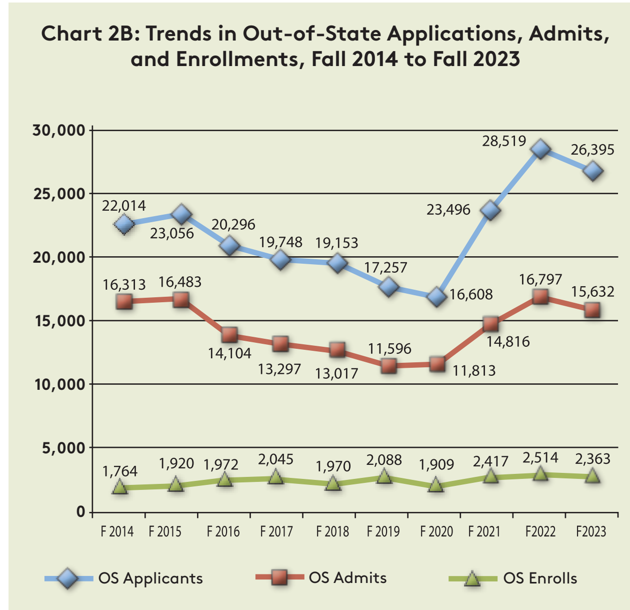
In the fall of 2023, the University enrolled 11,614 students in more than 100 undergraduate majors, 1,664 students in graduate and post-baccalaureate programs, and 488 students at the Larner College of Medicine. The University attracts undergraduates from over 45 states and many foreign countries. The University is primarily a regional institution, however, drawing 78% of the undergraduates enrolled in the fall of 2023 from New England and the Middle Atlantic States, including 18% of its undergraduate students from Vermont. Graduate and Certificate student enrollment from Vermont represented 37.2%.

Final numbers for the fall of 2023 show total applications are over 28,000. This represents an increase of 16.5% since 2014, with in-state applications

Table 1: In-State and Out-of-State Tuition and Fees

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Average Annual % Increase
Student Tuition & Fees									
In-State Tuition & Fees	$16,768	$17,300	$17,740	$18,276	$18,802	$19,002	$19,002	$18,890	2.35%
Out-of-State Tuition & Fees	$39,160	$40,364	$41,356	$42,516	$43,690	$43,890	$43,890	$43,890	2.30%
Room (Double)	$7,376	$7,634	$7,900	$8,196	$8,502	$8,756	$8,756	$8,786	3.20%
Board (Average Meal Plan)	$3,774	$3,944	$4,122	$4,266	$4,414	$4,568	$4,568	$4,568	3.19%
Total, In-State Cost	$27,918	$28,878	$29,762	$30,738	$31,718	$32,326	$32,326	$32,244	
Increase Over Previous Year	3.38%	3.44%	3.06%	3.28%	3.19%	1.92%	0.00%	-0.25%	2.25%
Total, Out-of-State Cost	$50,310	$51,942	$53,378	$54,978	$56,606	$57,214	$57,214	$57,244	
Increase Over Previous Year	3.40%	3.24%	2.76%	3.00%	2.96%	1.07%	0.00%	0.05%	2.06%





decreasing 17.0% and out-of-state applications increasing 19.9% for the same period. Total admissions decreased for that period by 4.8%, with in-state admissions decreasing 11.4% and out-of-state admissions decreasing 4.2%. From fall 2014 through fall 2023, total first-time, first year enrollments were close to 2,900 enrolls, increasing by 25.4%, with in-state enrollments decreasing by 2.4% and out-of-state enrollments increasing by 34.0%. Trends in applications, admits, and enrollments can be seen in Charts 2A and 2B.

The University and its Board of Trustees continues to contain increases in tuition and fees with the average annual increases for in-state and out-of-state held to 2.4% and 2.3%, respectively, from 2015 through 2023. Table 1 presents tuition and fees, as well as room and board for that period.

During fiscal 2023, President Garimella announced that tuition for fiscal 2024 would not increase over fiscal 2023 levels. This represents the fifth consecutive fiscal year with no tuition increase. Net tuition and fees revenues improved with additional undergraduate out-of-state enrollment and higher residential life occupancy.

The University has focused on enhancing other revenues including private philanthropy, improved retention of current students, increased graduate and summer enrollments, expansion of flexible and online course offerings geared to adults and non-traditional learners, enhancing graduate, post-doc and undergraduate research support through grants from the federal government and other sources and through partnerships with private industry; and supporting more students transferring to UVM from other colleges.

The University increased grant and contract revenues by $10.4 million or 4.5% from $231.0 million in fiscal 2022 to $241.4 million in fiscal 2023. This growth is primarily due to additional funds from the University of Vermont Medical Center, Inc, to offset facilities and operation costs. Included in the $241.4 million is facility and administrative cost recoveries of $37.6 million and additional commitment funds from University of Vermont Medical Center, Inc. of $26.2 million.

During fiscal 2023, the University was awarded over $230.2 million in sponsored funds, 86.0% of which were for research activities. Approximately 70.8% of sponsored funds awarded during fiscal 2023 were from direct federal sources. The University's leading areas of externally sponsored programs are the biomedical sciences, agriculture, the environment, and education.

State appropriations in fiscal 2023 increased $7.4 million, or 15.3%, compared to fiscal 2022 and decreased $24.3 million, or 33.4%, in fiscal 2022 compared to fiscal 2021. The increase in fiscal 2023 was due in part to special appropriations received for the Upskill Vermont scholarship program and the forgivable loan program through the Office of Engagement. The decrease in fiscal 2022 from 2021 was a return to pre-COVID-19 appropriation levels when temporary funding made available to the University to cover COVID-19 related costs had expired.

B. Operating and Capital Expenditures

The University's operating expenses decreased by $13.2 million or 1.9% in 2023 from the 2022 level; and 2022 expenses increased $23.4 million or 3.5% over 2021. The fiscal 2023 decrease is comprised of a reduction in compensation and benefit expense of $28.4 million and scholarships and fellowships of $12.5 million. Supplies and services increased in fiscal 2023 by $27.9 million. Depreciation remained level with a slight increase of $0.2 million.

Compensation and benefit expenses decreased due to a drop in the other postemployment benefit obligations offset by scheduled wage increases.

The scholarship and fellowship decrease in fiscal 2023 was the result of temporary Higher Education Emergency Relief Funds being exhausted in fiscal 2022.

Supplies and services increased over fiscal 2022 levels partly due to higher costs to manage the food service program and additional business-related travel costs as restrictions from COVID-19 had been lifted mid-fiscal 2022.

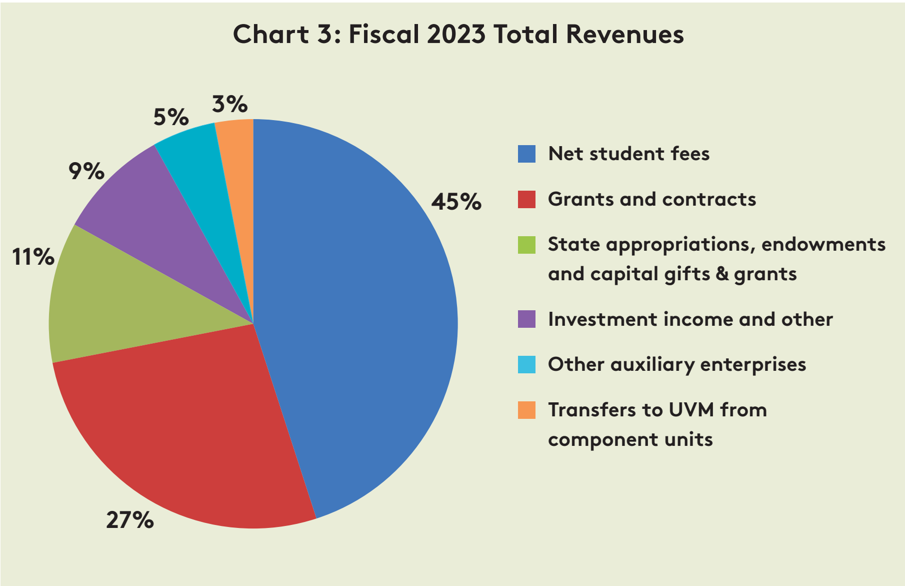


Chart 3 shows the University's fiscal 2023 revenue streams. Given the University's mission of instruction, research, and public service, the vast majority of the University's revenues are generated by net student fees (45%) and grants and contracts (27%).

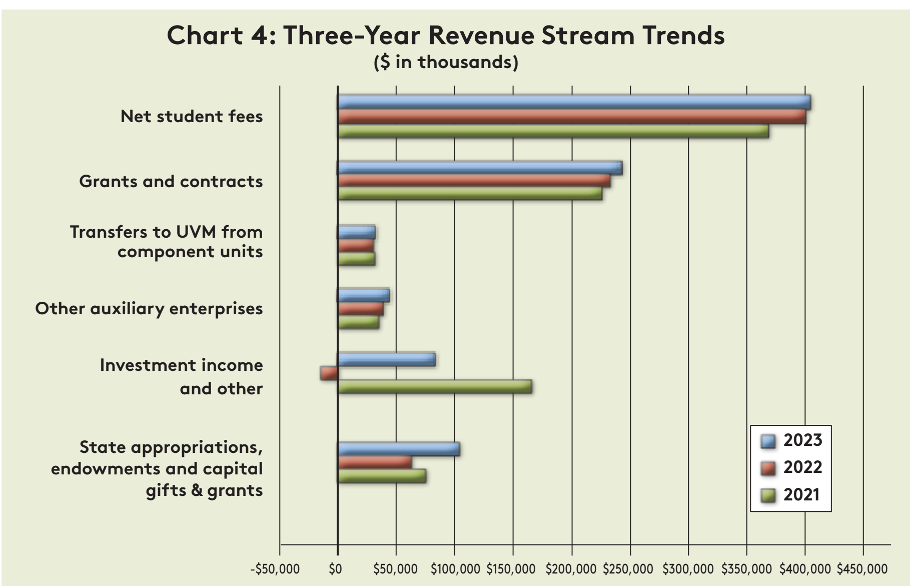


Chart 4 shows the three-year trend for revenue streams. Net student fees are comprised of tuition and fees, residential life fees, and student financial aid. State appropriations increased in fiscal 2023 primarily due to special one-time appropriations. Investment income increased $98.9 million in fiscal 2023 due to market fluctuations.

Overview of the Financial Statements

The financial statements of the University of Vermont and State Agricultural College (the "University") have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statement presentation consists of comparable Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows and accompanying notes for the June 30, 2023 and 2022 fiscal years. These statements provide information on the financial position of the University and the financial activity and results of its operations during the years presented. The financial statements focus on the University as a whole, rather than upon individual funds or activities.

University Medical Associates, Inc. (UMEA) and University of Vermont Foundation, Inc. (UVMF) are legally separate tax-exempt, discretely presented component units of the University of Vermont and issue separate audited financial statements. UMEA and UVMF are presented as separate columns on the University's Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position.

A. Statements of Net Position

The Statements of Net Position, Table 2, depicts all the University's assets, liabilities, and deferred inflows/outflows of resources on June 30th each year, along with the resulting net financial position. An increase in net position over time is a primary indicator of an institution's financial health. Factors contributing to future financial health as reported on the Statements of Net Position include the value and liquidity of financial and capital investments, and balances of related obligations.

As shown in Table 2, cash and short-term investments have increased over the last three fiscal years including 2.1% in both fiscal 2023 and fiscal 2022. Included in cash and short-term investments are operating investments totaling $248.8 million, $169.9 million, and $180.9 million in fiscal 2023, 2022, and 2021, respectively. These operating investments are primarily invested in bonds but also include equity and shares of the University's long-term endowment pool.

