

Brigham Young University

Financial Statements as of and for the
Years Ended December 31, 2018 and 2017,
Other Information as Required by U.S. Office of
Management and Budget Uniform Guidance
for the Year Ended December 31, 2018, and
Independent Auditors' Reports

BRIGHAM YOUNG UNIVERSITY

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Brigham Young University

Report on the Financial Statements

We have audited the accompanying financial statements of Brigham Young University (the "University"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 University'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 University'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brigham Young University as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018, the University adopted Accounting Standards Update No. 2016-14, *Not-for-Profits Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

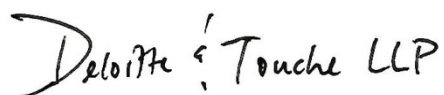
Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards for the year ended December 31, 2018, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2018 financial statements and certain additional procedures, including comparing and reconciling such 2018 information directly to the underlying accounting and other records used to prepare the 2018 financial statements or to the 2018 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 2018 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2019, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



April 25, 2019

BRIGHAM YOUNG UNIVERSITY

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017 (In thousands of dollars)

	2018	2017
Assets		
Cash	\$ 53,487	\$ 76,612
Accounts and notes receivable, net of allowances of \$3,617 and \$4,032	59,848	48,755
Inventories, prepaid expenses, and other assets	50,631	41,682
Investments	3,030,999	3,193,968
Beneficial interest in trusts and pledged contributions, net	38,417	44,425
Land, buildings, and equipment, net	<u>1,733,844</u>	<u>1,630,112</u>
Total Assets	<u>\$ 4,967,226</u>	<u>\$ 5,035,554</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued liabilities, and deposits	\$ 85,878	\$ 83,695
Deferred revenue	48,119	39,849
Retirement and postretirement benefits obligation	371,536	452,062
Loans and notes payable	<u>220,264</u>	<u>274,606</u>
Total Liabilities	<u>725,797</u>	<u>850,212</u>
Net Assets		
Without donor restrictions:		
Operations	595,046	568,372
Board-designated endowments	1,169,537	1,241,392
Invested in land, buildings, and equipment	<u>1,680,213</u>	<u>1,488,873</u>
Total without donor restrictions	<u>3,444,796</u>	<u>3,298,637</u>
With donor restrictions:		
Operations	46,217	40,769
Land, buildings, and equipment	2,703	67,350
Beneficial interest in trusts and pledged contributions	38,954	45,564
Board-designated endowments	27,291	28,985
Endowments	<u>681,468</u>	<u>704,037</u>
Total with donor restrictions	<u>796,633</u>	<u>886,705</u>
Total Net Assets	<u>4,241,429</u>	<u>4,185,342</u>
Total Liabilities and Net Assets	<u>\$ 4,967,226</u>	<u>\$ 5,035,554</u>

See notes to financial statements.

BRIGHAM YOUNG UNIVERSITY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018 (In thousands of dollars)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Tuition and fees	\$ 281,319		\$ 281,319
Less scholarships and grants	<u>66,765</u>		<u>66,765</u>
Net tuition and fees	214,554		214,554
Appropriations from a Church affiliate	662,370		662,370
Contributions and grants	92,581	\$ 28,743	121,324
Investment loss, net	(75,978)	(24,575)	(100,553)
Auxiliary sales	198,916		198,916
Other	17,471	(1,723)	15,748
Net assets released from restrictions	<u>92,517</u>	<u>(92,517)</u>	
Total Revenues and Other Support	<u>1,202,431</u>	<u>(90,072)</u>	<u>1,112,359</u>
Expenses:			
Education	714,013		714,013
Auxiliary	317,105		317,105
Administration	<u>116,412</u>		<u>116,412</u>
Total Expenses	<u>1,147,530</u>		<u>1,147,530</u>
Increase (Decrease) in Net Assets before Retirement and Postretirement Plans Adjustment	54,901	(90,072)	(35,171)
Retirement and Postretirement Plans Adjustment	<u>91,258</u>		<u>91,258</u>
Increase (Decrease) in Net Assets	146,159	(90,072)	56,087
Net Assets, Beginning of year	<u>3,298,637</u>	<u>886,705</u>	<u>4,185,342</u>
Net Assets, End of year	<u>\$3,444,796</u>	<u>\$796,633</u>	<u>\$4,241,429</u>

See notes to financial statements

BRIGHAM YOUNG UNIVERSITY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017 (In thousands of dollars)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Tuition and fees	\$ 270,590		\$ 270,590
Less scholarships and grants	<u>66,355</u>		<u>66,355</u>
Net tuition and fees	204,235		204,235
Appropriations from a Church affiliate	598,690		598,690
Contributions and grants	103,500	\$ 41,654	145,154
Investment income, net	352,950	95,600	448,550
Auxiliary enterprises sales	208,823		208,823
Other	29,253	(730)	28,523
Net assets released from restrictions	<u>21,860</u>	<u>(21,860)</u>	<u>-</u>
Total Revenues and Other Support	<u>1,519,311</u>	<u>114,664</u>	<u>1,633,975</u>
Expenses:			
Education	700,596		700,596
Auxiliary	308,978		308,978
Administration	<u>105,836</u>		<u>105,836</u>
Total Expenses	<u>1,115,410</u>	<u>-</u>	<u>1,115,410</u>
Increase in Net Assets before Retirement and Postretirement Plans Adjustment	403,901	114,664	518,565
Retirement and Postretirement Plans Adjustment	<u>(26,403)</u>		<u>(26,403)</u>
Increase in Net Assets	377,498	114,664	492,162
Net Assets, Beginning of year	<u>2,921,139</u>	<u>772,041</u>	<u>3,693,180</u>
Net Assets, End of year	<u>\$ 3,298,637</u>	<u>\$ 886,705</u>	<u>\$ 4,185,342</u>

See notes to financial statements

BRIGHAM YOUNG UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In thousands of dollars)

	2018	2017
Cash Flows from Operating Activities:		
Increase in net assets	\$ 56,087	\$ 492,162
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	92,945	90,524
Donated assets held as investments	1,541	(1,780)
Loss (gain) on investments, net	180,933	(376,222)
Decrease (increase) in beneficial interest in trusts and pledged contributions, net	6,008	(3,287)
Loss (gain) on disposal of land, buildings, and equipment	498	(4,675)
Donated and appropriated land, buildings, and equipment	(1,491)	(33,682)
Contributions restricted for investment in buildings and equipment	(1,652)	(1,608)
Contributions restricted for investment in donor-restricted endowments	(22,319)	(24,552)
Investment income restricted for reinvestment	(291)	(438)
Other adjustments, net	805	751
Increase (decrease) due to changes in operating assets and liabilities		
Accounts receivable	(10,620)	3,596
Inventories, prepaid expenses, and other assets	(8,949)	(3,515)
Accounts payable, accrued liabilities, and deposits	887	1,983
Deferred revenue	8,270	1,621
Retirement and postretirement benefits obligation	(80,526)	17,124
Net cash provided by operating activities	<u>222,126</u>	<u>158,002</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	188,374	195,078
Purchase of investments	(207,879)	(216,171)
Collection of notes receivable	1,970	2,393
Disbursement for notes receivable	(2,443)	(2,087)
Proceeds from disposal of land, buildings, and equipment	2,839	12,339
Purchase of land, buildings, and equipment	(197,227)	(173,667)
Purchase of collections	(805)	(751)
Net cash used by investing activities	<u>(215,171)</u>	<u>(182,866)</u>
Cash Flows from Financing Activities:		
Contributions restricted for investment in buildings and equipment	1,652	1,608
Contributions restricted for investment in donor-restricted endowments	22,319	24,552
Other financing activities		
Investment income restricted for reinvestment	291	438
Proceeds from loans and notes payable	1,085	7,229
Payments on loans and notes payable	(55,427)	(5,367)
Net cash (used) provided by financing activities	<u>(30,080)</u>	<u>28,460</u>
Net (decrease) increase in cash	(23,125)	3,596
CASH, Beginning of year	<u>76,612</u>	<u>73,016</u>
CASH, End of year	<u>\$ 53,487</u>	<u>\$ 76,612</u>
Supplemental Data:		
Interest paid	\$ 5,220	\$ 6,380
Purchases of land, buildings, and equipment in accounts payable	10,676	9,380

See notes to financial statements

BRIGHAM YOUNG UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brigham Young University (the University), located in Provo, Utah, is a non-profit corporation affiliated with The Church of Jesus Christ of Latter-day Saints (the Church).

