

An aerial photograph of the University of Vermont campus. In the foreground, a large brick clock tower with a white cupola and two clock faces stands prominently. To its right is a large, multi-story red brick building with many windows. Further back, a white water tower is visible. The campus is surrounded by green lawns and trees. In the background, rolling hills and mountains are visible under a dramatic sky with a vibrant rainbow arching over the scene.

The University of Vermont

ANNUAL 2021 Financial Report

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





The University of Vermont

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Katharine Shepherd..... Interim Dean, College of Education and Social Services
David Jenemann..... Dean, Honors College
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UNIVERSITY OF VERMONT & STATE AGRICULTURAL COLLEGE
(a component unit of the State of Vermont)

Photo by EZ Johnston



Letter from the President

Members of the Board of Trustees,

I attach the Annual Financial Report for the Fiscal Year ended June 30, 2021. In spite of the challenges resulting from the pandemic, the state of UVM's finances is sound.

These financial statements illustrate an increase of \$188.7 million in the University's net position, primarily due to an increase in the value of the endowment and research awards, as well as a one-time infusion of state support to address Covid-related expenses. Another contributing factor was the significant reduction in operating expenses, including travel and events, during the pandemic year. As of June 30, 2021, the market value of the entire combined endowment (UVM and UVM Foundation) was \$730 million. It is important to note that endowment gifts and research awards are almost entirely restricted for specific purposes by the donors and the entities that award the grants.

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

Best wishes,

A handwritten signature in blue ink, reading "Suresh Garimella".

Suresh Garimella

The University of Vermont

Management's Responsibility for the Financial Report

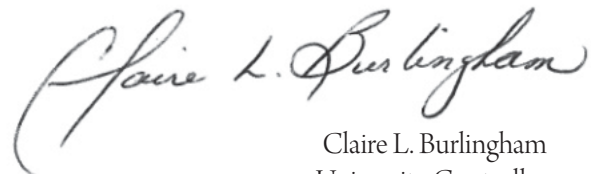
The accompanying financial statements of the University of Vermont and State Agricultural College for the year ended June 30, 2021 are official documents prepared in accordance with U.S. generally accepted accounting principles set forth for public colleges and universities by the Governmental Accounting 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 2021.

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



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, 2021 and 2020, 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, 2021 and 2020, 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 8, 2021 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 8, 2021

The University of Vermont

Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

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, 2021 and 2020, 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 11,081 undergraduate students and 2,200 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

In an address to the campus community in August, 2021, President Garimella acknowledged the effort of students, faculty, staff, alumni, friends, families, community members and leaders for their moving forward in pursuit of the collective goals in *Amplifying Our Impact*, the President's strategic vision. *Amplifying Our Impact* utilizes a three-pronged approach which includes ensuring student success, investing in distinctive research strengths, and fulfilling the land grant mission.

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

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

Fulfilling the Land Grant Mission - As one of the nation's first land grant institutions, the University's alignment with the state is fitting. The University is nationally acclaimed for helping Vermonters tackle everything from farm viability to complex environmental issues to business growth. The University supports commercialization and job creation initiatives in the state, and partnerships with large corporations enable the possibility of attracting satellite operations, jobs, and a talented workforce to the state. The University intends to create a more streamlined gateway for Vermonters to

learn about and access the many resources the University offers. Efforts to set up that front door, inviting the community to engage more fully with the University, are underway.

Financial Highlights

A. Revenues

In the fall of 2021, the University enrolled 11,081 students in more than 100 undergraduate majors, 1,709 students in graduate and post-baccalaureate programs, and 491 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 82% of the undergraduates enrolled in the fall of 2021 from New England and the Middle Atlantic States, including 18% of its undergraduate students from Vermont. Graduate and Certificate student enrollment from Vermont represented 40.2%.

Final numbers for the fall of 2021 show total applications are the highest they have been in the past decade totaling over 25,500 applications. This represents an increase of 17.2% since 2012, with in-state applications decreasing 8.8% and out-of-state applications increasing 20.2% for the same period. Total admissions decreased for that period by 2.9%, with in-state admissions decreasing 10.3% and out-of-state admissions decreasing 2.1%. From fall 2012 through fall 2021, total first-time, first year enrollments have also seen record highs of over 2,900 enrollments, increased by 23.6%, with in-state enrollments decreasing by 4.8% and out-of-state enrollments increasing by 32.0%. Trends in applications, admits, and enrollments can be seen in Charts 2A and 2B on page 7.

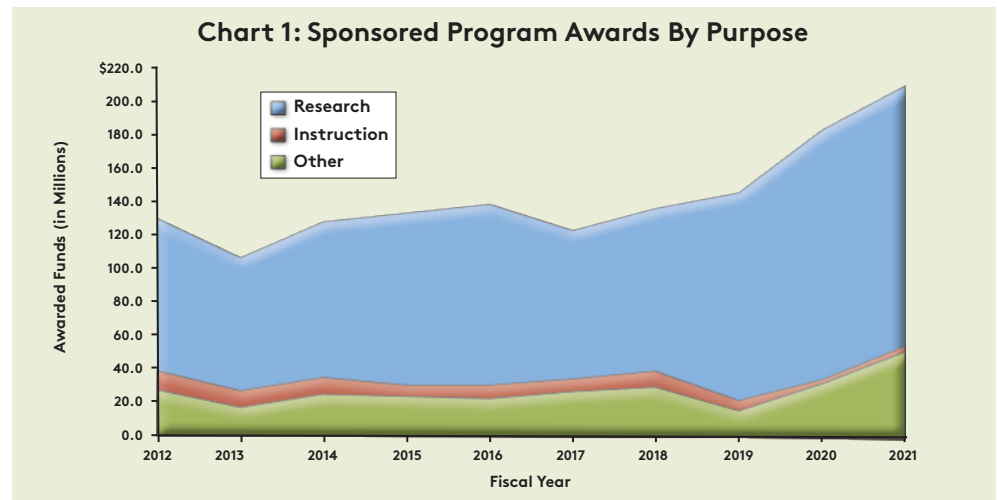


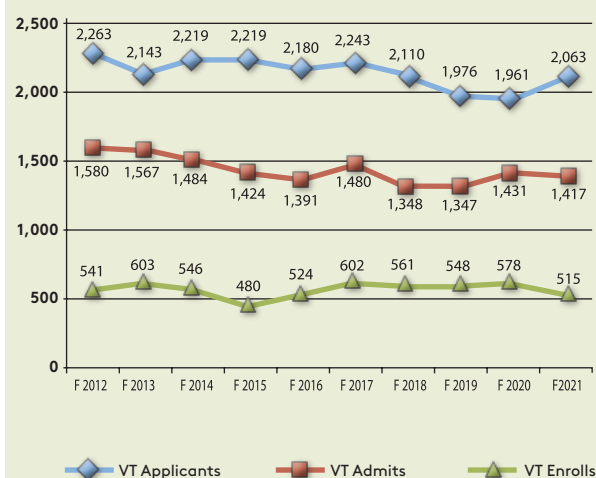
Chart 1 presents the activity of sponsored programs over the past decade.

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 3.1% and 2.9%, respectively, from 2013 through 2020. Table 1 presents tuition and fees, as well as room and board for that period.