Endowment, capital, and similar investments have increased in fiscal 2023, by $57.5 million or 10.8%, having decreased in 2022, by $49.1 million or 8.4%. Included in this balance are endowment cash, cash

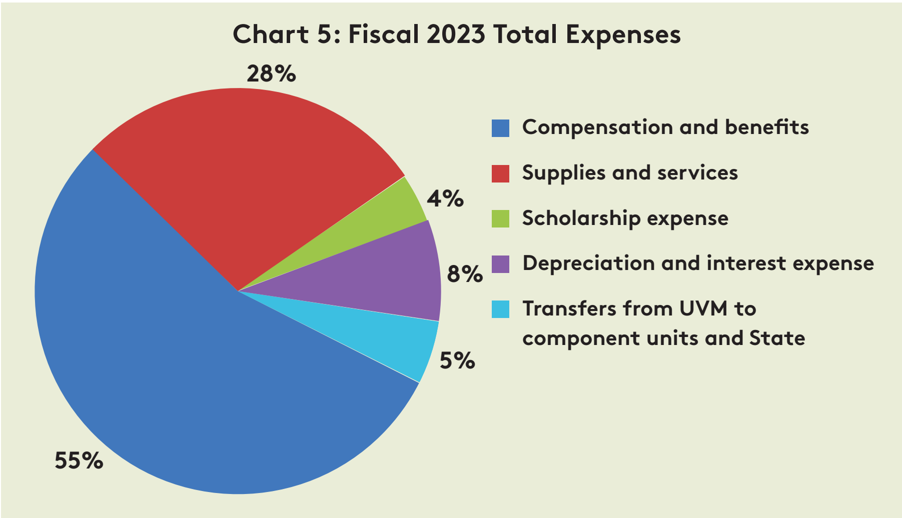


Chart 5 displays the University's fiscal 2023 expenses. The University's largest expense is compensation and benefits followed by supplies and services.

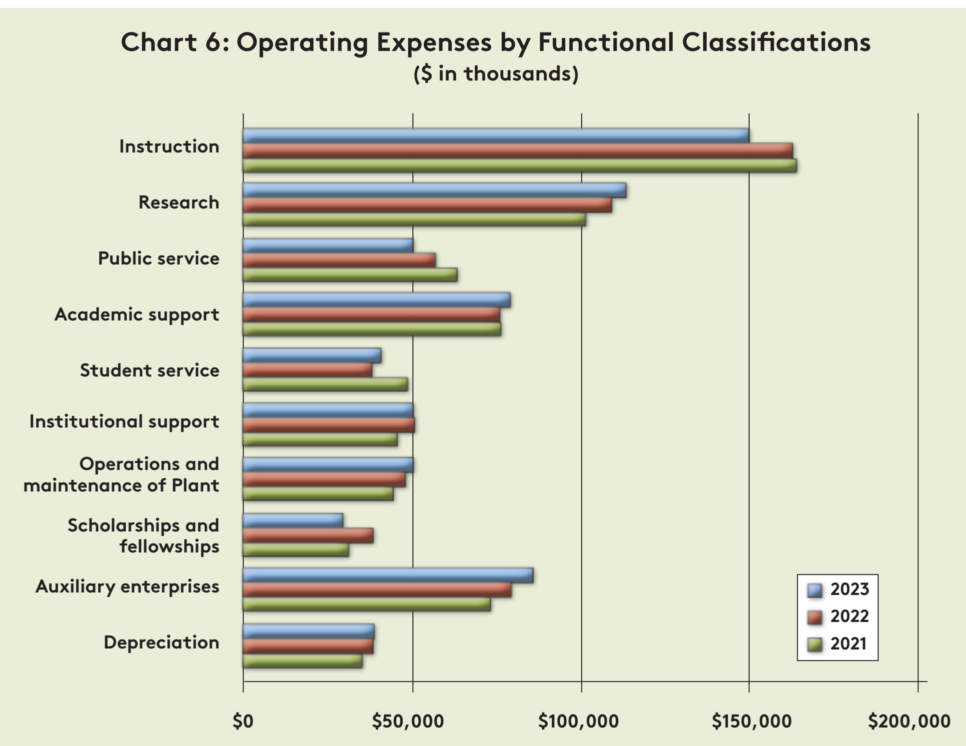


Chart 6 displays the University's operating expenses for the past three years by functional, rather than natural, classification. In fiscal 2023, the University recognized decreased benefit costs due to a drop in the other postemployment benefit obligations. The decrease is allocated proportionally across each functional category and is most evident in the instruction and public service reductions. The University's continued success in pursuit of research initiatives can be seen with additional research expenditures. Scholarship and fellowships decreased with temporary federal aid dedicated to providing relief to students as the result of COVID-19 from the Higher Education Emergency Relief Funds being exhausted.

equivalents and investments of $508.9 million, $461.9 million, and $497.7 million in fiscal 2023, 2022, and 2021, respectively. Both fiscal 2023 and fiscal 2022 were impacted by market performance. Additional gifts to the endowment also increase these balances. In fiscal 2023, the University received an endowment of $30 million through federal appropriation. Deposits held by bond trustees are also included in this balance totaling $14 thousand, $617 thousand, and $11.7 million in fiscal 2023, 2022, and 2021, respectively. The balances are due to unspent proceeds from the issuance of general obligation bonds.

Capital and right of use assets, net, saw increases of $1.3 million or 0.2% in fiscal 2023 and $27.5 million or 3.9% in fiscal 2022. Right of use assets, net, grew by $1.5 million, primarily due to the University's adoption of a new accounting standard for subscription-based information technology arrangements. Capital assets, net, remained flat with net additions offset by disposals and depreciation expense for a net decrease of $0.1 million.

Other assets and deferred outflows of resources includes accounts, loans, notes, and pledges receivable, inventories and prepaid expenses, other equity interest and deferred outflows due to loss on refunding of debt and post-employment benefits. Fiscal 2023 saw a decrease from fiscal 2022 of $3.7 million or 2.2% and a decrease in fiscal 2022 from fiscal 2021 of $12.6 million or 6.8%. The decrease in fiscal 2023 is mostly due to a decrease in post-employment benefits deferred outflows of $23.4 million stemming from changes in actuarial assumptions offset by a new other asset related to the University's equity interest in Catamount Run of $12.6 million.

Postemployment benefits, which represents the current and future liability and deferred inflows the University has to retirees and their dependents for medical, dental, life insurance, and tuition remission benefits, decreased $86.7 million or 15.8% in fiscal 2023 and $33.9 million or 5.8% in fiscal 2022. The decrease in fiscal 2023 was driven primarily by expected future experience with the University changing medical carriers for Medicare Advantage plans and updated

Table 2: Condensed information from Statements of Net Position
at June 30, 2023, 2022 and 2021
($ in thousands)

	2023	2022	2021
Assets and deferred outflows of resources			
Cash and operating investments	$ 416,356	$ 407,744	$ 399,233
Endowment, capital, and similar investments	591,404	533,868	582,986
Capital and right of use assets, net	742,925	741,588	714,084
Other assets and deferred outflows of resources	169,371	173,119	185,691
Total assets and deferred outflows of resources	**1,920,056**	**1,856,319**	**1,881,994**
Liabilities and deferred inflows of resources			
Postemployment benefits	460,728	547,457	581,323
Long-term debt	544,332	558,692	570,316
Other liabilities and deferred inflows of resources	140,208	142,496	127,939
Total liabilities and deferred inflows of resources	**1,145,268**	**1,248,645**	**1,279,578**
Net investment in capital assets	200,460	183,268	148,190
Restricted:			
Non-expendable	167,205	133,203	121,083
Expendable	418,089	397,697	438,873
Unrestricted	(10,966)	(106,494)	(105,730)
Total net position	**$ 774,788**	**$ 607,674**	**$ 602,416**

Table 2 shows condensed information from the Statements of Net Position at June 30 for the past three years.

trends for current premiums. The decrease in fiscal 2022 was largely due to the result of assumption changes. The discount rate used in the calculation also significantly impacts the liability in both fiscal years.

Long-term debt decreased $14.4 million or 2.6% from fiscal 2022 due to debt service payments of $18.0 million offset by new operating leases and subscription-based information technology arrangements of $3.6 million. From fiscal 2021 to 2022 long-term debt decreased $11.6 million or 2.0% due to debt service payments of $16.3 million offset by new finance and operating leases of $4.6 million.

Other liabilities and deferred inflows of resources decreased from fiscal 2022 to fiscal 2023 by 1.6% or $2.3 million from $142.5 million to $140.2 million. These balances consist of the University's accounts payable and current and non-current accrued liabilities including insurance reserves, compensated absences, obligations under deferred giving arrangements, and pledges payable. Unearned revenues, deposits and advance payments for tuition and grants & contracts are also included in this total. The decrease is primarily attributed to reduced pollution remediation activities in the fiscal year along with scheduled amortization under the service concession arrangement between the University and its food service program provider, Sodexo, offset by increases in unearned revenues.

Net position is reported in four categories. The net investment in capital assets amount represents the historical cost of property and equipment reduced by total accumulated depreciation and the balance of related debt outstanding. Restricted expendable resources include balances of current and prior year gifts for specified purposes such as scholarships or academic programs, as well as spendable endowment gains. Restricted non-expendable resources are endowment balances which are required to be invested in perpetuity by the original donors. Unrestricted financial resources represent net position that is available for any future use without legal restriction and is negative due to the recording of the post-employment benefit obligation.

B. Statements of Revenues, Expenses, and Changes in Net Position

Operating revenues are generally earned through the sale of goods and services. However, GASB reporting standards require that certain University recurring revenues be shown as nonoperating. This includes state appropriations, federal Pell grants, private gifts, net investment income, and transfers from University component units. These revenue streams are important sources of funds used to supplement tuition and fees revenue. Accordingly, we have grouped the operating and nonoperating revenues together in the condensed statements to allow readers to better understand which revenues support University operating expense streams.

Table 3: Condensed information from Statements of Revenues, Expenses, and Changes in Net Position

for the years ended June 30, 2023, 2022 and 2021
($ in thousands)

	2023	2022	2021
Tuition and fees	$ 563,330	$ 547,458	$ 503,715
Less student financial aid	(159,438)	(147,917)	(133,889)
Net student fees	403,892	399,541	369,826
Grants and contracts	241,406	230,954	222,645
State appropriations	55,828	48,415	72,685
Transfers to UVM from component units	29,622	29,274	30,254
Other auxiliary enterprises	44,713	43,365	39,920
Investment income (loss) and other	83,504	(15,403)	170,716
Total operating and non-operating revenues	**858,965**	**736,146**	**906,046**
Compensation and benefits	(411,702)	(440,151)	(439,434)
Supplies and services	(206,595)	(178,652)	(172,301)
Scholarship expense	(27,431)	(39,935)	(29,954)
Depreciation and interest expense	(59,858)	(60,192)	(54,725)
Transfers from UVM to component units and State	(34,300)	(24,126)	(22,144)
Total operating and non-operating expenses	**(739,886)**	**(743,056)**	**(718,558)**
Increase (Decrease) in net position from recurring activities	**119,079**	**(6,910)**	**187,488**
Capital and endowment appropriations, gifts and grants	48,482	11,005	1,240
Other net non-operating revenue (expense)	(447)	1,163	(45)
Total other changes in net position	**48,035**	**12,168**	**1,195**
Total increase in net position	**$ 167,114**	**$ 5,258**	**$ 188,683**

Table 3 shows condensed information from the Statements of Revenues, Expenses and Changes in Net Position for the past three years ended June 30.

