

The University of Vermont

ANNUAL 2020 Financial Report

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The University of Vermont

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Letter from the President

Members of the Board of Trustees,

I attach the Annual Financial Report for the Fiscal Year ended June 30, 2020. In spite of the challenges presented by the effects of COVID-19, the state of UVM's finances is sound.

These financial statements reflect an increase of \$24 million in the University's net position, primarily due to an increase in the value of the endowment due to the ever-changing financial markets. It is important to note that, since the inception of the Foundation, new endowment gifts have been reflected in the financial records of the UVM Foundation rather than the University. This limits the growth of the University's endowment, but all of the gifts to the Foundation flow to the benefit of UVM students and the University. As of June 30, 2020, the market value of the entire combined endowment (UVM and Foundation) was \$562 million.

The University of Vermont remains focused on student affordability and financial access, quality enhancements, strategic alignment of priorities, a focus on distinctive research strengths, engagement with the state and our communities, and resource and revenue growth. This will ensure an even more financially healthy University, which will enable us to continue to improve the positive student experience at UVM, as well as the positive and substantial contributions UVM makes to the state, the region, and the country.

Best wishes,

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, 2020 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 2020.

Periodically throughout the year, the Trustee Audit Committee meets with the Office of Audit, Compliance, and Privacy Service's staff 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. Both KPMG and the Office of Audit, Compliance, and Privacy Service's staff have full access to the University Trustees and the State Auditor throughout the year.

Richard H. Cate
Vice President for Finance and
Administration, and Treasurer

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 the University of Vermont and State Agricultural College:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the 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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of University Medical Education Associates, Inc., a discretely presented component unit of the University. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the discretely presented component unit is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the business-type activities and the aggregate discretely presented component units, of the University as of June 30, 2020 and 2019, 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.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management’s discussion and analysis on pages 5–12 and the required supplementary information on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2020 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 9, 2020

Vt. Reg. No. 92-0000241

The University of Vermont

Management's Discussion and Analysis (Unaudited) June 30, 2020 and 2019

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, 2020 and 2019, 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 an Honors College, the Robert Larner, M.D. College of Medicine, the Division of Continuing and Distance Education, Extension and the Graduate College. The University is the only comprehensive research

university in Vermont. The University has 10,585 undergraduate students and 2,125 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 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

On July 1, 2019 Dr. Suresh Garimella became the 27th president. President Garimella believes the University is poised and ready to build upon its reputation as a premier research institution focused on sustainable solutions with local, national, and global applications and impacts. The University's distinctive strengths align with the most pressing needs of our time: the health of our societies and the health of our environment and the University will pursue these interconnected issues through cross-disciplinary research and collaboration that comes more easily to a public research university of UVM's size and scale.

To fully realize the University's significant potential, President Garimella presented his strategic vision to the Board of Trustees on May 15, 2020, which enthusiastically endorsed it. The University's strategic vision involves 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. To ensure that the University 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 it will focus on the following:

- Continually enhancing course offerings through rigorous evaluation and evolution, and alignment with a liberal arts foundation and societal demands.
- Carefully evaluate expenses to minimize costs and make education more affordable and accessible.

- Grow corporate, foundation, federal and philanthropic partnerships to develop new internship, research, study-abroad and service-learning opportunities, while enhancing existing programs.
- Enhance online offerings and programs that promote efficient course and degree completion with targeted support for first-generation and non-traditional learners.
- Attract a larger cohort of graduate students by enhancing their academic experience and research opportunities.
- Accelerate our success in recruiting students from areas beyond the Northeast, as well as internationally.
- Provide an environment that fosters diversity of all kinds, including diversity of thought.
- Envision programming that leverages campus assets on a year-round basis to increase and strengthen connections to UVM while building financial resources.
- Welcome nontraditional students to new professional, certificate, and online programs.

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.

Financial Highlights

A. Revenues

In the fall of 2020, the University enrolled 10,585 students in more than 100 undergraduate majors, 1,641 students in graduate and post-baccalaureate programs, and 484 students at the Larner College of Medicine. The University attracts undergraduates from over 40 states and many foreign countries. The University is primarily a regional institution, however, drawing 86% of the undergraduates enrolled in the fall of 2020 from New England and the Middle Atlantic States, including 23% of its undergraduate students from Vermont. Graduate and Certificate student enrollment from Vermont represented 43.7%. The following charts present applications, admissions, and enrollments for in-state and out-of-state students.

Final numbers for the fall 2020 show that total applications have decreased 16.9% since 2011, with in-state applications decreasing 5.3% and out-of-state applications decreasing 18.1%. Total admissions decreased for that period by 21.4%, with in-state admissions decreasing 7.6% and out-of-state admissions decreasing 22.8%. From fall 2010 through fall 2019, total first-time, first year enrollments have increased by 2.6%, with in-state enrollments decreasing by 9.7% and out-of-state enrollments increasing by 7.1%. Trends in applications, admits, and enrollments for that period can be seen on 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 3.3% and 3.2%, respectively, from 2012 through 2019. Table 1 presents tuition and fees, as well as room and board for that period.

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

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Average Annual % Increase
Student Tuition & Fees									
In-State Tuition & Fees	\$15,284	\$15,718	\$16,226	\$16,768	\$17,300	\$17,740	\$18,276	\$18,802	3.05%
Out-of-State Tuition & Fees	\$35,612	\$36,646	\$37,874	\$39,160	\$40,364	\$41,356	\$42,516	\$43,690	3.02%
Room (Double)	\$6,650	\$6,844	\$7,116	\$7,376	\$7,634	\$7,900	\$8,196	\$8,502	3.56%
Board (Average Meal Plan)	\$3,414	\$3,558	\$3,664	\$3,774	\$3,944	\$4,122	\$4,266	\$4,414	3.78%
Total, In-State Cost	\$25,348	\$26,120	\$27,006	\$27,918	\$28,878	\$29,762	\$30,738	\$31,718	
Increase Over Previous Year	3.50%	3.05%	3.39%	3.38%	3.44%	3.06%	3.28%	3.19%	3.28%
Total, Out-of-State Cost	\$45,676	\$47,048	\$48,654	\$50,310	\$51,942	\$53,378	\$54,978	\$56,606	
Increase Over Previous Year	3.50%	3.00%	3.41%	3.40%	3.24%	2.76%	3.00%	2.96%	3.16%

During fiscal 2020, President Garimella announced that tuition for fiscal 2021 would not increase over fiscal 2020 levels. This is part of the University's effort to enhance the value of a UVM education. The University will focus 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.

In line with this vision the University increased grant and contract revenues \$18.0 million or 9.4% from \$192.2 million in fiscal 2019 to \$210.2 million in fiscal 2020. Included in the \$210.2 million is facility and administrative cost recoveries of \$31.6 million and additional commitment funds from University of Vermont Medical Center, Inc. of \$16.1 million. During fiscal 2020, the University was awarded over \$181.7 million in sponsored funds, 81.4% of which were for research activities. Approximately 71.4% of sponsored funds awarded during fiscal 2020 were from federal sources. The University's leading areas of externally sponsored programs are the biomedical sciences, agriculture, the environment, and education.

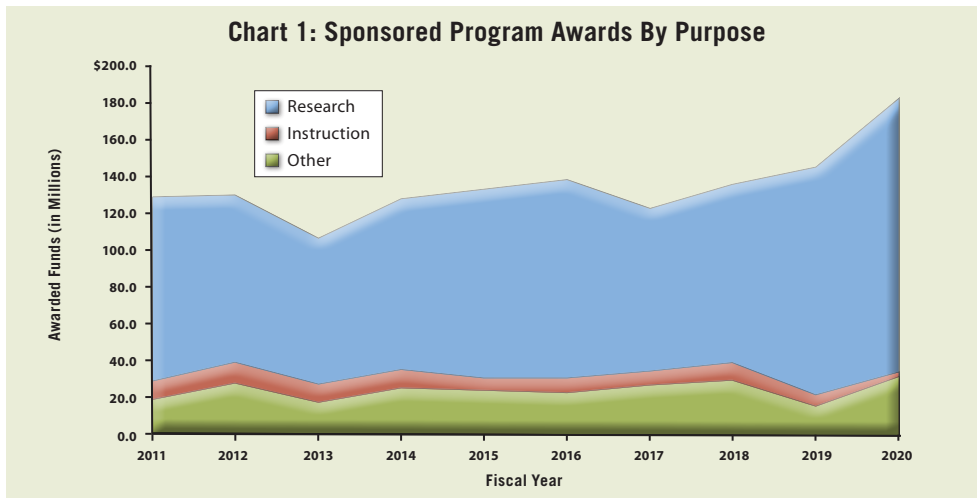


Chart 1 presents the activity of sponsored programs over the past decade.

State appropriations in fiscal 2020 increased \$8.7 million or 20.2% compared to fiscal 2019. There was no increase from fiscal 2018 to 2019. The base state appropriation has remained unchanged for many years.

The increase in fiscal 2020 is entirely due to an additional appropriation from the state of Vermont to assist the University in covering expenses related to COVID-19.