During fiscal 2021, President Garimella announced that tuition for fiscal 2022 would not increase over fiscal 2021 levels. In September of 2021 President Garimella made another announcement stating there would also be no increase in tuition for fiscal 2023. This represents the third consecutive fiscal year with no tuition increase. 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

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

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Average Annual % Increase
Student Tuition & Fees									
In-State Tuition & Fees	\$15,718	\$16,226	\$16,768	\$17,300	\$17,740	\$18,276	\$18,802	\$19,002	2.76%
Out-of-State Tuition & Fees	\$36,646	\$37,874	\$39,160	\$40,364	\$41,356	\$42,516	\$43,690	\$43,890	2.65%
Room (Double)									
Board (Average Meal Plan)	\$6,844	\$7,116	\$7,376	\$7,634	\$7,900	\$8,196	\$8,502	\$8,756	3.50%
	\$3,558	\$3,664	\$3,774	\$3,944	\$4,122	\$4,266	\$4,414	\$4,568	3.71%
Total, In-State Cost	\$26,120	\$27,006	\$27,918	\$28,878	\$29,762	\$30,738	\$31,718	\$32,326	
Increase Over Previous Year	3.05%	3.39%	3.38%	3.44%	3.06%	3.28%	3.19%	1.92%	3.09%
Total, Out-of-State Cost	\$47,048	\$48,654	\$50,310	\$51,942	\$53,378	\$54,978	\$56,606	\$57,214	
Increase Over Previous Year	3.00%	3.41%	3.40%	3.24%	2.76%	3.00%	2.96%	1.07%	2.86%

Chart 2A: Trends in Vermont Applications, Admits, and Enrollments, Fall 2012 to Fall 2021

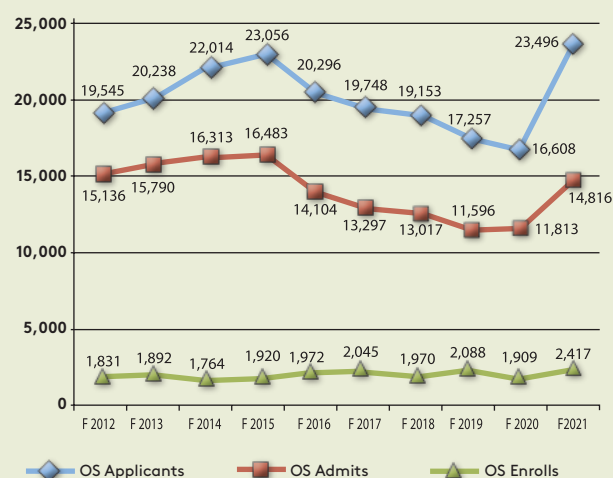
government and other sources and through partnerships with private industry; and supporting more students transferring to UVM from other colleges.

The University increased grant and contract revenues \$12.4 million or 5.9% from \$210.2 million in fiscal 2020 to \$222.6 million in fiscal 2021. This growth is due to revenues from the Higher Education Emergency Relief Funds I, II, and III totaling \$16.4 million in fiscal 2021. These were one-time funds in response to the pandemic. Included in the \$222.6 million is facility and administrative cost recoveries of \$34.3 million and additional commitment funds from University of Vermont Medical Center, Inc. of \$15.9 million. During fiscal 2021, the University was awarded over \$203.7 million in sponsored funds, 72.9% of which were for research activities. Approximately 70.0% of sponsored funds awarded during fiscal 2021 were from federal sources. The University's leading areas of externally sponsored programs are the biomedical sciences, agriculture, the environment, and education.

State appropriations in fiscal 2021 increased \$21.0 million, or 40.6%, compared to fiscal 2020 and increased \$8.7 million, or 20.2%, in fiscal 2020 compared to fiscal 2019. The increases in both fiscal 2021 and 2020 are entirely due to a Federal appropriation passed-through from the State of Vermont to assist the University in covering expenses related to COVID-19.

B. Operating and Capital Expenditures

The University's operating expenses decreased \$21.7 million or 3.1% from the 2020 level; and 2020 expenses increased \$15.2 million or 2.2% over 2019. Due to COVID-19 the University put in measures to reduce costs starting in the Spring 2020, semester resulting in a reduction of compensation and benefits costs. Paired with a reduction of the University's expense for other post-employment benefit liability for fiscal 2021, compensation and benefits expenses decreased by \$24.8 million, or 5.3%, from fiscal 2020. These cost savings were offset by a net increase of \$0.9 million, or 0.6%, in supplies and services expense. Approximately \$14.1

Chart 2B: Trends in Out-of-State Applications, Admits, and Enrollments, Fall 2012 to Fall 2021

million of additional expense was incurred to support in-person operations in fiscal 2021 for COVID-19 testing for students, faculty and staff. One-time reductions in other supplies and services expenses, such as travel, totaled approximately \$15.0 million resulting in the incremental increase for the year. Fiscal 2020 had an increase of operating expenses of \$15.2 million or 2.2% from fiscal 2019. The cost saving measures enacted in Spring, 2020, resulted in a decrease in supplies and services expenses of \$18.7 million or 9.8% from fiscal 2019. This reduction was 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. Depreciation remained relatively steady decreasing \$0.5 million in fiscal 2021 and increasing \$0.8 million in fiscal 2020.

With additional federal aid dedicated to providing relief to students as the result of COVID-19 from the Higher Education Emergency Relief Funds, the University has increased scholarship and fellowship expenses \$2.6 million, or 9.6%, in fiscal 2021 and \$6.6 million, or 31.7%, in fiscal 2020.

During fiscal 2021, construction continued on the Athletic Multipurpose Center Complex after temporarily being placed on hiatus due to COVID-19. In the Fall, 2020, construction began on the Firestone Medical Research Building. The building will include collaborative spaces to support and grow the research enterprise in biomedical sciences and technology. Its construction demonstrates the University's investment to research.

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, 2021 and 2020 fiscal years. These statements provide information on the financial position of the University

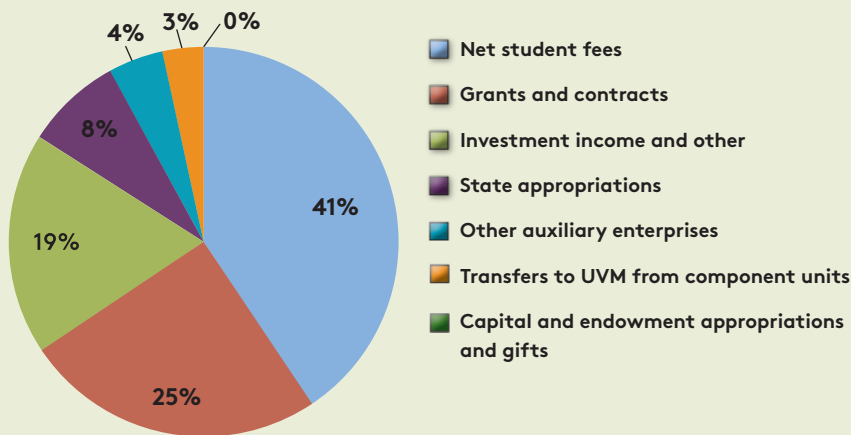
Chart 3: Fiscal 2021 Total Revenues


Chart 3 shows the University's fiscal 2021 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 (41%) and grants and contracts (25%).

Chart 4: Three-Year Revenue Stream Trends
(\$ in thousands)


Chart 4 shows the three-year trend for revenue streams. Net student fees are comprised of tuition and fees, residential life fees, and scholarship allowances. State appropriations increased \$21.0 million in 2021 due additional appropriations from the State of Vermont to assist the University in covering expenses related to COVID-19. Investment income increased \$138.0 million in fiscal 2021 due to favorable market returns.

and the financial activity and results of its operations during the years presented.

The financial statements focus on the University as a whole, rather than upon individual funds or activities.

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

A. Statements of Net Position

The Statements of Net Position, Table 2, depicts all 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 17.0% in fiscal 2021 and 13.5% in fiscal 2020. Included in cash and short-term investments are operating investments totaling \$180.9 million, \$154.7 million, and \$139.1 million in fiscal 2021, 2020, and 2019, respectively. These operating investments are primarily invested in bonds but also include equity and shares of the University's long-term endowment pool.

Endowment, capital, and similar investments have increased significantly in fiscal 2021, by \$106.9 million or 22.4%, and 2020, by \$15.8 million or 3.4%. Included in this balance are endowment

cash, cash equivalents and investments of \$497.7 million, \$392.7 million and \$405.8 million in fiscal 2021, 2020, and 2019, respectively. The increase of \$105.0 million or 26.7% in fiscal 2021 and decrease of \$13.1 million or 3.2% in fiscal 2020 are primarily due to market performance. Deposits held by bond trustees are also included in this balance totaling \$11.7 million, \$27.9 million, and \$8 thousand in fiscal 2021, 2020, and 2019, respectively. The fiscal 2021 balance of \$11.7 million is due unspent proceeds from the issuance of the Series 2019A and Series 2019B general obligation bonds.