Net student fees increased by 1.1% from $399.5 million in fiscal 2022 to $403.9 million in fiscal 2023. Embedded in the net student fees amount are three components including gross tuition and fees, gross residential life fees, and student financial aid. Gross tuition and fees increased by $11.9 million or 2.5% from fiscal 2022 to fiscal 2023 and gross residential life fees increased $4.0 million or 5.5%. The increase in gross tuition and fees can be attributed to additional undergraduate, out-of-state enrollments. The increase in gross residential life fees is the result of additional occupancy over 2022. Student financial aid increased from fiscal 2022 to fiscal 2023 by $11.5 million or 7.8% demonstrating the effort to keep tuition affordable. An increase in net student tuition and fees in fiscal 2022 of 8.0% included a 6.5% increase in gross tuition and fees, a 25.9% increase in gross residential life fees, and a 10.5% increase in student financial aid from fiscal 2021.

Total state appropriation revenue was $55.8 million in fiscal 2023 and $48.4 million in fiscal 2022. The increase of $7.4 million is due in part to special appropriations received for the Upskill Vermont scholarship program and the forgivable loan program through the Office of Engagement.

Transfers to UVM from component units includes transfers from the University of Vermont Foundation and University Medical Education Associates. These transfers include reimbursement of expenses on gifts received by the University of Vermont Foundation on behalf of the University. These transfers stayed mostly flat in fiscal 2023 with a small increase of $348 thousand from $29.3 million in fiscal 2022 to $29.6 million in fiscal 2023.

Other auxiliary enterprises revenues remained relatively stable at $44.7 million, $43.4 million, and $39.9 million in fiscal 2023, 2022, and 2021, respectively.

Investment income (loss) and other can be volatile due to the investment markets. There was an increase of $98.9 million or 642.1% in fiscal 2023 from fiscal 2022. This increase is directly attributable to the net investment income growth in fiscal 2023 of $95.0 million from a net investment loss in fiscal 2022 of $41.3 million to a net investment income of $53.7 million in fiscal 2023. In fiscal 2022, there was a decrease of $186.1 million due to a net investment loss of $41.3 million in fiscal 2022 from a $148.1 million net investment income in fiscal 2021.

Compensation and benefits decreased $28.5 million or 6.5% from $440.2 million in fiscal 2022 to $411.7 million in fiscal 2023 primarily due to reduced expense related to the other post-employment benefits for fiscal 2023 offset by scheduled wage increases. There was a modest increase in fiscal 2022 of $0.8 million, or 0.2%, from $439.4 million in fiscal 2021 to $440.2 million for the same reason.

Supplies and services expenses increased in fiscal 2023 from fiscal 2022 by $27.9 million or 15.6% from $178.7 million to $206.6 million partly due to higher costs to manage the food service program and additional business-related travel costs as restrictions from COVID-19 had been lifted mid-fiscal 2022. These same restrictions being lifted resulted in additional business-related travel costs in fiscal 2022 from fiscal 2021. Total supplies and services increased in fiscal 2022 from fiscal 2021 by $6.4 million or 3.7% from $172.3 million to $178.7 million.

Scholarship expense decreased $12.5 million, or 31.3%, in fiscal 2023 and increased $10.0 million, or 33.3%, in fiscal 2022. This fluctuation was the result of temporary Higher Education Emergency Relief Funds being exhausted in fiscal 2022.

Transfers from UVM to component units and State of $34.3 million, $24.1 million, and $22.1 million in fiscal 2023, 2022, and 2021, respectively, represents transfers to the University of Vermont Foundation to assist in its operations and contributions to the State of Vermont to support the Graduate Medical Education program.

Capital and endowment appropriations, gifts and grants represent capital gifts and grants, capital appropriations, and gifts to the University endowment. Fiscal 2023 had an increase of $37.5 million from $11.0 million in fiscal 2022 to $48.5 million primarily from new gifts for endowment purposes of $30.4 million. Fiscal 2022 had an increase of $9.8 million from $1.2 million in fiscal 2021 to $11.0 million primarily from new gifts for endowment purposes of $7.9 million.

Photo by Bailey J. Beltramo

Statements of Net Position

as of June 30, 2023 and 2022

(dollars in thousands)

	2023	2022	UMEA 2023	UMEA 2022	UVMF 2023	UVMF 2022
			Discretely Presented Component Units			
ASSETS						
Current assets:						
Cash and cash equivalents	$ 167,524	$ 237,804	$ 1,021	$ 554	$ 56,215	$ 54,908
Operating investments	248,832	169,940	58,089	55,961	16,376	16,167
Accounts, loans, notes, and pledges receivable, net	54,686	47,039	565	609	4,898	5,345
Inventories and prepaid expenses	19,489	16,683	19	11	686	567
Total current assets	**490,531**	**471,466**	**59,694**	**57,135**	**78,175**	**76,987**
Non-current assets:						
Endowment cash, cash equivalents and investments	508,863	461,862	-	-	251,307	234,610
Student loans, notes, and pledges receivable, net	42,912	46,034	-	-	5,665	7,914
Investments for capital activities	73,522	63,022	-	-	157	132
Deposits with trustees	9,019	8,984	-	-	1,538	1,473
Other assests	12,615	-	-	-	-	-
Capital and right of use assets, net	742,925	741,588	-	-	7,252	7,557
Total non-current assets	**1,389,856**	**1,321,490**	**-**	**-**	**265,919**	**251,686**
Total Assets	**1,880,387**	**1,792,956**	**59,694**	**57,135**	**344,094**	**328,673**
DEFERRED OUTFLOWS OF RESOURCES						
Loss on refunding of debt	5,009	5,261	-	-	-	-
Postemployment benefits	34,660	58,102	-	-	-	-
Total Deferred Outflows of Resources	**39,669**	**63,363**	**-**	**-**	**-**	**-**
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	90,049	91,045	575	315	8,084	10,871
Unearned revenue, deposits, and funds held for others	18,326	15,726	43,411	41,621	-	1,823
Bonds and leases payable	18,015	16,827	-	-	-	-
Total current liabilities	**126,390**	**123,598**	**43,986**	**41,936**	**8,084**	**12,694**
Non-current liabilities:						
Accrued liabilities	12,457	15,216	-	-	-	-
Postemployment benefits	186,997	436,372	-	-	-	-
Bonds and leases payable	526,316	541,865	-	-	4,220	4,443
Total non-current liabilities	**725,770**	**993,453**	**-**	**-**	**4,220**	**4,443**
Total Liabilities	**852,160**	**1,117,051**	**43,986**	**41,936**	**12,304**	**17,137**
DEFERRED INFLOWS OF RESOURCES						
Right of use leases and service concession arrangement	14,350	16,468	-	-	-	-
Split-interest arrangements	5,027	4,041	-	-	-	-
Postemployment benefits	273,731	111,085	-	-	-	-
Total Deferred Inflows of Resources	**293,108**	**131,594**	**-**	**-**	**-**	**-**
NET POSITION						
Net investment in capital assets	200,460	183,268	-	-	3,032	3,115
Restricted:						
Non-Expendable	167,205	133,203	-	-	235,781	218,351
Expendable	418,089	397,697	11,629	11,428	77,187	77,209
Unrestricted	(10,966)	(106,494)	4,079	3,771	15,790	12,861
Total Net Position	**$ 774,788**	**$ 607,674**	**$ 15,708**	**$ 15,199**	**$ 331,790**	**$ 311,536**

The accompanying notes are an integral part of the financial statements.

Statements of Revenues, Expenses and Changes in Net Position

for the years ended June 30, 2023 and 2022

	(dollars in thousands)		Discretely Presented Component Units			
			UMEA	UMEA	UVMF	UVMF
	2023	2022	2023	2022	2023	2022
Operating revenues						
Tuition and fees	$ 486,896	$ 474,997	$ -	$ -	$ -	$ -
Residential life	76,434	72,461	-	-	-	-
Less scholarship allowances	(159,438)	(147,917)	-	-	-	-
Net student fees	403,892	399,541	-	-	-	-
Federal, state, and private grants and contracts	233,332	223,288	-	-	1,015	1,088
Sales and services of educational activities	7,692	7,452	-	-	-	-
Other auxiliary enterprises	44,713	43,365	-	-	-	-
Student loan interest and other operating revenues	19,228	17,634	181	176	216	185
Total operating revenues	**708,857**	**691,280**	**181**	**176**	**1,231**	**1,273**
Operating expenses						
Compensation and benefits	(411,702)	(440,151)	(256)	(230)	(10,099)	(9,158)
Supplies and services	(206,595)	(178,652)	-	-	(3,154)	(2,834)
Depreciation	(39,311)	(39,499)	-	-	(353)	(350)
Scholarships and fellowships	(27,431)	(39,935)	-	-	-	-
Total operating expenses	**(685,039)**	**(698,237)**	**(256)**	**(230)**	**(13,606)**	**(12,342)**
Operating gain (loss)	**23,818**	**(6,957)**	**(75)**	**(54)**	**(12,375)**	**(11,069)**
Non-operating revenues (expenses)						
State appropriations	55,828	48,415	-	-	-	-
Federal Pell grants	8,074	7,666	-	-	-	-
Private gifts	2,898	847	399	423	21,766	28,032
Net investment income (loss)	53,686	(41,336)	905	(3,248)	10,161	(13,278)
Interest on indebtedness	(20,547)	(20,693)	-	-	(44)	(54)
Gain (loss) on disposal of capital assets	(2,010)	(548)	-	-	-	-
Net other non-operating revenue (expense)	1,563	1,711	-	-	(576)	(380)
Intergovernmental transfers	(22,433)	(13,164)	-	-	-	-
Transfers from UVM to component units	(11,867)	(10,962)	-	-	11,375	10,538
Transfers to UVM from component units	29,622	29,274	(720)	(826)	(26,871)	(26,328)
Net non-operating revenues (expense)	**94,814**	**1,210**	**584**	**(3,651)**	**15,811**	**(1,470)**
Revenue (loss) before capital and endowment additions	**118,632**	**(5,747)**	**509**	**(3,705)**	**3,436**	**(12,539)**
State capital appropriations	3,100	1,500	-	-	-	-
Capital gifts and grants	15,024	1,576	-	-	-	-
Gifts for endowment purposes	30,358	7,929	-	-	16,818	27,517
Total capital and endowment additions	**48,482**	**11,005**	**-**	**-**	**16,818**	**27,517**
Increase (decrease) in net position	167,114	5,258	509	(3,705)	20,254	14,978
Net position, beginning of year	607,674	602,416	15,199	18,904	311,536	296,558
Net position, end of year	**$ 774,788**	**$ 607,674**	**$ 15,708**	**$ 15,199**	**$ 331,790**	**$ 311,536**

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows
for the years ended June 30, 2023 and 2022
(dollars in thousands)

