ANNUAL FINANCIAL REPORT

2020

Salt Lake Community College

A Component Unit of
The State of Utah

CONTENT


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PRESIDENT'S MESSAGE

Dear SLCC Stakeholders and Fellow Utahns,

As President of Salt Lake Community College, I am especially proud to present our 2019-2020 Annual Financial Report. This has been an extraordinary year, filled with tremendous trials as well as incredible opportunities. The enclosed report provides details regarding SLCC's unwavering dedication to its mission despite the challenges that have come with a worldwide pandemic, an earthquake, social unrest and a fire on our Taylorsville Redwood Campus. I'm pleased to say that SLCC is committed to addressing these challenges while continuing its tradition of providing excellent education and training to Utah's most diverse student body.

At the College, we've always known that one of our greatest responsibilities is to develop a highly-skilled and well-trained workforce that promotes Utah's economic growth and vitality. This charge is now more important than ever as the state recovers from the economic damage brought about by COVID-19. We will always be committed to offering innovative education to anyone who wishes to obtain it. Our open-access policy and our reasonable tuition rates enable everyone to improve their lives and achieve their dreams through higher education.

During this unusual year, in addition to supporting students, we reached out to assist the broader community by offering targeted resources, including training, health services and small business support. This past summer we offered the general public more than 30 free online workshops delivering training ranging from nutrition to drafting a business plan. These classes provided opportunities for all Utahns to learn new skills while giving us the chance to showcase our excellent programs and top-notch instructors.

As with any year, SLCC could achieve nothing without your support, and I thank you for your partnership. We will continue to prioritize fiscal accountability, and we will work harder than ever to buoy Utah's economy by developing a strong and capable workforce. Again, thank you for being a friend to SLCC during this exceptionally challenging time and know that we will continue to respect and honor the trust you have placed in us.

Go Bruins!

Deneece G. Huftalin

Deneece G. Huftalin, PhD
President
Salt Lake Community College

Salt Lake Community College

OFFICE OF THE
STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee
and
Dr. Deneece Huftalin, President
Salt Lake Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Salt Lake Community College (the College), and its discretely presented component unit foundation, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents. The College is a component unit of the State of Utah.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Salt Lake Community College Foundation (the Foundation), a discretely presented component unit foundation. 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 Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Utah State Capitol Complex, East Office Building, Suite E310 • Salt Lake City, Utah 84114-2310 • Tel: (801) 538-1025 • auditor.utah.gov

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit foundation, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the College's Schedule of Pension Contributions and Schedule of Proportionate Share of the Net Pension Liability, listed as Required Supplementary Information in the table of contents, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The President's Message and the listing of the Governing Boards and Executive Cabinet are presented for additional information and are not a required part of the basic financial statements. This message and the listing have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 College's internal control over financial reporting and compliance.

Office of the State Auditor

Office of the State Auditor
September 24, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS


Salt Lake Community College
YOUR STORY STARTS HERE.
SLCC FASHION INSTITUTE
Salt Lake Community College
231

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following discussion and analysis provides an overview of the financial position and fiscal activity of Salt Lake Community College (College) for the fiscal year ended June 30, 2020, with selected comparative information from the previous fiscal year. This analysis was prepared by management and should be read in conjunction with the accompanying audited financial statements and footnotes.

About the College

The College first opened for classes on September 14, 1948. The College operates in accordance with Section 53B-2-101 of the *Utah Code Annotated 1953*, as amended, and falls under the direction and control of the Utah State Board of Regents.

The College is a public, open-access, comprehensive community college committed to serving the broader community. Its mission is to provide quality higher education and lifelong learning to people of diverse cultures, abilities and ages, and to serve the needs of community and government agencies, business, industry and other employers. The College engages and supports students in educational pathways leading to successful transfer and meaningful employment.

The College fulfills its mission by:

> *Offering associate degrees, certificate programs, career and technical education, developmental education, transfer education and workforce training to prepare individuals for career opportunities and an enriched lifetime of learning and growing;*
>
> *Offering programs and student support services that provide students opportunities to acquire knowledge and critical thinking skills, develop self-confidence, experience personal growth and value cultural enrichment;*
>
> *Maintaining an environment committed to teaching and learning, collegiality and the respectful and vigorous dialogue that nourishes active participation and service in a healthy democracy.*

The College has two component units. The Grand Theatre Foundation is reported as a blended component unit and is included in the condensed statements and analysis below. In addition, separately condensed financial statements for the Theatre are presented in Footnote 10 to the accompanying financial statements. The Salt Lake Community College Foundation (the Foundation) is reported discretely in a separate column and issues separately audited financial statements. A complete Foundation audit report can be obtained from the Salt Lake Community College Development Office at 801-957-4247. Because it is reported separately, the Foundation's balances and activities are not included in this management discussion and analysis.

Financial Statements Overview

The College's Annual Financial Report is prepared in accordance with Governmental Accounting Standards Board (GASB) Statements and related authoritative pronouncements. The annual report includes three primary financial statements, each providing information on the College as a whole: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position presents the financial position of the College at June 30, 2020, and includes all of the assets, deferred outflows of resources, liabilities, deferred inflows of resources and residual balances attributable to the College. From this information, readers are able to identify the nature and amount of assets available for continued operations, how much the College owes its vendors, lending institutions and bond holders, and finally, a picture of the net position and its availability for expenditure.

Net position is divided into three major categories: net investment in capital assets, restricted and unrestricted. The first category, net investment in capital assets, identifies the College's equity in the property, plant and capitalized equipment owned by the College. The second net position category is restricted, which is divided into two subcategories, nonexpendable and expendable. The corpus of nonexpendable net position is only available for investment purposes. Net position resources categorized as expendable restricted are available for expenditure by the College but only for purposes determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The third category is unrestricted net position, which is available for expenditure for any lawful purpose of the College. Although this category is not subject to the same externally imposed requirements and stipulations as the restricted net position category, substantially all of the College's unrestricted net position resources have been designated for various academic, construction and technology initiatives.

Condensed Statement of Net Position

	June 30, 2020	June 30, 2019	Change	% Change
Assets				
Current Assets	$ 123,402,867	$ 68,239,285	$ 55,163,582	80.8%
Noncurrent Assets	61,900,439	104,651,667	(42,751,228)	(40.9%)
Capital Assets, Net	258,290,021	255,563,888	2,726,133	1.1%
Total Assets	443,593,327	428,454,840	15,138,487	3.5%
Deferred Outflows of Resources:				
Deferred Outflows of Resources	11,165,748	13,913,306 *	(2,747,558)	(19.7%)
Total Deferred Outflows of Resources	11,165,748	13,913,306	(2,747,558)	(19.7%)
Liabilities				
Current Liabilities	34,455,876	27,020,727	7,435,149	27.5%
Noncurrent Liabilities	22,709,235	37,661,326	(14,952,091)	(39.7%)
Total Liabilities	57,165,111	64,682,053	(7,516,942)	(11.6%)
Deferred Inflows of Resources:				
Deferred Inflows of Resources	6,125,225	5,897,226 *	227,999	3.9%
Total Deferred Inflows of Resources	6,125,225	5,897,226	227,999	3.9%
Net Position				
Net Investment in Capital Assets	247,406,963	254,227,225	(6,820,262)	(2.7%)
Restricted - Nonexpendable	853,412	848,379	5,033	0.6%
Restricted - Expendable	5,985,661	7,859,641	(1,873,980)	(23.8%)
Unrestricted	137,222,703	108,853,622	28,369,081	26.1%
Total Net Position	$ 391,468,739	$ 371,788,867	$ 19,679,872	5.3%

**Ending balances for fiscal year 2019 were adjusted to reflect the presentation change by URS. This change has no effect on net position.*

In fiscal year 2020, current assets increased by $55.2 million. This increase is primarily attributed to a $42.0 million shift from long term investments to cash equivalents as low interest rates resulted in bonds being called and funds being held in the Public Treasurers' Investment Fund (PTIF). The College also experienced an increase in cash and cash equivalents related to a $7.2 million increase in State appropriations, and $5.8 million in proceeds from land sales at the Jordan Campus. Accounts receivable increased by $2.4 million as a result of the novel Coronavirus related relief funding from the Department of Education authorized through the CARES Act and the Higher Education Emergency Relief Fund (HEERF).
Non-current student loans receivable decreased by $1.1 million and is attributed to the College's efforts in relinquishing the Federal Perkins Loan Program and movement of receivables from noncurrent to current as part of that plan. The College recognized a $2.7 million increase in capital assets primarily related to increased construction activity and additional equipment purchases to support remote learning. Total assets increased by $15.1 million or 3.5%.

The College's overall decrease in liabilities is attributed to a $13.1 million decrease in the net pension liability offset by a $4.8 million increase in accounts payable as a result of payments due at year-end to the State of Utah Division of Facilities Construction and Management (DFCM). Total liabilities decreased by $7.5 million or 11.6%. At the end of the year, the College's current assets of $123.4 million was sufficient to cover current liabilities of $34.5 million. Also, at the end of fiscal year 2020, the College's total assets of $443.6 million was sufficient to cover total liabilities of $57.2 million. Changes to deferred outflows and inflows of resources are a result of GASB Statement 68, *Accounting and Financial Reporting for Pensions.* See Note 7 for additional information regarding changes to these line items.

Over time, increases or decreases in total net position is one indicator of general financial well-being when considered along with other factors such as student satisfaction, enrollment patterns, appearance and condition of buildings and grounds and employee morale. In fiscal year 2020, the College experienced an overall increase in its total net position of $19.7 million or 5.3% due to the factors described above.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position provides information regarding the College's operating and nonoperating revenues and expenses, and capital revenue recognized during the year. In general, *operating revenues* are produced when goods or services are delivered to students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided, and to carry out the mission of the College. *Non-operating revenues* are revenues received for which goods or services are not exchanged. For example, State appropriations are classified as non-operating revenues because they are provided by the Legislature without the Legislature receiving direct commensurate goods or services in return. As will be clearly noted by the operating loss in the following Statement, without State appropriations and private gifts the College would not be able to sustain operations with existing tuition levels. These revenue sources are essential to the College's financial stability and directly impact the quality and success of its programs.