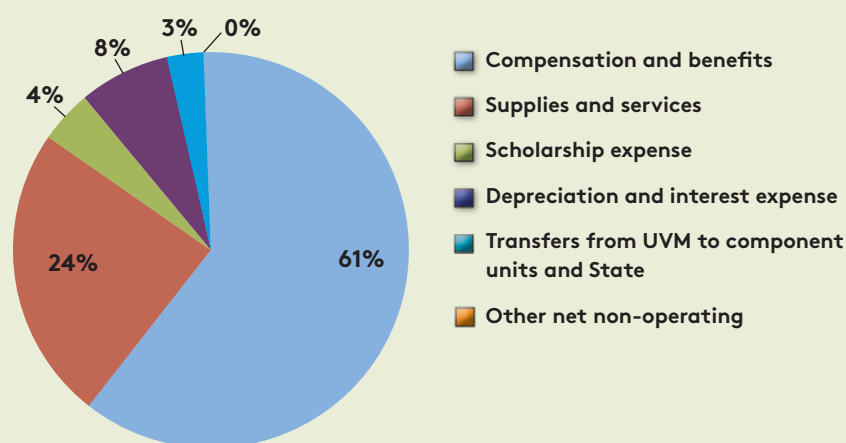
Chart 5: Fiscal 2021 Total Expenses

Chart 5 displays the University's fiscal 2021 expenses. The University's largest expense is compensation and benefits followed by supplies and services.

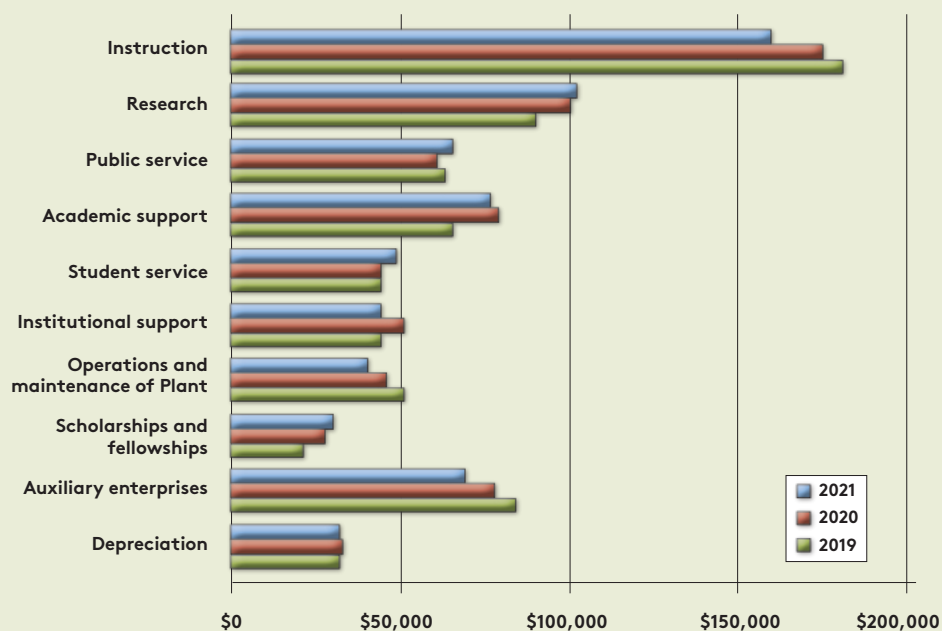
Chart 6: Operating Expenses by Functional Classifications (\$ in thousands)

Chart 6 displays the University's operating expenses for the past three years by functional, rather than natural, classification. In fiscal 2021 the University incurred additional student services costs to support returning to in-person operations safely by requiring regular testing of students. The University also continued 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 expenses and decreased instruction expenses.

Capital assets, net, saw increases of \$10.7 million or 1.5% in fiscal 2021 and \$19.9 million or 2.9% in fiscal 2020. Fiscal 2021 had capital asset additions of \$44.1 million. The increase to construction in progress is the primary driver where ongoing work for the Athletic Multipurpose Center Complex, totaling \$11.7 million, and for the Firestone Medical Research Building, \$14.1 million, were added. These additions were offset by depreciation expense of \$33.2 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 2021 saw an increase from fiscal 2020 of \$29.9 million or 19.2% compared to an increase in fiscal 2020 from fiscal 2019 of \$47.9 million or 44.4%. The increase in fiscal 2021 is mostly due to an increase in post-employment benefits deferred outflows of \$27.7 million stemming from differences between expected and actual and changes in actuary assumptions.

Postemployment benefits liability, which represents the current and future liability and deferred inflows the University has to retirees and their dependents for medical, dental, life insurance, and tuition remission benefits, increased \$25.4 million or 4.6% in fiscal 2021 and \$58.4 million or 11.7% in fiscal 2020. The increase in fiscal 2021 is largely the result of a change in the discount rate from 2.74% in fiscal 2020 to 2.12% in fiscal 2021.

Long-term debt liability decreased \$15.9 million or 2.7% from fiscal 2020. On March 1, 2021 the University issued a Taxable Senior Note Payable in the amount of \$13.6 million. The note was issued to refund the General Obligation Bonds, Series 2010B, in the amount of \$13.5 million and the cost of issuance of the note. The University recorded a deferred gain of \$0.3 million on the refunding of the 2010B General Obligation Bonds. This new debt was offset by payments totaling \$29.6 million. From fiscal 2019 to 2020 long-term debt increased \$40.9 million or 7.5% primarily due to new bond issues.

Table 2: Condensed information from Statements of Net Position

at June 30, 2021, 2020 and 2019
(\$ in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets and deferred outflows of resources			
Cash and short-term investments	\$ 399,233	\$ 341,164	\$ 300,601
Endowment, capital, and similar investments	582,986	476,118	460,336
Capital assets, net	714,084	703,342	683,445
Other assets and deferred outflows of resources	<u>185,691</u>	<u>155,801</u>	<u>107,902</u>
Total assets and deferred outflows of resources	<u>1,881,994</u>	<u>1,676,425</u>	<u>1,552,284</u>
Liabilities and deferred inflows of resources			
Postemployment benefits	581,323	555,882	497,472
Long-term debt	570,316	586,262	545,392
Other liabilities and deferred inflows of resources	<u>127,939</u>	<u>120,548</u>	<u>119,660</u>
Total liabilities and deferred inflows of resources	<u>1,279,578</u>	<u>1,262,692</u>	<u>1,162,524</u>
Net investment in capital assets	148,190	136,506	138,070
Restricted:			
Non-expendable	121,083	119,711	116,469
Expendable	438,873	336,050	335,965
Unrestricted	<u>(105,730)</u>	<u>(178,534)</u>	<u>(200,744)</u>
Total net position	<u>\$ 602,416</u>	<u>\$ 413,733</u>	<u>\$ 389,760</u>

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

Other liabilities and deferred inflows of resources increased from fiscal 2020 to fiscal 2021 by 6.1% or \$7.4 million from \$120.5 million to \$127.9 million. These balances consist of the University's accounts payable and current and non-current accrued liabilities including insurance reserves, compensated absences, obligations under deferred giving arrangements, and pledges payable. Unearned revenues, deposits and advance payments for tuition and grants & contracts are also included in this total. The increase is attributed to additional insurance reserves in fiscal 2021 of \$3.3 million and growth in unearned revenue for tuition and fees of \$4.1 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 gains. Restricted non-expendable resources are endowment balances which are required to be invested in perpetuity by the original donors. Unrestricted financial resources represent net position that is available for any future use without legal restriction and is negative due to the recording of the post-employment benefit obligation.

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

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

Net student fees declined by 5.5% from \$391.4 million in fiscal 2020 to \$369.8 million in fiscal 2021. 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 decreased by \$8.3 million or 1.8% from fiscal 2020 to fiscal 2021 and gross residential life fees decreased \$3.7 million or 6.1%. The decrease in gross tuition and fees is directly attributable to reduced undergraduate out-of-state, summer session, continuing education and study abroad enrollments as the result of COVID-19. The conclusion of the Global Gateway program also contributed to the reduction of gross tuition and fees in fiscal 2021. The decrease in gross residential life fees is the result of reduced occupancy due