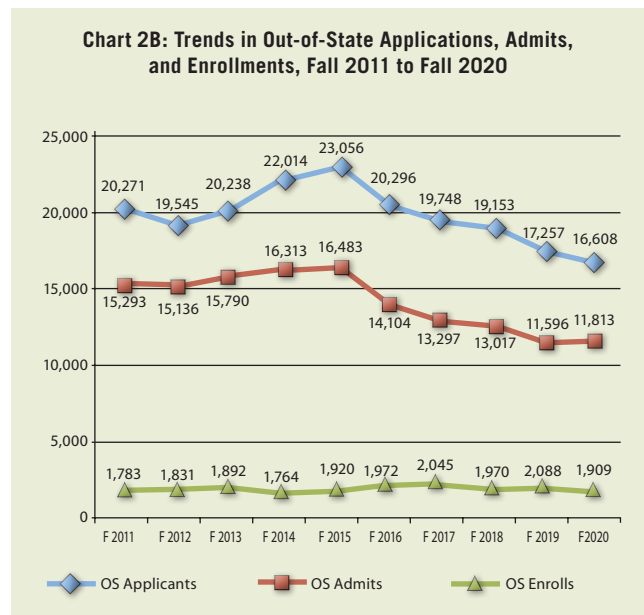
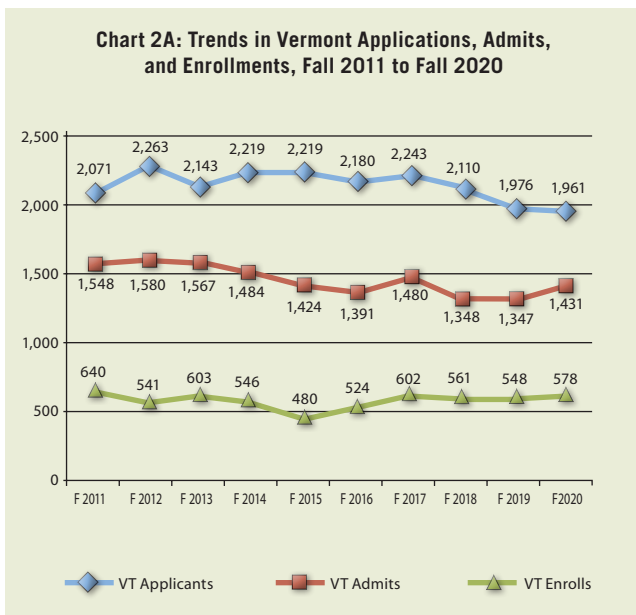


Chart 3: Fiscal 2020 Total Revenues

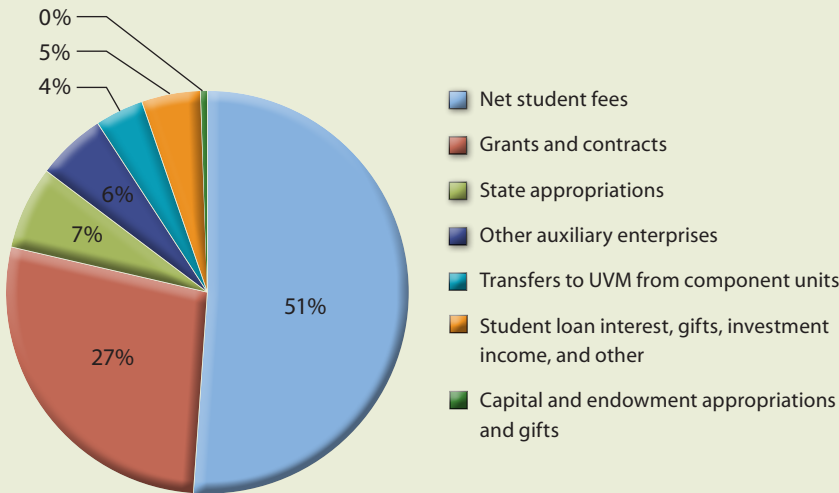


Chart 3 shows the University’s fiscal 2020 revenue streams. Given the University’s mission of instruction, research, and public service, the vast majority of the University’s revenues are generated by net student fees (51%) and grants and contracts (27%).

Chart 4: Three-Year Revenue Stream Trends

(\$ in thousands)

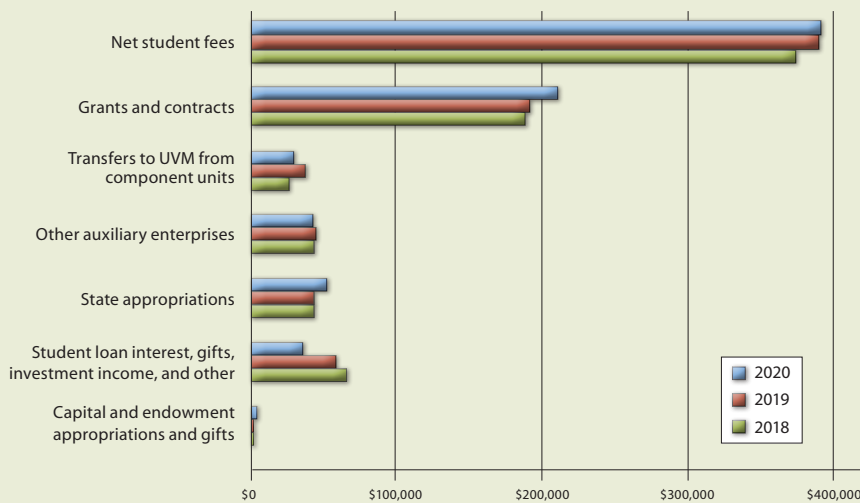


Chart 4 shows the three-year trend for revenue streams. State appropriations increased \$8.7 million in 2020 due to an additional appropriation from the State of Vermont to assist the University in covering expenses related to COVID-19. Net student fees is comprised of tuition and fees, residential life fees, and scholarship allowances.

B. Operating and Capital Expenditures

The University’s operating expenses increased \$15.2 million or 2.2% over the 2019 level; and 2019 expenses increased \$13.0 million or 1.9% over 2018. Due to COVID-19 the University put in measures to reduce costs during the spring semester. The result was a decrease in supplies and services expenses of \$18.7 million or 9.8% from fiscal 2019. Fiscal 2019 had a slight increase of \$1.8 million or 0.9% from fiscal 2018. The savings in supplies and services in fiscal 2020 were offset by increases in compensation and benefits of \$26.5 million or 6.1%. This is, in part, due to an increase in the University’s liability for other post-employment benefits of \$14.7 million. Compensation and benefits expense increased \$5.7 million or 1.3% in fiscal 2019. Depreciation remained relatively steady increasing \$0.8 million in fiscal 2020 and \$1.5 million in fiscal 2019.

In an effort to keep tuition affordable the University has increased scholarship and fellowship expenses \$6.6 million or 31.7% in fiscal 2020 and \$3.9 million or 23.5% in fiscal 2019.

During fiscal 2020, construction began on the Athletic Multipurpose Center Complex. This project was temporarily placed on hiatus during the spring semester due to COVID-19.

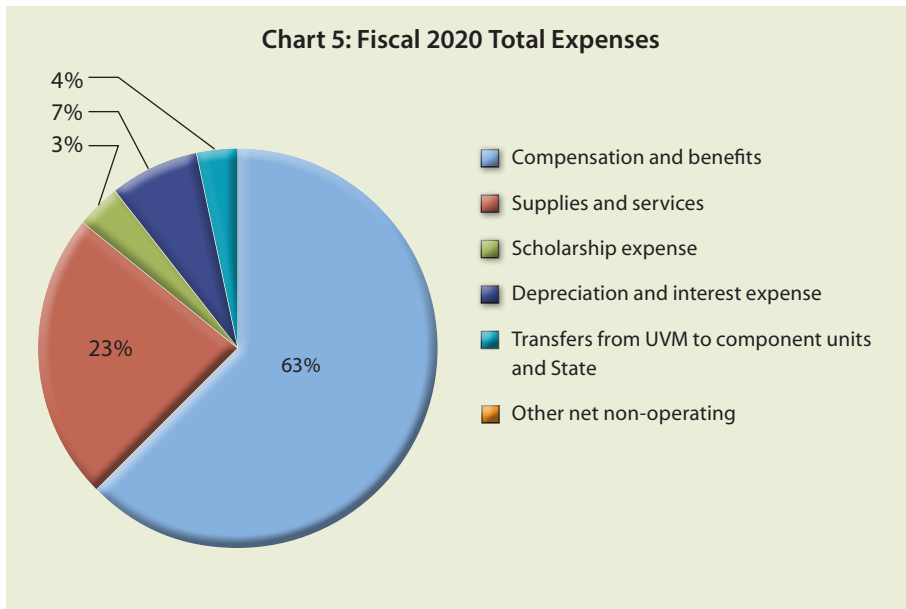


Chart 5 displays the University’s fiscal 2020 expenses. The University’s largest expense is compensation and benefits followed by supplies and services.