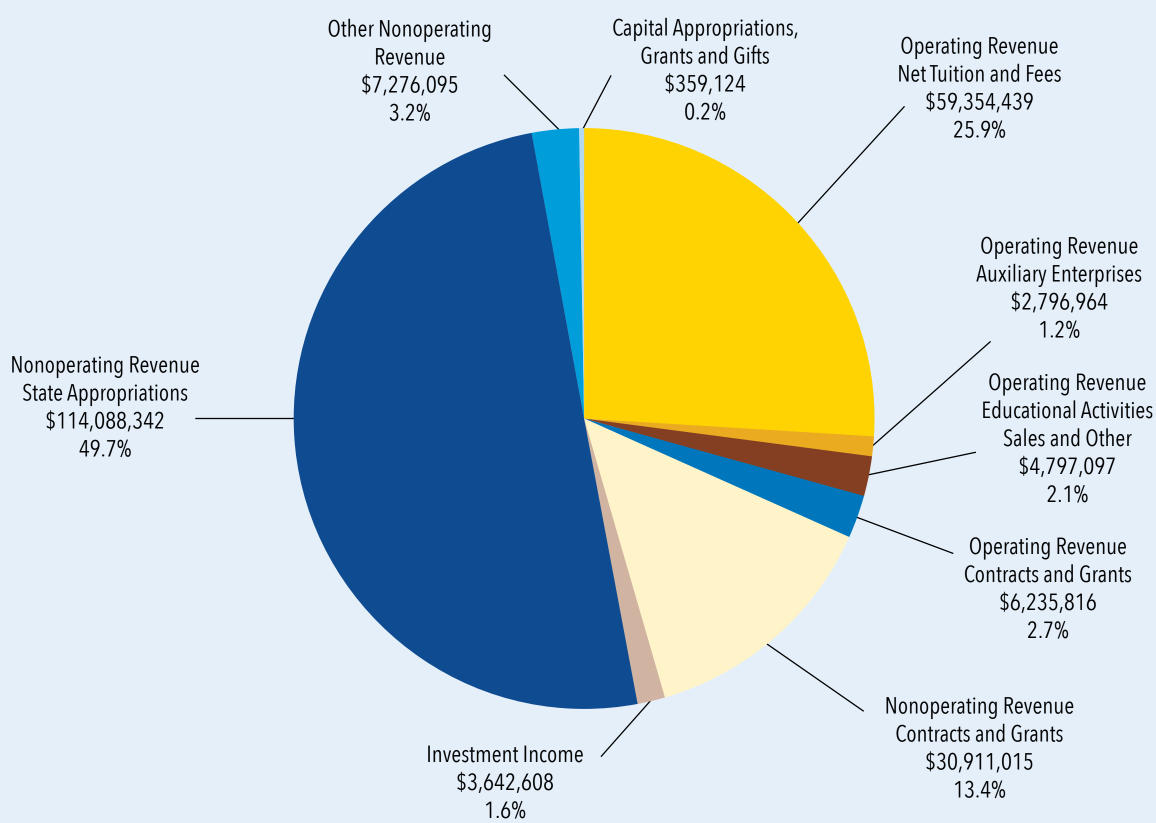
Condensed Statement of Revenues, Expenses and Changes in Net Position

	Year Ended June 30, 2020	Year Ended June 30, 2019	Change	% Change
Operating Revenues				
Tuition and Fees, Net	$ 59,354,439	$ 59,367,952	$ (13,513)	(0.0%)
Contracts and Grants	6,235,816	6,370,094	(134,278)	(2.1%)
Auxiliary Enterprises	2,796,964	4,952,195	(2,155,231)	(43.5%)
Other Operating Revenues	4,797,097	4,662,259	134,838	2.9%
Total Operating Revenues	73,184,316	75,352,500	(2,168,184)	(2.9%)
Operating Expenses				
Salaries, Wages and Benefits	134,827,481	145,919,476	(11,091,995)	(7.6%)
Scholarships	16,801,223	13,800,674	3,000,549	21.7%
Depreciation	12,118,233	12,512,711	(394,478)	(3.2%)
Other Operating Expenses	41,429,831	40,034,154	1,395,677	3.5%
Total Operating Expenses	205,176,768	212,267,015	(7,090,247)	(3.3%)
Operating Loss	(131,992,452)	(136,914,515)	4,922,063	3.6%
Nonoperating Revenues (Expenses)				
State Appropriations	114,088,342	106,878,580	7,209,762	6.7%
Contracts and Grants	30,911,015	27,148,711	3,762,304	13.9%
Investment Income	3,642,608	5,307,221	(1,664,613)	(31.4%)
Other Nonoperating Revenues	7,276,095	1,810,228	5,465,867	301.9%
Other Nonoperating Expenses	(4,604,860)	(3,711,207)	(893,653)	24.1%
Net Nonoperating Revenues	151,313,200	137,433,533	13,879,667	10.1%
Income Before Other Revenues	19,320,748	519,018	18,801,730	3622.6%
Capital Appropriations, Grants and Gifts	359,124	1,939,662	(1,580,538)	(81.5%)
Total Other Revenues	359,124	1,939,662	(1,580,538)	(81.5%)
Increase in Net Position	19,679,872	2,458,680	17,221,192	700.4%
Net Position - Beginning of Year	371,788,867	369,330,187	2,458,680	0.7%
Net Position - End of Year	$ 391,468,739	$ 371,788,867	19,679,872	5.3%

The most significant source of operating revenue for the College is student tuition and fees, which is consistent with the prior year at $59.4 million. Auxiliary enterprise revenues decreased by $2.2 million or 43.5% as a continued result of the outsourcing of the College store operations and the sale of inventory in the prior year. Auxiliary revenue was also severely impacted by the closure of campus and various food service operations as a result of the novel Coronavirus and transition of spring and summer courses to an online format. Overall operating revenues decreased by $2.2 million or 2.9%.

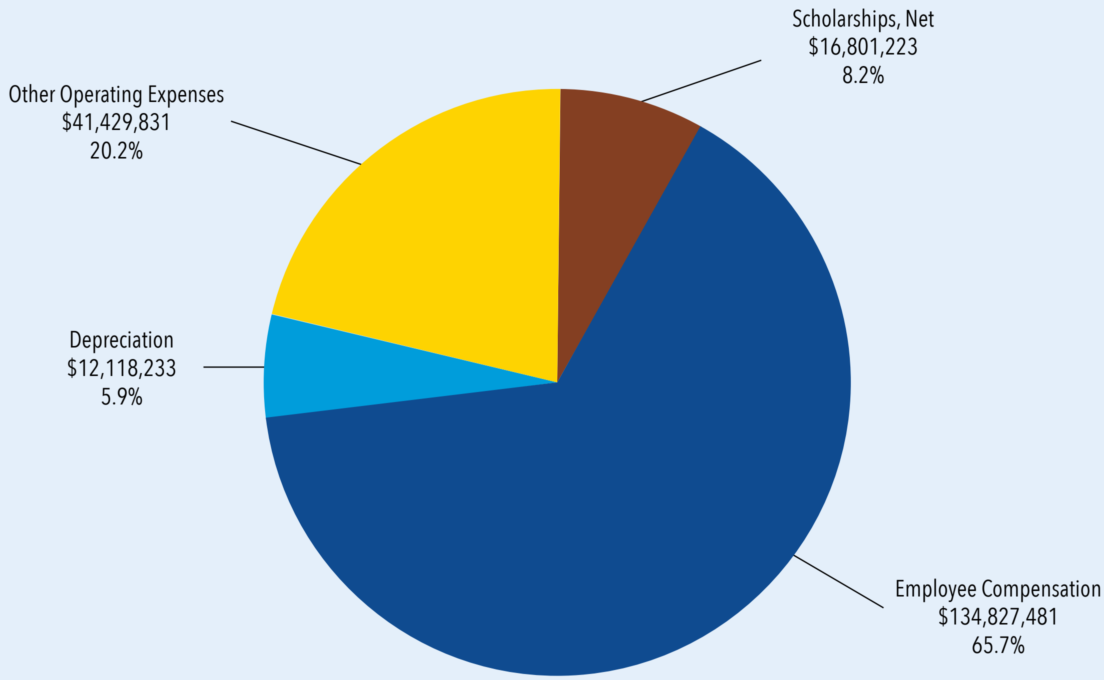
Net nonoperating revenues increased by $13.9 million or 10.1%. This is attributed to a $7.2 million increase in State appropriations, a $3.8 million increase in nonoperating grants from CARES Act related funding and a gain of $5.0 million on the sale of land from the Jordan campus. The increase in nonoperating expense of $0.9 million is related to a $3.2 million impairment loss from the Applied Technology Building (ATC) fire offset by a significant reduction of other capital asset losses unrelated to the fire in the fiscal year.

Revenue for Year Ended June 30, 2020
$229,461,500



Overall operating expenses decreased by $7.1 million or 3.3%. The difference in salary-related expenses is largely attributed to an $11.8 million decrease in the College's actuarial calculated pension expense. This decrease was offset by an increase of $3.0 million in student scholarships as a result of the CARES Act and an increase of $1.4 million of other operating expenses primarily related to facilities and maintenance projects that were not capitalized.