**Table 3: Condensed information from Statements of Revenues,
Expenses, and Changes in Net Position**
for the years ended June 30, 2021, 2020 and 2019
(\$ in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tuition and fees	\$ 503,715	\$ 515,725	\$ 513,511
Less student financial aid	<u>(133,889)</u>	<u>(124,283)</u>	<u>(123,248)</u>
Net student fees	<u>369,826</u>	<u>391,442</u>	<u>390,263</u>
Grants and contracts	222,645	210,213	192,189
State appropriations	72,685	51,710	43,011
Transfers to UVM from component units	30,254	28,900	37,676
Other auxiliary enterprises	39,920	42,309	44,614
Investment income and other	<u>170,716</u>	<u>35,789</u>	<u>58,077</u>
Total operating and non-operating revenues	<u>906,046</u>	<u>760,363</u>	<u>765,830</u>
Compensation and benefits	(439,434)	(464,156)	(437,635)
Supplies and services	(172,301)	(171,354)	(190,036)
Scholarship expense	(29,954)	(27,329)	(20,747)
Depreciation and interest expense	(54,725)	(54,310)	(55,437)
Transfers from UVM to component units and State	<u>(22,144)</u>	<u>(22,598)</u>	<u>(23,933)</u>
Total operating and non-operating expenses	<u>(718,558)</u>	<u>(739,747)</u>	<u>(727,788)</u>
Increase in net position from recurring activities	<u>187,488</u>	<u>20,616</u>	<u>38,042</u>
Capital and endowment appropriations and gifts	1,240	3,689	2,069
Other net non-operating	<u>(45)</u>	<u>(332)</u>	<u>(416)</u>
Total other changes in net position	<u>1,195</u>	<u>3,357</u>	<u>1,653</u>
Total increase in net position	<u>\$ 188,683</u>	<u>\$ 23,973</u>	<u>\$ 39,695</u>

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

to COVID-19. Scholarship allowances increased from fiscal 2020 to fiscal 2021 by \$9.6 million or 7.7% demonstrating the effort to keep tuition affordable and as the result of higher student aid provided by the Higher Education Emergency Funds. An increase in net student tuition and fees in fiscal 2020 of 0.3% included a 2.4% increase in gross tuition and fees, a 11.9% decrease in gross residential life fees, and a 0.8% increase in scholarship allowances from fiscal 2019.

In fiscal 2021 and fiscal 2020 the University received an increase in state appropriations of \$21.0 million and \$8.7 million, respectively, to help offset the costs of COVID-19. Total state appropriation revenue was \$72.7 million in fiscal 2021 and \$51.7 million in fiscal 2020.

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 an increase of \$1.4 million from \$28.9 million in fiscal 2020 to \$30.3 million in fiscal 2021. This increase is due to incoming support for the Firestone Medical Research Building construction from the

University Medical Education Associates, Inc., offset by a reduction in University spending due to procedures put in place by University management as a result of COVID-19.

Other auxiliary enterprises revenues remained relatively stable at \$39.9 million, \$42.3 million, and \$44.6 million in fiscal 2021, 2020, and 2019, respectively. The decrease in revenue in fiscal 2021 of 5.6% is due to reduced activity due to COVID-19.

Investment income and other can be volatile due to the investment markets. There was an increase of \$134.9 million or 377.0% in fiscal 2021 from fiscal 2020. The increase can be attributed to the change in net investment income of \$138.0 million from \$10.1 million in fiscal 2020 to \$148.1 million in fiscal 2021. There was a decrease in the net investment income in fiscal 2020 of \$15.1 million compared to fiscal 2019. In fiscal 2021, the increase to net investment income is offset by decreases due to reduced activity due to COVID-19 including sales and services of educational activities.

Compensation and benefits decreased \$24.8 million or 5.3% from \$464.2 million in fiscal 2020 to \$439.4 million in fiscal 2021 due to cost saving measures in response to COVID-19 including hiring freezes, voluntary furloughs, retirement incentives and a reduction of the temporary and part-time workforce. The University also had reduced expense related to the other post-employment benefit liability amount on the Statement of Net Position for fiscal 2021. The increase of \$26.6 million or 6.1% from \$437.6 million in fiscal 2019 to \$464.2 million in fiscal 2020 is 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.

Supplies and services expenses increased slightly in fiscal 2021 from fiscal 2020 by \$0.9 million or 0.6% from \$171.4 million to \$172.3 million. This was primarily driven by the additional cost to support in-person operations in fiscal 2021 such as COVID-19 testing for students, faculty and staff, offset by one-time cost savings measures. Supplies and services expenses decreased significantly from fiscal 2019 to 2020 by \$18.7 million or 9.8% due to cost saving measures enacted in response to COVID-19.

Scholarship expense increased \$2.6 million, or 9.6%, in fiscal 2021 and \$6.6 million, or 31.7%, in fiscal 2020.

Transfers from UVM to component units and State of \$22.1 million, \$22.6 million, and \$23.9 million in fiscal 2021, 2020, and 2019, 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 2021 had a decrease of \$2.5 million or 66.4% from \$3.7 million in fiscal 2020 to \$1.2 million in fiscal 2021 due to endowment gifts of \$48 thousand in fiscal 2021 compared to \$2.2 million in fiscal 2020.

Statements of Net Position

as of June 30, 2021 and 2020

(dollars in thousands)

	2021	2020	UMEA 2021	UMEA 2020	UVMF 2021	UVMF 2020
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 218,290	\$ 186,426	\$ 237	\$ 99	\$ 47,666	\$ 37,858
Operating investments	180,943	154,738	65,832	60,409	15,159	9,507
Accounts, loans, notes and pledges receivable, net	45,329	40,964	910	968	61,397	8,378
Inventories and prepaid expenses	16,813	17,034	10	7	276	415
Total current assets	461,375	399,162	66,989	61,483	124,498	56,158
Non-current assets:						
Endowment cash, cash equivalents and investments	497,741	392,725	-	-	167,635	121,442
Student loans, notes, and pledges receivable, net	32,785	34,898	-	-	6,254	11,190
Investments for capital activities	63,934	46,778	-	-	6	-
Deposits with trustees	21,311	36,615	-	-	1,679	1,325
Prepaid expenses and other assets	778	201	-	-	-	-
Capital assets, net	714,084	703,342	-	-	7,823	8,161
Total non-current assets	1,330,633	1,214,559	-	-	183,397	142,118
Total Assets	1,792,008	1,613,721	66,989	61,483	307,895	198,276
DEFERRED OUTFLOWS OF RESOURCES						
Loss on refunding of debt	5,513	5,925	-	-	-	-
Postemployment benefits	84,473	56,779	-	-	-	-
Total Deferred Outflows of Resources	89,986	62,704	-	-	-	-
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	87,871	82,230	404	325	6,631	6,346
Unearned revenue, deposits, and funds held for others	16,321	12,038	47,681	41,956	41	78
Bonds and leases payable	15,140	15,268	-	-	-	-
Total current liabilities	119,332	109,536	48,085	42,281	6,672	6,424
Non-current liabilities:						
Accrued liabilities	19,048	21,718	-	-	-	-
Postemployment benefits	474,485	530,031	-	-	-	-
Bonds and leases payable	555,176	570,994	-	-	4,665	4,888
Total non-current liabilities	1,048,709	1,122,743	-	-	4,665	4,888
Total Liabilities	1,168,041	1,232,279	48,085	42,281	11,337	11,312
DEFERRED INFLOWS OF RESOURCES						
Service concession arrangement	1,076	1,312	-	-	-	-
Split-interest arrangements	3,623	3,250	-	-	-	-
Postemployment benefits	106,838	25,851	-	-	-	-
Total Deferred Inflows of Resources	111,537	30,413	-	-	-	-
NET POSITION						
Net investment in capital assets	148,190	136,506	-	-	3,158	3,273
Restricted:						
Non-Expendable	121,083	119,711	-	-	190,382	117,637
Expendable	438,873	336,050	13,662	14,407	89,295	57,813
Unrestricted	(105,730)	(178,534)	5,242	4,795	13,723	8,241
Total Net Position	\$ 602,416	\$ 413,733	\$ 18,904	\$ 19,202	\$ 296,558	\$ 186,964

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, 2021 and 2020

(dollars in thousands)