	2023	2022
Cash Flows From Operating Activities		
Tuition and fees net of applicable scholarship allowances	$ 348,745	$ 345,937
Grants and contracts	229,326	222,991
Sales and services of educational activities	7,692	7,452
Sales and services of auxiliary enterprises:		
Residential life fees, net of scholarship allowances	54,801	52,883
Other	44,713	43,365
Payments to employees and benefit providers	(472,665)	(445,085)
Payments to vendors	(209,214)	(179,019)
Payments for scholarships and fellowships	(27,431)	(39,935)
Other receipts, net	18,326	16,622
Net cash provided by (used in) operating activities	**(5,707)**	**25,211**
Cash Flows From Non-Capital Financing Activities		
State general appropriation	55,828	48,415
Federal Pell grants	8,074	7,666
Private gifts for other than capital purposes	33,572	9,741
Intergovernmental transfers	(22,433)	(13,164)
Transfers from UVM to component units	(11,867)	(10,962)
Transfers to UVM from component units	29,622	29,274
Deposits of affiliates and life income payments, net	(1,315)	(2,950)
Net cash provided by non-capital financing activities	**91,481**	**68,020**
Cash Flows From Capital Financing Activities		
State capital appropriation	3,100	1,500
Capital grants, gifts and other income	16,589	3,193
Purchases and construction of capital assets	(41,759)	(64,832)
Proceeds from disposal of capital assets	70	95
Principal paid on capital debt	(17,960)	(11,732)
Interest paid on capital debt	(20,636)	(20,849)
Changes in deposits with trustees, net	603	11,096
Net cash used in capital financing activities	**(59,993)**	**(81,529)**
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	134,371	237,363
Purchase of investments	(231,892)	(216,639)
Interest and dividends on investments, net	4,833	570
Call contribution to joint venture	(12,615)	-
Net cash provided by (used in) investing activities	**(105,303)**	**21,294**
Net increase (decrease) in cash and cash equivalents	**(79,522)**	**32,996**
Cash and cash equivalents - beginning of year	269,388	236,392
Cash and cash equivalents - end of year*	**$ 189,866**	**$ 269,388**
Reconciliation of Operating Loss To Cash Provided by Operating Activities		
Operating gain (loss)	$ 23,818	$ (6,957)
Adjustments to reconcile operating loss to net cash provided by Operating Activities:		
Depreciation expense	39,311	39,499
Changes in assets and liabilities:		
Accounts receivable and loan receivable, net	(5,912)	641
Inventories and prepaid expenses	(1,593)	909
Accounts payable	3,503	(2,307)
Unearned revenue, deposits and accrued liabilities	(64,834)	(6,574)
Net cash provided by (used in) operating activities	**$ (5,707)**	**$ 25,211**

** of total cash and cash equivalents for 2023, $167,524 is current and $22,342 is non-current endowment and, for 2022, $237,804 is current and $31,584 is non-current endowment.*
The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022
(dollars in thousands)

A. Summary of Significant Accounting Policies and Presentation

The University of Vermont and State Agricultural College is a public, non-profit, comprehensive research institution of higher education with an enrollment of approximately 13,766 undergraduate, graduate, medical, and non-degree students. It is located in Burlington, Vermont with satellite instructional and research buildings throughout the State.

The University of Vermont and State Agricultural College is a land-grant institution and a component unit of the State of Vermont. The University receives an annual appropriation from the State. The Board of Trustees has 25 members including 9 legislative, 9 self-perpetuating, 3 gubernatorial, and 2 students; the Governor and President of the University serve as ex-officio members during their terms in office.

The University has received a letter from the Internal Revenue Service recognizing the University as an organization that is described in Internal Revenue Code Section 501(c)(3) and generally exempt from income taxes pursuant to Section 501(a) of the Internal Revenue Code.

1. Affiliated Organizations & Related Parties

University Medical Education Associates, Inc. (UMEA) is a legally separate component unit of the University of Vermont. UMEA is an organization described in Internal Revenue Code Section 501(c)(3) and is generally exempt from income taxes pursuant to Section 501(a) of the Code. UMEA is governed by a minimum nine-member board; five members are named as a result of their positions at the University of Vermont and the remaining are elected by the other members. UMEA's purpose is to support the operations, activities and objectives of the Robert Larner, M.D. College of Medicine of the University of Vermont. UMEA is a public non-profit organization that reports under Financial Accounting Standards Board (FASB) standards. UMEA's fiscal year ends on June 30. UMEA issues separate audited financial statements, which may be obtained by contacting the Dean's Office, Robert Larner, M.D. College of Medicine. Accordingly, UMEA is discretely presented on the University's Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position.

The University of Vermont and State Agricultural College Foundation, Inc. (UVMF) was incorporated as a Vermont nonprofit corporation on March 14, 2011 and is a legally separate entity from the University of Vermont. On January 1, 2012, UVMF officially assumed all fundraising responsibilities of the Office of Development and Alumni Relations at the University. UVMF is an organization described in Internal Revenue Code Section 501(c)(3) and is generally exempt from income taxes pursuant to Section 501(a) of the Code. UVMF exists to secure and manage private gifts for the sole benefit of the University and has been recognized by the University as the primary and preferred recipient for charitable gifts to or for the benefit of the University. UVMF is governed by a board of directors composed of not less than 15 or more than 29 members, including ex officio directors. The President of the University, the Chair of the Board of Trustees of the University, the President of the UVM Alumni Association, the Chair of the UVM Medical Center Foundation, and the UVMF President/CEO are ex officio directors of UVMF. UVMF reports under FASB standards, has a fiscal year end date of June 30, and issues separate audited financial statements, which may be obtained at the UVMF's website www.uvmfoundation.org. Accordingly, UVMF is discretely presented on the University's Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position. The UVMF holds an operating cash fund through UVM and participates in the UVM pooled endowment. The associated assets and liabilities, including endowment cash and investments, are analogous to an internal investment pool and are not reflected within the University's Statement of Net Position as they are reflected in the discretely presented column from the UVMF.

Catamount Run Phase 1, LLC. (Catamount Run) is a legally separate component unit of the University of Vermont. Catamount Run was established as a Vermont limited liability company on January 20, 2023, and consists of two partners, the University and Snyder-Braverman Development Company, LLC. The primary purpose of Catamount Run is to construct housing in close proximity to the University campus. The University will be given priority to the rental units for students and employees. Catamount Run will lease residential apartments to University students and employees under separate lease agreements and will, acting through its property manager, collect the rents for the apartment units directly from the apartment tenants. As a security for Catamount Run to reserve primarily all residential apartments for University students and employees, the University is providing a financial guaranty in the event there is a shortfall in gross rents due to vacancies or delinquencies. Catamount Run reports under Financial Accounting Standards Board (FASB) standards and has a fiscal year ends on December 31. Catamount Run will issue separate audited financial statements and accordingly will be discretely presented on the University's Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position beginning in FY24. As of June 30, 2023, the University had an equity interest in Catamount Run of $12,615 which is reflected as other assets on the 2023 Statements of Net Position.

The University has an affiliation with the University of Vermont Medical Center, Inc., University of Vermont Medical Group, Inc., and the University of Vermont Health Network, Inc. through an updated Affiliation Agreement signed in September 2022. The Affiliation Agreement is for a period of ten years, provided that either party may seek to re-negotiate any of the financial terms of the agreement after 5 years. The Agreement is to guide and govern the parties in the achievement of their common goals, including, but not limited to, providing high-quality clinical education for undergraduate and graduate students enrolled in UVM medical and health care related academic programs and health care professionals enrolled in continuing education programs. The Agreement sets forth principles and protocols designed to assist the University and the University of Vermont Medical Center (UVMMC) in coordinating efforts and allocating their resources. UVMMC agrees to pay a portion of salary, benefits, and related expenses incurred by the University to physician-faculty and staff who are also employed by UVMMC. In addition, UVMMC agrees to pay base payments that help maintain medical facilities owned and managed by the University

(dollars in thousands)

and the Dana Medical Library. UVMMC agrees to pay a portion of the UVM Medical Group Net Patient Revenues, referred to as the Dean's Tax, to the Robert Larner, M.D. College of Medicine for purposes that promote and are consistent with the common goals of both parties.

Under the University's conflict of interest policies, all business and financial relationships, including with trustees and employees, are subject to review and approval by the Board. Disclosures about the University's related party transactions, including those affiliates, are described in this footnote to the financial statements.

2. Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as defined for public colleges and universities by the Governmental Accounting Standards Board (GASB).

Net position is categorized as follows:

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Such assets include the University's physical plant.

- **Restricted:**

  Non-Expendable - Net position subject to externally imposed stipulations that they be maintained permanently by the University. This category includes the corpus of the University's true endowment funds.

  Expendable - Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University to meet those stipulations or that expire through the passage of time. This category includes restricted gifts, grants, contracts and endowment appreciation.

- **Unrestricted:** Net position not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management, the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

The University's policy for defining operating activities as reported on the Statements of Revenues, Expenses, and Changes in Net Position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Non-exchange transactions such as gifts, investment income, state appropriations and interest on indebtedness are reported as non-operating revenues and expenses.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates. The most significant areas that require management estimates relate to valuation of certain investments, the valuation of the postemployment benefit obligation, allowances on accounts and loans receivable, depreciation, and certain accruals.

Effective for the fiscal year ended June 30, 2023, the University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* The statement establishes new requirements for calculating and reporting the University's subscription-based software. The adoption of Statement No. 96 has been reflected as of July 1, 2022, with right of use subscription assets totaling $1.8 million offset with corresponding operating subscription liabilities of $1.8 million. There was no impact to beginning net position at July 1, 2021.

3. Fair Value Measurement

That fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used for measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active or inactive markets that the University has the ability to access.

Level 2 – Inputs to valuation methodology include:

- Quoted prices for similar assets or liabilities in inactive markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the University's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumption of risk). Unobservable inputs are developed based on the best information available in circumstances and may include the University's own data.

Certain investments are measured at net asset value (NAV) as a practical expedient to estimate the fair value as determined by the fund manager. Investments reported at NAV consist of shares or units in commingled funds and private partnerships as opposed to direct interests in the funds' underlying securities, which may be readily marketable and not difficult to value. NAV measured investments are not categorized in the fair value hierarchy table.

Investments in certain funds contain lock-up provisions. Under such provisions, share classes of the investment are available for redemption at various times in accordance with the management agreement of the fund.

(dollars in thousands)

4. Government Appropriations and Grants

Revenues associated with grants and contracts are generally recognized when related costs are incurred or when milestones are achieved. Federal, state and private grants and contracts revenue for 2023 and 2022 consists of:

Grants and Contracts	FY23	FY22
Federal appropriations, grants and contracts	$ 153,662	$ 158,113
State grants and contracts	6,500	5,908
Other governmental & private grants and contracts	73,170	59,267
TOTAL	**$ 233,332**	**$ 223,288**

State appropriations (general fund and capital) are reported as non-operating revenue. Grants awarded for capital improvements are reported as other revenues.

The University has recorded reimbursement of indirect costs relating to government contracts and grants at a predetermined rate. The reimbursement of indirect costs included in grant revenue is $37.6 million in 2023 and $36.8 million in 2022.

Federal appropriations, grants and contracts include *Higher Education Emergency Relief Fund* assistance dedicated to COVID-19 relief through the duration of the pandemic of $18.8 million in 2022. No assistance from the fund was received in 2023.

Private grants and contracts include funding of $26.2 million in 2023 and $15.5 million in 2022 to the Robert Larner, M.D. College of Medicine from the University of Vermont Medical Center, Inc. to offset facilities and operation costs.

5. Gifts

Gifts are recorded at their fair value and reported as non-operating revenue.

Promises to donate to the University are recorded as receivables and revenues when the University has met all applicable eligibility and time requirements. Since the University cannot fulfill the requirement to invest in perpetuity for gifts to endowments until the gift is received, pledges to endowments are not recognized until received.

6. Deposits and Unearned Revenue

Deposits and advance payments for the following academic year are unearned and recorded as revenues when earned. Summer session revenues are unearned to the extent that they relate to courses scheduled in July and August. Deposits and advance payments unearned revenue at June 30, 2023, and 2022, is $9,723 and $9,339, respectively.

The University records unearned revenue for cash received in excess of expenditures on grants and contracts. Grants and contracts unearned revenue at June 30, 2023, and 2022, is $5,764 and $4,308, respectively.

7. Employee Benefits

The University provides health and dental insurance to retired employees hired prior to 2012, and their families during their lives and life insurance until age 70. Employees hired on or after January 1, 2012 will continue to receive dental insurance and life insurance upon retirement. The health insurance benefit for these employees hired after January 1, 2012 has been replaced with a defined contribution Retiree Health Savings Plan (RHSP). UVM makes regular tax-free contributions to the RHSP for benefits-eligible faculty and staff. Earnings that accumulate in the RHSP grow tax free. Retirees will be able to access the savings in the RHSP to pay for eligible healthcare expenses upon retirement.