Operating Expenses for Year Ended June 30, 2020
$205,176,768



Statement of Cash Flows

The final College-wide statement presented is the Statement of Cash Flows. This Statement presents detailed information about the cash activity of the institution during the fiscal year and gives a general picture of where the College obtains and spends its cash. The Statement is divided into five sections, each of which reflects cash activity based on different types of activities within the institution. The first section shows the cash required by the operations of the College. Since tuition and fees and other operating revenues normally do not cover the operations of a higher education institution, this section usually has more cash used than provided. The second section shows the cash received and spent in noncapital financing activities. This is where the College reports the State appropriations and gifts received that contribute to the funding of the institution's educational activities. The third section shows the cash activity related to capital and related financing activities. These activities also include cash received for capital gifts and the repayment of principal and interest on any capital debt. The fourth section shows the investing activities of the College including the purchase and sale of investments as well as any investment income received. The fifth and final section of the Statement reconciles the net operating loss from the Statement of Revenues, Expenses and Changes in Net Position to the cash used in operating activities in the first section of the Statement. The condensed statement below reconciles the change in cash to the Statement of Net Position.

Condensed Statement of Cash Flows

	Year Ended June 30, 2020	Year Ended June 30, 2019	Change	% Change
Cash Provided (Used) by				
Operating Activities	$ (122,192,223)	$ (122,187,657)	$ (4,566)	0.0%
Noncapital Financing Activities	142,683,630	135,470,302	7,213,328	5.3%
Capital and Related Financing Activities	(14,491,063)	(12,369,306)	(2,121,757)	17.2%
Investing Activities	47,007,538	5,178,671	41,828,867	(807.7%)
Net Change in Cash	53,007,882	6,092,010	46,915,872	770.1%
Cash - Beginning of Year	50,660,560	44,568,550	6,092,010	13.7%
Cash - End of Year	$ 103,668,442	$ 50,660,560	$ 53,007,882	104.6%

Capital Asset and Debt Activities

In fiscal year 2020 the College sold approximately 39 acres of land for $5.9 million. The College recognized a gain of $5.0 million related to these sales.

On June 22, 2020, the ATC on the Redwood Campus was destroyed by fire. The historical cost of the building was $1.3 million, and the building was fully depreciated. At the time of the fire the ATC was undergoing a substantial remodel project. The College has recognized an impairment loss of $3.2 million related to this project and lost capital equipment. See Note 3 for additional information.

The College continues with construction on the Jordan Campus Student Center and anticipates completion in fiscal year 2021. To date the College has capitalized $10.2 million as construction in progress.

The College has begun the planning phase of the new Herriman Campus. This new campus is a partnership between Salt Lake Community College and the University of Utah. Students will be able to complete their associate level classes with Salt Lake Community College and transition to the University of Utah for their undergraduate coursework. The College has capitalized approximately $0.9 million related to the project.

Future Economic Outlook

The College relies heavily on the State of Utah and Legislative appropriations to keep tuition low and college education affordable. For fiscal year 2021, the novel Coronavirus has impacted the College's operating budget. The Legislature appropriated a 4.5% increase in health insurance for a total of $543,600 as well as covered the College's risk and liability insurance increases. However, the slow-down in the State's economy resulted in a $2.7 million budget reduction. The College managed the reduction by evaluating and reducing current budget line items. Tuition is the other main source of revenue for the College. In March, the State Board of Regents approved a 1.5% tuition increase; however, based on the current economic conditions, the College postponed the increase until Spring of 2021. Enrollments were higher than expected during the Summer, while being slightly down for Fall of 2020. The institution maintains a healthy budget, but fiscal year 2021 will require the College to monitor enrollments and adjust accordingly. Federal CARES funding, in several of its forms, has been used to help bolster key areas. With sound budgeting practices, and the influx of Federal monies, the net impact is an overall increase in funding for the College.

Strategically, College management strives to keep tuition affordable and for the past 4 years has had the lowest tuition increases in over twenty years. The College also has utilized new appropriations to provide clearer educational pathways for students which will help bolster long-term student retention and greater student success. The College invests time and resources into strategic enrollment management in efforts to combat future enrollment declines. Overall, the College has applied its resources to be proactive in making budget adjustments when needed and demonstrating its flexibility to withstand enrollment fluctuations and other constraints.


Welcome!
Student Services
Student Services

BASIC FINANCIAL STATEMENTS

	Primary Institution	Component Unit College Foundation
Assets		
Current Assets		
Cash and Cash Equivalents (Notes 1, 2)	$ 95,707,024	$ 3,771,058
Short-Term Investments (Notes 1, 2)	13,778,360	13,390,535
Accounts Receivable, Net of $1,796,386 Allowance (Note 1)	7,928,911	–
Accounts Receivable from State of Utah	1,858,288	–
Student Loans Receivable - Current Portion, Net of $288,416 Allowance (Note 1)	510,981	–
Pledges Receivable - Current Portion	–	12,207
Inventories (Note 1)	544,451	–
Prepaid Expenses (Note 1)	3,074,852	–
Cash Value of Life Insurance	–	42,923
Total Current Assets	123,402,867	17,216,723
Noncurrent Assets		
Restricted Cash and Cash Equivalents (Notes 1, 2)	7,961,418	–
Investments (Notes 1, 2)	53,636,801	–
Pledges Receivable	–	119,564
Capital Assets, Net of $179,105,767 Accumulated Depreciation (Notes 1, 3)	258,290,021	–
Net Pension Asset (Note 7)	302,220	–
Total Noncurrent Assets	320,190,460	119,564
Total Assets	443,593,327	17,336,287
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	11,165,748	–
Total Deferred Outflows of Resources	11,165,748	–
Liabilities		
Current Liabilities		
Accounts Payable	2,672,512	12,084
Payable to State of Utah	5,792,201	–
Accrued Payroll Payable	9,863,862	–
Unearned Revenue (Note 1)	8,365,627	–
Accrued Interest Payable	161,333	–
Funds Held for Others	511,493	–
Notes Payable to State of Utah - Current Portion (Notes 4, 5)	75,018	–
Bonds Payable - Current Portion (Notes 4, 5)	1,223,479	–
Compensated Absences - Current Portion (Notes 1, 4)	4,151,084	–
Termination Benefits - Current Portion (Notes 1, 4)	1,253,353	–
Other Liabilities (Notes 1, 4)	385,914	–
Total Current Liabilities	34,455,876	12,084
Noncurrent Liabilities		
Note Payable to State of Utah	236,579	–
Bonds Payable	9,347,981	–
Compensated Absences	2,075,474	–
Termination Benefits	1,824,285	–
Net Pension Liability (Note 7)	9,224,916	–
Total Noncurrent Liabilities	22,709,235	–
Total Liabilities	57,165,111	12,084
Deferred Inflows of Resources:		
Deferred Inflows Related to Pensions	6,125,225	–
Total Deferred Inflows of Resources	6,125,225	–
Net Position		
Net Investment in Capital Assets (Note 1)	247,406,963	–
Restricted for:		7,677,509
Nonexpendable Items (Note 1)		
Scholarship Endowments	253,412	–
Miller Campus Endowments	600,000	–
Expendable Items (Note 1)		8,370,757
Debt Service Reserves	1,504,689	–
Loans	1,014,784	–
Instructional Department Use	655,807	–
Herriman Campus Infrastructure	994,050	–
Other	1,816,331	–
Unrestricted (Note 1)	137,222,703	1,275,937
Total Net Position	$ 391,468,739	$ 17,324,203

The accompanying Notes are an integral part of these Financial Statements.

	Primary Institution	Component Unit College Foundation
Operating Revenue		
Student Tuition and Fees, Net of Scholarship Allowances of $19,924,538 and Changes in the Allowance for Doubtful Accounts of $137,406	$ 59,354,439	$ –
Interest on Student Loans Receivable	242,126	–
Federal Contracts and Grants	3,631,297	–
State and Local Contracts and Grants	767,200	–
Nongovernmental Contracts and Grants	1,837,319	–
Sales and Services of Educational Activities	943,610	–
Auxiliary Enterprises	2,796,964	–
Gifts	–	4,226,341
Other Operating Revenue	3,611,361	–
Total Operating Revenues	73,184,316	4,226,341
Operating Expenses		
Salaries and Wages	105,226,837	–
Employee Benefits	35,768,111	–
Actuarial Calculated Pension Expense	(6,167,467)	–
Scholarships and Awards	16,801,223	–
Donations to College	–	3,130,598
Depreciation	12,118,233	–
Other Operating Expenses	41,429,831	388,994
Total Operating Expenses	205,176,768	3,519,592
Operating Income/(Loss)	(131,992,452)	706,749
Nonoperating Revenues (Expenses)		
State Appropriations	114,088,342	–
Federal Contracts and Grants	30,410,403	–
State and Local Contracts and Grants	500,612	–
Gifts	2,310,220	–
Investment Income	3,642,608	259,668
Interest on Capital Asset-Related Debt	(282,169)	–
Other Nonoperating Revenues	4,965,875	–
Other Nonoperating Expenses	(4,322,691)	–
Total Nonoperating Revenues	151,313,200	259,668
Income (Loss) Before Other Revenues	19,320,748	966,417
Other Revenues		
Capital Appropriations	354,124	–
Capital Grants and Gifts	5,000	3,964
Additions to Permanent Endowments	–	597,548
Total Other Revenue	359,124	601,512
Net Increase/(Decrease) in Net Position	19,679,872	1,567,929
Net Position - Beginning of Year	371,788,867	15,756,274
Net Position at End of Year	$ 391,468,739	$ 17,324,203

The accompanying Notes are an integral part of these Financial Statements.