	2021	2020	UMEA 2021	UMEA 2020	UVMF 2021	UVMF 2020
Operating revenues						
Tuition and fees	\$ 446,157	\$ 454,442	\$ -	\$ -	\$ -	\$ -
Residential life	57,558	61,283	-	-	-	-
Less scholarship allowances	(133,889)	(124,283)	-	-	-	-
Net student fees	369,826	391,442	-	-	-	-
Federal, state, and private grants and contracts	215,228	202,666	-	-	885	886
Sales and services of educational activities	6,110	7,479	-	-	-	-
Other auxiliary enterprises	39,920	42,309	-	-	-	-
Student loan interest and other operating revenues	15,918	17,864	173	169	94	593
Total operating revenues	647,002	661,760	173	169	979	1,479
Operating expenses						
Compensation and benefits	(439,434)	(464,156)	(238)	(229)	(8,498)	(8,828)
Supplies and services	(172,301)	(171,354)	-	-	(1,585)	(2,112)
Depreciation	(33,174)	(33,691)	-	-	(338)	(341)
Scholarships and fellowships	(29,954)	(27,329)	-	-	-	-
Total operating expenses	(674,863)	(696,530)	(238)	(229)	(10,421)	(11,281)
Operating loss	(27,861)	(34,770)	(65)	(60)	(9,442)	(9,802)
Non-operating revenues (expenses)						
State appropriations	72,685	51,710	-	-	-	-
Federal Pell grants	7,417	7,547	-	-	-	-
Private gifts	606	361	448	368	20,642	20,746
Net investment income	148,082	10,085	6,583	292	36,633	154
Interest on indebtedness	(21,551)	(20,619)	-	-	(53)	(73)
Gain on disposal of capital assets	301	36	-	-	-	-
Net other non-operating expense	(346)	(368)	-	-	(306)	(528)
Intergovernmental transfers	(13,682)	(13,840)	-	-	-	-
Transfers from UVM to component units	(8,462)	(8,758)	-	-	8,048	8,429
Transfers to UVM from component units	30,254	28,900	(7,264)	(1,123)	(18,193)	(26,083)
Net non-operating revenues	215,304	55,054	(233)	(463)	46,771	2,645
Revenue (loss) before capital and endowment additions	187,443	20,284	(298)	(523)	37,329	(7,157)
State capital appropriations	1,000	1,300	-	-	-	-
Capital gifts and grants	192	190	-	-	-	-
Gifts for endowment purposes	48	2,199	-	-	72,265	11,086
Total capital and endowment additions	1,240	3,689	-	-	72,265	11,086
Increase (decrease) in net position	188,683	23,973	(298)	(523)	109,594	3,929
Net position, beginning of year	413,733	389,760	19,202	19,725	186,964	183,035
Net position, end of year	\$ 602,416	\$ 413,733	\$ 18,904	\$ 19,202	\$296,558	\$ 186,964

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

Statements of Cash Flows
for the years ended June 30, 2021 and 2020
(dollars in thousands)

	2021	2020
Cash Flows From Operating Activities		
Tuition and fees (net of applicable scholarship allowances)	\$ 330,660	\$ 346,112
Grants and contracts	211,490	202,253
Sales and services of educational activities	6,110	7,479
Sales and services of auxiliary enterprises:		
Residential Life fees, net of scholarship allowances	42,259	46,515
Other	39,920	42,309
Payments to employees and benefit providers	(443,795)	(451,320)
Payments to vendors	(163,509)	(169,807)
Payments for scholarships and fellowships	(29,954)	(27,329)
Other receipts, net	13,822	14,780
Net cash provided by operating activities	7,003	10,992
Cash Flows From Non-Capital Financing Activities		
State general appropriation	72,685	51,710
Federal Pell grants	7,417	7,547
Private gifts for other than capital purposes	2,123	747
Intergovernmental transfers	(13,682)	(13,840)
Transfers from UVM to component units	(7,080)	(8,758)
Transfers to UVM from component units	26,542	30,036
Deposits of affiliates and life income payments, net	17,740	12,939
Net cash provided by non-capital financing activities	105,745	80,381
Cash Flows From Capital Financing Activities		
Proceeds from issuance of capital debt	13,635	120,627
State capital appropriation	1,000	1,300
Capital grants, gifts and other income	192	190
Purchases and construction of capital assets	(43,134)	(50,789)
Proceeds from disposal of capital assets	84	36
Principal paid on capital debt	(29,581)	(79,757)
Interest paid on capital debt	(21,788)	(23,542)
Changes in deposits with trustees, net	-	8
Net cash used in capital financing activities	(79,592)	(31,927)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	236,321	249,905
Purchase of investments	(225,526)	(296,957)
Interest and dividends on investments, net	(266)	5,579
Net cash provided by (used in) investing activities	10,529	(41,473)
Net increase in cash and cash equivalents	43,685	17,973
Cash and cash equivalents - beginning of year	192,707	174,734
Cash and cash equivalents - end of year*	\$ 236,392	\$ 192,707
Reconciliation of Operating Loss To Cash Provided by Operating Activities		
Operating loss	\$ (27,861)	\$ (34,770)
Adjustments to reconcile operating loss to net cash provided by Operating Activities:		
Depreciation expense	33,174	33,691
Changes in assets and liabilities:		
Accounts receivable and loans receivables, net	(3,030)	758
Inventories and prepaid expenses	(357)	(4,372)
Accounts payable	(50)	(6,775)
Unearned revenue, deposits and accrued liabilities	5,127	22,460
Net cash provided by operating activities	\$ 7,003	\$ 10,992

* of total cash and cash equivalents for 2021, \$218,290 is current and \$18,102 is non-current endowment and for 2020, \$186,426 is current and \$6,281 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, 2021 and 2020

(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 13,281 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 (UVMHC) in coordinating efforts and allocating their resources. UVMHC 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 UVMHC. In addition, UVMHC agrees to pay base payments that help maintain medical facilities owned and managed by the University and the Dana Medical Library. UVMHC 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.
 - Expendable** - Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled

(dollars in thousands)

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.

GASB Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, becomes effective for all fiscal years beginning after December 15, 2020, with earlier application encouraged. Under GASB 89, the University is required to expense interest costs incurred on borrowings related to construction projects. Under previous guidance, such interest costs could be added to the historical cost of the construction project and capitalized. The University elected to implement the requirements of this guidance in fiscal year 2021. No restatement of prior periods was required.

GASB 84, *Fiduciary Activities*, became effective for all fiscal years beginning after December 15, 2019. Under GASB 84, the University is required to present a statement of fiduciary net position and a statement of changes of fiduciary net position for qualifying activities using criteria defined by the standard. Examples of such activities include pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. In fiscal year 2021, the University did not have qualifying fiduciary activities to report.

During fiscal year 2021, the University analyzed its reporting of the UVMF in relation to GASB 84. The UVMF is discretely presented on the University's Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position. The UVMF holds an operating

cash fund through UVM and participates in the UVM pooled endowment. Historically, the market values of UVMF's investments in the pooled endowment were 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 University has concluded that assets and associated liabilities held for the UVMF, including endowment cash and investments, are analogous to an internal investment pool as defined by GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and should not be reflected within the University's Statement of Net Position as they are reflected in the discretely presented column from the UVMF. As such, the University is reporting fiscal 2020 assets and liabilities as follows:

As of June 30, 2020	As Previously Reported	Internal Investment Adjustment	As Adjusted
Assets:			
Cash and cash equivalents	\$ 187,052	\$ (626)	\$ 186,426
Endowment cash, cash equivalents and investments	490,897	(98,172)	392,725
Liabilities:			
Accounts payable and accrued liabilities	\$ 82,867	\$ (637)	\$ 82,230
Unearned revenue, deposits, and funds held by others	110,199	(98,161)	12,038

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.

(dollars in thousands)

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. The University utilizes NAV as a practical expedient to estimate the 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 2021 and 2020 consists of:

Grants and Contracts	FY21	FY20
Federal appropriations, grants and contracts	\$ 144,631	\$ 131,349
State grants and contracts	5,970	6,249
Other governmental & private grants and contracts	64,627	65,068
TOTAL	\$ 215,228	\$ 202,666

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 \$34.3 million in 2021 and \$31.6 million in 2020.

Federal appropriations, grants and contracts include *Higher Education Emergency Relief Fund* assistance dedicated to COVID-19 relief through the duration of the pandemic of \$16.4 million in 2021 and \$1.5 million in 2020.

Private grants and contracts include funding of \$15.9 million in 2021 and \$16.1 million in 2020 to the Robert Lerner, M.D. College of Medicine from the University of Vermont Medical Center, Inc. to offset facilities and operation costs.

5. Gifts

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

Promises to donate to the University are recorded as receivables and revenues when the University has met all applicable eligibility and time

requirements. Since the University cannot fulfill the requirement to invest in perpetuity for gifts to endowments until the gift is received, pledges to endowments are not recognized until received.

6. Deposits and Unearned Revenue

Deposits and advance payments for the following academic year are unearned and recorded as revenues when earned. Summer session revenues are unearned to the extent that they relate to courses scheduled in July and August. Deposits and advance payments unearned revenue at June 30, 2021, and 2020, is \$10,327 and \$6,178, 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, 2021, and 2020, is \$3,934 and \$3,870, respectively.