Basis of Accounting—The financial statements of the University have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

University net assets are classified into two categories: Without Donor Restrictions and With Donor Restrictions, based on the absence or existence of donor-imposed time or purpose restrictions upon resources provided to the University. When donor restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions, and are reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the University reports the contribution as without donor restrictions.

Cash—Cash includes cash on hand, cash in depository institutions and cash in an interest bearing cash management account maintained with a Church affiliate (Note 7) that is available on demand and is not covered by federal depository insurance.

Inventories—Inventories are carried at the lower of cost (weighted-average) or net realizable value.

Investments—Investments with readily determinable fair values are carried at fair value. Investments that have no readily determinable fair value are carried at either original cost or estimated value at the date of donation.

Beneficial Interest in Trusts and Pledged Contributions—The University is named as a beneficiary of certain irrevocable trusts. Donors have also made pledges to contribute to the University. Revenues and assets included in the financial statements are based on the net present value of expected proceeds from those trusts and pledged contributions.

Land, Buildings and Equipment—Land, buildings, and equipment are stated at acquisition cost or at estimated fair value at time of donation. Gifts of long-lived assets are treated as support without donor restrictions unless explicit donor restrictions specify otherwise. Depreciation is computed using the straight-line method and the following useful lives:

Buildings	50 years
Improvements	3–40 years
Furniture, fixtures, and equipment	2–25 years
Library books	25 years

Collections—The University maintains several collections, which are not reported for financial statement purposes. These collections include works of art, natural history (living and artifacts), and other similar objects. Collections are held for public exhibition, education and research in furtherance of the University's goal to provide public service. Proceeds from the sale of collection items are held and used to acquire other collection items that are expensed at the time of purchase. Various University departments have the responsibility to control, preserve, and protect these collections.

Revenue Recognition—Appropriations from a Church affiliate (Note 7) are recorded as revenue when received for education, auxiliary, administrative support, or as costs are incurred for Church affiliate-funded projects. Tuition, student fees, grants, auxiliary sales, and other revenues are recognized as income in the period earned. Amounts received but not yet earned are recorded as deferred revenue.

Contributions are recorded at fair value at the time gifts are received. Unconditional promises to give to the University are recognized when the promise is formally acknowledged. Conditional promises to give to the University are recognized when the conditions on which they depend are substantially met.

Fair Value Measurements—Certain financial instruments and retirement and postretirement plan assets are carried at fair value, as discussed in Notes 9 and 10, respectively.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on assumptions that market participants would use, including a consideration of non-performance risk.

In determining fair value, the University uses various valuation techniques and prioritizes the use of observable inputs. The availability of observable inputs varies from instrument to instrument and depends on a variety of factors, including the type of instrument, whether the instrument is actively traded, and other characteristics particular to the transaction. Equity and fixed income portfolio investments are valued at fair value, based upon the underlying investments, using the net asset values provided by a Church affiliate (Note 7). Equity securities are valued at the closing price reported on the active market on which the securities are traded. Fixed income securities are generally valued using pricing models maximizing the use of observable inputs. Real estate and limited partnership investments are valued at fair value, based upon the underlying investments, using either the published net asset value per unit or the net asset values provided by the general partners, updated as necessary using analytical tools to benchmark returns, appraisals, public market data, and/or inquiry of the general partners.

The University assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical assets or liabilities in an active market. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, currency exchange rates, commodity rates, and yield curves. Level 3 inputs are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

Transfers between levels occur when there is a change in the observability of significant inputs. This may occur between Level 1 and Level 2 when the availability of quoted prices changes, or when market activity significantly changes to active or inactive. A transfer

between Level 2 and Level 3 generally occurs when the underlying inputs become, or can no longer be, corroborated with observable market data. The University's policy is to recognize all transfers at the end of each reporting period.

Accounting for Retirement and Postretirement Plans—The University recognizes the over/under funded status of retirement and postretirement plans in the statement of financial position. For retirement plans, funding status is measured as the difference between the fair value of plan assets and the projected benefit obligation. For postretirement plans, funding status is measured as the difference between the fair value of plan assets and the accumulated postretirement benefit obligation.

The University also recognizes all previously unrecognized actuarial gains and losses, prior service cost, and transition liability in net assets without donor restrictions and provides all required additional disclosure.

Income Tax Status—The University is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement—In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. ASU 2016-14 modifies net asset reporting and requires additional disclosures. The standard requires the University to reclassify its net assets (formerly unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions. It requires the University to change when it releases donor restrictions on capital gifts for construction to when the asset is placed in service, rather than when the donation is spent. It requires recognition of underwater endowment funds as a reduction of net assets with donor restrictions. The University applied the changes to its financial statements retrospectively. The standard also requires new disclosure on liquidity and availability of funds, and disclosure of expenses by both their functional and natural classification, which the University elected to apply prospectively. In adopting this standard, certain prior year amounts were reclassified to conform to the new presentation.

As a result of implementing ASU 2016-14, the following table presents the effect on the University's net asset balances at December 31, 2017 (in thousands of dollars):

2017 Net Assets Classifications	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted	\$3,353,958		\$3,353,958
Temporarily restricted		\$372,891	372,891
Permanently restricted		<u>458,493</u>	<u>458,493</u>
Net assets as previously presented	3,353,958	831,384	4,185,342
Reclassifications to implement ASU 2016-14:			
Current year effect:			
Capital gifts for construction	(39,553)	39,553	-
Underwater endowments	<u>(288)</u>	<u>288</u>	<u>-</u>
Total current year effect	<u>(39,841)</u>	<u>39,841</u>	<u>-</u>
Prior year cumulative effect:			
Capital gifts for construction	(15,768)	15,768	-
Underwater endowments	<u>288</u>	<u>(288)</u>	<u>-</u>
Total prior year cumulative effect	<u>(15,480)</u>	<u>15,480</u>	<u>-</u>
Net assets, as reclassified	<u>\$3,298,637</u>	<u>\$886,705</u>	<u>\$4,185,342</u>

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The University's liquidity needs are met from the following sources: tuition received each semester, monthly Church appropriations for operations, reimbursements from the Church for operating expenses at the Missionary Training Center and Jerusalem Center, funding for Church-supported capital projects as costs are incurred, and donations received by the University through LDS Philanthropies, a Church affiliate (Note 7). In order to meet additional liquidity needs, the University may redeem investments from its investment portfolios on a monthly basis with a minimum notice period of 5 business days. Excess cash from daily operational needs is managed in cash accounts held by Church affiliates. Excess cash that is not projected to be needed for 90 days or greater is invested in the University's investment portfolios. The investment portfolios are invested with diversification as designated by the University's Investment Committee. The following reflects the University's financial assets, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions, or internal designations. Amounts not available include amounts set aside for long-term investing in the operating and capital reserves that could be drawn upon if the governing board approves that action. The following table presents the availability of financial assets as of December 31, 2018 (in thousands of dollars):

	2018
Cash	\$ 53,487
Accounts and notes receivable, net	59,848
Investments	3,030,999
Beneficial interest in trusts and pledged contributions, net	<u>38,417</u>
 Total financial assets	 <u>3,182,751</u>
 Less those unavailable for general expenditure within one year:	
Accounts and notes receivable, net	3,690
Other investments and other assets	13,954
Beneficial interest in trusts and pledged contributions, net	37,504
Board-designated endowments, net of projected payout	1,140,490
Endowments, net of projected payout	653,467
Reserved for capital projects	171,432
Other donor restrictions	<u>20,882</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 1,141,332</u></u>