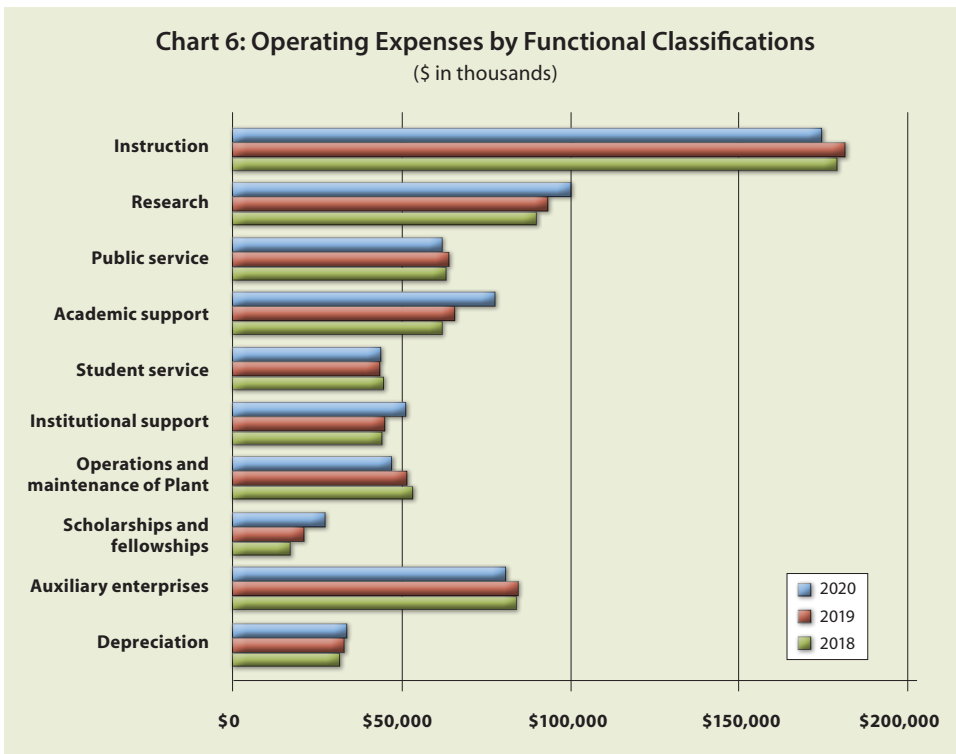


Chart 6 displays the University’s operating expenses for the past three years by functional, rather than natural, classification. In fiscal 2020 the University went through an exercise to compare all faculty functional salary distributions and to better align those salary distributions with the faculty’s effort and workload. The result was a refinement of distributed salary which increased research and academic support expenses and decreased instruction expenses.

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, 2020 and 2019 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 on the following page depicts all of 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 steadily over the last three fiscal years including 13.1% in fiscal 2020 and 9.5% in fiscal 2019. Included in cash and short-term investments are operating investments totaling \$154.7

Table 2: Condensed information from Statements of Net Position

at June 30, 2020, 2019 and 2018

(\$ in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets and deferred outflows of resources			
Cash and short-term investments	\$ 341,790	\$ 302,253	\$ 276,145
Endowment, capital, and similar investments	574,290	549,297	540,116
Capital assets, net	703,342	683,445	672,951
Other assets and deferred outflows of resources	155,801	107,902	110,739
Total assets and deferred outflows of resources	<u>1,775,223</u>	<u>1,642,897</u>	<u>1,599,951</u>
Liabilities and deferred inflows of resources			
Postemployment benefits	555,882	497,472	492,575
Long-term debt	586,262	545,392	556,556
Unearned revenue, deposits, and funds held for others	110,199	100,430	98,668
Other liabilities and deferred inflows of resources	109,147	109,843	102,087
Total liabilities and deferred inflows of resources	<u>1,361,490</u>	<u>1,253,137</u>	<u>1,249,886</u>
Net investment in capital assets	136,506	138,070	116,345
Restricted:			
Non-expendable	119,711	116,469	115,918
Expendable	336,050	335,965	342,741
Unrestricted	(178,534)	(200,744)	(224,939)
Total net position	<u>\$ 413,733</u>	<u>\$ 389,760</u>	<u>\$ 350,065</u>

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

million, \$139.1 million, and \$122.7 million in fiscal 2020, 2019, and 2018, respectively. These operating investments are primarily invested in fixed income but also include equity and shares of the University's long-term endowment pool.

Endowment, capital, and similar investments have remained steady, despite a volatile investment market, decreasing 0.3% in fiscal 2020 and increasing 1.3% in fiscal 2019. Included in this balance are deposits held by bond trustees of \$27.9 million, \$8 thousand, and \$542 thousand in fiscal 2020, 2019, and 2018, respectively. The fiscal 2020 balance of \$27.9 million is due unspent proceeds from the issuance of the Series 2019A and Series 2019B general obligation bonds.

Capital assets, net saw increases of \$19.9 million or 2.9% in fiscal 2020 and \$10.5 million or 1.6% in fiscal 2019. Fiscal 2020 saw net additions of \$53.3 million in capital assets of which the largest was the Athletic Multipurpose Center Complex which added \$26.0 million to work in process. These additions were offset by net depreciation expense of \$33.4 million.

Other assets and deferred outflows of resources includes accounts, loans, notes, and pledges receivable, inventories and prepaid expenses, and deferred outflows due to loss on refunding of debt and post-employment benefits. Fiscal 2020 saw an increase from fiscal 2019 of \$47.9 million

or 44.4% compared to a decrease in fiscal 2019 from fiscal 2018 of \$2.8 million or 2.6%. The increase in fiscal 2020 is mostly due to an increase in post-employment benefits deferred outflows of \$43.6 million stemming from differences between expected and actual and changes in actuary assumptions.

Postemployment benefits liability, which represents the current and future liability the University has to retirees and their dependents for medical, dental, life insurance, and tuition remission benefits, increased \$58.4 million or 11.7% in fiscal 2020 and \$4.9 million or 1.0% in fiscal 2019. The increase in fiscal 2020 is largely the result of a change in the discount rate from 4.10% in fiscal 2019 to 2.74% in fiscal 2020.

Long-term debt liability increased \$40.9 million or 7.5% from fiscal 2019. On August 21, 2019 the University issued two bonds: General Obligation Bonds, Series 2019A par amount of \$38,200 and General Obligation Bonds, Series 2019B par amount of \$59,875. The 2019A Bonds were issued to finance a portion of the costs of constructing an on-campus Multipurpose Center. The 2019B Bonds were issued for the purpose of providing funds that were used, together with available moneys of the University, to refund all the University's outstanding General Obligation Bonds, Series 2009 maturing after October 1, 2019 and to reimburse the University for the costs of certain deferred maintenance on the campus of the University. The University incurred a

**Table 3: Condensed information from Statements of Revenues,
Expenses, and Changes in Net Position**
for the years ended June 30, 2020, 2019 and 2018
(\$ in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tuition and fees	\$ 515,725	\$ 513,511	\$ 494,720
Less student financial aid	<u>(124,283)</u>	<u>(123,248)</u>	<u>(120,657)</u>
Net student fees	<u>391,442</u>	<u>390,263</u>	<u>374,063</u>
Grants and contracts	210,213	192,189	188,385
State appropriations	51,710	43,011	43,010
Transfers to UVM from component units	28,900	37,676	26,145
Other auxiliary enterprises	42,309	44,614	43,611
Student loan interest, gifts, investment income, and other	<u>35,789</u>	<u>58,077</u>	<u>65,903</u>
Total operating and non-operating revenues	<u>760,363</u>	<u>765,830</u>	<u>741,117</u>
Compensation and benefits	(464,156)	(437,635)	(431,919)
Supplies and services	(171,354)	(190,036)	(188,285)
Scholarship expense	(27,329)	(20,747)	(16,799)
Depreciation and interest expense	(54,310)	(55,437)	(48,646)
Transfers from UVM to component units and State	<u>(22,598)</u>	<u>(23,933)</u>	<u>(20,978)</u>
Total operating and non-operating expenses	<u>(739,747)</u>	<u>(727,788)</u>	<u>(706,627)</u>
Increase in net position from recurring activities	<u>20,616</u>	<u>38,042</u>	<u>34,490</u>
Capital and endowment appropriations and gifts	3,689	2,069	1,795
Other net non-operating	<u>(332)</u>	<u>(416)</u>	<u>(8,627)</u>
Total other changes in net position	<u>3,357</u>	<u>1,653</u>	<u>(6,832)</u>
Total increase in net position	<u>\$ 23,973</u>	<u>\$ 39,695</u>	<u>\$ 27,658</u>

Table 3 shows condensed information from the Statements of Revenues, Expenses and Changes in Net Position for the three years ended June 30. State appropriations increased \$8.7 million in 2020 due to an additional appropriation from the State of Vermont to assist the University in covering expenses related to COVID-19.

deferred loss of \$1,207 on the refunding of the 2009 General Obligation Bonds. From fiscal 2018 to 2019 long-term debt decreased \$11.1 million or 2.0%. No new bonds were issued in fiscal 2019. The decrease is due to payments made on existing bonds.

Unearned revenue, deposits, and funds held for others increased \$9.8 million or 9.7% in fiscal 2020 from \$100.4 million in fiscal 2019 to \$110.2 million. The increase in fiscal 2019 was \$1.8 million or 1.8% from fiscal 2018. Most of this balance is the University of Vermont Foundation's funds held by the University in the endowment. The University of Vermont Foundation utilizes the University's endowment as an investment vehicle and own shares in the pool. As of June 30, 2020 and 2019, respectively, the University of Vermont Foundation's market value in the University's endowment pool was \$98.2 million and \$89.0 million.

Other liabilities and deferred inflows of resources remained stable from fiscal 2019 to fiscal 2020 decreasing only \$700 thousand or 0.6%

from \$109.8 million to \$109.1 million. There was an increase from fiscal 2018 to fiscal 2019 of \$7.8 million or 7.6%. 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. The increase from fiscal 2018 to fiscal 2019 is mostly due to a new pledge payable of \$5.8 million.

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 proceeds. Restricted non-expendable resources are endowment balances which are required to be invested in perpetuity by the original donors. Unrestricted financial resources represent net positions that are available for any future use without legal restriction.

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.

Net student fees grew 0.3% from \$390.3 million in fiscal 2019 to \$391.4 million in fiscal 2020. Embedded in the net student fees amount are three components including gross tuition and fees, gross residential life fees, and scholarship allowances. Gross tuition and fees increased \$10.5 million or 2.4% from fiscal 2019 to fiscal 2020 while gross residential life fees decreased \$8.2 million or 11.9%. The decrease in gross residential life fees is the result of room and meal refunds given to students that were forced to leave campus early due to COVID-19. Scholarship allowances remained relatively steady from fiscal 2019 to fiscal 2020 increasing \$1.0 or 0.8%. An increase in net student tuition and fees in fiscal 2019 of 4.3% included a 3.7% increase in gross tuition and fees, a 4.2% increase in gross residential life fees, and a 2.1% increase in scholarship allowances from fiscal 2018.