The total cost for active and retired employees for health, dental and life insurance, net of employee contributions, was $79,513 in 2023 and $66,415 in 2022. The total cost for contributions to the RHSP was $1,103 in 2023 and $800 in 2022. See note K for further information about postemployment benefits.

8. Compensated Absences

The University accrues amounts for compensated absences (principally vacation allowances) as earned. They are included in the current portion of accrued liabilities.

As of June 30, 2023, $27,045 ($24,266 in 2022) was accrued for vacation pay of which $19,926 ($17,903 in 2022) was charged to unrestricted net position and $7,119 ($6,363 in 2022) was included in deferred charges to be recovered from restricted expendable net position when paid.

9. Collections and Works of Art

The University maintains collections of inexhaustible assets, including works of art; historical artifacts; biological, geological, archaeological and ethnographic materials; and literature. While management believes the collections are quite valuable and irreplaceable, the University has not placed a dollar value on these assets. It is the University's policy to hold these assets for public exhibit, education and research rather than for financial gain and to protect, care for and maintain such assets in perpetuity. Accordingly, the collections are not capitalized for financial statement purposes.

(dollars in thousands)

B. Accounts, Loans, Notes, and Pledges Receivable

Accounts, loans, notes and pledges receivable at June 30, 2023 and 2022 are summarized as follows:

Accounts, Loans, Notes and Pledges Receivable, Net	June 30, 2023	June 30, 2022
Current		
Federal, state, and private grants receivable	$ 28,206	$ 19,519
Student and trade accounts receivable, net	9,353	9,497
Other accounts receivable	14,138	16,239
Student loans receivable, net	1,771	1,784
Pledges receivable, net	1,218	-
Total Current	**$ 54,686**	**$ 47,039**
Non-Current		
Student loans receivable, net	$ 20,272	$ 20,159
Lease receivable	13,373	14,900
Other notes receivable	5,980	7,141
Pledges receivable, net	3,287	3,834
Total Non-Current	**$ 42,912**	**$ 46,034**

Other accounts receivable includes the present value of expected future cash flows for lease agreements between the University and third parties, where the University serves as lessor. The current receivable balance includes $1,111 in 2023 from leases and $1,145 in 2022. The long-term balance from these arrangements are reported as a non-current lease receivable totaling $13,373 in 2023 and $14,900 in 2022. The lease receivables are netted with a deferred inflow of resources totaling $13,708 in 2023 and $15,614 in 2022.

The student accounts receivable are carried net of an allowance for doubtful accounts of $299 in 2023 and $334 in 2022.

Student loans receivable are carried net of an allowance for uncollectible UVM loans. The balances at June 30, 2023 and 2022 were $239 and $254, respectively. The University does not record an allowance for uncollectible federal student loans since they can be assigned to the government if certain conditions stipulated by the federal government are met.

The University's liability for the federal capital contribution to the Perkins, Health Professions, Primary Care, and Nursing Student loan programs is $2,409 for 2023 and $2,850 for 2022. These amounts are included in non-current accrued liabilities.

Collections and disbursements of pass through student loans such as Federal Direct Loans, Federal Plus Loans, and Vermont Student Assistance Corporation's Green Mountain Loans are reported on a net basis in the Statements of Cash Flows.

Accounts receivable from the UVMF and UMEA are $7,367 in 2023 and $10,281 in 2022 and are presented in accounts, loans, notes and pledges receivable, net on the Statements of Net Position.

C. Accounts Payable and Current Accrued Liabilities

Accounts payable and current accrued liabilities at June 30, 2023 and 2022 are summarized below:

Accounts Payable and Current Accrued Liabilities	June 30, 2023	June 30, 2022
Interest	$ 5,624	$ 5,712
Construction retainage	2,429	4,098
Compensated absences	27,045	24,266
Insurance reserves	19,376	20,047
Compensation and benefits	6,931	6,758
Other	9,159	14,182
Accounts and pledges payable	19,485	15,982
TOTAL	**$ 90,049**	**$ 91,045**

D. Capital and Right of Use Assets

Capital assets are stated at acquisition cost or, in the case of gifts, at the fair value at the date of donation.

Depreciation is calculated using the straight-line method over the estimated economic useful lives of the related assets. Certain research buildings are classified into the following components: 1) building (basic construction components/shell) with an estimated useful life of 40 years; 2) building service systems (plumbing, electrical, etc.) with an estimated useful life of 25 years; 3) interiors/renovations with an estimated useful life of 20 years and 4) fixed equipment with an estimated useful life of 15 years.

Other buildings are depreciated over a useful life of 40 years, land improvements are depreciated over a useful life of 20 years, fixed equipment is depreciated over a useful life of 15 years, and moveable equipment is depreciated over a useful life of 5 years. Software systems are depreciated over a useful life of 7 years. Major construction projects are capitalized but are not depreciated until they are put into service.

Depreciation expense for building and components including fixed equipment for fiscal year 2023 is $32,384 ($29,918 in 2022). Moveable equipment, software systems, and land improvements depreciation expense is $4,800 for 2023 ($8,424 in 2022). Right of use asset amortization expense totaled $2,127 in 2023 ($1,157 in 2022).

Land and construction in progress are the only non-depreciable capital assets.

Right of use assets include contractual agreements for noncancellable leases where the University is the lessee, primarily of land and buildings, and subscription-based information technology arrangements where the University pays for a third party's software for a specified period of time. For leases or information technology arrangements with a maximum possible term of 12 months or less at commencement, the University recognizes expense based on the provisions of the contract. For those greater than 12 months, the University recognizes an operating lease or subscription liability

(dollars in thousands)

(footnote E) and an intangible right of use lease or subscription asset. The asset is initially measured as the initial amount of the corresponding liability, less payments made at or before the commencement date, plus any initial direct costs or software implementation costs ancillary to placing the underlying asset into service, less any incentives received at or before the commencement date. Subsequently, the right of use asset is amortized into amortization expense on a straight-line basis over the shorter of the contractual term or the useful life of the underlying asset. The corresponding lease or subscription liability is measured as the present value of payments over the term discounted using an incremental borrowing rate. The value of an option to terminate or extend the agreement is reflected to the extent it is reasonably certain management will exercise the option. The University monitors changes in circumstances that may require remeasurement. When certain changes occur that are expected to significantly affect the amount of the liability, it is remeasured and a corresponding adjustment is made to the asset.

Key estimates and judgments include how the University determines the discount rate it uses to calculate the present value of the expected contractual payments, the term, and the payments. The University generally uses its estimated incremental borrowing rate as the discount rate for leases and information technology arrangements unless the rate the is set within the contract. The University's incremental borrowing rate was determined from available debt instruments that carried similar dollar value and time periods to the portfolio.

The term includes the noncancellable period of the agreement plus any periods covered by either a University or vendor unilateral option to extend for which it is reasonably certain to be exercised, or terminate for which it reasonably certain to be exercised. Periods in which both the University and the lessor or vendor have an option to terminate are excluded from the term.

The University's net capital and right of use asset activity for the years ended June 30, 2023 and 2022 is summarized as follows:

Fiscal Year 2023	**Balance as of June 30, 2022**	**Additions**	**Retirements**	**Reclass/ Changes**	**Balance as of June 30, 2023**
Capital Assets:					
Land	$ 20,627	$ -	$ -	$ -	$ 20,627
Land improvements	20,152	1,025	-	650	21,827
Buildings	799,014	1,822	(6,201)	34,931	829,566
Building service systems	173,517	5,198	-	27,055	205,770
Building interiors	88,753	364	-	9,765	98,882
Fixed equipment	107,740	2,152	(2,884)	1,878	108,886
Moveable equipment	29,960	2,977	(597)	1,206	33,546
Software systems	31,891	-	-	-	31,891
Construction in progress	94,278	25,584	-	(75,485)	44,377
Total capital assets	1,365,932	39,122	(9,682)	-	1,395,372
Less: accumulated depreciation	(627,710)	(37,184)	7,609	-	(657,285)
Capital assets, net	738,222	1,938	(2,073)	-	738,087
Right of use assets	4,523	3,402	(152)	187	7,960
Less: accumulated amortization	(1,157)	(2,127)	152	10	(3,122)
Right of use assets, net	3,366	1,275	-	197	4,838
Total capital and right of use assets, net	**$ 741,588**	**$ 3,213**	**$ (2,073)**	**$ 197**	**$ 742,925**

(dollars in thousands)

Fiscal Year 2022	Balance as of June 30, 2021	Additions	Retirements	Reclass/ Changes	Balance as of June 30, 2022
Capital Assets:					
Land	$ 29,044	$ -	$ (471)	$ (7,946)	$ 20,627
Land improvements	11,738	468	-	7,946	20,152
Buildings	776,059	2,616	(257)	20,596	799,014
Building service systems	165,977	7,540	-	-	173,517
Building interiors	88,358	349	-	46	88,753
Fixed equipment	106,727	1,013	-	-	107,740
Moveable equipment	27,088	4,003	(1,303)	172	29,960
Software systems	31,891	-	-	-	31,891
Construction in progress	67,958	47,134	-	(20,814)	94,278
Total capital assets	1,304,840	63,123	(2,031)	-	1,365,932
Less: accumulated depreciation	(590,756)	(38,342)	1,388	-	(627,710)
Capital assets, net	714,084	24,781	(643)	-	738,222
Right of use assets	-	4,523	-	-	4,523
Less: accumulated amortization	-	(1,157)	-	-	(1,157)
Right of use assets, net	-	3,366	-	-	3,366
Total capital and right of use assets, net	**$ 714,084**	**$ 28,147**	**$ (643)**	**$ -**	**$ 741,588**

(dollars in thousands)

E. Long-Term Debt

Debt obligations are generally callable by the University and bear interest at fixed rates ranging from 1.60% to 6.43%. The debt obligations mature at various dates through 2050.

Long term debt activity for the years ended June 30, 2023 and 2022 is summarized as follows:

Fiscal Year 2023

				Ending Balance	
Bonds, Notes and Leases Payable	**Beginning Balance**	**New Debt**	**Payments**	**Current**	**Non-Current**
General obligation bonds					
Series 2010A	$ 9,000	$ -	$ -	$ -	$ 9,000
Series 2012A (1)	46,650	-	(13)	(13)	46,676
Series 2014A (2)	63,432	-	2,272	2,381	58,779
Series 2015 (3)	184,995	-	3,014	3,149	178,832
Series 2016 (4)	67,418	-	2,729	2,844	61,845
Series 2017 (5)	57,322	-	2,698	2,813	51,811
Series 2019A (6)	44,466	-	903	938	42,625
Series 2019B (7)	69,949	-	2,381	2,471	65,097
Series 2021 (note payable)	11,945	-	1,630	1,655	8,660
Finance lease liability	92	-	21	42	29
Operating lease and subscription liability	3,423	3,599	2,325	1,735	2,962
TOTAL	**$ 558,692**	**$ 3,599**	**$ 17,960**	**$ 18,015**	**$ 526,316**

(1) This balance shown net of bond discount of $197.
(2) This balance shown net of bond premium of $4,361.
(3) This balance shown net of bond premium of $7,231.
(4) This balance shown net of bond premium of $8,679.
(5) This balance shown net of bond premium of $7,759.
(6) This balance shown net of bond premium of $7,138.
(7) This balance shown net of bond premium of $13,018.