3. INVESTMENTS

Investments primarily consist of unitized interests in investment pools managed by a Church affiliate (Note 7). Other investment instruments may range in liquidity from bank checking or certificate of deposit accounts to real property. Investments as of December 31, 2018 and 2017 are as follows (in thousands of dollars):

	2018	2017
Investments at fair value:		
Time deposits and cash equivalents	\$ 26	\$ 32
Equity portfolios, domestic	1,473,823	1,618,614
Equity portfolios, international	361,271	446,219
Fixed income portfolios, domestic	1,113,345	1,041,208
Other equity and fixed income investments	<u>19,725</u>	<u>22,003</u>
Total investments at fair value	<u>2,968,190</u>	<u>3,128,076</u>
Other investments carried at cost or estimated value at the date of donation:		
Equity securities	2,115	3,782
Real estate	55,415	56,838
Other assets	<u>5,279</u>	<u>5,272</u>
Total other investments	<u>62,809</u>	<u>65,892</u>
Total investments	<u>\$ 3,030,999</u>	<u>\$ 3,193,968</u>

4. BENEFICIAL INTEREST IN TRUSTS AND PLEDGED CONTRIBUTIONS

The University is named as a beneficiary or remainderman for a number of irrevocable charitable remainder trusts. Most of these trusts are administered by a Church affiliate (Note 7). Expected receipts from these trusts and unconditional promises to give, net of allowances for uncollectibility of \$374,000 and \$1,539,000 for the years ended December 31, 2018 and 2017, respectively, determined using discount rates ranging from approximately 1.50 to 5.02 percent, are as follows (in thousands of dollars):

	2018	2017
Less than one year	\$ 1,103	\$ 733
One to five years	8,543	11,386
More than five years	<u>28,771</u>	<u>32,306</u>
Total beneficial interest in trusts and pledged contributions, net	<u>\$38,417</u>	<u>\$44,425</u>

5. LAND, BUILDINGS, AND EQUIPMENT

As of December 31, 2018 and 2017, land, buildings and equipment included (in thousands of dollars):

	2018	2017
Land, buildings, and improvements	\$ 2,157,618	\$ 2,002,624
Furniture, fixtures, equipment, and other	459,464	437,741
Library books	258,122	246,969
Construction in progress	<u>159,966</u>	<u>169,340</u>
	3,035,170	2,856,674
Less accumulated depreciation	<u>1,301,326</u>	<u>1,226,562</u>
Total land, buildings, and equipment, net	<u>\$ 1,733,844</u>	<u>\$ 1,630,112</u>

6. LOANS AND NOTES PAYABLE

Loans and notes payable consist primarily of unsecured loans extended by a Church affiliate (Note 7) to the University for the acquisition of housing-related facilities. The outstanding balance of loans from a Church affiliate totaled \$220,024,000 and \$274,365,000 at December 31, 2018 and 2017, respectively. These loans bear interest at rates ranging from 2.0 to 3.0 percent. Maturity dates range from 2047 to 2058.

The amounts of future principal payments as of December 31, 2018 are (in thousands of dollars):

Years Ending December 31,

2019	\$ 4,006
2020	4,213
2021	4,299
2022	4,388
2023	4,478
2024 and thereafter	<u>198,880</u>
Total loans and notes payable	<u>\$220,264</u>

7. RELATED PARTIES

The University operates under the direction of a Board of Trustees (the Board) composed of General Authorities and other officers of the Church. The University is provided certain accounting and other management services and is also included in the property and liability insurance programs of Church affiliates, all at no cost to the University.

The following table reflects balances due to and from or administered through Church affiliates, and activities with or processed by Church affiliates, included in the financial statements as of and for the years ended December 31, 2018 and 2017 (in thousands of dollars):

	2018	2017
Cash	\$ 42,975	\$ 67,543
Accounts receivable	32,300	22,356
Investments	2,948,465	3,106,073
Beneficial interest in trusts and pledged contributions, net	38,341	44,353
Accounts payable and accrued liabilities	13,856	7,534
Retirement and postretirement benefits obligation	371,536	452,062
Loans and notes payable	220,024	274,365
Appropriations:		
Operations	499,834	486,638
Capital expenditures	162,536	112,052
Contributions processed from donors	75,542	91,020
Investment (loss) income, net	(102,757)	443,176
Auxiliary enterprises sales	56,490	59,104
Other revenue—interest	910	526
Expenses:		
Benefit plans	88,305	186,923
Products and services	5,622	4,886
Interest	5,409	6,234

8. ENDOWMENTS

The University's endowment fund consists of individual donor-restricted endowment funds and funds designated by the Board to function as endowments. The net assets associated with endowment funds, including those funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the adopted Utah "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restriction, (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) the remaining portion of the donor-restricted endowment fund, until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund

- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the University
- The investment policies of the University

Where the Board designates funds without donor restrictions to function as endowments (board-designated endowments), they remain classified as net assets without donor restrictions. Where the Board designates donor-restricted non-endowment funds to function as endowments, they are classified as net assets with donor restrictions. Board-designated endowments are used to fund management priorities as approved by the board.

The following tables present the University's endowment net asset composition, changes, and classifications as of and for the indicated years (in thousands of dollars):

Endowment Net Asset Composition by Type of Fund as of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	N/A	\$ 682,174	\$ 682,174
Board-designated endowment funds	\$ 1,169,537	27,291	1,196,828
Underwater endowment funds		(706)	(706)
Total endowment funds	<u>\$ 1,169,537</u>	<u>\$ 708,759</u>	<u>\$ 1,878,296</u>

Changes in Endowment Net Assets for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,241,392	\$ 733,022	\$ 1,974,414
Investment loss, net	(34,637)	(24,481)	(59,118)
Contributions and other revenue	3,482	23,008	26,490
Appropriation for expenditure	(45,998)	(24,950)	(70,948)
Reclassifications		2,160	2,160
Other changes:			
Transfers to/from board-designated endowment funds, net	<u>5,298</u>		<u>5,298</u>
Endowment net assets, end of year	<u>\$ 1,169,537</u>	<u>\$ 708,759</u>	<u>\$ 1,878,296</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2017:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	N/A	\$ 704,037	\$ 704,037
Board-designated endowment funds	\$ 1,241,392	28,985	1,270,377
Underwater endowment funds			
Total endowment funds	<u>\$ 1,241,392</u>	<u>\$ 733,022</u>	<u>\$ 1,974,414</u>

Changes in Endowment Net Assets for the year ended December 31, 2017:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,095,988	\$ 624,836	\$ 1,720,824
Investment loss, net	167,289	95,405	262,694
Contributions and other revenue	4,078	28,261	32,339
Appropriation for expenditure	(43,331)	(22,457)	(65,788)
Reclassifications		13,587	13,587
Other changes:			
Transfers to/from board-designated endowment funds, net	<u>17,368</u>	<u>(6,610)</u>	<u>10,758</u>
Endowment net assets, end of year	<u>\$ 1,241,392</u>	<u>\$ 733,022</u>	<u>\$ 1,974,414</u>

Description of Endowment Net Assets with Donor Restriction:

	2018	2017
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or UPMIFA	\$465,640	\$441,985
The portion of perpetual endowments subject to a time restriction under UPMIFA, net of underwater amount:		
Without purpose restrictions	992	1,163
With purpose restrictions	214,836	260,889
Term endowment funds	<u>27,291</u>	<u>28,985</u>
Total endowment funds classified as net assets with donor restriction	<u>\$708,759</u>	<u>\$733,022</u>

Endowment Funds with Deficits—From time to time, the fair value of assets associated with individual donor endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of net assets with donor restrictions. The following table presents total endowments with deficits, as reported in net assets with donor restriction, as of December 31, 2018 and 2017, respectively (in thousands of dollars):

	2018	2017
Total original gift amount	\$33,616	\$ -
Less total fair value	<u>32,910</u>	<u> </u>
Total underwater amount	<u>\$ (706)</u>	<u>\$ -</u>

Return Objectives and Risk Parameters—The University has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy endowment assets are invested in a manner that is intended to yield a long-term rate of return of approximately 6.0 to 7.0 percent annually, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives—To achieve its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The University targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Relationship of Spending Policy to Investment Objectives—The University's Investment Committee (the Committee) determines the method to be used to appropriate endowment funds for expenditure. The appropriation amount is determined as of the end of the year, one year prior to when it becomes available for expenditure, and is approved up to 5.0 percent of the preceding twelve quarters' average ending fair value. In establishing this method, the Committee considered the range of the expected long-term rate of return on the investment of the University's endowment funds. Accordingly, over the long-term, the University expects the current spending policy to allow its endowment to grow at an average of 2.0 to 2.5 percent annually, consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts. Depending upon market conditions and the needs and available resources of the University, appropriations for expenditure from individual endowments may be temporarily suspended to facilitate preservation of the endowment.