State appropriations remained stable in fiscal 2019 and 2018 at \$43.0 million. In fiscal 2020 the University received an increase in state appropriations of \$8.7 million to help offset the costs of COVID-19. Total state appropriation revenue in fiscal 2020 was \$51.7 million.

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. There was a decrease of \$8.8 million from \$37.7 million in fiscal 2019 to \$28.9 million in fiscal 2020. This is, in part, due to the reduction in University spending in the 4th quarter of fiscal 2020 due to procedures put in place by University management as a result of COVID-19.

Other auxiliary enterprises revenues remained stable at \$42.3 million, \$44.6 million, and \$43.6 million in fiscal 2020, 2019, and 2018, respectively. The decrease in revenue in fiscal 2020 of 5.2% is due to reduced activity due to COVID-19.

Student loan interest, gifts, investment income, and other can be volatile due to the investment markets. There was a decrease of \$22.3 million or 38.4% in fiscal 2020 from fiscal 2019. Most of the decrease can be attributed to a decrease in net investment income of \$15.1 million from \$25.2 million in fiscal 2019 to \$10.1 million in fiscal 2020. There was a similar, though not as severe, drop in fiscal 2019 of \$8.0 million compared to fiscal 2018. Other decreases in fiscal 2020 are due to reduced activity due to COVID-19 including sales and services of educational activities.

Compensation and benefits increased \$26.5 million or 6.1% from \$437.6 million in fiscal 2019 to \$464.2 million in fiscal 2020 due to budgeted increases for faculty and staff and additional \$10.4 million of expense to increase the other post-employment liability amount on the Statement of Net Position. The increase of \$5.7 million or 1.3% from \$431.9 million in fiscal 2018 to \$437.6 million in fiscal 2019 is due to budgeted increases for faculty and staff.

Supplies and services expenses decreased significantly in fiscal 2020 from fiscal 2019 dropping \$18.7 million or 9.8% from \$190.0 million to \$171.3 million. This is due to remote instruction and teleworking for the fourth quarter of fiscal 2020 and spending restrictions put in place by University management. Supplies and services expense was stable from fiscal 2018 to 2019 increasing only \$1.8 million or 0.9%.

Scholarship expense increased \$6.6 million, or 31.7%, in fiscal 2020 and \$3.9 million, or 23.5%, in fiscal 2019.

Depreciation and interest expense were \$54.3 million, \$55.4 million, and \$48.6 million in fiscal 2020, 2019, and 2018, respectively. The increase in depreciation in fiscal 2020 of \$0.8 million was offset by a decrease in interest expense of \$1.9 million. The increase of \$6.8 million in fiscal 2019 is due to an increase in depreciation expense of \$1.5 million and an increase in interest expense of \$5.2 million.

Transfers from UVM to component units and State of \$22.6 million, \$23.9 million, and \$21.0 million in fiscal 2020, 2019, and 2018, 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 and gifts represent capital gifts, capital appropriations, and gifts to the University endowment. Fiscal 2020 had an increase of \$1.6 million or 78.3% from \$2.1 million in fiscal 2019 to \$3.7 million in fiscal 2020 due to endowment gifts of \$2.2 million in fiscal 2020 compared to \$200 thousand in fiscal 2019.

Statements of Net Position

as of June 30, 2020 and 2019

(dollars in thousands)

	2020	2019	UMEA 2020	UMEA 2019	UVMF 2020	UVMF 2019
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 187,052	\$ 163,121	\$ 99	\$ 122	\$ 37,858	\$ 35,867
Operating investments	154,738	139,132	60,409	62,100	9,507	9,979
Accounts, loans, notes and pledges receivable, net	40,964	40,583	968	585	8,378	11,437
Inventories and prepaid expenses	17,034	12,863	7	9	415	384
Total current assets	399,788	355,699	61,483	62,816	56,158	57,667
Non-current assets:						
Endowment cash, cash equivalents and investments	490,897	494,724	-	-	121,442	115,213
Student loans, notes, and pledges receivable, net	34,898	36,336	-	-	11,190	14,295
Investments for capital activities	46,778	44,420	-	-	-	-
Deposits with trustees	36,615	10,153	-	-	1,325	1,316
Prepaid expenses and other assets	201	-	-	-	-	-
Capital assets, net	703,342	683,445	-	-	8,161	8,502
Total non-current assets	1,312,731	1,269,078	-	-	142,118	139,326
Total Assets	1,712,519	1,624,777	61,483	62,816	198,276	196,993
DEFERRED OUTFLOWS OF RESOURCES						
Loss on refunding of debt	5,925	4,985	-	-	-	-
Postemployment benefits	56,779	13,135	-	-	-	-
Total Deferred Outflows of Resources	62,704	18,120	-	-	-	-
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	82,867	79,679	325	682	6,346	8,306
Unearned revenue, deposits, and funds held for others	110,199	100,430	41,956	42,409	78	514
Bonds and leases payable	15,268	14,420	-	-	-	-
Total current liabilities	208,334	194,529	42,281	43,091	6,424	8,820
Non-current liabilities:						
Accrued liabilities	21,718	22,981	-	-	-	-
Postemployment benefits	530,031	460,332	-	-	-	-
Bonds and leases payable	570,994	530,972	-	-	4,888	5,138
Total non-current liabilities	1,122,743	1,014,285	-	-	4,888	5,138
Total Liabilities	1,331,077	1,208,814	42,281	43,091	11,312	13,958
DEFERRED INFLOWS OF RESOURCE						
Service concession arrangement	1,312	1,562	-	-	-	-
Split-interest arrangements	3,250	5,621	-	-	-	-
Postemployment benefits	25,851	37,140	-	-	-	-
Total Deferred Inflows of Resources	30,413	44,323	-	-	-	-
NET POSITION						
Net investment in capital assets	136,506	138,070	-	-	3,273	3,363
Restricted:						
Non-Expendable	119,711	116,469	-	-	117,637	106,400
Expendable	336,050	335,965	14,407	14,467	57,813	65,298
Unrestricted	(178,534)	(200,744)	4,795	5,258	8,241	7,974
Total Net Position	\$ 413,733	\$ 389,760	\$ 19,202	\$ 19,725	\$ 186,964	\$ 183,035

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, 2020 and 2019

(dollars in thousands)

	2020	2019	UMEA 2020	UMEA 2019	UVMF 2020	UVMF 2019
Operating revenues						
Tuition and fees	\$ 454,442	\$ 443,983	\$ -	\$ -	\$ -	\$ -
Residential life	61,283	69,528	-	-	-	-
Less scholarship allowances	(124,283)	(123,248)	-	-	-	-
Net student fees	391,442	390,263	-	-	-	-
Federal, state, and private grants and contracts	202,666	184,293	-	-	886	1,003
Sales and services of educational activities	7,479	8,574	-	-	-	-
Other auxiliary enterprises	42,309	44,614	-	-	-	-
Student loan interest and other operating revenues	17,864	22,326	169	158	593	646
Total operating revenues	661,760	650,070	169	158	1,479	1,649
Operating expenses						
Compensation and benefits	(464,156)	(437,635)	(229)	(234)	(8,828)	(8,987)
Supplies and services	(171,354)	(190,036)	-	-	(2,112)	(2,778)
Depreciation	(33,691)	(32,902)	-	-	(341)	(350)
Scholarships and fellowships	(27,329)	(20,747)	-	-	-	-
Total operating expenses	(696,530)	(681,320)	(229)	(234)	(11,281)	(12,115)
Operating loss	(34,770)	(31,250)	(60)	(76)	(9,802)	(10,466)
Non-operating revenues (expenses)						
State appropriations	51,710	43,011	-	-	-	-
Federal Pell grants	7,547	7,896	-	-	-	-
Private gifts	361	1,994	368	313	20,746	30,253
Net investment income	10,085	25,183	292	1,052	154	5,091
Interest on indebtedness	(20,619)	(22,535)	-	-	(73)	(104)
Gain/(Loss) on disposal of capital assets	36	(20)	-	-	-	-
Net other non-operating expense	(368)	(396)	-	-	(528)	(526)
Intergovernmental transfers	(13,840)	(13,865)	-	-	-	-
Transfers from UVM to component units	(8,758)	(10,068)	-	-	8,429	9,059
Transfers to UVM from component units	28,900	37,676	(1,123)	(1,076)	(26,083)	(34,088)
Net non-operating revenues	55,054	68,876	(463)	289	2,645	9,685
Revenue (loss) before capital and endowment additions	20,284	37,626	(523)	213	(7,157)	(781)
State capital appropriations	1,300	1,650	-	-	-	-
Capital gifts and grants	190	190	-	-	-	-
Gifts for endowment purposes	2,199	229	-	-	11,086	10,356
Total capital and endowment additions	3,689	2,069	-	-	11,086	10,356
Increase (decrease) in net position	23,973	39,695	(523)	213	3,929	9,575
Net position, beginning of year adjusted	389,760	350,065	19,725	19,512	183,035	173,460
Net position, end of year	\$ 413,733	\$ 389,760	\$ 19,202	\$ 19,725	\$ 186,964	\$ 183,035

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

Statements of Cash Flows
for the years ended June 30, 2020 and 2019
(dollars in thousands)