	Primary Institution
Cash Flows from Operating Activities	
Receipts from Tuition and Fees	$ 59,539,143
Receipts from Grants and Contracts	4,331,425
Receipts from Auxiliary Enterprise Charges	2,865,781
Receipts from Sales and Services of Educational Activities	475,945
Receipts from Lease/Rental	1,548,893
Receipts from Fines	1,103
Interest Received on Loans to Students	275,754
Payments to Employees for Salaries and Benefits	(143,076,037)
Payments to Suppliers	(33,450,871)
Payments for Scholarships	(16,649,171)
Loans Disbursed to Students and Employees	(67,316)
Collection of Loans to Students and Employees	244,924
Other Operating Receipts	1,768,204
Net Cash Used by Operating Activities	(122,192,223)
Cash Flows from Noncapital Financing Activities	
Receipts from State Appropriations	110,095,253
Receipts from Grants and Contracts for Other Than Operating Purposes	30,911,015
Receipts from Gifts for Other Than Capital Purposes	2,307,879
Payments on Debt	(95,806)
Agency Receipts	12,210,984
Agency Payments	(11,998,354)
Other Nonoperating Payments	(747,341)
Net Cash Provided by Noncapital Financing Activities	142,683,630
Cash Flows from Capital and Related Financing Activities	
Cash Paid for Capital Assets	(15,775,950)
Proceeds from Disposal of Capital Assets	2,782,137
Payments of Capital Debt	(965,000)
Interest Paid on Capital Debt	(532,250)
Net Cash Used by Capital and Related Financing Activities	(14,491,063)
Cash Flows from Investing Activities	
Purchases of Investments	(45,533,969)
Proceeds from Sales of Investments	88,520,000
Receipt of Interest and Dividends on Investments	4,021,507
Net Cash Provided by Investing Activities	47,007,538
Net Increase in Cash and Cash Equivalents	53,007,882
Cash and Cash Equivalents - Beginning of Year	50,660,560
Cash and Cash Equivalents - End of Year	$ 103,668,442

The accompanying Notes are an integral part of these Financial Statements.

		Primary Institution
Reconciliation of Operating Loss to Net Cash Used By Operating Activities		
Operating Loss	$	(131,992,452)
Difference Between Actuarial Calculated Pension Expense vs. Actual Pension Expense		(10,396,247)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense		12,118,233
Donations of Supplies Received		5,000
Non Capital DFCM Expenditures Received		4,795,973
Income from Fines		1,103
Changes in Assets and Liabilities		
Accounts Receivable		(3,694,532)
Student Loans		212,197
Inventories		449,017
Prepaid Expenses		(1,004,593)
Accounts Payable and Accrued Expenses		5,845,964
Unearned Revenue		1,205,132
Compensated Absences		832,573
Termination Benefits		(569,591)
Net Cash Used by Operating Activities	$	(122,192,223)
Noncash Investing, Noncapital Financing and Capital Related Financing Transactions		
Change in Fair Value of Investments Recognized as Investment Income	$	57,214
Disposal of Fixed Assets		4,499,419
Impairment of Fixed Assets		(3,225,392)
Capital Gifts		5,000
Capital Appropriations		354,124
Total Noncash Investing, Capital and Financing Activities	$	1,690,365

The accompanying Notes are an integral part of the Financial Statements.

NOTES TO FINANCIAL STATEMENTS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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The College is a component unit of the State of Utah. It is considered a component unit because it was established under Utah statute, receives funding appropriations from the State and is financially accountable to the State. The financial activity of the College is included in the State's Comprehensive Annual Financial Report, as required by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* and GASB Statement No. 80, *Blending Requirements for Certain Component Units-An Amendment of GASB Statement No. 14.*

The College's financial statements encompass all of its operations, including auxiliary enterprises, both restricted and unrestricted funds, and two supporting Foundations. The Salt Lake Community College Foundation (Foundation) is a separate but affiliated non-profit entity, incorporated under Utah law in 1982. This Foundation is reported discretely in the financial statements under the heading "Component Unit-College Foundation." A discrete component unit is an entity which is legally separate from the College. However, the Foundation's economic resources are used for the direct benefit of the College and its relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation issues separate financial statements which are audited by independent auditors. These statements follow the Financial Accounting Standards Board (FASB) guidelines. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component unit's financial information included in the College's financial report. See Note 9 for additional disclosures related to the Foundation. A copy of the Foundation's independent audit report may be obtained from the College's Development Office at 801-957-4247.

The Grand Theatre Foundation (Grand Theatre) is a separate but affiliated not-for-profit entity incorporated under Utah law in 2001. It is included in the financial statements as a blended component unit because the College has day-to-day operational management responsibility, the College has a financial benefit or burden relationship with the Grand Theatre and because the Grand Theatre was established on behalf of and exclusively for the benefit of the College. See Note 10 for Condensed Statement of Net Position, Condensed Statement of Revenues, Expenses, and Changes in Net Position and Condensed Statement of Cash Flows for the Grand Theatre.

Basis of Accounting:

The accounting and reporting policies of the College conform with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Under GASB provisions, public colleges and universities in Utah have elected to report as special purpose government units engaged solely in business-type activities (BTA). BTA reporting includes the basic financial statements and required supplementary information established for an enterprise fund. This includes a Management's Discussion and Analysis, a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, a Statement of Cash Flows, Notes to the Financial Statements and Required Supplementary Information. The required financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Cash and Cash Equivalents:

The College considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2020, cash and cash equivalents consisted of:

	College	Foundation
Cash	$ (1,859,096)	$ 1,829,184
Money Market Account	176,097	915,183
Sweep Account	1,202,568	-
Money Market Mutual Funds	44,607	1,026,691
Utah Public Treasurers' Investment Fund	104,104,266	-
Total Cash and Cash Equivalents	$ 103,668,442	$ 3,771,058

Investments:

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The College distributes earnings quarterly from pooled investments based on the month end cash balance of each participating account.

Accounts Receivable:

Accounts receivable consists of amounts owed to the College from individuals and entities external to the College. Receivables due from the State of Utah or from one of its component units are reported separately on the Statement of Net Position.

The following schedule presents receivables at June 30, 2020, net of estimated uncollectible amounts:

	Receivables from State of Utah	Receivables from Other
Tuition, Fees and Other	$ 7,701	$ 6,671,828
Due from DFCM	1,083,049	–
Grants and Contracts	767,538	2,655,380
Auxiliaries	–	174,785
Interest	–	211,615
From SLCC Foundation	–	11,689
Total Accounts Receivable	1,858,288	9,725,297
Less Allowance for Doubtful Accounts	–	(1,796,386)
Net Accounts Receivable	$ 1,858,288	$ 7,928,911

Student Loans Receivable:

The College participates in the Federal Perkins Loan Program and other College loan programs. Loan distributions and related loan repayments are not included as expenses or revenues but are accounted for on the Statement of Net Position as either current student loans receivable (amounts due within one year), net of estimated uncollectible amounts, or noncurrent student loans receivable (amounts due after one year), net of estimated uncollectible amounts. As of June 30, 2018, the Federal Perkins Loan Program ended and the College did not distribute additional loans during the current fiscal year. The College intends to relinquish outstanding receivables related to the Federal Perkins Loan Program to the Federal Department of Education in fiscal year 2021.

Inventories:

All College inventories are valued at the lower of cost (first-in, first-out) or market.

Inventory consists of the following:

Food Services	$ 6,345
Costs of Project Houses Under Construction	538,106
Total Inventory	$ 544,451

Prepaid Expenses:

Prepaid expenses at year end consist mostly of software subscription costs, which accounts for $3,042,030 of the $3,074,852 total at June 30, 2020.

Restricted Cash and Cash Equivalents:

Externally restricted non-expendable endowment funds of $853,412 and $7,108,006 of unexpended bond proceeds and debt service reserves are classified as noncurrent assets in the Statement of Net Position.

Capital Assets:

Capital assets are recorded at historical cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. For equipment and motor vehicles, the College's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. All library collections are capitalized. Renovations to buildings, infrastructure and land improvements with a cost of $250,000 or more and extend the useful life or increase capacity of the assets are capitalized. Routine repairs, maintenance and remodeling are charged to operating expense in the year in which the expense is incurred. All land and water rights (intangible assets) are capitalized and not depreciated.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets: 40 years for buildings; 20 years for infrastructure, land improvements and library collections; and 3 to 10 years for equipment and motor vehicles. Leasehold improvements are depreciated over the term of the lease.

Accounts Payable and Accrued Liabilities:

Accounts payable and accrued liabilities consist of the following at June 30, 2020:

Salaries and Benefits Payable	$	9,863,862
Supplies and Services Payable		2,613,960
Student Related Payable		58,552
State of Utah Payable		5,792,201
Interest Payable		161,333
Total Accounts Payable and Accrued Liabilities	$	18,489,908

Unearned Revenue:

Unearned revenue consists of the following at June 30, 2020:

Tuition and Fees Related to Future Terms	$	6,333,864
Grants and Contracts		1,968,929
Food Service Unused Gift Cards		3,000
Grand Theatre Ticket/Rental Sales		7,759
Child Care Deposits		30,577
Other Deposits		21,498
Total Unearned Revenue	$	8,365,627

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (Systems) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Refer to Note 7 for additional information on pension plans.

Compensated Absences Liability:

Vacation Leave Benefit: The College accrues and reports annual vacation leave in the year earned. Non-academic full-time and certain part-time College employees earn vacation leave for each month worked at a rate between 12 and 24 days per year. Vacation time may be used as it is earned or accumulated for future use. A maximum of 40 days may be carried over into the next accounting year which begins each July 1. Upon termination, no more than 30 days plus the current year's earned and unused vacation is payable to the employee. The cumulative accrued vacation leave liability for the year ended June 30, 2020 was $5,651,884.

Sick Leave Benefit: Full-time employees upon regular or early retirement from the College are eligible to receive a sick leave cash payment up to a maximum of $2,500 under the following condition. To be eligible, a retiring employee must have accumulated 100 days of unused sick leave (800 hours). The cash payout is calculated at $100 for every day of earned and unused sick leave accumulated above the 100 days up to a maximum of 25 days or $2,500. The College accrues and reports the estimated sick leave payout in the year earned. The cumulative accrued sick leave benefits liability for the year ended June 30, 2020 was $574,674.