Fiscal Year 2022

				Ending Balance	
Bonds, Notes and Leases Payable	**Beginning Balance**	**New Debt**	**Payments**	**Current**	**Non-Current**
General obligation bonds					
Series 2010A	$ 9,000	$ -	$ -	$ -	$ 9,000
Series 2012A (1)	46,637	-	(13)	(13)	46,663
Series 2014A (2)	65,608	-	2,176	2,271	61,161
Series 2015 (3)	187,879	-	2,884	3,014	181,981
Series 2016 (4)	70,031	-	2,613	2,729	64,689
Series 2017 (5)	59,906	-	2,584	2,698	54,624
Series 2019A (6)	45,338	-	872	903	43,563
Series 2019B (7)	72,239	-	2,290	2,381	67,568
Series 2021 (note payable)	13,635	-	1,690	1,630	10,315
Finance lease liability	43	108	59	21	71
Operating lease liability	-	4,522	1,099	1,193	2,230
TOTAL	**$ 570,316**	**$ 4,630**	**$ 16,254**	**$ 16,827**	**$ 541,865**

(1) This balance shown net of bond discount of $210.
(2) This balance shown net of bond premium of $4,673.
(3) This balance shown net of bond premium of $7,560.
(4) This balance shown net of bond premium of $9,107.
(5) This balance shown net of bond premium of $8,143.
(6) This balance shown net of bond premium of $7,420.
(7) This balance shown net of bond premium of $13,534.

(dollars in thousands)

In compliance with the University's various bond indentures, at June 30, 2023 the University has deposits with trustees of $14 ($617 in 2022) for debt service reserves, sinking funds, and other requirements. Deposits with trustees are invested in obligations of the U.S. Government as required by the University's bond indentures.

The principal and interest due on bonds, notes and financing leases over the next five years and in subsequent five-year periods are presented in the table below:

For the Fiscal Year Ending June 30	Principal Due	Interest Due	Total Due
2024	$ 14,021	$ 21,868	$ 35,889
2025	14,687	21,208	35,895
2026	15,382	20,514	35,896
2027	16,096	19,786	35,882
2028	16,910	19,021	35,931
2029-2033	98,625	82,321	180,946
2034-2038	122,305	58,500	180,805
2039-2043	135,145	28,884	164,029
2044-2048	53,010	4,992	58,002
2049-2050	5,464	269	5,733
TOTAL	**$ 491,645**	**$ 277,363**	**$ 769,008**

Operating lease and subscription-based information technology arrangement payments are evaluated by the University to determine if they should be included in the measurement of the liability. Outstanding commitments for operating lease and subscription liabilities are expected to be paid over the agreement's contractual term. At June 30, 2023, the average right of use lease term is approximately 8 years, with the farthest lease end date in 2028.

Variable and short-term lease and subscription-based information technology arrangement payments are excluded from the measurement of the corresponding liability. Such amounts are recognized as expense in the period in which the obligation for those payments in incurred. The amounts recognized as outflows (expense) for variable and short-term lease and subscription-based information technology arrangement payments not included in the measurement of the lease liabilities were $9,874 and $3,710 in 2023 and 2022, respectively.

F. Cash and Cash Equivalents and Operating Investments

The University's cash management policy provides parameters for investment of the University's pooled cash. The University classifies resources invested in money market funds and short-term investments with maturities at date of purchase of 90 days or less as cash equivalents. Operating funds invested in instruments with maturities beyond 90 days are classified as operating investments. The cash management policy establishes three pools for investment: short, intermediate and long term. Allowable investments in the short-term pool and intermediate term pool are restricted to U.S. Treasury and government agency securities, money markets, high quality corporate and asset-backed securities, and commercial and bank paper, whereas the intermediate term pool may have maturities up to six years. Investments shall be in marketable securities of the following types and with the noted credit ratings:

1. Debt securities rated Aaa, Aa, A or Baa by Moody's Investor's Service, Inc. or AAA, AA, A or BBB by Standard & Poor's Corporation.

2. Obligations of, or guaranteed by, the United States of America, its agencies or instrumentalities.

3. Obligations of, or guaranteed by, national or state banks or bank holding companies rated BB or better. No more than 20% of the funds held in the cash pool shall be invested in debt obligations of institutions within any single holding company.

4. Asset-backed securities rated Aaa by Moody's Investor's Service, Inc. or AAA by Standard & Poor's Corporation.

5. Commercial paper rated A-1 or higher by Standard and Poor's or Prime-1 (P1) by Moody's Investor's Service, Inc.

6. Bankers' acceptances or negotiable certificates of deposit issued by banks rated BB or better. No more than 20% of the funds held in the cash pool shall be invested in certificates of deposit, bankers' acceptances or floating rate notes of the institutions within any single holding company.

7. Repurchase agreements of banks having Fitch ratings no lower than BB secured by the U.S. government and federal agency obligations with market values of at least 100% of the amount of the repurchase agreement.

8. Commingled funds may be used if they are in compliance with the above guidelines.

Current and non-current cash and cash equivalents is summarized below:

Cash and Cash Equivalents	June 30, 2023	June 30, 2022
Current	$ 167,524	$ 237,804
Endowment	22,342	31,584
TOTAL	**$ 189,866**	**$ 269,388**

Current and non-current cash and cash equivalents are comprised of the following:

Cash and Cash Equivalents	June 30, 2023	June 30, 2022
Cash	$ 41,126	$ 166,681
Money Markets	148,740	102,707
TOTAL	**$ 189,866**	**$ 269,388**

(dollars in thousands)

Investment of the long-term pool shall be restricted to those that are allowable under the University's Statement of Objectives and Policies for the Endowment Fund and that meet the overall objective of achieving consistent long-term growth of the pool with limited exposure to risk.

The balance of cash held in bank deposit accounts was $38,376 at June 30, 2023 and $166,681 at June 30, 2022. Of these bank balances, $659 in 2023 and $647 in 2022 were covered by the Federal Depository Insurance Corporation. The University had a third-party custodian agreement with Bank of New York Mellon, through People's United, of $100,664. The University also has an irrevocable standby letter of credit of $225,000 at June 30, 2023 and June 30, 2022 through the Federal Home Loan Bank of Pittsburgh as collateral for the University's primary depository account and money market account that the University has never drawn on. The University had a revolving line of credit of $50,000 with TD Bank that was terminated on December 21, 2022.

Total operating investments of $248,832 at June 30, 2023 and $169,940 at June 30, 2022 were primarily made through comingled funds as described in footnote G.

G. Investments

Investments are reported in three categories in the Statements of Net Position. Investments reported as non-current assets include endowment, annuity, and life income funds. Investments for capital activities reported as non-current assets are replacement reserves designated for capital renovations. All other investments are reported as operating investments. A summary of investments is below:

Investments	June 30, 2023	June 30, 2022
Operating investments	$ 248,832	$ 169,940
Endowment investments	508,863	461,862
Investments for capital activities	73,522	63,022
TOTAL	**$ 831,217**	**$ 694,824**

Deposits with trustees include $7,853 in 2023 and $7,229 in 2022 of assets held under deferred giving arrangements, $1,152 in 2023 and $1,138 in 2022 of investments in the waste disposal fund required by the EPA, and $14 in 2023 and $617 in 2022 of investments held by bond trustees.

The University records its purchases and sales of investments on a trade date basis.

The assets or liabilities level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgement by the University's management. University management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to University management's perceived risk of that investment.

These valuations may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the University 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.

Because of the inherent uncertainty of valuations, the estimated values as determined by the appropriate manager or general partners may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

The following is a description of the investment categories:

<u>Public Global Equity</u> – Investments are with managers who have a geographic focus, either the U.S., Developed ex U.S. Markets, or Emerging Markets. The program provides the portfolio exposure to common equities across the globe. The University has investments in commingled vehicles, mutual funds, and separate accounts.

<u>Marketable Alternatives</u> – This asset class includes hedge fund managers with the intention of reducing total portfolio volatility and providing diversification. The investments are in the following categories: multi-strategy, distressed securities, global macro, open mandate, and long/short equity in global markets.

<u>Private Investments</u> - This asset class includes investments focusing on interests in private companies including buyout funds, secondary markets, and distressed debt as well as investments focusing on non-publicly traded interests in start-up entities.

<u>Public Real Assets</u> – This asset class includes investments focusing on publicly traded securities of natural resources affiliated companies and private real estate funds invested in various segments of the real estate market, including office, industrial, multi-family, and retail. The allocation also includes partnerships targeting natural resources. Many of the private real asset investments are made via lock-up funds and are thus illiquid.

<u>Fixed Income/Debt</u> – Investments consisting of U.S. Treasuries, corporate, and high yield bonds. The allocation is liquid and designed to protect the portfolio in deflationary periods.

<u>Other Investments</u> – This asset class includes insurance policies where the University is named as the beneficiary.

(dollars in thousands)

Investments measured at fair value or net asset value as of June 30, 2023 and 2022 is summarized as follows:

June 30, 2023	Level 1	Level 2	Level 3	NAV	Total Investments
Investments:					
Public global equity	$ 344,369	$ -	$ -	$ 67,654	$ 412,023
Marketable alternatives	-	-	-	132,893	132,893
Private investments	-	-	-	193,502	193,502
Fixed income/debt	62,571	225,162	-	-	287,733
Other	550	-	950	-	1,500
Cash and cash equivalents	22,333	-	-	-	22,333
Subtotal investments	$ 429,823	$ 225,162	$ 950	$ 394,049	$ 1,049,984
Less UVM Foundation					$ (218,767)
Total Investments					**$ 831,217**
Deposits with Trustees at Fair Value:					
Beneficial interests in trusts	$ -	$ -	$ 3,840	$ -	$ 3,840
Public global equity	26	-	-	-	26
Fixed income/debt	349	4,164	-	-	4,513
Cash and cash equivalents	640	-	-	-	640
Total Deposits With Trustees	**$ 1,015**	**$ 4,164**	**$ 3,840**	**$ -**	**$ 9,019**

(dollars in thousands)

June 30, 2022	Level 1	Level 2	Level 3	NAV	Total Investments
Investments:					
Public global equity	$ 272,042	$ -	$ -	$ 85,095	$ 357,137
Marketable alternatives	-	-	-	94,650	94,650
Private investments	-	-	-	194,874	194,874
Fixed income/debt	51,515	148,219	-	14,690	214,424
Other	550	-	690	-	1,240
Cash and cash equivalents	31,584	-	-	-	31,584
Subtotal investments	$ 355,691	$ 148,219	$ 690	$ 389,309	$ 893,909
Less UVM Foundation					$ (199,085)
Total Investments					**$ 694,824**
Deposits With Trustees at Fair Value:					
Beneficial interests in trusts	$ -	$ -	$ 3,319	$ -	$ 3,319
Public global equity	28	-	-	-	28
Fixed income/debt	348	4,356	-	-	4,704
Cash and cash equivalents	933	-	-	-	933
Total Deposits With Trustees	**$ 1,309**	**$ 4,356**	**$ 3,319**	**$ -**	**$ 8,984**

Investment liquidity fas of June 30, 2023 and 2022 is summarized as follows:

June 30, 2023	Daily	Monthly	Quarterly	Semi-Annual	Annual	Illiquid	Total	Redemption Notice Period
Investments:								
Public global equity	$ 251,552	$ 131,584	$ 28,887	$ -	$ -	$ -	$ 412,023	1-90 days
Marketable alternatives	19,131	43,691	39,028	11,373	12,973	6,697	132,893	1-90 days
Private investments	-	-	-	-	-	193,502	193,502	Illiquid
Fixed income/debt	287,733	-	-	-	-	-	287,733	1-30 days
Other	550	-	-	-	-	950	1,500	Same day, Illiquid
Cash and cash equivalents	22,333	-	-	-	-	-	22,333	Same day
Subtotal investments	$ 581,299	$ 175,275	$ 67,915	$ 11,373	$ 12,973	$ 201,149	$ 1,049,984	
Less UVM Foundation							$ (218,767)	
Total Investments							**$ 831,217**	