	2020	2019
Cash Flows From Operating Activities		
Tuition and fees (net of applicable scholarship allowances)	\$346,112	\$333,379
Grants and contracts	202,253	185,549
Sales and services of educational activities	7,479	8,574
Sales and services of auxiliary enterprises:		
Residential Life fees, net of scholarship allowances	46,515	52,840
Other	42,309	44,614
Payments to employees and benefit providers	(451,320)	(429,371)
Payments to vendors	(169,807)	(186,626)
Payments for scholarships and fellowships	(27,329)	(20,747)
Student loans issued	(3,673)	(3,977)
Student loans collected, interest and other revenue	1,379	3,372
Other receipts, net	17,074	21,872
Net cash provided by operating activities	10,992	9,479
Cash Flows From Non-Capital Financing Activities		
State general appropriation	51,710	43,011
Federal Pell grants	7,547	7,896
Private gifts for other than capital purposes	747	4,460
Intergovernmental transfers	(13,840)	(13,865)
Transfers from UVM to component units	(8,758)	(10,068)
Transfers to UVM from component units	29,010	37,683
Deposits of affiliates and life income payments, net	12,939	10,376
Net cash provided by non-capital financing activities	79,355	79,493
Cash Flows From Capital Financing Activities		
Proceeds from issuance of capital debt	120,627	-
State capital appropriation	1,300	1,650
Capital grants, gifts and other income	190	190
Purchases and construction of capital assets	(50,789)	(45,792)
Proceeds from disposal of capital assets	36	65
Principal paid on capital debt	(79,757)	(11,164)
Interest paid on capital debt	(23,542)	(22,639)
Changes in deposits with trustees, net	8	534
Net cash used in capital financing activities	(31,927)	(77,156)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	249,905	157,543
Purchase of investments	(296,957)	(157,802)
Interest and dividends on investments, net	5,579	5,466
Net cash provided by (used in) investing activities	(41,473)	5,207
Net increase in cash and cash equivalents	16,947	17,023
Cash and cash equivalents - beginning of year	176,386	159,363
Cash and cash equivalents - end of year *	\$193,333	\$176,386
Reconciliation of Operating Loss To Cash Provided by Operating Activities		
Operating loss	\$(34,770)	\$(31,250)
Adjustments to reconcile operating loss to net cash provided by Operating Activities:		
Depreciation expense	33,691	32,902
Changes in assets and liabilities:		
Accounts receivable and loans receivables, net	758	4,172
Inventories and prepaid expenses	(4,372)	(901)
Accounts payable	(6,775)	8,946
Unearned revenue, deposits and accrued liabilities	22,460	(4,390)
Net cash provided by operating activities	\$10,992	\$9,479

* of total cash and cash equivalents for 2020, \$187,052 is current and \$6,281 is non-current endowment and for 2019, \$163,121 is current and \$13,265 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, 2020 and 2019

(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 13,290 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

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. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB 14 and 34)*, 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. In accordance with Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB 14 and 34)*, UVMF is discretely presented on the University's Statements of Net Position and Statements of Revenues, Expenses, and Changes in 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 June 2014. The Affiliation Agreement is for a period of five years and has been extended an additional two 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 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.

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 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.

(dollars in thousands)

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.

When both restricted and unrestricted net position are available and appropriate to fund an expense, the University's practice is to allow the budget manager to determine which to use in each instance.

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.

3. Fair Value Measurement

GASB statement 72, *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value 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.

In addition to the three levels described above, certain investments are measured at net asset value (NAV) without further adjustment if NAV is calculated consistent with guidance in Accounting Standards Codification 946, *Financial Services – Investment Companies*. The University utilizes NAV as its estimate of fair value for those funds whose value is determined as described above. Investments reported at NAV consist of shares or units in funds 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.

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 2020 and 2019 consists of:

Grants and Contracts	FY20	FY19
Federal appropriations, grants and contracts	\$ 131,349	\$ 117,393
State grants and contracts	6,249	4,953
Other governmental and private grants and contracts	65,068	61,947
TOTAL	\$ 202,666	\$ 184,293

State appropriations (general fund and capital) are reported as non-operating revenue.

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 \$31.6 million in 2020 and \$30.4 million in 2019.

Private grants and contracts include funding of \$16.1 million in 2020 and \$16.0 million in 2019 to the Robert Larner, M.D. College of Medicine from the University of Vermont Medical Center, Inc. to offset facilities and operation costs.

(dollars in thousands)

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, 2020, and 2019, is \$6,178 and \$5,270, 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, 2020, and 2019, is \$3,870 and \$3,580, 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.

Health, dental and life insurance are paid by the University on a premium basis at the same rate as active employees for retirees under the age of 65 and at a slightly lower rate for retirees over the age of 65. The total cost for active and retired employees for health, dental and life insurance, net of employee contributions, was \$69,295 in 2020 and \$64,855 in 2019. The total cost for contributions to the RHSP was \$1,256 in 2020 and \$1,026 in 2019. See note L 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, 2020, \$23,110 (\$21,778 in 2019) was accrued for vacation pay of which \$17,060 (\$16,085 in 2019) was charged to unrestricted net position and \$6,050 (\$5,693 in 2019) 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.

B. Accounts, Loans, Notes, and Pledges Receivable

Accounts, loans, notes and pledges receivable at June 30, 2020 and 2019 are summarized as follows:

Accounts, Loans, Notes and Pledges Receivable, Net	June 30, 2020	June 30, 2019
Current		
Federal, state, and private grants receivable	\$ 16,926	\$ 16,934
Student and trade accounts receivable, net	11,701	10,584
Other accounts receivable	9,862	10,525
Student loans receivable, net	1,927	1,982
Pledges receivable, net	548	558
Total Current	\$ 40,964	\$ 40,583
Non-Current		
Student loans receivable, net	\$ 20,471	\$ 20,164
Other notes receivable	9,497	10,695
Pledges receivable, net	4,930	5,477
Total Non-Current	\$ 34,898	\$ 36,336

The student accounts receivable are carried net of an allowance for doubtful accounts of \$389 in 2020 and \$290 in 2019.

Student loans receivable are carried net of an allowance for uncollectible UVM loans of \$32 current and \$315 non-current at June 30, 2020. At June 30, 2019, student loans receivable are carried net of an allowance for uncollectible UVM loans of \$38 current and \$374 non-current. 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 \$5,039 for 2020 and \$6,890 for 2019. These amounts are included in non-current accrued liabilities.

(dollars in thousands)

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.

Other notes receivable, non-current, includes the present value of expected future cash flows as a result of an agreement with Sodexo Management, Inc. (Note J) entered into in 2016. The non-current receivable balance is \$4,666 and the current receivable balance is \$1,336 in 2020. The non-current receivable balance is \$5,864 and the current receivable balance is \$1,325 in 2019.

Accounts receivable from the UVMF and UMEA are \$5,730 in 2020 and \$7,610 in 2019 and 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 of \$82,867 in 2020 and \$79,679 in 2019 are composed of accounts payable of \$17,954 in 2020 and \$24,730 in 2019 and accrued liabilities of \$64,527 in 2020 and \$54,563 in 2019. Also included in this total are pledges payable of \$386 in 2020 and \$386 in 2019, included in the chart of Note E. Accounts payable is mostly comprised of supplies and services payables, including construction, renovation and equipment of \$13,612 in 2020 and \$17,072 in 2019.

Accounts payable and current accrued liabilities at June 30, 2020 and 2019 are summarized below:

Accounts Payable and Current Accrued Liabilities	June 30, 2020	June 30, 2019
Interest expense	\$ 6,105	\$ 5,863
Construction retainage	1,490	915
Compensated absences	23,110	21,778
Insurance reserves	17,317	10,283
Compensation and benefits	7,229	6,917
Payment to annuitants	370	396
Service concession arrangement	938	938
Other	7,968	7,473
Accounts and pledges payable	18,340	25,116
TOTAL	\$ 82,867	\$ 79,679

D. Capital Assets

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

Interest expense, net of interest earnings on unspent bond proceeds, is capitalized for debt funded construction projects. In 2020, \$3,164 (\$0 in 2019) was capitalized for projects that were funded by general obligation bonds.

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 movable 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 buildings and components including fixed equipment for fiscal year 2020 is \$29,963 (\$30,076 in 2019). Moveable equipment, software systems, and land improvements depreciation expense is \$3,728 for 2020 (\$2,826 in 2019).

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

(dollars in thousands)

Capital assets activity for the years ended June 30, 2020 and 2019 is summarized as follows:

Fiscal Year 2020					
Asset	Balance as of June 30, 2019	Additions	Retirements	Reclass/ Changes	Balance as of June 30, 2020
Land	\$ 29,044	\$ -	\$ -	\$ -	\$ 29,044
Land Improvements	7,235	1,895	-	1,954	11,084
Buildings	758,591	6,491	-	3,017	768,099
Building Service Systems	155,660	2,572	-	2,746	160,978
Building Interiors	84,332	-	-	1,399	85,731
Fixed Equipment	117,137	445	-	-	117,582
Movable Equipment	33,875	3,291	(276)	2,189	39,079
Software Systems	30,783	877	-	-	31,660
Construction in Progress	16,705	38,249	(232)	(11,305)	43,417
Total property and equipment	1,233,362	53,820	(508)	-	1,286,674
Less: accumulated depreciation	(549,917)	(33,691)	276	-	(583,332)
Property, plant and equipment, net	\$ 683,445	\$ 20,129	\$ (232)	\$ -	\$ 703,342
Fiscal Year 2019					
Asset	Balance as of June 30, 2018	Additions	Retirements	Reclass/ Changes	Balance as of June 30, 2019
Land	\$ 28,039	\$ 1,090	\$ (85)	\$ -	\$ 29,044
Land Improvements	6,062	740	-	433	7,235
Buildings	712,347	5,748	-	40,496	758,591
Building Service Systems	142,321	3,085	-	10,254	155,660
Building Interiors	74,265	254	-	9,813	84,332
Fixed Equipment	116,176	637	-	324	117,137
Movable Equipment	31,623	1,287	-	965	33,875
Software Systems	30,067	-	-	716	30,783
Construction in Progress	49,066	30,640	-	(63,001)	16,705
Total property and equipment	1,189,966	43,481	(85)	-	1,233,362
Less: accumulated depreciation	(517,015)	(32,902)	-	-	(549,917)
Property, plant and equipment, net	\$ 672,951	\$ 10,579	\$ (85)	\$ -	\$ 683,445

E. Bonds and Leases Payable and Other Long-Term Liabilities

Debt obligations are generally callable by the University and bear interest at fixed rates ranging from 2.00% to 6.43%. The debt obligations mature at various dates through 2050.