9. FINANCIAL INSTRUMENTS AT FAIR VALUE

Certain financial instruments of the University are reported at fair value and are either categorized into a three-level hierarchy based on the nature of the inputs to the valuation technique, or presented as investments measured at net asset value per share, as discussed in Note 1. The following tables present these financial instruments as of December 31, 2018 and 2017 (in thousands of dollars):

	Fair Value Measurements as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Time deposits and cash equivalents	\$ 26	\$ -	\$ -	\$ 26
Equity and fixed income investments	19,725			19,725
Investments measured at net asset value per share	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>2,948,439</u>
Total investments	19,751			2,968,190
Beneficial interest in trusts	<u> </u>	<u> </u>	<u>36,622</u>	<u>36,622</u>
Total assets carried at fair value	<u>\$19,751</u>	<u>\$ -</u>	<u>\$36,622</u>	<u>\$3,004,812</u>

Fair Value Measurements as of December 31, 2017				
	Level 1	Level 2	Level 3	Total
Time deposits and cash equivalents	\$ 32	\$ -	\$ -	\$ 32
Equity and fixed income investments	22,003			22,003
Investments measured at net asset value per share	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>3,106,041</u>
Total investments	22,035	-	-	3,128,076
Beneficial interest in trusts	<u> </u>	<u> </u>	<u>41,439</u>	<u>41,439</u>
Total assets carried at fair value	<u>\$ 22,035</u>	<u>\$ -</u>	<u>\$ 41,439</u>	<u>\$3,169,515</u>

The following tables summarize the changes in Level 3 financial instruments measured at fair value for the years ended December 31, 2018 and 2017 (in thousands of dollars):

Fair Value Measurements Using Significant Unobservable Inputs		
	2018	2017
Level 3 financial instruments, beginning of year	\$41,439	\$37,485
Total gains, net	2,691	2,891
Purchases	639	7,744
Settlements	(8,147)	(6,681)
Transfers into (out of) Level 3	<u> </u>	<u> </u>
Level 3 financial instruments, end of year	<u>\$36,622</u>	<u>\$41,439</u>

The fair value of the beneficial interests in trusts is based upon an income approach. Significant inputs include the fair value of the trust assets, the discount rate, the annual amounts paid to the donor, and the estimated date of payout (Note 4).

Investments measured at net asset value per share consist of unitized interests in investment pools managed by a Church affiliate (Note 7). The University has no unfunded commitments, and may redeem these investments on a once monthly basis, at the month-end net asset value, with a minimum notice period of 5 business days, except for private equity funds of \$240,427,000 and \$179,314,000 as of December 31, 2018 and 2017, respectively, that have an indeterminate holding life and are considered illiquid. The following table presents the fair value of these investments, as of December 31, 2018 and 2017 (in thousands of dollars):

	Fair Value Measurements of Investments Measured at Net Asset Value per Share	
	2018	2017
Equity portfolios, domestic	\$ 1,473,823	\$ 1,618,614
Equity portfolios, international	361,271	446,219
Fixed income portfolios, domestic	<u>1,113,345</u>	<u>1,041,208</u>
Total investments measured at net asset value per share	<u>\$ 2,948,439</u>	<u>\$ 3,106,041</u>

Domestic and international equity portfolios consist of funds that invest in the common stock of either large, mid, or small cap companies and are generally designed to either replicate the performance of an index or outperform an index through active security selection. Domestic equity portfolios also include private equity funds, which invest in small developing firms with sizeable growth opportunities, carry substantial risk, and have liquidity limitations. Fixed income portfolios consist of funds that invest in either U.S. government or corporate debt securities, each with a targeted duration.

10. RETIREMENT AND POSTRETIREMENT PLANS

The University is a participating employer within the Master Retirement Plan administered by a Church affiliate (Note 7). The retirement plan is a noncontributory defined benefit plan that covers substantially all full-time employees of the University.

The University is also a participating employer within the Retiree Medical and Life Plan, administered by a Church affiliate. Through this plan, the University provides a postretirement benefit plan that provides a fixed monthly dollar benefit toward the purchase of medical and life insurance for retired employees. Participating retirees pay the difference between the fixed amounts and the total premium rates. The University recognizes the estimated cost of these postretirement benefits during the years employees provide service. At the time it adopted this method, the University elected to recognize the cumulative effect of the postretirement benefit obligation over a period of twenty years.

Retirement and postretirement plan information presented below represents the University's proportionate share of the Master Retirement Plan and the Retiree Medical and Life Plan (the Plans), respectively.

The following table shows the funding status and the related amounts recognized in the Statements of Financial Position as of December 31, 2018 and 2017 (in thousands of dollars):

	Retirement Plan		Postretirement Plan	
	2018	2017	2018	2017
Fair value of plan assets	\$ 1,569,046	\$ 1,604,964	\$ 144,678	\$ 149,344
Benefit obligation	<u>(1,896,943)</u>	<u>(2,010,849)</u>	<u>(188,317)</u>	<u>(195,521)</u>
Amount under funded	<u>\$ (327,897)</u>	<u>\$ (405,885)</u>	<u>\$ (43,639)</u>	<u>\$ (46,177)</u>

The accumulated benefit obligation for the retirement plan was \$1,642,342,000 and \$1,703,784,000 as of December 31, 2018 and 2017, respectively.

The following table provides information relating to the retirement and postretirement plans as of and for the years ended December 31, 2018 and 2017 (in thousands of dollars):

	Retirement Plan		Postretirement Plan	
	2018	2017	2018	2017
Selected changes in plan assets:				
Employer contributions	\$ 65,378	\$ 75,569	\$ 5,852	\$ 9,362
Plan participants' contributions	N/A	N/A	N/A	N/A
Benefits paid	74,400	69,488	7,041	6,668
Accumulated amounts reflected in the Statements of Financial Position:				
Net loss	\$ 353,831	\$ 439,896	\$ 41,804	\$ 45,604
Prior service cost	<u>5,216</u>	<u>6,069</u>	<u>3,248</u>	<u>3,789</u>
Amount in net assets without donor restrictions	359,047	445,965	45,052	49,393
Prepaid retirement/postretirement cost	<u>(31,150)</u>	<u>(40,080)</u>	<u>(1,413)</u>	<u>(3,216)</u>
Retirement/postretirement liability	<u>\$ 327,897</u>	<u>\$ 405,885</u>	<u>\$ 43,639</u>	<u>\$ 46,177</u>
Periodic benefit cost and other amounts recognized in net assets without donor restrictions reflected in the Statements of Activities:				
Benefit cost	\$ 74,307	\$ 69,557	\$ 7,655	\$ 6,095
Net (gain) loss	(86,064)	17,339	(3,800)	10,548
Prior service credit	<u>(853)</u>	<u>(853)</u>	<u>(541)</u>	<u>(631)</u>
Other amounts recognized in net assets without donor restrictions	<u>(86,917)</u>	<u>16,486</u>	<u>(4,341)</u>	<u>9,917</u>
Total benefit cost and other amounts recognized in net assets without donor restrictions	<u>\$ (12,610)</u>	<u>\$ 86,043</u>	<u>\$ 3,314</u>	<u>\$ 16,012</u>

The estimated prior service cost and net loss for the retirement plan that will be amortized from net assets without donor restrictions into net periodic benefit cost in 2019 are \$853,000 and \$10,579,000, respectively. The estimated prior service cost and net loss for the postretirement plan that will be amortized from net assets without donor restrictions into net periodic benefit cost in 2019 are \$541,000 and \$1,265,000, respectively.