Accrued Termination Benefits:

The College provides an early retirement option, as approved by the Board of Trustees, for qualified employees who have attained the age of 57 with at least 15 years of service and whose combined total of age and years of service is 75 or greater. The early retirement benefit includes a stipend of between 14.3% and 20.5% of the retiree's final salary for a maximum period of seven years, or until the employee reaches full retirement age with Social Security, whichever comes first. Health and dental benefits, which averaged about 79% of the stipend in fiscal year 2020, have also been extended for up to seven years or age 65, whichever comes first. Participation in the early retirement program is not an entitlement or right available to all employees. These benefits are recorded as qualified employees apply for and are approved for this retirement option. The benefits are funded by the College on a pay-as-you-go basis. At June 30, 2020 there were 62 retirees receiving benefits under these early retirement programs.

The projected future cost of these stipends and medical and dental insurance benefits have been calculated based on the known amount to be paid out in the next fiscal year, plus projected annual increases of 2.0% for stipends and 6.0% for medical and dental costs. The amount recognized on the financial statements was calculated at the discounted present value of the projected future costs. The discount rate used (2.04%) was based on the average rate earned on the investments of the College during the year. The cumulative accrued termination benefits liability as of June 30, 2020 totaled $3,077,638. The early retirement program expense for the year ended June 30, 2020 was $1,084,404.

Noncurrent Liabilities:

Noncurrent liabilities include obligations with maturities greater than one year, which include estimated amounts for accrued compensated absences and termination benefits (obligations to early retirees) that will not be paid within the next fiscal year and net pension liability.

Deferred Outflows/Inflows of Resources:

In addition to assets and liabilities, financial statements will sometimes report a separate section for deferred outflows and inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Net Position:

The College's net position is classified as follows:

Net Investment in Capital Assets: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those assets.

Restricted for Nonexpendable Items: Nonexpendable restricted net position consists of scholarship endowments and similar funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which income may either be expended or added to principal.

Restricted for Expendable Items: Expendable restricted net position includes resources for which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external parties.

Unrestricted Net Position: Unrestricted net position represents resources derived from student tuition and fees, State appropriations, earnings from the beneficial investment of available cash balances, sales and services of educational departments and auxiliary enterprises. These resources are used to accomplish the core mission and activities relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet any lawful College-related purpose. This classification also includes quasi-endowments created from unrestricted resources.

When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

Classification of Revenues and Expenses:

Revenues and expenses have been classified as either operating or nonoperating according to the following criteria:

Operating Revenues and Expenses: The College's operating revenues and expenses are for activities that support the education mission and priorities of the College and have characteristics of exchange transactions. Operating revenues include (1) student tuition and fees; (2) federal, state and local contracts and grants; (3) sales and services of educational activities and auxiliary enterprises; and (4) interest on institutional student loans. Operating expenses are those expenses incurred to acquire goods or produce services to carry out the mission of the College. The Foundation's operating activities include gift revenue and all expenses to support the mission of the Foundation.

Nonoperating Revenues and Expenses: The College's nonoperating activities have characteristics of nonexchange transactions. Nonoperating revenues include (1) State appropriations; (2) certain federal, state and local contracts and grants; (3) gifts and contributions; and (4) investment income. Nonoperating expenses include disposal of capital assets, interest paid on capital related debt and cancellation of student loans.

Internal transactions between service centers and departments are eliminated from the financial statements.

2. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act (Utah Code, Title 51, Chapter 7) that relate to the deposit and investment of public funds.

Except for endowment funds, the College follows the requirements of the Utah Money Management Act in handling its depository and investment transactions. The Act requires the depositing of College funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

For endowment funds, the College follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and State Board of Regents Rule 541, Management and Reporting of Institutional Investments (Rule 541).

The Foundation is required by its bylaws to deposit funds in depositories approved by the Foundation's Board of Trustees or Executive Committee. The Foundation can invest in any category deemed prudent and approved by its Board.

Deposits:

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the College's or Foundation's deposits may not be returned to it. The College and the Foundation do not have formal deposit policies for custodial credit risk. As of June 30, 2020, $1,052,438 of the College's bank balances of $1,478,535 and approximately $1,450,000 of the Foundation's bank balances of $2,939,675 were uninsured and uncollateralized.

Investments:

The Money Management Act defines the types of securities authorized as appropriate investments for the College's non-endowment funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers or directly with issuers of the investment securities.

Statutes authorize the College to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac) and Federal National Mortgage Association (Fannie Mae); bonds, notes and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; reciprocal deposits and negotiable brokered certificates of deposit in accordance with the Act; and the Utah State Public Treasurers' Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the Securities and Exchange Commission (SEC) as an investment company. The PTIF is authorized and regulated by the Money Management Act. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The UPMIFA and Rule 541 allow the College to invest endowment funds (including gifts, devises or bequests of property of any kind from any source) in any of the above investments or any of the following subject to satisfying certain criteria: mutual funds registered with the SEC, investments sponsored by the Common Fund; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources and private real estate assets or absolute return and long/short hedge funds.

Fair Value of Investments: The College and the Foundation measure and record its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At June 30, 2020, the College had the following recurring fair value measurements:

		Fair Value Measurements Using		
	TOTAL	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt Securities				
Corporate Notes	$ 43,531,892	$ –	$ 43,531,892	$ –
U.S. Agencies	22,143,789	–	22,143,789	–
Mutual Bond Funds	96,034	96,034	–	–
Money Market Mutual Funds	44,607	44,607	–	–
Utah Public Treasurers' Investment Fund	104,104,266	–	104,104,266	–
Total Debt Securities	169,920,588	140,641	169,779,947	–
Equity Securities				
Mutual Equity Funds	649,397	649,397	–	–
Total Equity Securities	649,397	649,397	–	–
Total Investment by Fair Value Level	$ 170,569,985	$ 790,038	$ 169,779,947	$ –
Investments Measured at the Net Asset Value (NAV)				
Private Equity Real Estate Partnership	$ 994,050			
Total Investments Measured at the NAV	994,050			
Total Investments Measured at Fair Value	$ 171,564,035			

At June 30, 2020, the Foundation had the following recurring fair value measurements:

	TOTAL		Fair Value Measurements Using Level 1		Level 2		Level 3
Investments by Fair Value Level							
Debt Securities							
Mutual Bond Funds	$	4,428,485	$	4,428,485	$	–	$	–
Money Market Mutual Funds		1,026,691		1,026,691		–		–
Total Debt Securities		5,455,176		5,455,176		–		–
Equity Securities								
Mutual Equity Funds		8,962,050		8,962,050		–		–
Total Equity Securities		8,962,050		8,962,050		–		–
Total Investments by Fair Value Level	$	14,417,226	$	14,417,226	$	–	$	–

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Agencies: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets;
- Money Market, Bond and Equity Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers' Investment Fund: application of the June 30, 2020 fair value factor, as calculated by the Utah State Treasurer, to the College's June 30 balance in the Fund.

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. In December 2012, the College became a partner in a limited liability company called HTC Communities, LLC and was gifted a capital interest in the company. The most recent valuation of owner equity occurred at December 31, 2019, the company's fiscal yearend. The College's ownership interest at that time was valued at $994,050. The College is not aware of any factors that could negatively affect the valuation; therefore, the value recorded in the College's statements as of June 30, 2020 is the ownership interest. As of this date, this alternative investment is not redeemable and has no unfunded commitments.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act or the UPMIFA and Rule 541, as applicable. For non-endowment funds, Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits and fixed rate corporate obligations to 270 days – 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes and other evidence of indebtedness of political subdivisions of the State to 10 years for institutions of higher education. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years. For endowment funds, Rule 541 is more general, requiring only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the endowments and by exercising reasonable care, skill and caution. The Foundation does not have a formal policy for interest rate risk.

As of June 30, 2020, the College's investments had the following maturities:

	Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1 Year	1–5 Years	6–10 Years
Corporate Notes	$ 43,531,892	$ 13,032,930	$ 30,498,962	$ –
U.S. Agencies	22,143,789	–	22,143,789	–
Mutual Bond Funds	96,034	–	–	96,034
Money Market Mutual Funds	44,607	44,607	–	–
Utah Public Treasurers' Investment Fund	104,104,266	104,104,266	–	–
Total Fair Value	$ 169,920,588	$ 117,181,803	$ 52,642,751	$ 96,034

As of June 30, 2020, the Foundation's investments had the following maturities:

	Investment Maturities (in Years)				
Investment Type	Fair Value	Less than 1 Year	1–5 Years	6–10 Years	Greater than 10 Years
Mutual Bond Funds	$ 4,428,485	$ –	$ 3,501,497	$ 926,988	$ –
Money Market Mutual Funds	1,026,691	1,026,691	–	–	–
Total Fair Value	$ 5,455,176	$ 1,026,691	$ 3,501,497	$ 926,988	$ –

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act, the UPMIFA and Rule 541, as previously discussed. The Foundation does not have a formal policy for credit risk.