On August 21, 2019 the University issued two bonds: General Obligation Bonds, Series 2019A (Green Bonds) par amount of \$38,200 and General Obligation Bonds, Series 2019B par amount of \$59,875. The 2019A Bonds were issued to finance a portion of the costs of constructing an on-campus Multipurpose Center and to finance capitalized interest on

the 2019A Bonds through April 1, 2020. The 2019B Bonds were issued for the purpose of providing funds that will be used, together with available moneys of the University, to refund all the University's outstanding General Obligation Bonds, Series 2009 maturing after October 1, 2019 and to reimburse the University for the costs of certain deferred maintenance on the campus of the University. Proceeds of the 2019 Bonds will also be used to finance certain costs of issuance of the 2019 Bonds. The University incurred a deferred loss of \$1,207 on the refunding of the 2009 General Obligation Bonds.

Long term debt activity for the years ended June 30, 2020 and 2019 is summarized as follows:

(dollars in thousands)

Fiscal Year 2020					
Long Term Liability	Beginning Balance	New Debt	Payments	Ending Balance	
				Current	Non-Current
General Obligation Bonds					
Series 2009	\$ 67,235	\$ -	\$ 67,235	\$ -	\$ -
Series 2010A	9,000	-	-	-	9,000
Series 2010B (1)	16,476	-	1,334	1,395	13,747
Series 2012A (2)	46,612	-	(13)	(13)	46,638
Series 2014A (3)	69,605	-	1,911	2,087	65,607
Series 2015 (4)	193,275	-	2,639	2,758	187,878
Series 2016 (5)	76,543	-	3,259	3,254	70,030
Series 2017 (6)	66,312	-	3,198	3,208	59,906
Series 2019A (7)	-	46,187	-	282	45,905
Series 2019B (8)	-	74,440	-	2,201	72,239
Capital Leases	334	-	194	96	44
TOTAL	\$ 545,392	\$ 120,627	\$ 79,757	\$ 15,268	\$ 570,994

- (1) This balance shown includes bond premium of \$327.
 (2) This balance shown is net of bond discount of \$236.
 (3) This balance shown includes bond premium of \$5,296.
 (4) This balance shown is net of bond premium of \$8,217.

- (5) This balance shown includes bond premium of \$9,964.
 (6) This balance shown includes bond premium of \$8,909.
 (7) This balance shown includes bond premium of \$7,986.
 (8) This balance shown includes bond premium of \$14,565.

Fiscal Year 2019					
Long Term Liability	Beginning Balance	New Debt	Payments	Ending Balance	
				Current	Non-Current
General Obligation Bonds					
Series 2009 (1)	\$ 69,063	\$ -	\$ 1,828	\$ 1,898	\$ 65,337
Series 2010A	9,000	-	-	-	9,000
Series 2010B (2)	17,756	-	1,280	1,334	15,142
Series 2012A (3)	46,599	-	(13)	(13)	46,625
Series 2014A (4)	71,431	-	1,826	1,911	67,694
Series 2015 (5)	195,804	-	2,529	2,639	190,636
Series 2016 (6)	79,692	-	3,149	3,259	73,284
Series 2017 (7)	66,695	-	383	3,198	63,114
Capital Leases	516	-	182	194	140
TOTAL	\$ 556,556	\$ -	\$ 11,164	\$ 14,420	\$ 530,972

- (1) This balance shown includes bond discount of \$841.
 (2) This balance shown is net of bond premium of \$367.
 (3) This balance shown includes bond discount of \$249.
 (4) This balance shown is net of bond premium of \$5,607.

- (5) This balance shown includes bond premium of \$8,546.
 (6) This balance shown includes bond premium of \$10,393.
 (7) This balance shown includes bond premium of \$9,292.

(dollars in thousands)

In compliance with the University's various bond indentures, at June 30, 2020 the University has deposits with trustees of \$27,966 (\$8 in 2019) 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 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
2021	\$ 13,557	\$ 24,101	\$ 37,658
2022	12,638	23,460	36,098
2023	13,245	22,813	36,058
2024	13,920	22,134	36,054
2025	14,640	21,428	36,068
2026-2030	85,395	95,266	180,661
2031-2035	107,310	73,376	180,686
2036-2040	136,605	47,158	183,763
2041-2045	113,675	17,133	130,808
2046-2050	20,250	1,777	22,027
TOTAL	\$ 531,235	\$ 348,646	\$ 879,881

Other long-term liabilities at June 30, 2020 and 2019 are summarized below:

Fiscal Year 2020					
Other Long Term Liabilities	Beginning Balance	Increases	Decreases	Ending Balance	
				Current	Non-Current
Federal Student Loan Capital Contribution	\$ 6,890	\$ -	\$ 1,851	\$ -	\$ 5,039
Green Mountain Loan Guarantee	569	-	184	-	385
Obligations under deferred giving arrangements	6,179	1,130	452	370	6,487
Postemployment Benefits	460,332	87,552	17,853	-	530,031
Service Concession Arrangement	5,627	-	938	938	3,751
Pledges Payable and Other Accrued Liabilities	5,436	1,392	386	386	6,056
TOTAL	\$ 485,033	\$ 90,074	\$ 21,664	\$ 1,694	\$ 551,749
Fiscal Year 2019					
Other Long Term Liabilities	Beginning Balance	Increases	Decreases	Ending Balance	
				Current	Non-Current
Federal Student Loan Capital Contribution	\$ 6,947	\$ -	\$ 57	\$ -	\$ 6,890
Green Mountain Loan Guarantee	795	-	226	-	569
Obligations under deferred giving arrangements	5,393	1,342	556	396	5,783
Postemployment Benefits	492,575	-	32,243	-	460,332
Service Concession Arrangement	6,565	-	938	938	4,689
Pledges Payable and Other Accrued Liabilities	5,675	-	239	386	5,050
TOTAL	\$ 517,950	\$ 1,342	\$ 34,259	\$ 1,720	\$ 483,313

(dollars in thousands)

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.

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.

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

Cash and Cash Equivalents	June 30, 2020	June 30, 2019
Cash	\$ 92,396	\$ 76,691
Money Markets	100,937	99,695
TOTAL	\$ 193,333	\$ 176,386

Of total cash and cash equivalents above, \$6,281 in 2020 and \$13,265 in 2019 are included in non-current endowment cash and cash equivalents.

(dollars in thousands)

The balance of cash held in bank deposit accounts was \$192,714 at June 30, 2020 and \$176,386 at June 30, 2019. Of these bank balances, \$1,264 in 2020 and \$1,509 in 2019 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 \$62,530. The University also has an irrevocable standby letter of credit up to \$150,000 at June 30, 2020 and \$127,000 at June 30, 2019 through the Federal Home Loan Bank of Pittsburgh as collateral for the University's

primary depository account. The University has not drawn on the letter of credit during the years ended June 30, 2020 and 2019.

Total operating investments were \$154,738 at June 30, 2020 and \$139,132 at June 30, 2019. Operating investments invested in the long-term pool were \$10,620 at June 30, 2020 and \$11,091 at June 30, 2019 (see note G). Short and intermediate term operating investments at June 30, 2020 and 2019 were primarily made through commingled funds with the following investment strategies:

2020	UVM Amount	Average Maturity/ Effective Duration	Govt/ Agency	Credit Quality %				
				AAA	AA	A	BBB	Other
Fixed Income/Debt	\$ 132,833	2.7 yrs/ 2.5 yrs	21	10	24	40	5	-
Multi Strategy Equity Fund	10,429							
Other	856							
TOTAL	\$ 144,118							

2019	UVM Amount	Average Maturity/ Effective Duration	Govt/ Agency	Credit Quality %				
				AAA	AA	A	BBB	Other
Fixed Income/Debt	\$ 116,783	2.7 yrs/ 2.5 yrs	28	4	33	28	7	-
Multi Strategy Equity Fund	10,774							
Other	484							
TOTAL	\$ 128,041							

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 current assets are replacement reserves designated for capital renovations. All other investments are reported as operating investments.

Deposits with trustees include \$7,462 in 2020 and \$9,022 in 2019 of assets held under deferred giving arrangements, \$1,187 in 2020 and \$1,123 in 2019 of investments in the waste disposal fund required by the EPA, and \$27,966 in 2020 and \$8 in 2019 of investments held by bond trustees.

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	FY20	FY19
Net interest, dividend, and other income	\$ 6,917	\$ 6,820
Realized gains	4,738	17,440
Unrealized gains	233	2,643
Investment management fees	(1,803)	(1,720)
TOTAL	\$ 10,085	\$ 25,183

(dollars in thousands)

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.