For the years ended December 31, 2018 and 2017, the following weighted-average assumptions were used in accounting for the Plans:

	Retirement Plan		Postretirement Plan	
	2018	2017	2018	2017
Benefit obligation:				
Discount rate	4.10 %	3.50 %	4.10 %	3.50 %
Rate of compensation increase	4.44 %	4.45 %	N/A	N/A
Net periodic benefit cost:				
Discount rate	3.50 %	4.00 %	3.50 %	4.00 %
Expected return on plan assets	5.00 %	5.00 %	5.00 %	5.00 %
Rate of compensation increase	4.44 %	4.45 %	N/A	N/A

Postretirement benefits are fixed dollar amounts which might be adjusted in the future. For December 31, 2018 valuations, a 7.2% (6.0% for Medicare supplement) annual rate of increase in the per capita cost of covered health care benefits was assumed for 2019; the rate was assumed to decrease gradually going forward to 5.7% (6.2% for Medicare supplement) for 2028, and will continue to decrease until it reaches its ultimate level in 2075 at 3.8% (3.8% for Medicare supplement). For December 31, 2017 valuations, a 7.3% (6.0% for Medicare supplement) annual rate of increase in the per capita cost of covered health care benefits was assumed for 2018; the rate was assumed to decrease gradually going forward to 5.7% (6.2% for Medicare supplement) for 2027, and will continue to decrease until it reaches its ultimate level in 2075 at 3.8% (3.8% for Medicare supplement).

By way of investment policy, the Plans have established long-term strategic asset allocation targets and ranges, as shown below.

For 2018 and 2017, the 5.0% expected long-term return assumption on plan assets, shown below, was based primarily on forecasted returns for the next ten years by asset category, weighted by the asset allocation target.

	Asset Allocation		Expected Return	
	Target	Range	2017 Weighting	Category Return
Asset category:				
Domestic equity securities	20 %	10-30%	20 %	5.25 %
International equity securities	10 %	5-20%	10 %	5.75 %
Debt securities	25 %	15-40%	25 %	1.83 %
Real estate	10 %	5-20%	10 %	6.67 %
Private equities	15 %	5-20%	15 %	7.42 %
Non-investment grade debt	10 %	0-15%	20 %	4.67 %
Hybrid equities	10 %	0-20%		
Value from active management				0.23 %
Weighted-average return			100 %	5.00 %

The Plans set long-term strategic asset allocation target ranges and then use tactical asset allocation and active management with the intent of providing additional return. The investment policies have been designed to provide for the potential of reasonable long-term performance, yet control the magnitude of risk by setting policy ranges for asset allocation, domestic equity capitalization weighting, domestic equity active management exposure, derivatives exposure, and fixed-income quality.

The financial instruments of the Plans are reported at fair value and are either categorized into a three-level hierarchy based on the nature of the inputs to the valuation technique, or presented as investments measured at net asset value per share, as described in Note 1.

The tables below present the fair value of the Master Retirement Plan assets as of December 31, 2018 and 2017 (in thousands of dollars), of which the University's share was 26.48% and 26.69% as of the respective dates.

	Fair Value Measurements as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, net of accruals	\$ 66,552	\$ -	\$ -	\$ 66,552
Investments:				
U.S. government securities		212,069		212,069
Corporate debt securities, domestic		327,647	23,317	350,964
Corporate debt securities, international		14,530		14,530
Mutual funds	1,720,617			1,720,617
Common stocks, domestic	625,135			625,135
Common stocks, international	303,541		2,042	305,583
Preferred stocks	10,710		2,849	13,559
Government agency mortgage-backed securities		233,311	58	233,369
Private mortgage-backed securities		127,193	4,122	131,315
Derivatives	1	70		71
Investments measured at net asset value per share	N/A	N/A	N/A	2,251,429
Net Master Retirement Plan assets	<u>\$2,726,556</u>	<u>\$914,820</u>	<u>\$32,388</u>	<u>\$5,925,193</u>
	Fair Value Measurements as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, net of accruals	\$ 69,562	\$ -	\$ -	\$ 69,562
Investments:				
U.S. government securities		200,759		200,759
Corporate debt securities, domestic		393,055	7,312	400,367
Corporate debt securities, international		12,596		12,596
Mutual funds	1,674,466			1,674,466
Common stocks, domestic	762,067			762,067
Common stocks, international	577,406		4,511	581,917
Preferred stocks	12,976		2,821	15,797
Government agency mortgage-backed securities		206,026	94	206,120
Private mortgage-backed securities		144,949	7,983	152,932
Derivatives		20		20
Investments measured at net asset value per share	N/A	N/A	N/A	1,936,552
Net Master Retirement Plan assets	<u>\$3,096,477</u>	<u>\$957,405</u>	<u>\$22,721</u>	<u>\$6,013,155</u>

The tables below present the fair value of the Retiree Medical and Life Plan assets as of December 31, 2018 and 2017 (in thousands of dollars), of which the University's postretirement plan's share was 25.99% and 26.08% as of the respective dates.

Fair Value Measurements as of December 31, 2018				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, net of accruals	\$ 32,349	\$ -	\$ -	\$ 32,349
Investments:				
U.S. government securities		12,630		12,630
Corporate debt securities, domestic		26,196		26,196
Corporate debt securities, international		1,281		1,281
Mutual funds	273,975			273,975
Common stocks, domestic	40,451			40,451
Common stocks, international				-
Preferred stocks	846			846
Government agency mortgage-backed securities		244		244
Derivatives		9		9
Investments measured at net asset value per share	N/A	N/A	N/A	168,752
Net Retiree Medical and Life Plan assets	<u>\$347,621</u>	<u>\$40,360</u>	<u>\$ -</u>	<u>\$556,733</u>

Fair Value Measurements as of December 31, 2017				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, net of accruals	\$ 9,555	\$ -	\$ -	\$ 9,555
Investments:				
U.S. government securities		12,299		12,299
Corporate debt securities, domestic		32,824		32,824
Corporate debt securities, international		1,287		1,287
Mutual funds	304,240			304,240
Common stocks, domestic	44,386			44,386
Common stocks, international	210			210
Preferred stocks	889			889
Government agency mortgage-backed securities		247		247
Derivatives		2		2
Investments measured at net asset value per share	N/A	N/A	N/A	166,760
Net Retiree Medical and Life Plan assets	<u>\$359,280</u>	<u>\$46,659</u>	<u>\$ -</u>	<u>\$572,699</u>

The following tables provide a summary of changes in fair value of the Level 3 Master Retirement Plan assets for the years ended December 31, 2018 and 2017 (in thousands of dollars):