June 30, 2022	Daily	Monthly	Quarterly	Semi-Annual	Annual	Illiquid	Total	Redemption Notice Period
Investments:								
Public global equity	$ 193,467	$ 143,999	$ 19,671	$ -	$ -	$ -	$ 357,137	1-90 days
Marketable alternatives	16,990	8,599	37,268	11,445	12,429	7,919	94,650	1-90 days
Private investments	-	-	-	-	-	194,874	194,874	Illiquid
Fixed income/debt	199,734	14,690	-	-	-	-	214,424	1-30 days
Other	550	-	-	-	-	690	1,240	Same day, Illiquid
Cash and cash equivalents	31,584	-	-	-	-	-	31,584	Same day
Subtotal investments	$ 442,325	$ 167,288	$ 56,939	$ 11,445	$ 12,429	$ 203,483	$ 893,909	
Less UVM Foundation							$ (199,085)	
Total Investments							**$ 694,824**	

(dollars in thousands)

The fixed income/debt portfolio is composed of passive and active bond funds. The following shows the risk profiles at June 30, 2023 and 2022:

			Credit Quality %					
Fixed Income Debt	**Amount**	**Average Maturity/ Effective Duration**	**Govt/Agency**	**AAA**	**AA**	**A**	**BBB**	**<BBB**
2023	$ 287,733	2.4/2.2	48	3	10	32	7	0
2022	$ 214,424	2.9 /2.7	29	3	13	38	10	7

Investment income is recorded as revenue when earned. Net investment income is reported as non-operating revenue and includes income net of investment fees and the change in the fair value of investments as well as losses on impaired investments. The calculation of realized gains (losses) is independent of the calculation of the net increase in the fair value of marketable investments. Net investment income consists of:

Net Investment Income	**FY23**	**FY22**
Net interest, dividend, and other income	$ 5,933	$ 858
Realized gains	6,930	63,426
Unrealized gains/(losses)	42,396	(104,135)
Investment management fees	(1,573)	(1,485)
TOTAL	**$ 53,686**	**$ (41,336)**

H. Endowment and Other Long-Term Funds

The University's investment policies are governed and authorized by the University Board of Trustees. The Board of Trustees Investment Subcommittee has established a formal policy for investment of the endowment and other long term funds with an objective to provide a stable and consistent level of ongoing support for the University's programs through a reasoned spending policy that is also consistent with preserving and enhancing the real purchasing power of the fund over time. The primary long-term investment goal is to attain a real total return that exceeds the amount being distributed for spending and administration, currently set at 5.50%. Other important investment objectives are to achieve annualized returns in excess of the strategic policy portfolio blended benchmark, measured over a full market cycle; and to outperform the median return of a pool of endowment funds of similar size with broadly similar investment objectives and policies.

The endowment in aggregate (which comprises the consolidated endowment and other separately invested assets), long term capital and operating reserves, and UVM Foundation assets are invested in a balanced portfolio consisting of traditional equities (domestic and international) and fixed income/debt; marketable alternatives (hedge funds); private investments (venture capital and private equity); and a diversified portfolio of public real assets (real estate and commodities). The consolidated endowment's asset allocation target and actual percentages at June 30 are presented in the following tables:

Unaudited		**June 30, 2023**
	Target %	**Actual %**
Public global equity	45.0	50.7
Marketable alternatives	10.0	14.9
Private investments	35.0	24.2
Fixed income/debt	8.0	7.8
Cash & cash equivalents	2.0	2.4

		June 30, 2022
	Target %	**Actual %**
Public global equity	45.0	48.5
Marketable alternatives	10.0	11.3
Private investments	35.0	26.8
Fixed income/debt	8.0	9.1
Cash & cash equivalents	2.0	4.3

The majority of endowment fund assets are pooled for investment purposes. Each individual fund subscribes to or disposes of units on the basis of the value per unit at fair value at the beginning of the month within which the transaction takes place. Income is distributed on a per unit basis. Of the total units (each having a fair value of $70.45), 5,728.3669 units were owned by endowment funds and 5,683.8573 units by quasi endowment funds at June 30, 2023 ($69.04, 5,225.5937 and 5,304.5281 respectively, at June 30, 2022).

(dollars in thousands)

The University of Vermont Foundation (UVMF) participates in the UVM pooled endowment. The UVMF owned 3,105.3166 units with a market value of $218,767 as of June 30, 2023 and 2,883.7550 units with a market value of $199,085 as of June 30, 2022.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the institution define an overall prudent approach both to distribution of funds for spending and long-term preservation and growth of capital. The University policy allows distributions from endowments that are temporarily underwater in accordance with the statute. The Investment Subcommittee of the Board of Trustees reviews the income distribution rate annually.

The table below summarizes changes in relationships between cost and fair values of the pooled endowment:

	Fair Value	Cost	Net Change
June 30, 2023	$ 803,983	$ 642,278	$ 161,705
June 30, 2022	726,964	611,026	115,938
Unrealized net gain/(loss)			45,767
New gifts and transfers			57,437
Realized net gain			4,384
Net loss			(1,648)
Withdrawn for spending			(28,921)
Total Net Change			**$ 77,019**

	Fair Value	Cost	Net Change
June 30, 2022	$ 726,964	$ 611,026	$ 115,938
June 30, 2021	704,546	477,167	227,379
Unrealized net gain/(loss)			(111,441)
New gifts and transfers			92,568
Realized net gain			62,233
Net loss			(1,727)
Withdrawn for spending			(19,215)
Total Net Change			**$ 22,418**

I. Commitments

Major plant projects include commitments as follows:

Project	Estimated Project Cost	Project-to-Date Expenditures 2023	Project-to-Date Expenditures 2022
Multipurpose Center	$ 95,000	$ 66,232	$ 63,050
Hills Building	32,000	20,965	2,717

Obligations under lease agreements are detailed in note E.

The University is obligated under certain of its investments to make future capital contributions in the amount of $82,157 as of June 30, 2023.

The University entered into agreements with the State of Vermont Department of Vermont Health Access in both 2023 and 2022, to make payments to support the Graduate Medical Education (GME) program. The GME program helps ensure access to quality and essential professional health services for Medicaid beneficiaries through the care provided by teaching physicians and teaching hospitals. The University uses general fund state appropriation dollars to fund the GME payments through an inter-governmental transfer to the State. GME payments totaling $22,433 and $13,164 were made in 2023 and 2022, respectively, and are recorded on the Statements of Revenues, Expenses, and Changes in Net Position under Intergovernmental transfers in the Non-operating revenues and expenses section. For 2024, the University will make a payment to the State of Vermont Department of Vermont Health Access totaling $22,628.

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters and business interruption. The University manages these risks through a combination of self-insurance and commercial insurance purchased in the name of the University. The University's annual self-insured obligation for general liability is $500 per occurrence and $25 per occurrence for automobile liability. Its assumption of risk for property losses is $250 per occurrence. Educator's legal liability risks are subject to a $300 per loss retention. Worker's compensation is subject to a $650 per occurrence retention. None of these lines of coverage have an annual self-insured aggregate or stop-gap. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The University is a member of a Vermont captive, Pinnacle Consortium of Higher Education. The captive covers two insurance lines, general liability and automobile liability. All members are required to participate in the captive general liability program which provides $5,000 excess limit and the group purchase liability program that provides a $20,000 excess limit. The University has purchased an additional $75,000 from the commercial liability insurance market to bring the total excess limit to $100,000.

The University follows the policy of self-insuring risks up to certain limits. At year end, the University had open claims valued at $2,687 in 2023 and $2,344 in 2022; $83 and $31 of this is covered by excess insurance in 2023 and 2022, respectively. The University paid claims of $1,914 in 2023 and $2,531 in 2022. Reserves for property and casualty liabilities are included in accrued liabilities (including incurred but not reported) in the amount of $19,376 at June 30, 2023 and $20,047 at June 30, 2022.

In conducting its activities, the University from time to time is the subject of various claims and has claims against others. The ultimate resolution of such claims is not expected to have a material adverse or favorable effect on the financial position, operating performance or cash flows of the University.

Four groups of University employees are represented by collective bargaining units. The University participates in contract negotiations with these groups periodically.

(dollars in thousands)

The University receives significant financial assistance from federal and state agencies in the form of grants and contracts. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the University. In the opinion of management such adjustments, if any, are not expected to materially affect the financial condition, operating performance or cash flows of the University.

J. Retirement Plans

Faculty, staff and post-doctoral employees at the University of Vermont may participate in the University's 403(b) defined contribution plan and a 457(b) deferred compensation plan provided the following criteria are met:

- faculty and staff in 9-, 10-, 11-, or 12-month appointments must have a full-time equivalency of .75 or greater. These individuals may become eligible for UVM contributions;
- faculty, staff and post-doctoral employees with a 12-month appointment must have a full-time equivalency of .50 to .75 to be eligible to make contributions to UVM's 403(b) and 457(b) plans. These individuals are not eligible for UVM contributions;
- post-doctoral employees must have a full-time equivalency of .50 or greater to be eligible to make contributions to UVM's 403(b) and 457(b) plans. These individuals are not eligible for UVM contributions;
- non-represented staff, Staff United and United Electrical staff must be employed three years before they qualify for University contributions to their retirement plan, or, to waive this waiting period, they must have a vested interest in the retirement plan of their previous nonprofit employer;
- staff represented by the Teamsters Union are eligible for the 10% UVM contribution after the successful completion of their probationary period;
- non tenure-track faculty and faculty under the rank of assistant professor must wait two years to qualify for University contributions to their retirement plan, or, to waive this waiting period, they must have a vested interest in the retirement plan of their previous nonprofit employer;
- officers of administration or tenure track faculty at the level of assistant professor or above receive University contributions to their retirement plan immediately upon enrolling in the plan.

To obtain University contributions, faculty members and officers of administration must contribute 3% of their salary, and staff must contribute 2%. The University's contribution to the retirement fund of qualified faculty and staff is 10% of salary and this amount is immediately vested.

The University also offers a 457(b) deferred compensation plan. Faculty and staff can participate provided they are participating in the 403(b) plan. The University makes no contributions to this plan.

The University's 403(b) and 457(b) contributory retirement plans are administered by the Teachers Insurance Annuity Association of America (TIAA), the College Retirement Equities Fund (CREF), and Fidelity Investments.

Since both faculty and staff are immediately vested in all retirement contributions made on their behalf, the University has no control of, responsibility for, or ownership of retirement funds, except that employees may not withdraw employer funds contributed to either their 403(b) or 457(b) plan while employed at the University. Retirement funds may be transferred among the investment alternatives at the discretion of the employee.

Upon leaving the University, employees may remain in the UVM plan but may no longer make contributions, withdraw funds from their accounts, or transfer the funds to other investment alternatives subject to the limitations of 403(b) and/or 457(b) regulations and the contractual provisions of their investment alternative.

For the years ended June 30, 2023 and 2022, the University had total payroll expense of $334,657 and $314,069, respectively, of which $235,150 in 2023 and $228,143 in 2022 was covered by the University's 403(b) retirement plan. Total employee and employer contributions for 403(b) pension benefits for the year were $20,111 and $23,515, respectively, for 2023 and $19,684 and $22,814, respectively, for 2022. The University's contribution for 403(b) pension benefits is 10% of the covered payroll. Total employee contributions to the 457(b) retirement plan were $6,693 in fiscal year 2023 and $6,186 in fiscal year 2022.

K. Postemployment Benefits Other Than Pensions (OPEB)

The University accounts for its postemployment benefit plan in accordance with GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* GASB Statement 75 prescribes a methodology which requires the employer to recognize a total OPEB liability on the Statements of Net Position. Changes in the total OPEB liability will immediately be recognized as OPEB expense on the Statements of Revenues, Expenses, and Changes in Net Position or reported as deferred outflows or deferred inflows of resources depending on the nature of the changes.