At June 30, 2020, the College's investments had the following quality ratings:

		Quality Ratings			
Investment Type	Fair Value	AA	A	BBB	Unrated
Corporate Notes	$ 43,531,892	$ –	$ 25,464,874	$ 18,067,018	$ –
U.S. Agencies	22,143,789	11,067,529	–	–	11,076,260
Mutual Bond Funds	96,034	–	–	–	96,034
Money Market Mutual Funds	44,607	–	–	–	44,607
Utah Public Treasurers' Investment Fund	104,104,266	–	–	–	104,104,266
Total Fair Value	$ 169,920,588	$ 11,067,529	$ 25,464,874	$ 18,067,018	$ 115,321,167

At June 30, 2020, the Foundation's investments had the following quality ratings:

	Quality Ratings	
Investment Type	Fair Value	Unrated
Mutual Bond Funds	$ 4,428,485	$ 4,428,485
Money Market Mutual Funds	1,026,691	1,026,691
Total Fair Value	$ 5,455,176	$ 5,455,176

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council or the UPMIFA and Rule 541, as applicable. Rule 17 of the Money Management Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio at the time of purchase. For endowment funds, Rule 541 requires that a minimum of 25% of the overall endowment portfolio be invested in fixed income or cash equivalents. Also, the overall endowment portfolio cannot consist of more than 75% equity investments with a maximum of 3% in corporate stock listed on a major exchange (direct ownership). Rule 541 also limits investments in alternative investment funds to between 0% and 30% based on the size of the College's endowment fund. The Foundation does not have a formal policy for concentration of credit risk.

As of June 30, 2020, the College held $9,033,323 or 5.3%, of total investments in securities of the Federal Home Loan Mortgage Corporation.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College and the Foundation do not have formal policies for custodial credit risk. As of June 30, 2020, the College had $43,531,892 in Corporate Notes and $22,143,789 in U.S. Agencies, which were held by the counterparty's trust department or agent but not in the College's name.

3. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 is summarized as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Capital Assets Not Being Depreciated:				
Land	$ 36,508,598	$ –	$ (871,623)	$ 35,636,975
Intangible Assets	22,500	–	–	22,500
Construction in Progress	1,023,869	14,882,014	(3,246,237)	12,659,646
Total Nondepreciable	37,554,967	14,882,014	(4,117,860)	48,319,121
Capital Assets Being Depreciated:				
Buildings	315,563,253	705,131	(1,314,613)	314,953,771
Leasehold Improvements	1,864,665	–	–	1,864,665
Land Improvements	34,306,279	493,364	–	34,799,643
Equipment and Motor Vehicles	34,292,262	3,287,365	(2,159,139)	35,420,488
Library Collections	2,426,373	286,227	(674,500)	2,038,100
Total Depreciable	388,452,832	4,772,087	(4,148,252)	389,076,667
Total Capital Assets	426,007,799	19,654,101	(8,266,112)	437,395,788
Less Accumulated Depreciation:				
Buildings	(116,813,904)	(7,538,777)	1,314,613	(123,038,068)
Leasehold Improvements	(1,685,373)	(179,292)	–	(1,864,665)
Land Improvements	(24,626,226)	(1,232,320)	–	(25,858,546)
Equipment and Motor Vehicles	(26,774,851)	(3,080,250)	1,867,742	(27,987,359)
Library Books and Software	(543,557)	(87,594)	274,022	(357,129)
Total Accumulated Depreciation	(170,443,911)	(12,118,233)	3,456,377	(179,105,767)
Total Capital Assets, Net of Depreciation	$ 255,563,888	$ 7,535,868	$ (4,809,735)	$ 258,290,021

In fiscal year 2019 the College purchased the Westpointe Center for $7,000,826. The total cost was capitalized into buildings during fiscal year 2019. In fiscal year 2020 it was determined that $736,118 should have been capitalized as land, since the purchase price included the lot and the building. The beginning balance of land and buildings in the above table reflects this correction.

On June 22, 2020, the Applied Technology Building (ATC) on the Redwood Campus was destroyed by fire. As of the issuance of these statements a final determination has not been made by DFCM regarding the final disposition of the building, but it appears likely that the building will be declared a total loss and be razed.

The historical cost of the ATC building was $1,314,613. The building was originally constructed in 1967 and was fully depreciated. At the time of the fire the ATC was undergoing a substantial remodel project. The College has recognized an impairment loss of $2,973,458 related to this project. This loss is reflected as a reduction to construction in progress and as other nonoperating expense on the Statement of Revenues, Expenses and Changes in Net position. The College also had multiple capital assets in the building that were destroyed. The historical cost of these assets was $523,561, with accumulated depreciation of $271,627. The impairment loss of $251,934 is reflected as other nonoperating expense on the Statement of Revenues, Expenses and Changes in Net Position.

The building and the contents inside are covered through the College's general liability insurance (see Note 11). As of the issuance of these statements, the College's insurance provider has not made a final decision regarding the insurance payout or amount. The College has not recognized a receivable for an insurance recovery but will recognize one when it becomes realizable.

4. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Bonds Payable					
Revenue Bonds Payable	$ 10,645,000	$ –	$ (965,000)	$ 9,680,000	$ 1,015,000
Unamortized Bond Premium	1,125,458	–	(233,998)	891,460	208,479
Total Bonds Payable	11,770,458	–	(1,198,998)	10,571,460	1,223,479
Compensated Absences					
Compensated Absences - Vacation	4,829,671	4,905,429	(4,083,216)	5,651,884	4,128,540
Compensated Absences - Sick Leave	564,315	26,259	(15,900)	574,674	22,544
Total Compensated Absences	5,393,986	4,931,688	(4,099,116)	6,226,558	4,151,084
Other Noncurrent Liabilities					
Termination Benefits - Early Retirement	3,647,229	976,613	(1,546,204)	3,077,638	1,253,353
Notes from Direct Borrowings Payable to the State of Utah	407,403	–	(95,806)	311,597	75,018
Net Pension Liability	22,294,500	–	(13,069,584)	9,224,916	–
Other Liabilities[1]	1,061,477	–	(675,563)	385,914	385,914
Total Other Noncurrent Liabilities	27,410,609	976,613	(15,387,157)	13,000,065	1,714,285
Total Long-Term Liabilities	$ 44,575,053	$ 5,908,301	$ (20,685,271)	$ 29,798,083	$ 7,088,848

[1] Other Liabilities represent the reclassification of the Federal Capital Contribution from Restricted Net Position. This reclassification is in preparation of the relinquishment of the College's Federal Perkins Loan Program.

5. BONDS AND NOTES PAYABLE

During 2017, the College obtained an interest free loan totaling $519,930 from the State to implement an energy efficiency project. This project was completed under budget. Per the loan terms, the loan balance was adjusted down in fiscal year 2020 by $20,788 to account for the cost savings. Payments of $18,755 are due quarterly, with the final payment due September 30, 2024. In addition, in fiscal year 2018 the College issued bonds to provide funds for the construction and renovation of major capital facilities. The bond payments are due in annual installments with interest due semi-annually at a rate of 5%. The bonds are callable on March 1, 2025. The final installment of interest and principle is due March 1, 2028 if the bonds are not called. The bonds are secured by proceeds from a student building fee and related interest earnings.

Neither the state energy loan nor the revenue bonds have any significant finance-related consequences related to events of default or termination events. Neither debt instrument has subjective acceleration clauses. The College does not have any assets pledged as collateral for debt or any unused lines of credit.

Revenue bonds payable consisted of the following as of June 30, 2020:

Student Building Fee Revenue Bonds, Series 2018		
5% Callable 2025, Maturing 2028, Original Issue	$	11,735,000

Future commitments for bonds and notes payable as of June 30, 2020 are as follows:

Fiscal Year and Type	Principal	Interest	Total
Bonds Payable			
2021	$ 1,015,000	$ 484,000	$ 1,499,000
2022	1,065,000	433,250	1,498,250
2023	1,115,000	380,000	1,495,000
2024	1,175,000	324,250	1,499,250
2025	1,230,000	265,500	1,495,500
2026–2028	4,080,000	414,500	4,494,500
Total Bonds Outstanding	9,680,000	2,301,500	11,981,500
Unamortized Bond Premium	891,460	–	891,460
Total Bonds Payable	$ 10,571,460	$ 2,301,500	$ 12,872,960
Notes from Direct Borrowings Payable to the State of Utah			
2021	$ 75,018	$ –	$ 75,018
2022	75,018	–	75,018
2023	75,018	–	75,018
2024	75,018	–	75,018
2025	11,525	–	11,525
Total Notes from Direct Borrowings Payable to the State of Utah	$ 311,597	$ –	$ 311,597

6. PLEDGED BOND REVENUES

On June 20, 2018, the College issued student building fee revenue bonds to finance capital improvements to the Jordan Campus Student Center. In accordance with the general indentures of trust, certain student building fees and related interest income are pledged toward the payment of principal and interest. Total principal and interest remaining on the bond debt as of June 30, 2020 is $11,981,500. Payment requirements range from $1,495,000 to $1,499,250. See Note 5 for future payment amounts and call dates.

For fiscal year 2020, receipts and disbursements of pledged revenues were as follows:

		Building Fee Revenue Bond
Receipts		
Student Building Fees	$	2,202,026
Related Interest Income		259,700
Total Receipts		2,461,726
Disbursements		
Pledged Expenses		–
Excess of Pledged Receipts over Expenses	$	2,461,726
Debt Service Principal and Interest Payments	$	1,497,250
Debt Service Coverage Ratio		1.64

7. PENSION PLANS AND RETIREMENT BENEFITS

As required by state law, eligible non-exempt employees of the College, as defined by the U.S. Fair Labor Standards (FLSA) are covered by the Utah Retirement Systems. Eligible exempt employees, as defined by the FLSA, are covered by the Teachers Insurance and Annuity Association (TIAA) or Fidelity Investments.

Defined Benefit Plans:

Plan Description—Eligible plan participants are provided with pensions through the Utah Retirement Systems (Systems). The Systems are comprised of the following pension trust funds:

- Public Employees Noncontributory Retirement System (Noncontributory System) and Public Employees Contributory Retirement System (Contributory System) are multiple employer, cost sharing, retirement systems.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); is a multiple employer, cost sharing, public employees retirement systems.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Systems are established and governed by the respective sections of Title 49 of the Utah Code

Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board (Board), whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds and are a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

The Systems issue a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Benefits provided—Utah Retirement Systems provides retirement, disability and death benefits.