2018 Fair Value Measurements Using Significant Unobservable Inputs							
	Corporate Debt Securities, Domestic	Common Stocks, International	Preferred Stocks	Govt. Agency Mortgage- backed Securities	Private Mortgage- backed Securities	Derivatives	Total
Level 3 investments, beginning of year	\$ 7,312	\$ 4,511	\$2,821	\$ 94	\$ 7,983	\$ -	\$ 22,721
Actual return on plan assets:							
Relating to assets still held as of end of year	58	(1,030)	28	(4)	(13)		(961)
Relating to assets sold during the year	(443)	437		(32)	(42)		(80)
Purchases	22,700						22,700
Sales/maturities	(6,310)	(1,876)			(3,806)		(11,992)
Transfers into (out of) Level 3							-
Level 3 investments, end of year	<u>\$23,317</u>	<u>\$ 2,042</u>	<u>\$2,849</u>	<u>\$ 58</u>	<u>\$ 4,122</u>	<u>\$ -</u>	<u>\$ 32,388</u>
2017 Fair Value Measurements Using Significant Unobservable Inputs							
	Corporate Debt Securities, Domestic	Common Stocks, International	Preferred Stocks	Govt. Agency Mortgage- backed Securities	Private Mortgage- backed Securities	Derivatives	Total
Level 3 investments, beginning of year	\$12,780	\$ 4,576	\$3,870	\$ -	\$ 6,758	\$ 7	\$ 27,991
Actual return on plan assets:							
Relating to assets still held as of end of year	21	891	(1,049)	8	(47)		(176)
Relating to assets sold during the year	103	55		(46)	119		231
Purchases	7,507				3,243		10,750
Sales/maturities	(13,099)	(404)			(373)		(13,876)
Transfers into (out of) Level 3		(607)		132	(1,717)	(7)	(2,199)
Level 3 investments, end of year	<u>\$ 7,312</u>	<u>\$ 4,511</u>	<u>\$2,821</u>	<u>\$ 94</u>	<u>\$ 7,983</u>	<u>\$ -</u>	<u>\$ 22,721</u>

The following table provides a summary of changes in fair value of the Level 3 Retiree Medical and Life Plan assets for the year ended December 31, 2017 (in thousands of dollars). There is no such table for 2018, as there were no Level 3 assets as of December 31, 2018 or 2017.

2017 Fair Value Measurements Using Significant Unobservable Inputs			
	Corporate Debt Securities, Domestic	Derivatives	Total
Level 3 investments, beginning of year	\$ 34	\$ 1	\$ 35
Actual return on plan assets:			
Relating to assets still held as of end of year			
Relating to assets sold during the year			
Purchases			
Sales/maturities			
Transfers into (out of) Level 3	<u>(34)</u>	<u>(1)</u>	<u>(35)</u>
Level 3 investments, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The University expects to contribute \$73,000,000 to its retirement plan and \$4,791,000 to its postretirement plan during the year ending December 31, 2019.

As of December 31, 2018, the following benefit payments, which reflect expected future service, are expected to be paid (in thousands of dollars):

Years Ending December 31,	Retirement Plan	Postretirement Plan
2019	\$ 79,327	\$ 7,251
2020	83,871	7,618
2021	88,400	8,036
2022	92,557	8,244
2023	96,813	8,672
2024–2028	541,906	49,303

The University also participates in supplementary defined contribution retirement plans. The plans are qualified retirement savings money purchase 401(a), 401(k), or Tax Sheltered Annuity 403(b) plans. The plans cover substantially all full-time employees. These plans are provided through a Church affiliate and TIAA. Employees can contribute a portion of their salaries, not to exceed Internal Revenue Service limits, in qualified programs offered through these companies. For included classes of employees, the University contributes a percentage of employee salary to the Church affiliate, which during the years ended December 31, 2018 and 2017, totaled \$16,387,000 and \$15,775,000, respectively.

11. NATURAL CLASSIFICATION OF EXPENSES

The University presents expenses on its Statements of Activities by functional classification. Its primary function is to provide Education services, including instruction and academic support, research and creative work, and student support. Other functions include Auxiliary and Administration, which support the University's primary mission. Each functional classification includes expenses presented below by natural classification. Operation and maintenance costs are allocated to functional categories primarily on the basis of occupied square footage. The following table presents these expenses for the year ended December 31, 2018 (in thousands of dollars):

	For the year ended December 31, 2018			
	Education	Auxiliary	Administration	Total
Salaries	\$361,778	\$ 94,452	\$ 45,398	\$ 501,628
Benefits	<u>144,094</u>	<u>36,406</u>	<u>18,001</u>	<u>198,501</u>
Total compensation	<u>505,872</u>	<u>130,858</u>	<u>63,399</u>	<u>700,129</u>
Materials and supplies	24,686	9,146	8,994	42,826
General and administrative	49,569	46,556	30,075	126,200
Travel	24,769	7,752	1,354	33,875
Equipment	22,884	28,381	1,125	52,390
Physical facilities	20,047	23,244	1,608	44,899
Depreciation	58,007	30,735	4,203	92,945
Cost of sales	1,274	34,469		35,743
Interest	-	5,409	145	5,554
Other	<u>6,905</u>	<u>555</u>	<u>5,509</u>	<u>12,969</u>
Total	<u>\$714,013</u>	<u>\$317,105</u>	<u>\$116,412</u>	<u>\$1,147,530</u>

12. COMMITMENTS AND CONTINGENCIES

The University has commitments for construction projects totaling \$71,069,000 as of December 31, 2018. Of this amount, \$6,396,000 has been approved to be reimbursed by a Church affiliate and is expected to be received as costs are incurred.

The University has been named as a defendant in certain lawsuits. Other potential claims are pending. While the University cannot predict the results of these actions, management believes, based in part on the advice of in-house legal counsel, that any contingent liability resulting from such litigation and claims will not have a material effect on the University's operations or financial position. Financial responsibility for liability losses is assumed by a Church affiliate.

13. SUBSEQUENT EVENTS

The University has evaluated subsequent events for the period after December 31, 2018 through April 25, 2019, the date the financial statements were available to be issued. No events have been identified that would have a material effect on the financial statements.

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BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Agency and Award Information	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:				
Corporation for National & Community Service:				
CNCS AmeriCorps UCSV 180388	94.006	\$ -	\$ 27,982	\$ 27,982
CNCS AmeriCorps UCSV 190691	94.006		4,731	4,731
Corporation for National & Community Service Total		-	32,713	32,713
Department of Agriculture:				
USDA ARS 58-2080-6-018	10.001	26,736		26,736
USDA ARS 58-5082-8-008	10.001	3,334		3,334
USDA ARS 58-8042-8-048	10.001	8,112		8,112
USDA ERS 58-4000-7-0072	10.253	9,558		9,558
USDA ERS 58-4000-8-0033-R	10.253	180		180
USDA FS 15-CS-11221632-084	10.600	13,108		13,108
USDA FS 15-JV-11221632-181	10.600	21,986		21,986
USDA FS 15-JV-11221637-103	10.600	22,110		22,110
USDA FS 16-CS-11041000-022	10.600	87,667		87,667
USDA FS 16-JV-11221632-123	10.600	12,930		12,930
USDA FS 16-JV-11221632-157	10.600	975		975
USDA FS 16-JV-11272167-024	10.600	86,547		86,547
USDA FS 17-CS-11041000-007	10.600	169,321		169,321
USDA FS 18-CS-11040800-011	10.600	17,797		17,797
USDA NIFA 2015-67013-22915	10.310	46,096		46,096
USDA NIFA UofA 320319	10.310		393	393
USDA NIFA WSU 128314_G003754	10.307		56,824	56,824
USDA Smart Vision 2015-33610-23786	10.212		26,002	26,002
USDA UDAF 170979	10.170		17,341	17,341
Department of Agriculture Total		526,457	100,560	627,017
Department of Commerce:				
DOC NIST UCSD 92029515	11.609		79,385	79,385
DOC NOAA UCAR SUBAWD000026	11.467		15,972	15,972
Department of Commerce Total		-	95,357	95,357
Department of Defense:				
DOD AFA FA7000-17-2-0008	12.800	81,678		81,678
DOD AFOSR FA9550-17-1-0302	12.800	127,645		127,645
DOD AFRL FA8750-16-2-0209	12.300	229,184		229,184
DOD ARL W911NF-16-2-0226	12.431	15,434		15,434
DOD ARMY DPG Tech Support	12.000	182,457		182,457
DOD ARMY USACE W9128F-17-2-0024	12.632	245,468		245,468
DOD ARMY W9126G-18-2-0055	12.300	2,508		2,508
DOD DARPA FA8750-17-2-0082	12.910	147,940		147,940
DOD DPAA W9128F-17-2-0016	12.000	(1,951)		(1,951)
DOD NAWCWD N6893617P0486	12.000	57,356		57,356
DOD NSA H98230-16-10048	12.901	8,664		8,664
DOD NSA H98230-17-1-0010	12.900	1,197		1,197
DOD NSA H98230-17-1-0045	12.900	1,324		1,324
DOD NSA H98230-18-1-0177	12.900	88,542		88,542
DOD ONR N00014-14-1-0494	12.300	71,935		71,935