Investments measured at fair value for the years ended June 30, 2020 and 2019 is summarized as follows:

Fiscal Year 2020	Level 1	Level 2	Level 3	NAV	Total Investments
Investments:					
Public Global Equity	\$ 276,325	\$ -	\$ -	\$ 8,539	\$ 284,864
Marketable Alternatives	-	-	-	82,210	82,210
Private Investments	-	-	4	97,658	97,662
Public Real Assets	-	-	-	18,487	18,487
Fixed Income/Debt	47,655	153,678	-	-	201,333
Other	606	-	970	-	1,576
Cash and Cash Equivalents	6,281	-	-	-	6,281
Total Investments	\$ 330,867	\$ 153,678	\$ 974	\$ 206,894	\$ 692,413
Deposits With Trustees at Fair Value:					
Beneficial Interests in Trusts	\$ -	\$ -	\$ 3,454	\$ -	\$ 3,454
Public Global Equity	400	-	-	-	400
Fixed Income/Debt	289	4,211	-	-	4,500
Cash and Cash Equivalents	28,261	-	-	-	28,261
Total Deposits With Trustees	\$ 28,950	\$ 4,211	\$ 3,454	\$ -	\$ 36,615

(dollars in thousands)

Fiscal Year 2019	Level 1	Level 2	Level 3	NAV	Total Investments
Investments:					
Public Global Equity	\$ 227,085	\$ -	\$ -	\$ 12,600	\$ 239,685
Marketable Alternatives	-	-	-	81,742	81,742
Private Investments	-	-	333	91,301	91,634
Public Real Assets	12,028	-	-	26,964	38,992
Fixed Income/Debt	74,668	137,427	-	-	212,095
Other	412	-	451	-	863
Cash and Cash Equivalents	13,265	-	-	-	13,265
Total Investments	\$ 327,458	\$ 137,427	\$ 784	\$ 212,607	\$ 678,276
Deposits With Trustees at Fair Value:					
Beneficial Interests in Trusts	\$ -	\$ -	\$ 4,765	\$ -	\$ 4,765
Public Global Equity	205	-	-	-	205
Fixed Income/Debt	229	4,363	-	-	4,592
Cash and Cash Equivalents	591	-	-	-	591
Total Deposits With Trustees	\$ 1,025	\$ 4,363	\$ 4,765	\$ -	\$ 10,153

Investment liquidity for the years ended June 30, 2020 and 2019 is summarized as follows:

Fiscal Year 2020	Daily	Monthly	Quarterly	Semi-Annual	Annual	Illiquid	Total	Redemption Notice Period
Investments:								
Public Global Equity	\$ 247,257	\$ 29,067	\$ 8,540	\$ -	\$ -	\$ -	\$ 284,864	1-90 days
Marketable Alternatives	10,429	8,728	37,813	11,524	13,694	22	82,210	1-90 days
Private Investments	-	-	-	-	-	97,662	97,662	Illiquid
Public Real Assets	-	-	-	-	-	18,487	18,487	Illiquid
Fixed Income/Debt	184,191	17,142	-	-	-	-	201,333	1-30 days
Other	606	-	-	-	-	970	1,576	Same day, Illiquid
Cash and Cash Equivalents	6,281	-	-	-	-	-	6,281	Same day
Total Investments	\$ 448,764	\$ 54,937	\$ 46,353	\$ 11,524	\$ 13,694	\$ 117,141	\$ 692,413	

Fiscal Year 2019	Daily	Monthly	Quarterly	Semi-Annual	Annual	Illiquid	Total	Redemption Notice Period
Investments:								
Public Global Equity	\$ 220,047	\$ 7,038	\$ 12,600	\$ -	\$ -	\$ -	\$ 239,685	1-30 days
Marketable Alternatives	10,774	-	37,663	14,367	18,935	3	81,742	1-90 days, Illiquid
Private Investments	-	-	-	-	-	91,634	91,634	Illiquid
Public Real Assets	12,028	-	-	-	-	26,964	38,992	Same day, Illiquid
Fixed Income/Debt	195,089	17,006	-	-	-	-	212,095	1-30 days
Other	412	-	-	-	-	451	863	Same day, Illiquid
Cash and Cash Equivalents	13,265	-	-	-	-	-	13,265	Same day
Total Investments	\$ 451,615	\$ 24,044	\$ 50,263	\$ 14,367	\$ 18,935	\$ 119,052	\$ 678,276	

(dollars in thousands)

The following is a description of the investment categories:

Public Global Equity – 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.

Marketable Alternatives – 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.

Private Investments - 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.

Public Real Assets – 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.

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

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

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 4.75%. 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:

Endowment and separately invested funds including \$10,620 and \$11,091 of operating investments and \$46,778 and \$44,420 of capital investments at June 30, 2020 and 2019, respectively, are composed of the following:

Unaudited	June 30, 2020	
	Target %	Actual %
Public Global Equity	45.0	51.9
Marketable Alternatives	15.0	13.3
Private Investments	25.0	18.2
Public Real Assets	5.0	3.5
Fixed Income/Debt	10.0	12.0
Cash & Cash Equivalents	0.0	1.1
	June 30, 2019	
	Target %	Actual %
Public Global Equity	43.0	43.2
Marketable Alternatives	13.0	13.2
Private Investments	25.0	16.9
Public Real Assets	5.0	7.3
Fixed Income/Debt	14.0	17.0
Cash and Cash Equivalents	0.0	2.4

	June 30, 2020	June 30, 2019
Public Global Equity	\$ 284,864	\$ 239,685
Marketable Alternatives	71,781	70,966
Private Investments	97,658	91,626
Public Real Assets	18,487	38,992
Fixed Income/Debt	68,501	95,312
Other	723	389
Cash and Cash Equivalents	6,281	13,265
TOTAL	\$ 548,295	\$ 550,235

(dollars in thousands)

The fixed income/debt portfolio is composed of two passive and one active bond fund in 2020 and three passive and one active bond fund in 2019. The following shows the risk profiles at June 30, 2020 and 2019:

2020	Amount	Average Duration Yrs.	Govt/ Agency	Credit Quality %				
				AAA	AA	A	BBB	<BBB
Fixed Income/Debt	\$68,501	3.3	46	4	4	12	33	1

2019	Amount	Average Duration Yrs.	Govt/ Agency	Credit Quality %				
				AAA	AA	A	BBB	<BBB
Fixed Income/Debt	\$95,301	3.6	49	3	4	12	31	1

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 \$60.64), 4,825.0890 units were owned by endowment funds and 4,049.7457 units by quasi endowment funds at June 30, 2020 (\$63.32, 4,753.2684 and 3,757.1292 respectively, at June 30, 2019).

The University of Vermont Foundation (UVMF) participates in the UVM pooled endowment. The UVMF owned 1,619.0022 units with a market value of \$98,172 as of June 30, 2020 and 1,404.8586 units with a market value of \$88,960 as of June 30, 2019. The market value of UVMF's units is reported on the Statements of Net Position as investments as well as within unearned revenue, deposits, and funds held for others to reflect the fact that these assets are not owned by the University.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was passed by the State of Vermont effective May 5, 2009. UPMIFA broadens and clarifies the latitude of institutions to manage overall endowment returns, without specifically isolating those particular endowments, because of timing of receipt of the gift and market conditions, are deemed underwater. Rather, the institution is expected to define an overall prudent approach both to distribution of funds for spending and long-term preservation and growth of capital. The University will continue with its uniform endowment distribution practice, including 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, 2020	\$ 538,147	\$ 425,817	\$ 112,330
June 30, 2019	538,906	419,585	119,321
Unrealized Net Loss			(6,991)
New Gifts and Transfers			17,086
Realized Net Gain			3,611
Net Income			2,512
Withdrawn for Spending			(16,977)
Total Net Change			\$ (759)

	Fair Value	Cost	Net Change
June 30, 2019	\$ 538,906	\$ 419,585	\$ 119,321
June 30, 2018	532,658	411,178	121,480
Unrealized Net Loss			(2,159)
New Gifts and Transfers			8,679
Realized Net Gain			15,964
Net Income			195
Withdrawn for Spending			(16,431)
Total Net Change			\$ 6,248

(dollars in thousands)

I. Commitments

Major plant projects include commitments as follows:

Unaudited Project	Estimated Project Cost	Project-to-Date Expenditures 2020	Project-to-Date Expenditures 2019
Firestone Medical Research Building	\$ 49,000	\$ 3,842	\$ 2,323
Multipurpose Center	95,000	32,373	7,911

The University has entered into operating leases for space, which expire at various dates through fiscal 2025. Outstanding commitments for these leases are expected to be paid in the following years ending June 30:

For the Fiscal Year Ending June 30	Rental Payments Due
2021	\$ 1,795
2022	1,418
2023	1,272
2024	1,174
2025	394
TOTAL	\$ 6,053

Operating lease expenses totaled \$4,310 and \$4,587 in 2020 and 2019, respectively.

The University is obligated under certain of its investments to make future capital contributions in the amount of \$74,781 as of June 30, 2020.

The University entered into agreements with the State of Vermont Department of Vermont Health Access in both 2020 and 2019, 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 \$13,840 and \$13,865 were made in 2020 and 2019, 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 2021, based on the four-year agreement entered into on August 30, 2017, the University will make quarterly payments to the State of Vermont Department of Vermont Health Access totaling \$13,682.

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 \$2,000 excess limit and the group purchase liability program that provides a \$23,000 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 \$2,593 in 2020 and \$5,155 in 2019; \$0 and \$1,963 of this is covered by excess insurance in 2020 and 2019, respectively. The University paid claims of \$1,894 in 2020 and \$1,914 in 2019. Reserves for property and casualty liabilities are included in accrued liabilities (including incurred but not reported) in the amount of \$17,317 at June 30, 2020 and \$10,283 at June 30, 2019.