Retirement benefits are as follows:

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percentage Per Year of Service	Cost-of-Living Adjustments (COLA**)
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year–all years	Up to 4.0%
Contributory System	Highest 5 years	30 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975; 2.0% per year July 1975 to present	Up to 4.0%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year–all years	Up to 2.5%

* *Actuarial reductions are applied.*
** *All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.*

As a condition of participation in the Systems, the College is required to contribute certain percentages of salary and wages as authorized by statute and specified by the Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates for the pension portion of the plans for the year were as follows:

System	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
Noncontributory System			
Higher Education Tier 1	N/A	N/A	22.19%
Contributory System			
Higher Education Tier 1	N/A	6.00%	17.70%
Higher Education Tier 2*	N/A	N/A	18.99%

* *Tier 2 rates include a required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.*

For fiscal year ended June 30, 2020, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions		Employee Contributions	
Noncontributory System	$	3,219,269		N/A
Contributory System		48,025	$	16,279
Tier 2 Public Employees System		795,795		–
Total Contributions	$	4,063,089	$	16,279

Contributions reported are the Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

Pension Assets, Liabilities, Expense and Deferred Outflows of Resources and Deferred Inflows of Resources relating to Pensions

At June 30, 2020, the College reported a net pension asset of $302,220 and a net pension liability of $9,224,916.

(Measurement Date): December 31, 2019							
System	Proportionate Share	Net Pension Asset		Net Pension Liability		Proportionate Share December 31, 2018	Change (Decrease)
Noncontributory System	7.8013012%	$	–	$	9,151,161	0.5684594%	7.2328418%
Contributory System	5.3601065%		302,220		–	1.3818834%	3.9782231%
Tier 2 Public Employees System	0.3279328%		–		73,755	0.3822929%	(0.0543601%)
		$	302,220	$	9,224,916		

The net pension asset and liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2020, the College recognized pension expense of ($6,167,467) for the defined benefit plans.

At June 30, 2020 the College reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,581,835	$ 113,091
Changes in assumptions	860,907	2,120
Net difference between projected and actual earnings on pension plan investments	–	5,617,108
Changes in proportion and differences between contributions and proportionate share of contributions	620,967	392,906
Contributions subsequent to the measurement date	2,102,039	–
Total	$ 11,165,748	$ 6,125,225

The College reported $2,102,039 as deferred outflows of resources related to pensions resulting from contributions made prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Net Deferred Outflows/(Inflows) of Resources
2020	$ 3,894,483
2021	1,160,136
2022	(102,570)
2023	(2,049,916)
2024	6,386
Thereafter	$ 29,965

Actuarial assumptions: The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.25–9.75% average, including inflation
Investment Rate of Return	6.95% net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Expected Return Arithmetic Basis		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity Securities	40%	6.15%	2.46%
Debt Securities	20%	0.40%	0.08%
Real Assets	15%	5.75%	0.86%
Private Equity	9%	9.95%	0.89%
Absolute Return	16%	2.85%	0.46%
Cash & Cash Equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
		Inflation	2.50%
		Expected Arithmetic Nominal Return	7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate remained unchanged from the prior measurement period at 6.95%.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95%, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	$ 30,122,300	$ 9,151,161	$ (8,298,785)
Contributory System	480,359	(302,220)	(968,232)
Tier 2 Public Employees System	636,018	73,755	(360,772)
Total	$ 31,238,677	$ 8,922,696	$ (9,627,789)

Detailed information about the pension plan's fiduciary net position is available in the separately issued System's financial report.

Defined Contribution Plans:

Retirement plan employees are also eligible to participate in a deferred compensation 401(k) defined contribution plan. Employees may also elect to participate in an IRS 457 deferred compensation plan offered through the Systems. These plans are available as supplemental plans to the basic retirement benefits of the Systems and a primary retirement plan for Tier 2 Defined Contributions (DC) only participants. For employees participating in the Tier 2 DC Only defined contribution plan, the College is required to contribute 20.02% of the employees' salary, of which 10.00% is paid into a 401(k) plan while the remainder is contributed to the Tier 1 Systems, as required by law. Employees who participate in the State and School Noncontributory and Tier 2 Contributory Systems are also eligible to participate in deferred compensation 401(k) and 457 defined contribution plans. The College is required to contribute 1.03% to 1.50% of eligible employees' gross earnings to the eligible employee's 401(k) plan. College contributions to the 401(k) plan totaled $422,860 for the year ended June 30, 2020. Employee contributions to the 401(k) and 457 plans for the same year were $817,362.

Teachers Insurance and Annuity Association (TIAA) and Fidelity Investments also provide individual retirement fund contracts with each participating employee. Benefits provided to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement, and are fully vested from the date of employment.

Employees are eligible to participate in TIAA and Fidelity Investments from the date of employment and are not required to contribute to the fund. For the year ended June 30, 2020, the College was required to contribute 14.20% of the employees' annual covered salary to these defined contribution plans. The College's contributions into TIAA for the year ended June 30, 2020 were $5,480,139. The College has no further liability once annual contributions are made. Employee contributions for the same year were $1,131,510. The Fidelity Investments plan started in 2009, and the College's contributions into Fidelity Investments for the year ended June 30, 2020 were $2,847,130. Employee contributions for the same year were $440,244.

All College paid contributions to these defined contribution plans are reported as employee benefits expense in the financial statements.

8. OPERATING LEASES

The College has entered into several leases for rental of various classroom and related facilities. The duration of these leases varies from one to ten years with the longest lease terminating in the fiscal year 2027. Although the lease terms vary, most leases are subject to funds being appropriated to continue the lease obligations and most have options to extend the lease term. As funding is reasonably assured, the leases are considered noncancellable for financial reporting purposes. Operating lease payments are recorded as expenses when paid or incurred. For the year ended June 30, 2020, operating lease expenses totaled $970,954. The future lease payments are as follows:

Fiscal Year	Amount
2021	$ 1,008,058
2022	1,029,228
2023	1,035,184
2024	919,382
2025	770,198
2026–2030	1,087,810
Total Future Payments	$ 5,849,860

9. SALT LAKE COMMUNITY COLLEGE FOUNDATION

The Salt Lake Community College Foundation (Foundation) was granted a Certificate of Incorporation on July 15, 1982, under laws of the State of Utah and is recognized as a "Section 501(c)3" Corporation by the Internal Revenue Service. The Foundation exists to further the charitable, cultural, scientific and educational purposes of the College. The Foundation Board of Trustees includes the College President, the College Director of Development and one current member of the College Board of Trustees.

During the year ended June 30, 2020, the Foundation transferred $3,130,598 to the College to enhance scholarships, awards and other essential College programs.

The Foundation investments at year end are comprised of open-ended mutual funds and preferred/fixed rate cap securities. These are included in this report at fair value based on quoted prices for identical investments in active markets as of June 30, 2020.

According to the Uniform Prudent Management of Institutional Funds Act, Title 51, Chapter 8, of the Utah Code Annotated 1953, as amended, the governing board may appropriate for expenditure for the purposes for which an endowment is established, as much of the net appreciation, realized and unrealized, of the fair value of the assets of an endowment over the historic dollar value as is prudent under the facts and circumstances prevailing at the time of the action or decision.

The Foundation's endowment spending plan is subject to annual review and provides that the annual amount of potential distributions from each endowment fund shall be limited to 4% of the asset value of the endowment fund. The asset value is defined as the average of the most recent four quarter-ending asset values for each endowment fund within the investment pool. At the beginning of each calendar year, the Foundation's finance and investments committee reviews and approves the amounts to be distributed in the College's ensuing fiscal year.

10. GRAND THEATRE FOUNDATION

The Grand Theatre Foundation (Grand Theatre) is a not-for-profit component unit of the College for which the College has day-to-day operational management responsibility. It has been consolidated in these financial statements as a blended component unit. The Grand Theatre was incorporated in the State of Utah on February 15, 2001, and was established to operate as a community theatre providing musical theatre dramatic presentations and other entertainment programs on behalf of and exclusively for the benefit of the College.

The Grand Theatre annually publishes audited financial statements. A copy of the audited financial statements can be obtained from the Grand Theatre at 801-957-3322. The following is a condensed version of the Grand Theatre's financial statements for the fiscal year ended June 30, 2020.

Condensed Statement of Net Position

	Grand Theatre Total	Primary Government Eliminations	Total Net of Eliminations
Assets			
Current Assets			
Cash and Cash Equivalents	$ 258,887	$ (221,599)	$ 37,288
Short-Term Investments	165,577	–	165,577
Accounts Receivable	5,000	–	5,000
Prepaid Expenses	23,551	–	23,551
Total Current Assets	453,015	(221,599)	231,416
Total Assets	453,015	(221,599)	231,416
Liabilities			
Current Liabilities			
Accounts Payable	12,268	–	12,268
Unearned Revenue	45,577	–	45,577
Total Current Liabilities	57,845	–	57,845
Total Liabilities	57,845	–	57,845
Net Position			
Unrestricted	395,170	(221,599)	173,571
Total Net Position	$ 395,170	$ (221,599)	$ 173,571

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Grand Theatre Total	Primary Government Eliminations	Total Net of Eliminations
Operating Revenues			
Ticket Sales	$ 120,908	$ –	$ 120,908
Concessions	10,361	–	10,361
Rental of Facilities	93,405	–	93,405
Institutional Support from SLCC	221,599	(221,599)	–
Other Operating Revenue	16,029	–	16,029
Total Operating Revenues	462,302	(221,599)	240,703
Operating Expenses			
Salaries and Benefits	426,772	–	426,772
Other Operating Expenses	360,502	–	360,502
Total Operating Expenses	787,274	–	787,274
Operating Income (Loss)	(324,972)	(221,599)	(546,571)
Nonoperating Revenues			
Federal Grants	5,000	–	5,000
State and Local Grants	97,000	–	97,000
Donations	169,426	–	169,426
Investment Income	9,301	–	9,301
Total Nonoperating Revenues	280,727	–	280,727
Net Increase in Net Position	(44,245)	(221,599)	(265,844)
Net Position - Beginning of Year	439,415	–	439,415
Net Position - End of Year	$ 395,170	$ (221,599)	$ 173,571

Condensed Statement of Cash Flows

	Grand Theatre Total	Primary Government Eliminations	Total Net of Eliminations
Net Cash Provided/(Used) By:			
Operating Activities	$ (109,019)	$ (221,599)	$ (330,618)
Net Increase in Cash and Cash Equivalents	(109,019)	–	(330,618)
Cash and Cash Equivalents - Beginning of Year	367,905	–	367,905
Cash and Cash Equivalents - End of Year	$ 258,886	$ (221,599)	$ 37,287

11. RISK MANAGEMENT

General Liability Insurance:

The College maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty and personal and malpractice liability through policies administered by the Utah State Risk Management Fund (the Fund).