7. Employee Benefits

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

The total cost for active and retired employees for health, dental and life insurance, net of employee contributions, was \$68,120 in 2021 and \$69,295 in 2020. The total cost for contributions to the RHSP was \$1,102 in 2021 and \$1,256 in 2020. 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, 2021, \$23,349 (\$23,110 in 2020) was accrued for vacation pay of which \$17,232 (\$17,060 in 2020) was charged to unrestricted net position and \$6,117 (\$6,050 in 2020) was included in deferred charges to be recovered from restricted expendable net position when paid.

9. Collections and Works of Art

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

(dollars in thousands)

B. Accounts, Loans, Notes, and Pledges Receivable

Accounts, loans, notes and pledges receivable at June 30, 2021 and 2020 are summarized as follows:

Accounts, Loans, Notes and Pledges Receivable, Net	June 30, 2021	June 30, 2020
Current		
Federal, state, and private grants receivable	\$ 22,120	\$ 16,926
Student and trade accounts receivable, net	10,227	11,701
Other accounts receivable	11,193	9,862
Student loans receivable, net	1,789	1,927
Pledges receivable, net	-	548
Total Current	\$ 45,329	\$ 40,964
Non-Current		
Student loans receivable, net	\$ 20,091	\$ 20,471
Other notes receivable	8,312	9,497
Pledges receivable, net	4,382	4,930
Total Non-Current	\$ 32,785	\$ 34,898

The student accounts receivable are carried net of an allowance for doubtful accounts of \$301 in 2021 and \$389 in 2020.

Student loans receivable are carried net of an allowance for uncollectible UVM loans. The balances at June 30, 2021 and 2020 were \$274 and \$347, respectively. The University does not record an allowance for uncollectible federal student loans since they can be assigned to the government if certain conditions stipulated by the federal government are met.

The University's liability for the federal capital contribution to the Perkins, Health Professions, Primary Care, and Nursing Student loan programs is \$3,530 for 2021 and \$5,039 for 2020. These amounts are included in non-current accrued liabilities.

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

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 \$3,481 and the current receivable balance is \$1,347 in 2021. The non-current receivable balance is \$4,666 and the current receivable balance is \$1,336 in 2020.

Accounts receivable from the UVMF and UMEA are \$6,242 in 2021 and \$5,730 in 2020 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 at June 30, 2021 and 2020 are summarized below:

Accounts Payable and Current Accrued Liabilities	June 30, 2021	June 30, 2020
Interest	\$ 5,856	\$ 6,105
Construction retainage	1,642	1,490
Compensated absences	23,349	23,110
Insurance reserves	20,621	17,317
Compensation and benefits	7,070	7,229
Service concession arrangement	938	938
Other	10,105	7,701
Accounts and pledges payable	18,290	18,340
TOTAL	\$ 87,871	\$ 82,230

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, totaling \$3,164 was capitalized for debt funded construction projects in 2020. Beginning in 2021, interest expense is no longer capitalized.

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 2021 is \$29,551 (\$29,963 in 2020). Moveable equipment, software systems, and land improvements depreciation expense is \$3,623 for 2021 (\$3,728 in 2020).

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

(dollars in thousands)

Capital assets activity for the years ended June 30, 2021 and 2020 is summarized as follows:

Fiscal Year 2021					
Asset	Balance as of June 30, 2020	Additions	Retirements	Reclass/ Changes	Balance as of June 30, 2021
Land	\$ 29,044	\$ -	\$ -	\$ -	\$ 29,044
Land Improvements	11,084	654	-	-	11,738
Buildings	768,099	4,129	(484)	4,315	776,059
Building Service Systems	160,978	3,508	-	1,491	165,977
Building Interiors	85,731	781	-	1,846	88,358
Fixed Equipment	117,582	218	(11,443)	370	106,727
Movable Equipment	39,079	1,028	(13,975)	956	27,088
Software Systems	31,660	231	-	-	31,891
Construction in Progress	43,417	33,519	-	(8,978)	67,958
Total property and equipment	1,286,674	44,068	(25,902)	-	1,304,840
Less: accumulated depreciation	(583,332)	(33,174)	25,750	-	(590,756)
Property, plant and equipment, net	\$ 703,342	\$ 10,894	\$ (152)	\$ -	\$ 714,084

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

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 1.60% to 6.43%. The debt obligations mature at various dates through 2050.

On March 1, 2021 the University issued a Taxable Senior Note, Series 2021,

in the amount of \$13,635. The 2021 Note was issued to refund the General Obligation Bonds, Series 2010B, in the amount of \$13,460 and the cost of issuance of the Note Series 2021. The University recognized a deferred gain of \$327 on the refunding of the General Obligation Bonds, Series 2010B.

Long term debt activity for the years ended June 30, 2021 and 2020 is summarized as follows:

(dollars in thousands)

Fiscal Year 2021					
Long Term Liability	Beginning Balance	New Debt	Payments	Ending Balance	
				Current	Non-Current
General Obligation Bonds					
Series 2010A	\$ 9,000	\$ -	\$ -	\$ -	\$ 9,000
Series 2010B	15,142	-	15,142	-	-
Series 2012A (1)	46,625	-	(12)	(13)	46,650
Series 2014A (2)	67,694	-	2,086	2,176	63,432
Series 2015 (3)	190,636	-	2,757	2,884	184,995
Series 2016 (4)	73,284	-	3,253	2,614	67,417
Series 2017 (5)	63,114	-	3,208	2,583	57,323
Series 2019A (6)	46,187	-	849	873	44,465
Series 2019B (7)	74,440	-	2,201	2,290	69,949
Series 2021	-	13,635	-	1,690	11,945
Capital Leases	140	-	97	43	-
TOTAL	\$ 586,262	\$ 13,635	\$ 29,581	\$ 15,140	\$ 555,176

(1) This balance shown includes bond discount of \$223.

(2) This balance shown includes bond premium of \$4,984.

(3) This balance shown net of bond premium of \$7,888.

(4) This balance shown net of bond premium of \$9,536.

(5) This balance shown net of bond premium of \$8,526.

(6) This balance shown includes bond premium of \$7,703.

(7) This balance shown includes bond premium of \$14,049.

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.

(dollars in thousands)

In compliance with the University's various bond indentures, at June 30, 2021 the University has deposits with trustees of \$11,714 (\$27,966 in 2020) 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
2022	\$ 12,903	\$ 23,114	\$ 36,017
2023	13,375	22,495	35,870
2024	14,000	21,867	35,867
2025	14,665	21,207	35,872
2026	15,360	20,514	35,874
2027-2031	89,645	90,774	180,419
2032-2036	111,610	68,671	180,281
2037-2041	139,985	41,080	181,065
2042-2046	95,885	12,204	108,089
2047-2051	10,425	1,043	11,468
TOTAL	\$ 517,853	\$ 322,969	\$ 840,822

Other long-term liabilities at June 30, 2021 and 2020 are summarized below:

Fiscal Year 2021						
Other Long Term Liabilities	Beginning Balance	Increases	Decreases	Ending Balance		
				Current	Non-Current	
Federal Student Loan Capital Contribution	\$ 5,039	\$ -	\$ 1,509	\$ -	\$ 3,530	
Green Mountain Loan Guarantee	385	-	143	-	242	
Obligations under deferred giving arrangements	6,857	1,601	1,146	343	6,969	
Postemployment Benefits	530,031	79,515	135,061	-	474,485	
Service Concession Arrangement	4,689	-	937	938	2,814	
Pledges Payable and Other Accrued Liabilities	6,442	147	710	386	5,493	
TOTAL	\$ 553,443	\$ 81,263	\$ 139,506	\$ 1,667	\$ 493,533	
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	

(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, 2021	June 30, 2020
Cash	\$ 136,052	\$ 91,770
Money Markets	100,340	100,937
TOTAL	\$ 236,392	\$ 192,707

Of total cash and cash equivalents above, \$18,102 in 2021 and \$6,281 in 2020 are included in non-current endowment cash and cash equivalents.

(dollars in thousands)

The balance of cash held in bank deposit accounts was \$236,392 at June 30, 2021 and \$192,707 at June 30, 2020. Of these bank balances, \$658 in 2021 and \$1,264 in 2020 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 \$72,777. The University also has an irrevocable standby letter of credit of \$185,000 at June 30, 2021 and \$150,000 at June 30, 2020 through the Federal Home Loan Bank of Pittsburgh as collateral for the University's primary depository account and money market account that the University has never drawn on.