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.

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. Service Concession Arrangements

On July 1, 2015, the University entered into an agreement (the "Agreement") with a third party under which the third party would operate the University's Food Services and collect revenues generated from resident and non-resident meal plans, as well as sales of food, beverages, goods, merchandise and services. The contract term is five years with an option to extend for an additional five years if mutually agreed. The third party will use University facilities to provide this service and will pay the University a guaranteed minimum annual commission; the present value of these guaranteed amounts is estimated to be \$6,002.

(dollars in thousands)

The third party will also pay UVM a percentage of net sales. The third party is required to operate the University's Food Service and facilities in accordance with the Agreement. The third party has also agreed to fund capital improvements to the University's premises, valued at \$4,690 in FY20. The University is reporting the facilities used to provide the food service as a capital asset at book value. The University is reporting a receivable, liability and deferred inflow of resources at year-end pursuant to the service concession arrangement in the amounts of \$6,002, (\$4,690), and (\$1,312), respectively. The deferred inflow will be recognized as revenue ratably over the term of the Agreement.

K. Retirement Plans

Faculty and staff 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 must have a full-time equivalency of .75 or greater;
- 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;
- 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, 2020 and 2019, the University had total payroll expense of \$315,089 and \$305,694, respectively, of which \$229,564 in 2020 and \$215,013 in 2019 was covered by the University's 403(b) retirement plan. Total employee and employer contributions for 403(b) pension benefits for the year were \$19,191 and \$22,956, respectively, for 2020 and \$18,089 and \$21,501, respectively, for 2019. 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 \$5,578 in fiscal year 2020 and \$4,687 in fiscal year 2019.

L. 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 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

(dollars in thousands)

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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	1,769
Active employees	3,982
TOTAL	5,751

2. Total OPEB Liability

The University's total OPEB liability of \$530,031 in 2020 and \$460,332 in 2019 was determined by an actuarial valuation as of January 1, 2019 and January 1, 2017, and then projected forward to the measurement date of December 31, 2019 and December 31, 2018, respectively.

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs,

applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary Increases	3.00%
Discount Rate	2.74%

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

Medical and Rx	95%
Dental	95%
Life Insurance	95%
	20% 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	6.5%	3.7%	2074
J Carve-Out Medicare	6.6%	3.7%	2074
MediComp III Medicare	6.6%	3.7%	2074
Dental	5.0%	3.7%	2074
Tuition Remission	2.3%	2.2%	2019

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 2020 were based on the Pri-2012 Retiree/Employee Mortality Table projected with Projection Scale MP-2019 for healthy participants, Pri-2012 Contingent Survivor Table with Scale MP-2019 for current surviving spouses, and Pri-2012 Disabled Mortality Table projected with Projection Scale MP-2019 for disabled participants. The mortality rates for 2019 were based on the Sex-distinct RP-2006 Base Healthy Annuitant /Employee Mortality Tables with projection Scale MP-2018 for healthy participants and Sex-distinct RP-2006 Base Disabled Mortality Tables with projection Scale MP-2018 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, 2020 and 2019:

Total OPEB Liability	Fiscal Year 2020	Fiscal Year 2019
Balance at the beginning of year	\$ 460,332	\$ 492,575
Changes for the year:		
Service cost	13,452	15,645
Interest on total OPEB liability	19,063	17,175
Effect of plan changes	-	-
Effect of economic/demographic gains or losses	9,862	1,395
Effect of assumption changes or inputs	45,175	(48,429)
Benefit payments	(17,853)	(18,029)
Net changes	69,699	(32,243)
Balance at end of the year	\$ 530,031	\$ 460,332

Changes of assumptions and other inputs reflect a change in the discount rate to 2.74% in FY20 from 4.10% in FY19.

The following tables present the total OPEB liability of the University, calculated using the discount rates of 2.74% in FY20 and 4.10% in FY19, 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.

	1% Decrease	Discount Rate	1% Increase
Fiscal Year 2020	(1.74%)	(2.74%)	(3.74%)
Total OPEB liability	\$ 616,236	\$ 530,031	\$ 460,591
Fiscal Year 2019	(3.10%)	(4.10%)	(5.10%)
Total OPEB liability	\$ 532,203	\$ 460,332	\$ 402,338

The following tables present the FY20 and FY19 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.

	1% Decrease	Current Trend Rate	1% Increase
Fiscal Year 2020			
Total OPEB liability	\$ 451,159	\$ 530,031	\$ 629,873
Fiscal Year 2019			
Total OPEB liability	\$ 390,911	\$ 460,332	\$ 547,983

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, 2020 and 2019 is summarized as follows:

OPEB Expense	FY20	FY19
Service cost	\$ 13,452	\$ 15,645
Interest on total OPEB liability	19,063	17,175
Effect of plan changes	-	-
Recognition of deferred outflows/inflows of resources		
Recognition of economic/demographic gains or losses	2,353	485
Recognition of assumption changes or inputs	(1,961)	(10,517)
OPEB expense	\$ 32,907	\$ 22,788

Deferred outflows and inflows of resources as of June 30, 2020 and 2019 are summarized as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Fiscal Year 2020		
Difference between expected and actual experience	\$ -	\$ 9,106
Changes of assumptions	(25,851)	38,386
Contributions after measurement period	-	9,287
TOTAL	\$ (25,851)	\$ 56,779
Fiscal Year 2019		
Difference between expected and actual experience	\$ -	\$ 1,597
Changes of assumptions	(37,140)	2,540
Contributions after measurement period	-	8,998
TOTAL	\$ (37,140)	\$ 13,135

Deferred outflows of resources resulting from contributions after the measurement period totaling \$9,287 and \$8,998 will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021 and June 30, 2020, 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
2021	\$ 392
2022	392
2023	7,514
2024	10,424
2025	2,919
Thereafter*	-

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

(dollars in thousands)

M. Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2020 and 2019 are summarized as follows:

Year ended June 30, 2020						
Function	Compensation And Benefits	Supplies And Services	Scholarships And Fellowships	Depreciation		
Instruction	\$ 154,999	\$ 19,222	\$ -	\$ -	\$ 174,221	
Research	65,011	34,893	-	-	99,904	
Public service	47,772	14,270	-	-	62,042	
Academic support	61,697	15,835	-	-	77,532	
Student services	31,202	12,877	-	-	44,079	
Institutional support	38,906	11,839	-	-	50,745	
Operations and maintenance of plant	31,631	15,103	-	-	46,734	
Scholarships and fellowships	-	-	27,329	-	27,329	
Auxiliary enterprises	32,938	47,315	-	-	80,253	
Depreciation	-	-	-	33,691	33,691	
TOTAL	\$ 464,156	\$ 171,354	\$ 27,329	\$ 33,691	\$ 696,530	

Year ended June 30, 2019						
Function	Compensation And Benefits	Supplies And Services	Scholarships And Fellowships	Depreciation		
Instruction	\$ 159,826	\$ 21,328	\$ -	\$ -	\$ 181,154	
Research	60,444	32,626	-	-	93,070	
Public service	48,167	16,011	-	-	64,178	
Academic support	46,333	19,450	-	-	65,783	
Student services	28,151	15,606	-	-	43,757	
Institutional support	32,843	11,687	-	-	44,530	
Operations and maintenance of plant	30,219	20,924	-	-	51,143	
Scholarships and fellowships	-	-	20,747	-	20,747	
Auxiliary enterprises	31,652	52,404	-	-	84,056	
Depreciation	-	-	-	32,902	32,902	
TOTAL	\$ 437,635	\$ 190,036	\$ 20,747	\$ 32,902	\$ 681,320	

N. Pollution Remediation Obligations

The University is required to account for its pollution remediation activities in accordance with GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB 49 requires the University to accrue estimated costs to conduct pollution remediation activities if certain obligating events have occurred. It also requires the University to expense pollution remediation costs which cannot be capitalized. The University incurred and expensed pollution remediation costs of \$348 and \$300 in fiscal 2020 and fiscal 2019, respectively.

Also, in fiscal 2020, the University commenced certain renovation projects that included the need for asbestos and lead paint removal. These projects are not expected to be completed until after fiscal 2020 and therefore fiscal 2020 supplies and services expense and current accrued liabilities include \$1,345 (\$1,388 in fiscal 2019) for the expected remediation portion of these projects. The accrual is based on management's estimate of expected outlays. There are no recoveries associated with these projects.

(dollars in thousands)

Required Supplementary Information - Postemployment Benefits Schedule of Changes in the University's Total OPEB Liability and Related Ratios			
Total OPEB Liability	FY20	FY19	FY18
Service cost	\$ 13,452	\$ 15,645	\$ 14,434
Interest on total OPEB liability	19,063	17,175	18,066
Changes of benefit terms	-	-	-
Effect of economic/demographic gains or (losses)	9,862	1,395	847
Effect of assumption changes or inputs	45,175	(48,429)	4,085
Benefit payments	(17,853)	(18,029)	(16,058)
Net change in total OPEB liability	69,699	(32,243)	21,374
Total OPEB liability, beginning	460,332	492,575	471,201
Total OPEB liability, ending	\$ 530,031	\$ 460,332	\$ 492,575
Covered-employee payroll	\$ 258,395	\$ 241,981	\$ 241,981
Total OPEB liability as a % of covered-employee payroll	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:

2020	2.74%
2019	4.10%
2018	3.44%

INNOVATION



LEADS TO EXCELLENCE



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