The College also has either actual cash value or replacement cost insurance on its buildings and contents against all insurable risks of direct physical loss or damage with the Fund. This all-risk insurance coverage provides for repair or replacement of damaged or stolen College property on a replacement cost basis subject to a $1,000 deductible per occurrence.

All College employees are covered by worker's compensation insurance administered by the Worker's Compensation Fund of Utah.

Self-funded Insurance Program:

On July 1, 2005, the College established a self-funded employee health and dental insurance program. GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*, requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements. The liability for benefit claims includes actuarial estimates of the ultimate cost of claims that have been reported but not settled and claims that have been incurred but not reported. A provision for inflation is implicit in the calculation of estimated costs for future claims because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to the benefit claims liability for changes in estimates is charged or credited to expense in the period in which it is made. The College's estimated self-funded insurance claims liability at June 30, 2020 is as follows:

	June 30, 2019	June 30, 2020
Estimated Claims Liability at Beginning of Year	$ 1,668,236	$ 1,445,662
Current Year Claims	17,973,666	20,905,260
Claim Payments, Including Related Legal and Administrative Expenses	(18,196,240)	(19,341,725)
Estimated Claims Liability at End of Year	$ 1,445,662	$ 3,009,197

The College has recorded the program assets and estimated liabilities of the health and dental care program at June 30, 2020 in the Statement of Net Position.

As part of the self-funded insurance program, the College has a stop-loss insurance policy to cover specific participant claims over $275,000 per term. The policy also covers aggregated claims exceeding 125 percent of expected claims up to $5 million.

12. CONTINGENT LIABILITIES

The College has received notice of various legal actions arising out of the normal course of business. The College is vigorously contesting all these matters and expects to prevail. However, in cases in which the College does not prevail, all damages likely will be paid by the Utah Division of Risk Management. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect upon the College's financial position.

The College participates in certain Federal grant programs that are subject to financial and compliance audits by the grantor or its representative(s). Such audits could lead to the grantor requesting reimbursement for any disallowed expenditures under the grant terms. Such program review disallowances, if any, should not be material.

13. CONSTRUCTION COMMITMENTS

The Utah State Division of Facilities Construction and Management (DFCM) administers most major construction and remodeling projects for state institutions. Unless direct supervisory authority is delegated to the College, DFCM administers projects over $100,000. DFCM maintains the accounting records and furnishes cost information to the College for the projects DFCM administers. State-funded construction projects administered by DFCM will not be recorded on the books of the College until the facility is available for use or occupancy. Costs incurred during the fiscal year for projects funded by the College are included as capital assets in the accompanying Statement of Net Position. As of June 30, 2020, the College has $11,114,231 in construction commitments to DFCM. The majority of these commitments are due to the construction of the Jordan Campus Student Center. The remaining commitments are related to various smaller projects.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Pension Contributions for the Last Ten Fiscal Years
For the Year Ended June 30

Noncontributory System

	2020	2019	2018
Contractually Required Contribution	$ 3,219,269	$ 3,501,046	$ 3,034,985
Contributions in Relation to the Contractually Required Contribution	(3,219,269)	(3,501,046)	(3,034,985)
Contribution Deficiency (excess)	$ –	$ –	$ –
Covered Payroll	**$ 15,342,646**	**$ 16,582,538**	**$ 14,602,338**
Contributions as a Percentage of Covered Payroll	20.98%	21.11%	20.78%

Contributory System

	2020	2019	2018
Contractually Required Contribution	$ 48,025	$ 50,211	$ 44,647
Contributions in Relation to the Contractually Required Contribution	(48,025)	(50,211)	(44,647)
Contribution Deficiency (excess)	$ –	$ –	$ –
Covered Payroll	**$ 271,326**	**$ 283,681**	**$ 252,246**
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%

Tier 2 Public Employees System*

	2020	2019	2018
Contractually Required Contribution	$ 795,795	$ 912,380	$ 797,785
Contributions in Relation to the Contractually Required Contribution	(795,795)	(912,380)	(797,785)
Contribution Deficiency (excess)	$ –	$ –	$ –
Covered Payroll	**$ 4,190,592**	**$ 4,835,075**	**$ 4,328,416**
Contributions as a Percentage of Covered Payroll	18.99%	18.87%	18.43%

* *Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.*

[1] *Contractually Required Contributions, Contributions and Covered Payroll include information for Tier 2 employees. The Tier 2 Public Employees System was created in fiscal year 2011. Prior to the implementation of GASB Statement No. 68, Tier 2 information was not separately available.*

2017	2016	2015	2014	2013	2012	2011
$ 3,283,873	$ 3,271,447	$ 3,628,042	$ 3,070,864	$ 2,768,316	$ 2,460,339	$ 2,443,566
(3,283,873)	(3,271,447)	(3,628,042)	(3,070,864)	(2,768,316)	(2,460,339)	(2,443,566)
$ –	$ –	$ –	$ –	$ –	$ –	$ –
$ 15,646,322	**$ 15,041,712**	**$ 14,805,445**	**$ 14,157,101**	**$ 14,393,952**	**$ 14,842,533**	**$ 15,073,589**
20.99%	21.75%	24.50%	21.69%	19.23%	16.58%	16.21%

2017	2016	2015	2014	2013	2012	2011
$ 55,071	$ 74,567	$ 96,681	$ 298,284	$ 224,039	$ 131,886	$ 79,289
(55,071)	(74,567)	(96,681)	(298,284)	(224,039)	(131,886)	(79,289)
$ –	$ –	$ –	$ –	$ –	$ –	$ –
$ 312,153	**$ 421,281**	**$ 407,938**	**$ 2,846,740**	**$ 2,034,632**	**$ 1,101,033**	**$ 444,697**
17.64%	17.70%	23.70%	10.48%	11.01%	11.98%	17.83%

2017	2016	2015	2014[1]	2013[1]	2012[1]	2011[1]
$ 913,065	$ 842,721	$ 273,518	N/A	N/A	N/A	N/A
(913,065)	(842,721)	(273,518)				
$ –	$ –	$ –				
$ 5,023,311	**$ 4,618,804**	**$ 3,283,537**				
18.18%	18.25%	8.33%				

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Proportionate Share of the Net Pension Liability

Noncontributory System

	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Proportion of Net Pension Liability (Asset)	7.8013012%	0.5684594%	0.5590681%	0.6183121%	0.5834378%	0.537856%
Proportionate Share of Net Pension Liability (Asset)	$ 9,151,161	$ 21,149,629	$ 13,671,240	$ 20,038,982	$ 18,327,452	$ 13,513,786
Covered Payroll	$ 16,210,093	$ 15,468,360	$ 14,844,656	$ 15,823,387	$ 14,943,492	$ 14,172,883
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	56.45%	136.73%	92.10%	126.64%	122.65%	95.35%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.20%	84.10%	89.20%	84.90%	84.50%	87.20%

Contributory System

	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Proportion of Net Pension Liability (Asset)	5.3601065%	1.3818834%	1.1294832%	1.4463568%	1.3301447%	1.1260354%
Proportionate Share of Net Pension Liability (Asset)	$ (302,220)	$ 981,143	$ 74,325	$ 792,542	$ 833,538	$ 123,468
Covered Payroll	$ 278,544	$ 268,188	$ 256,990	$ 387,721	$ 421,359	$ 406,196
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	-108.50%	365.84%	28.92%	204.41%	197.82%	30.40%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.60%	91.40%	99.20%	93.40%	92.40%	98.70%

Tier 2 Public Employees System

	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Proportion of Net Pension Liability (Asset)	0.3279328%	0.3822929%	0.4680321%	0.6300908%	0.6038448%	0.55499%
Proportionate Share of Net Pension Liability (Asset)	$ 73,755	$ 163,728	$ 41,265	$ 70,286	$ (1,318)	$ (16,819)
Covered Payroll	$ –	$ 4,462,947	$ 4,586,022	$ 5,167,224	$ 3,901,137	$ 2,722,591
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	0.00%	3.67%	0.90%	1.36%	-0.03%	-0.62%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.50%	90.80%	97.40%	95.10%	100.20%	103.50%

The college implemented GASB Statement No. 68 in fiscal year 2015. Information on the college's portion of the plan's net pension liabilities (assets) is not available for periods prior to fiscal year 2015.

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THIS REPORT IS PREPARED BY THE OFFICE OF
JEFFREY J. WEST, VP FOR FINANCE AND ADMINISTRATION, CFO

FINANCIAL STATEMENTS AND CONTENT
Debra L. Glenn, CPA, Controller/Assistant VP
Travis B. Kartchner, CPA, Treasurer/Associate Controller
Tyler W. Hoskins, CPA, Assistant Controller/Tax Director
Natalie L. Grange, CPA, CFE, Assistant Controller
Kathryn Hoins, Senior Accountant