1. Plan Description

The University's OPEB plan covers medical, (base) dental, life insurance, and tuition remission benefits provided to eligible University retirees and their dependents. The plan was established under the authority of and may be amended by the University. It is a single employer defined benefit OPEB plan administered by the University. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Plan provisions include two levels of eligibility based on whether the employee was at least 65 years of age at June 30, 2014:

1) Pre-65 retirees that met the retirement benefit eligibility criteria that were in place at the time of his or her hire date, and retired on or before June 30, 2014, will receive the post-retirement medical benefit and premium

(dollars in thousands)

contributions will remain unchanged. For employees hired before January 1, 2012, if the employee met the retirement eligibility criteria that were in place at the time of his or her hire date, and did not retire on or before June 30, 2014, then he or she is eligible for the benefit but his or her share of the premium contribution will change based on the employee's salary at the date of retirement. If, by June 30, 2014, the employee has not met the eligibility criteria that were in place at the time of his or her hire date, then he or she will be eligible to enroll in the pre-65 post-retirement medical benefit plan, but will be responsible for 100% of the premium unless the employee has at least fifteen years of service in which case, at the age of 62, the employee will be eligible for the pre-retirement medical benefit and will pay 50% of the premium for Non-United Academic employees, and 60% of the premium for United Academic employees. Employees hired on or after January 1, 2012 will be able to participate in the post-retirement medical plan, but they will be responsible for 100% of the premium.

2) Post-65 retirees that met the retirement benefit eligibility criteria that were in place at the time of his or her hire date, and retired on or before June 30, 2014, will receive the post-retirement medical benefit and premium contributions will remain unchanged. Employees hired before January 1, 2012 who do not retire by June 30, 2014 will be eligible for the post-65 benefit when they reach the age of 65 and have 15 years of service, but the premium will change based on the employee's salary at the date of retirement. Employees hired on or after January 1, 2012 will be able to participate in the post-retirement medical plan, but they will be responsible for 100% of the premium.

Employees who retired under the Voluntary Separation Plan of 1992 or before are not required to contribute to the plan, however, a surviving spouse receives two (2) years of medical and base dental coverage without charge, after which dental terminates (the surviving spouse would be eligible for 36 months of COBRA) and medical coverage is available at 50% of the cost of providing coverage. Retirees under the Voluntary Separation Plan of 2000 pay for their medical benefits based on the contribution system in effect prior to June 30, 2000 (based on 0.5% times 75% of the average final three years' base salary). Retirees hired after June 30, 1992 have the same salary band contribution percentages as active employees, which is based on 75% of their average final three years' base salary. Retirees hired after June 30, 1992 and before July 1, 1997 are required to contribute as above plus a percentage based on the sum of their age at retirement and their years of continuous full-time service. This surcharge is based on a scale that ranges from 65 to 75 and over. A retirement benefit structure was announced in December 2011, affecting employees retiring on or after June 30, 2015. Consideration is given to age and years of service, with employee participation in medical benefit coverage and the costs associated with that coverage.

At the valuation date of January 1, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,848
Active employees	4,016
TOTAL	**5,864**

2. Total OPEB Liability

The University's total OPEB liability of $186,997 in 2023 and $436,372 in 2022 was determined by an actuarial valuation as of January 1, 2021, and then projected forward to the measurement date of December 31, 2022 and December 31, 2021, respectively.

The total OPEB liability as of the December 31, 2022 measurement date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Salary Increases	3.00%
Discount Rate	3.72%

The following percentages have been assumed for election of coverage by future eligible retirees:

Medical and Rx	90%
Dental	95%
Life Insurance	95%
	50% for disabled retirees

Assumed health care cost trend rates vary by benefit type as follows:

Benefit	Initial Rate	Ultimate Rate	Year Ultimate Rate is Reached
VHP Pre-Medicare	5.9%	4.0%	2067
J Carve-Out Medicare	0.0%	3.9%	2068
MediComp III Medicare	0.0%	3.9%	2068
Dental	7.9%	4.0%	2023
Tuition Remission	2.3%	2.3%	2021

The discount rate was based on Bond Buyer GO 20-Bond Municipal Bond Index. The discount rate is as of the measurement date.

The mortality rates for 2023 and 2022 were based on the Pri-2012 Retiree/ Employee Mortality Table projected with Projection Scale MP-2021 for healthy participants, Pri-2012 Contingent Survivor Table with Scale MP-2021 for current surviving spouses, and Pri-2012 Disabled Mortality Table projected with Projection Scale MP-2021 for disabled participants.

The University's OPEB plan is not large enough to develop credible mortality table based exclusively on plan experience. Therefore, the University has relied on the previously mentioned published mortality table in which credible mortality experience was analyzed.

(dollars in thousands)

3. Changes in Total OPEB Liability

The following table represents changes in Total OPEB Liability for the year ended June 30, 2023 and 2022:

Total OPEB Liability	**Fiscal Year 2023**	**Fiscal Year 2022**
Balance at the beginning of year	$ 436,372	$ 474,485
Changes for the year:		
Service cost	8,909	15,745
Interest on total OPEB liability	9,062	10,251
Effect of economic/demographic gains or losses	(213,796)	(9,093)
Effect of assumption changes or inputs	(42,777)	(41,561)
Benefit payments	(10,773)	(13,455)
Net changes	(249,375)	(38,113)
Balance at end of the year	**$ 186,997**	**$ 436,372**

Medical and dental trends were updated to reflect current premiums, including the impact of changing medical carriers for the Medicare Advantage plans, and expected future experience. These changes decreased the liability $214.4 million and were treated as an effect of economic/demographic gains or losses and not an assumption change. The discount rate increased to 3.72% in FY23 from 2.06% in FY22, decreasing the liability by $42.8 million.

The following tables present the total OPEB liability of the University, calculated using the discount rates of 3.72% in FY23 and 2.06% in FY22, as well as what the University's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

Fiscal Year 2023	**1% Decrease (2.72%)**	**Discount Rate (3.72%)**	**1% Increase (4.72%)**
Total OPEB liability	$ 211,087	$ 186,997	$ 167,035
Fiscal Year 2022	**1% Decrease (1.06%)**	**Discount Rate (2.06%)**	**1% Increase (3.06%)**
Total OPEB liability	$ 506,193	$ 436,372	$ 379,904

The following tables present the FY23 and FY22 total OPEB liability for the University, calculated using the current healthcare cost trend rates as well as what the University's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

Fiscal Year 2023	**1% Decrease**	**Current Trend Rate**	**1% Increase**
Total OPEB liability	$ 160,287	$ 186,997	$ 220,129
Fiscal Year 2022	**1% Decrease**	**Current Trend Rate**	**1% Increase**
Total OPEB liability	$ 371,706	$ 436,372	$ 518,167

4. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense for the fiscal year ended June 30, 2023 and 2022 is summarized as follows:

OPEB (Credit) Expense	**FY23**	**FY22**
Service cost	$ 8,909	$ 15,745
Interest on total OPEB liability	9,062	10,251
Recognition of deferred outflows/inflows of resources		
Recognition of economic/demographic gains or losses	(71,544)	(24,923)
Recognition of assumption changes or inputs	(473)	1,319
OPEB (credit) expense	**$ (54,046)**	**$ 2,392**

Deferred outflows and inflows of resources as of June 30, 2023 and 2022 are summarized as follows:

Fiscal Year 2023	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**
Difference between expected and actual experience	$ (214,335)	$ 2,391
Changes of assumptions	(59,396)	28,858
Contributions after measurement period	-	3,411
TOTAL	**$ (273,731)**	**$ 34,660**
Fiscal Year 2022	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**
Difference between expected and actual experience	$ (74,092)	$ 4,399
Changes of assumptions	(36,993)	48,759
Contributions after measurement period	-	4,944
TOTAL	**$ (111,085)**	**$ 58,102**

Deferred outflows of resources resulting from contributions after the measurement period totaling $3,411 and $4,944 will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023 and June 30, 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

For the Fiscal Year Ending June 30	**OPEB Expense**
2024	$ (69,108)
2025	(70,982)
2026	(65,093)
2027	(37,299)
2028*	-

** Note that additional future inflows and outflows of resources may impact these numbers.*

(dollars in thousands)

L. Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2023 and 2022 are summarized as follows:

Year ended June 30, 2023										
Function		Compensation And Benefits		Supplies And Services		Depreciation		Scholarships And Fellowships		Total
Instruction	$	127,373	$	22,698	$	-	$	-	$	150,071
Research		65,197		47,676		-		-		112,873
Public service		40,832		9,389		-		-		50,221
Academic support		59,456		17,335		-		-		76,791
Student services		28,243		13,796		-		-		42,039
Institutional support		36,669		12,850		-		-		49,519
Operations and maintenance of plant		28,153		22,078		-		-		50,231
Scholarships and fellowships		-		-		-		27,431		27,431
Auxiliary enterprises		25,779		60,773		-		-		86,552
Depreciation		-		-		39,311		-		39,311
TOTAL	**$**	**411,702**	**$**	**206,595**	**$**	**39,311**	**$**	**27,431**	**$**	**685,039**

Year ended June 30, 2022										
Function		Compensation And Benefits		Supplies And Services		Depreciation		Scholarships And Fellowships		Total
Instruction	$	140,115	$	18,917	$	-	$	-	$	159,032
Research		70,135		39,806		-		-		109,941
Public service		44,061		14,448		-		-		58,509
Academic support		61,286		13,560		-		-		74,846
Student services		28,543		10,978		-		-		39,521
Institutional support		37,928		12,531		-		-		50,459
Operations and maintenance of plant		29,613		17,958		-		-		47,571
Scholarships and fellowships		-		-		-		39,935		39,935
Auxiliary enterprises		28,470		50,454		-		-		78,924
Depreciation		-		-		39,499		-		39,499
TOTAL	**$**	**440,151**	**$**	**178,652**	**$**	**39,499**	**$**	**39,935**	**$**	**698,237**

M. Subsequent Events

On August 24, 2023 the University paid $15.6 million for an equity interest in Catamount Run Phase 2, LLC. Catamount Run Phase 2, like Catamount Run Phase 1 described in footnote A1, is a legally separate entity of the University of Vermont. Catamount Run Phase 2 is a continuation of the same Catamount Run Phase 1 project. The primary purpose of both is to construct housing in close proximity to the University campus. The University will be given priority to the rental units for students and employees.

(dollars in thousands)

UNAUDITED

Required Supplementary Information -
Post Employment Benefits
Schedule of Changes in the University's
Total OPEB Liability and Related Ratio

Total OPEB Liability	**FY23**	**FY22**	**FY21**	**FY20**	**FY19**	**FY18**
Service cost	$ 8,909	$ 15,745	$ 13,582	$ 13,452	$ 15,645	$ 14,434
Interest on total OPEB liability	9,062	10,251	14,661	19,063	17,175	18,066
Changes of benefit terms	-	-	-	-	-	-
Effect of economic/demographic (gains) or losses	(213,796)	(9,093)	(117,836)	9,862	1,395	847
Effect of assumption changes or inputs	(42,777)	(41,561)	51,272	45,175	(48,429)	4,085
Benefit payments	(10,773)	(13,455)	(17,225)	(17,853)	(18,029)	(16,058)
Net change in total OPEB liability	**(249,375)**	**(38,113)**	**(55,546)**	**69,699**	**(32,243)**	**21,374**
Total OPEB liability, beginning	436,372	474,485	530,031	460,332	492,575	471,201
Total OPEB liability, ending	**$ 186,997**	**$ 436,372**	**$ 474,485**	**$ 530,031**	**$ 460,332**	**$ 492,575**
Covered-employee payroll	$ 259,184	$ 259,184	$ 258,395	$ 258,395	$ 241,981	$ 241,981
Total OPEB liability as a % of covered-employee payroll	72.15%	168.36%	183.63%	205.12%	190.23%	203.56%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

Notes to Schedule:

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2023	3.72%
2022	2.06%
2021	2.12%
2020	2.74%
2019	4.10%
2018	3.44%

The University *of* Vermont

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