Since 2008, the University has had a revolving line of credit of \$50,000 with TD Bank that has not been used.

Total operating investments were \$180,943 at June 30, 2021 and \$154,738 at June 30, 2020. Operating investments invested in the long-term pool were \$13,419 at June 30, 2021 and \$10,620 at June 30, 2020 (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:

<u>2021</u>			<u>Credit Quality</u>				
	Average Maturity/ UVM Amount	Effective Duration	Govt/ Agency	AAA	AA	A	BBB
Fixed Income/Debt	\$ 152,587	2.9 yrs/ 2.8 yrs	28	5	6	54	7
Multi Strategy Equity Fund	14,109						
Other	827						
TOTAL	\$ 167,523						

<u>2020</u>			<u>Credit Quality</u>				
	Average Maturity/ UVM Amount	Effective Duration	Govt/ Agency	AAA	AA	A	BBB
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						

G. Investments

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

Deposits with trustees include \$8,416 in 2021 and \$7,462 in 2020 of assets held under deferred giving arrangements, \$1,181 in 2021 and \$1,187 in 2020 of investments in the waste disposal fund required by the EPA, and \$11,714 in 2021 and \$27,966 in 2020 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	FY21	FY20
Net interest, dividend, and other income	\$ 3,986	\$ 6,917
Realized gains	55,864	4,738
Unrealized gains	89,842	233
Investment management fees	(1,610)	(1,803)
TOTAL	\$ 148,082	\$ 10,085

(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 or net asset value for the years ended June 30, 2021 and 2020 is summarized as follows:

Fiscal Year 2021	Level 1	Level 2	Level 3	NAV	Total Investments
Investments:					
Public Global Equity	\$ 333,505	\$ -	\$ -	\$ 64,343	\$ 397,848
Marketable Alternatives	-	-	-	90,716	90,716
Private Investments	-	-	-	156,258	156,258
Public Real Assets	-	-	-	2,951	2,951
Fixed Income/Debt	42,679	156,414	-	16,680	215,773
Other	460	-	772	-	1,232
Cash and Cash Equivalents	18,102	-	-	-	18,102
Subtotal Investments	<u>\$ 394,746</u>	<u>\$ 156,414</u>	<u>\$ 772</u>	<u>\$ 330,948</u>	<u>\$ 882,880</u>
Less UVM Foundation					<u>\$ (140,262)</u>
Total Investments					<u>\$ 742,618</u>
Deposits With Trustees at Fair Value:					
Beneficial Interests in Trusts	\$ -	\$ -	\$ 3,733	\$ -	\$ 3,733
Public Global Equity	32	-	-	-	32
Fixed Income/Debt	306	5,281	-	-	5,587
Cash and Cash Equivalents	11,959	-	-	-	11,959
Total Deposits With Trustees	<u>\$ 12,297</u>	<u>\$ 5,281</u>	<u>\$ 3,733</u>	<u>\$ -</u>	<u>\$ 21,311</u>

(dollars in thousands)

Fiscal Year 2020					Total
	Level 1	Level 2	Level 3	NAV	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
Subtotal Investments	<u>\$ 330,867</u>	<u>\$ 153,678</u>	<u>\$ 974</u>	<u>\$ 206,894</u>	<u>\$ 692,413</u>
Less UVM Foundation					<u>\$ (98,172)</u>
Total Investments					<u>\$ 594,241</u>
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	<u>\$ 28,950</u>	<u>\$ 4,211</u>	<u>\$ 3,454</u>	<u>\$ -</u>	<u>\$ 36,615</u>

Investment liquidity for the years ended June 30, 2021 and 2020 is summarized as follows:

Fiscal Year 2021								Redemption
	Daily	Monthly	Quarterly	Semi-Annual	Annual	Illiquid	Total	Notice Period
Investments:								
Public Global Equity	\$ 201,415	\$ 169,195	\$ 27,238	\$ -	\$ -	\$ -	\$ 397,848	1-90 days
Marketable Alternatives	14,109	7,342	37,799	12,360	13,306	5,800	90,716	1-90 days
Private Investments	-	-	-	-	-	156,258	156,258	Illiquid
Public Real Assets	-	-	-	-	-	2,951	2,951	Illiquid
Fixed Income/Debt	199,093	16,680	-	-	-	-	215,773	1-30 days
Other	460	-	-	-	-	772	1,232	Same day, Illiquid
Cash and Cash Equivalents	16,311	-	1,791	-	-	-	18,102	Same day
Subtotal Investments	<u>\$ 431,388</u>	<u>\$ 193,217</u>	<u>\$ 66,828</u>	<u>\$ 12,360</u>	<u>\$ 13,306</u>	<u>\$ 165,781</u>	<u>\$ 882,880</u>	
Less UVM Foundation							<u>\$(140,262)</u>	
Total Investments							<u>\$ 742,618</u>	

Fiscal Year 2020								Redemption
	Daily	Monthly	Quarterly	Semi-Annual	Annual	Illiquid	Total	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
Subtotal Investments	<u>\$ 448,764</u>	<u>\$ 54,937</u>	<u>\$ 46,353</u>	<u>\$ 11,524</u>	<u>\$ 13,694</u>	<u>\$ 117,141</u>	<u>\$ 692,413</u>	
Less UVM Foundation							<u>\$ (98,172)</u>	
Total Investments							<u>\$ 594,241</u>	

(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 5.50%. Other important investment objectives are to achieve annualized returns in excess of the strategic policy portfolio blended benchmark, measured over a full market cycle; and to outperform the median return of a pool of endowment funds of similar size with broadly similar investment objectives and policies.

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

Unaudited	June 30, 2021	
	Target %	Actual %
Public Global Equity	45.0	55.5
Marketable Alternatives	10.0	10.9
Private Investments	35.0	22.6
Fixed Income/Debt	8.0	8.4
Cash & Cash Equivalents	2.0	2.6
	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 and Cash Equivalents	0.0	1.1

(dollars in thousands)

The fixed income/debt portfolio is composed of two passive and one active bond fund in 2021 and 2020. The following shows the risk profiles at June 30, 2021 and 2020:

2021	Amount	Average Duration Yrs.	Credit Quality %				
			Govt/ Agency	AAA	AA	A	BBB <BBB
Fixed Income/Debt	\$63,186	3.3	45	3	3	11	11 27
2020	Amount	Average Duration Yrs.	Credit Quality %				
			Govt/ Agency	AAA	AA	A	BBB <BBB
Fixed Income/Debt	\$68,501	3.3	46	4	4	12	33 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 \$76.62), 4,841.1382 units were owned by endowment funds and 4,354.7341 units by quasi endowment funds at June 30, 2021 (\$60.64, 4,825.0890 and 4,049.7457 respectively, at June 30, 2020).

The University of Vermont Foundation (UVMF) participates in the UVM pooled endowment. The UVMF owned 1,830.7242 units with a market value of \$140,262 as of June 30, 2021 and 1,619.0022 units with a market value of \$98,172 as of June 30, 2020.

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, 2021	\$ 704,546	\$ 477,167	\$ 227,379
June 30, 2020	538,147	425,817	112,330
Unrealized Net Gain			115,049
New Gifts and Transfers			14,838
Realized Net Gain			54,894
Net Income			(598)
Withdrawn for Spending			(17,784)
Total Net Change			\$ 166,399
	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)

*(dollars in thousands)***I. Commitments**

Major plant projects include commitments as follows:

Unaudited	Estimated	Project-to-Date	Project-to-Date
Project	Project	Expenditures	Expenditures
	Cost	2021	2020
Firestone Medical			
Research Building	\$ 49,000	\$ 17,970	\$ 3,842
Multipurpose Center	95,000	43,065	32,373

The University has entered into operating leases for space, which expire at various dates through fiscal 2026. 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
2022	\$ 1,893
2023	1,716
2024	1,420
2025	297
2026-27	265
TOTAL	\$ 5,591

Operating lease expenses totaled \$4,347 and \$4,310 in 2021 and 2020, respectively.

The University is obligated under certain of its investments to make future capital contributions in the amount of \$86,488 as of June 30, 2021.

The University entered into agreements with the State of Vermont Department of Vermont Health Access in both 2021 and 2020, 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 \$13,682 and \$13,840 were made in 2021 and 2020, 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 2022, based on the four-year agreement entered into on June 24, 2021, the University will make quarterly payments to the State of Vermont Department of Vermont Health Access totaling \$13,164.

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 \$3,000 excess limit and the group purchase liability program that provides a \$22,000 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 \$3,301 in 2021 and \$2,593 in 2020; \$500 and \$0 of this is covered by excess insurance in 2021 and 2020, respectively. The University paid claims of \$2,698 in 2021 and \$1,894 in 2020. Reserves for property and casualty liabilities are included in accrued liabilities (including incurred but not reported) in the amount of \$20,621 at June 30, 2021 and \$17,317 at June 30, 2020.

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 \$4,828. 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 \$3,752 in FY21. The University is reporting the facilities

(dollars in thousands)

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 \$4,828, (\$3,752), and (\$1,076), respectively. The deferred inflow will be recognized as revenue ratably over the term of the Agreement.

K. Retirement Plans

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

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

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

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

The University's 403(b) and 457(b) contributory retirement plans are

administered by the Teachers Insurance Annuity Association of America (TIAA), the College Retirement Equities Fund (CREF), and Fidelity Investments.

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

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

For the years ended June 30, 2021 and 2020, the University had total payroll expense of \$305,129 and \$315,089, respectively, of which \$228,652 in 2021 and \$229,564 in 2020 was covered by the University's 403(b) retirement plan. Total employee and employer contributions for 403(b) pension benefits for the year were \$19,496 and \$22,865, respectively, for 2021 and \$19,191 and \$22,956, respectively, for 2020. The University's contribution for 403(b) pension benefits is 10% of the covered payroll. Total employee contributions to the 457(b) retirement plan were \$6,143 in fiscal year 2021 and \$5,578 in fiscal year 2020.

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

(dollars in thousands)

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

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

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

At the valuation date of January 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	1,769
Active employees	3,991
TOTAL	5,760

2. Total OPEB Liability

The University's total OPEB liability of \$474,485 in 2021 and \$530,031 in 2020 was determined by an actuarial valuation as of January 1, 2019, and then projected forward to the measurement date of December 31, 2020 and December 31, 2019, respectively.

The total OPEB liability as of the December 31, 2020 measurement date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary Increases	3.00%
Discount Rate	2.12%

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	6.5%	3.7%	2074
MediComp III Medicare	6.5%	3.7%	2074
Dental	5.4%	3.7%	2074
Tuition Remission	2.2%	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 2021 were based on the Pri-2012 Retiree/Employee Mortality Table projected with Projection Scale MP-2020 for healthy participants, Pri-2012 Contingent Survivor Table with Scale MP-2020 for current surviving spouses, and Pri-2012 Disabled Mortality Table projected with Projection Scale MP-2020 for disabled participants. 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 University's OPEB plan is not large enough to develop credible mortality table based exclusively on plan experience. Therefore, the

(dollars in thousands)

University has relied on the previously mentioned published mortality table in which credible mortality experience was analyzed.

3. Changes in Total OPEB Liability

The following table represents changes in Total OPEB Liability for the year ended June 30, 2021 and 2020:

Total OPEB Liability	Fiscal Year 2021	Fiscal Year 2020
Balance at the beginning of year	\$ 530,031	\$ 460,332
Changes for the year:		
Service cost	13,582	13,452
Interest on total OPEB liability	14,661	19,063
Effect of economic/demographic gains or losses	(117,836)	9,862
Effect of assumption changes or inputs	51,272	45,175
Benefit payments	(17,225)	(17,853)
Net changes	(55,546)	69,699
Balance at end of the year	\$ 474,485	\$ 530,031

Changes of assumptions and other inputs reflect a change in the discount rate to 2.12% in FY21 from 2.74% in FY20.

The following tables present the total OPEB liability of the University, calculated using the discount rates of 2.12% in FY21 and 2.74% in FY20, 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 (1.12%)	Discount Rate (2.12%)	1% Increase (3.12%)
Fiscal Year 2021			
Total OPEB liability	\$ 554,745	\$ 474,485	\$ 410,209
	1% Decrease (1.74%)	Discount Rate (2.74%)	1% Increase (3.74%)
Fiscal Year 2020			
Total OPEB liability	\$ 616,236	\$ 530,031	\$ 460,591

The following tables present the FY21 and FY20 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.

		Current Trend Rate	1% Increase
Fiscal Year 2021			
Total OPEB liability	\$ 396,532	\$ 474,485	\$ 574,537
		Current Trend Rate	1% Increase
Fiscal Year 2020			
Total OPEB liability	\$ 451,159	\$ 530,031	\$ 629,873

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, 2021 and 2020 is summarized as follows:

OPEB Expense	FY21	FY20
Service cost	\$ 13,582	\$ 13,452
Interest on total OPEB liability	14,661	19,063
Effect of plan changes	-	-
Recognition of deferred outflows/inflows of resources		
Recognition of economic/demographic gains or losses	(23,208)	2,353
Recognition of assumption changes or inputs	9,161	(1,961)
OPEB expense	\$ 14,196	\$ 32,907

Deferred outflows and inflows of resources as of June 30, 2021 and 2020 are summarized as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Fiscal Year 2021		
Difference between expected and actual experience	\$ (92,275)	\$ 6,753
Changes of assumptions	(14,563)	69,209
Contributions after measurement period	-	8,511
TOTAL	\$ (106,838)	\$ 84,473

	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

Deferred outflows of resources resulting from contributions after the measurement period totaling \$8,511 and \$9,287 will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022 and June 30, 2021, 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
2022	\$ (14,047)
2023	(6,925)
2024	(4,015)
2025	(5,889)
2026	-
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, 2021 and 2020 are summarized as follows:

Year ended June 30, 2021					
Function	Compensation And Benefits	Supplies And Services	Depreciation	Scholarships And Fellowships	Total
Instruction	\$ 145,291	\$ 14,893	\$ -	\$ -	\$ 160,184
Research	67,244	34,632	-	-	101,876
Public service	48,456	18,285	-	-	66,741
Academic support	60,616	14,342	-	-	74,958
Student services	27,233	21,006	-	-	48,239
Institutional support	34,238	10,655	-	-	44,893
Operations and maintenance of plant	29,103	14,019	-	-	43,122
Scholarships and fellowships	-	-	-	29,954	29,954
Auxiliary enterprises	27,253	44,469	-	-	71,722
Depreciation	-	-	33,174	-	33,174
TOTAL	\$ 439,434	\$ 172,301	\$ 33,174	\$ 29,954	\$ 674,863

Year ended June 30, 2020					
Function	Compensation And Benefits	Supplies And Services	Depreciation	Scholarships And Fellowships	Total
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	\$ 33,691	\$ 27,329	\$ 696,530

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 \$240 and \$348 in fiscal 2021 and fiscal 2020, respectively.

Also, in fiscal 2021, 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 2021 and therefore fiscal 2021 supplies and services expense and current accrued liabilities include \$1,264 (\$1,345 in fiscal 2020) 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	FY21	FY20	FY19	FY18
Service cost	\$ 13,582	\$ 13,452	\$ 15,645	\$ 14,434
Interest on total OPEB liability	14,661	19,063	17,175	18,066
Changes of benefit terms	-	-	-	-
Effect of economic/demographic gains or (losses)	(117,836)	9,862	1,395	847
Effect of assumption changes or inputs	51,272	45,175	(48,429)	4,085
Benefit payments	(17,225)	(17,853)	(18,029)	(16,058)
Net change in total OPEB liability	(55,546)	69,699	(32,243)	21,374
Total OPEB liability, beginning	530,031	460,332	492,575	471,201
Total OPEB liability, ending	\$ 474,485	\$ 530,031	\$ 460,332	\$ 492,575
Covered-employee payroll	\$ 258,395	\$ 258,395	\$ 241,981	\$ 241,981
Total OPEB liability as a % of covered-employee payroll	183.63%	205.12%	190.23%	203.56%

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

Notes to Schedule:

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

2021	2.12%
2020	2.74%
2019	4.10%
2018	3.44%



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



The University of Vermont

UNIVERSITY FINANCIAL SERVICES
333 WATERMAN BUILDING
85 SOUTH PROSPECT STREET
BURLINGTON, VT 05405
802 656-2903 www.uvm.edu