(Continued)

BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Agency and Award Information	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:				
Department of Defense (Continued):				
DOD ONR N00014-16-1-3025	12.300	\$ 177,911	\$ -	\$ 177,911
DOD ONR N00014-18-1-2040	12.300	136,831		136,831
DOD PEOSTRI W900KK-15-C-0028	12.100	301,707		301,707
DOD ACC-NJ NSC KUCR FY2017-054	12.000		136,381	136,381
DOD ACE DPAA UWI 776K005	12.632		58,466	58,466
DOD AF NAS 374221	12.000		10,050	10,050
DOD AF Utopia BYU-1765-1616-01	12.800		78,664	78,664
DOD AFRL BATC SES 1750062C	12.800		(1,102)	(1,102)
DOD AFRL BRRC 160176C-501	12.800		60,370	60,370
DOD AFRL TIPD LLC 6571BYU	12.800		13,887	13,887
DOD AFRL TSC TSC-1187-60000	12.000		20,000	20,000
DOD AFRL U of FL UFDPS000010696	12.800		1,291	1,291
DOD ARL RCTA GnrI Dynamics 40279119	12.400		61,184	61,184
DOD ARMY ATI 2017-391	12.100		342,689	342,689
DOD ARO BRRC 170189F-501	12.400		23,652	23,652
DOD ARO TAMU 02-S140279	12.431		129	129
DOD ARO VCU PT108802-SC104840	12.420		128,109	128,109
DOD NAWCAD Coreform	12.000		90,000	90,000
DOD NSEP IIE 0054-BYU-3-ARA-280-PO9	12.550		122,627	122,627
DOD NSEP IIE 0054-BYU-3-CHN-280-PO1	12.550		124,784	124,784
DOD NSEP IIE 0054-BYU-3-CHN-280-PO1	12.550		186,652	186,652
DOD NSEP IIE 0054-BYU-3-CHN-OS-280-PO6	12.550		280,604	280,604
DOD NSEP IIE 0054-BYU-3-SSC-280-PO4	12.550		60,500	60,500
DOD NSEP IIE 0054-BYU-3-SSC-280-PO7	12.550		67,373	67,373
DOD ONR Carnegie 1140207-402510	12.300		114,918	114,918
DOD ONR Duke 14-ONR-1004	12.300		518,260	518,260
DOD ONR NAVSEA eCortex 1	12.300		26,273	26,273
Department of Defense Total		<u>1,875,830</u>	<u>2,525,761</u>	<u>4,401,591</u>
Department of Education:				
ED P220A140019	84.220A	312,444		312,444
ED P220A180023	84.220A	22,952		22,952
ED T365Z120236	84.365Z	158,966		158,966
ED KU FY2016-128	84.324		131,696	131,696
ED NWP CUWP 09UT03SEED2016ILI	84.367D		3,339	3,339
ED Provo School District	84.000		8,924	8,924
ED UofU 10035958	84.015A		139,694	139,694
ED UofU 10036143	84.015A		99,102	99,102
ED UofU 10037282	84.015A		147,338	147,338
ED UofU 10037283	84.015A		182,446	182,446
ED UofU 10050288	84.015B		112,114	112,114
ED UofU 10050289	84.015A		1,080	1,080
ED UofU 10050290	84.015B		97,425	97,425
ED USBE 170248	84.027A		56,377	56,377
Department of Education Total		<u>494,362</u>	<u>979,535</u>	<u>1,473,897</u>

(Continued)

BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Agency and Award Information	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:				
Department of Energy:				
DOE DE-SC0012587	81.049	\$ 149,937	\$ -	\$ 149,937
DOE DE-SC0016441	81.049	177,133		177,133
DOE DE-SC0016446	81.049	180,540		180,540
DOE DE-SC0018329	81.049	13,391		13,391
DOE OFE DE-FE0029157	81.089	108,833		108,833
DOE OFE DE-FE0029157 R0202482	81.089	83,500		83,500
DOE OFE DE-FE0029157 R0202482	81.089	173,460		173,460
DOE ONE DE-NE0000644	81.121	10,040		10,040
DOE Sandia National Labs 1919449	81.000	30,000		30,000
DOE HiFunda BYU PROJECT	81.049		23,275	23,275
DOE INL Battelle 207088	81.000		20,323	20,323
DOE INL Battelle 207630	81.000		20,000	20,000
DOE LANL 382822	81.000		35,489	35,489
DOE LANL 447431	81.000		20,000	20,000
DOE LANL CHREC	81.000		16,551	16,551
DOE LANL SHREC	81.000		31,523	31,523
DOE LBNL 7331501	81.000		356,177	356,177
DOE LLNS B629134	81.000		40,053	40,053
DOE NNSA LLNL B621785	81.000		46,760	46,760
DOE NREL XAT-8-70357-01	81.000		109,702	109,702
DOE Sandia National Labs CHREC	81.000		(340)	(340)
DOE Sandia National Labs SHREC	81.000		45,085	45,085
DOE Sandia National Labs USU 612	81.000		10,237	10,237
DOE UofIL 013683-9483	81.089		53,362	53,362
DOE UofIL 086735-16427	81.000		1,983	1,983
DOE UofU 10029200-BYU	81.124		195,003	195,003
DOE UT Battelle 4000135639	81.000		23,253	23,253
Department of Energy Total		926,834	1,048,436	1,975,270
Department of Health and Human Services:				
DHHS NIH 1R01AA020919-01A1	93.273	13,572		13,572
DHHS NIH 1R01AG042611-01	93.866	28,395		28,395
DHHS NIH 1R01AI116989-01	93.855	592,185		592,185
DHHS NIH 1R01DA035958-01A1	93.279	535,517		535,517
DHHS NIH 1R01DC016269-01A1	93.173	106,596		106,596
DHHS NIH 1R01EB006124-01	93.286	89,246		89,246
DHHS NIH 1R01EB027096-01	93.286	13,913		13,913
DHHS NIH 1R15CA0202618-01	93.395	128,329		128,329
DHHS NIH 1R15DA038092-01A1	93.279	122,312		122,312
DHHS NIH 1R15GM100376-01	93.859	105,072		105,072
DHHS NIH 1R15GM110646-01	93.859	537		537
DHHS NIH 1R15GM114789-01A1	93.859	110,280		110,280
DHHS NIH 1R15GM116055-01	93.859	31,581		31,581
DHHS NIH 1R15NS087447-01A1	93.853	56,846		56,846
DHHS NIH 1R21DK099619-01A1	93.847	72,502		72,502
DHHS NIH 1RF1AG054052-01	93.866	675,766		675,766
DHHS NIH 2R01DC009616-06A1	93.173	99,942		99,942
DHHS NIH 2R01DC009616-06A1	93.173	5,308		5,308
DHHS NIH 2R01EY012287-10A2	93.867	337,420		337,420
DHHS NIH 2R56DC009616	93.173	414,976		414,976

(Continued)

BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Agency and Award Information	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:				
Department of Health and Human Services (Continued):				
DHHS NIH 2R56DC009616	93.173	\$ 44,184	\$ -	\$ 44,184
DHHS NIH 2R56DC009616	93.173	43,761		43,761
DHHS NIH 2R56DC009616	93.173	96,080		96,080
DHHS NIH 3R01AG042611-03S1	93.000	17,487		17,487
DHHS NIH 3R01AG042611-03S2	93.000	25,245		25,245
DHHS NIH 3R15GM114789-01A1S1	93.859	30,036		30,036
DHHS NIH NEI R15EY029510	93.867	2,324		2,324
DHHS NIH NIGMS 1R15GM123405-01A1	93.859	114,238		114,238
DHHS NIH R33CA225248	93.353	88,759		88,759
DHHS ACF CPR/Fatherhood	93.086		6,449	6,449
DHHS NIH BRI COH 60600.2004497.669305	93.397		21,584	21,584
DHHS NIH Clemson 1898-209-2011694	93.855		59,754	59,754
DHHS NIH GWU 17-M43	93.855		214	214
DHHS NIH McGill 216730	93.173		90,583	90,583
DHHS NIH Montana State G124-19-W7319	93.855		15,569	15,569
DHHS NIH MSU RC103694BY	93.173		(39)	(39)
DHHS NIH NCH 700017-1118-00	93.865		21,214	21,214
DHHS NIH NCH 933816	93.865		(8,651)	(8,651)
DHHS NIH NIA Mt. Sinai 0255-4131-4609	93.866		25,817	25,817
DHHS NIH NWU 60046279 BYU	93.868		6,952	6,952
DHHS NIH NYU 16-A0-00-006114-0	93.394		23,546	23,546
DHHS NIH Rice R22591	93.859		27,056	27,056
DHHS NIH Sanford Research SR-2018-16	93.838		12,800	12,800
DHHS NIH SBIR PM 2018-01	93.855		24,443	24,443
DHHS NIH Stanford 60976456-28698	93.286		(2,688)	(2,688)
DHHS NIH TSRI 5-52924	93.000		49,126	49,126
DHHS NIH TSRI 5-53229	93.000		33,865	33,865
DHHS NIH TSRI 5-53453	93.855		74,879	74,879
DHHS NIH TSRI 5-53829	93.855		93,105	93,105
DHHS NIH UCSC S0183835	93.855		30,180	30,180
DHHS NIH UCSC ZIKA A00-223-S001-S0183835	93.855		25,481	25,481
DHHS NIH UMA 17-009425 A00	93.113		15,086	15,086
DHHS NIH UMinH H006592401	93.000		32,708	32,708
DHHS NIH UoP 0061638 (131407-1)	93.838		1,388	1,388
DHHS NIH UPenn 570551	93.866		96,100	96,100
DHHS NIH UW UWSC9087	93.273		27,406	27,406
Department of Health and Human Services Total		4,002,409	803,927	4,806,336
Department of Homeland Security:				
DHS HHSP233201600046C	97.000	220,880		220,880
DHS HSHQDC-15-C-B0056	97.000	24,119		24,119
DHS HSHQDC-15-C-B0060	97.000	108,448		108,448
DHS Evernym BYU-2017-01	97.000		1,747	1,747
Department of Homeland Security Total		353,447	1,747	355,194

(Continued)

BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Agency and Award Information	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:				
Department of Interior:				
DOI BLM L14AC00389	15.231	\$ 169,674	\$ -	\$ 169,674
DOI BLM JFS L17AC00233	15.232	150,790		150,790
DOI BLM L14AC00370	15.238	10,921		10,921
DOI BLM L16AC00280	15.224	5,032		5,032
DOI BLM URMCC 14FC-UT-1930	15.200	109,023		109,023
DOI BOR URMCC 17FC-UT-2170	15.000	21,157		21,157
DOI FWS F15AC00740	15.608	2,155		2,155
DOI NPS P16AC01260	15.945	7,819		7,819
DOI USGS G15PC00058	15.800	6,597		6,597
DOI USGS G17AC00155	15.808	5,154		5,154
DOI USGS G17AP00053	15.807	18,662		18,662
DOI USGS G18AC00158	15.808	399		399
DOI FWS ODFW 635-244-17	15.611		78,608	78,608
Department of Interior Total		507,383	78,608	585,991
Department of Transportation:				
DOT FAA ACRP BRR 170193F-501	20.100		6,060	6,060
DOT FHA NAS NCHRP-202	20.200		41,874	41,874
Department of Transportation Total		-	47,934	47,934
Environmental Protection Agency:				
EPA Carnegie 1080358-364681	66.509		61,032	61,032
EPA UT Austin UTA16-001139	66.509		31,420	31,420
Environmental Protection Agency Total		-	92,452	92,452
National Aeronautics and Space Administration:				
NASA 80NSSC17K0101	43.001	114,045		114,045
NASA 80NSSC17K0145	43.012	57,579		57,579
NASA 80NSSC18K0440	43.001	195,412		195,412
NASA ARC 80NSSC18K0929	43.001	23,270		23,270
NASA GODDARD 10-X	43.000	3,055		3,055
NASA NNX13 AI28A	43.001	16,797		16,797
NASA NNX14AM67G ROSES	43.001	184,516		184,516
NASA NNX14AO51G	43.009	16,875		16,875
NASA NNX15AM89G	43.001	26,264		26,264
NASA NNX15AP42H	43.012	38,178		38,178
NASA NNX15AP49H	43.012	57,995		57,995
NASA NNX15AT29G	43.001	1,216,905		1,216,905
NASA NNX16AI69A USIP SFRO	43.008	3,447		3,447
NASA NNX16AN01G ROSES	43.001	52,544		52,544
NASA NNX16AN45G ROSES	43.001	212,159		212,159
NASA NSSC 80NSSC18K0411	43.001	46,930		46,930
NASA ACSM 17-00460	43.007		5,900	5,900
NASA JHU 2003772131	43.001		6,931	6,931
NASA NIA C18-201110-BYU	43.008		40,524	40,524

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BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Agency and Award Information	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:				
National Aeronautics and Space Administration (Continued):				
NASA PSU 5601-BYU-NASA-E21G	43.001	\$ -	\$ 22,950	\$ 22,950
NASA SERVIR JHU 2003933432	43.001		10,423	10,423
NASA STScI HST-AR-14581.004-A	43.000		4,438	4,438
NASA STTR GTL NAS-116-001	43.000		20,383	20,383
NASA UofU 10037896 BYU	43.008		119,208	119,208
NASA UofU 10039555	43.001		88,435	88,435
NASA UofU 10042166	43.000		25,578	25,578
National Aeronautics and Space Administration Total		2,265,971	344,770	2,610,741
National Endowment for the Humanities:				
NEH PW-226822-15	45.149	54,617		54,617
National Endowment for the Humanities Total		54,617	-	54,617
National Science Foundation:				
NSF 1148695	47.049	22,360		22,360
NSF 1161036	47.041	(3,055)		(3,055)
NSF 1240417	47.041	198,686		198,686
NSF 1241885	47.074	78,157		78,157
NSF 1247046	47.000	17,076		17,076
NSF 1247046	47.000	14,053		14,053
NSF 1253241	47.074	67,564		67,564
NSF 1254148	47.041	79,408		79,408
NSF 1254148 REU R0112235	47.041	6,300		6,300
NSF 1265714	47.074	33,341		33,341
NSF 1265714 RET R0112227	47.074	38,940		38,940
NSF 1265714 REU R0112227	47.074	(8,232)		(8,232)
NSF 1265957 CHREC	47.041	4,687		4,687
NSF 1265957 CHREC MPR R0112225	47.041	(14,545)		(14,545)
NSF 1265957 CHREC REU R0112225	47.041	(236)		(236)
NSF 1302524	47.070	52,048		52,048
NSF 1309832	47.049	20,021		20,021
NSF 1323785	47.000	30,866		30,866
NSF 1323787	47.076	22,279		22,279
NSF 1339412	47.074	6,214		6,214
NSF 1341736	47.050	50,217		50,217
NSF 1354791	47.000	42,002		42,002
NSF 1378550 REU SHREC	47.070	15,937		15,937
NSF 1401777	47.041	203		203
NSF 1402880	47.041	77,642		77,642
NSF 1403403	47.041	29,198		29,198
NSF 1404771	47.041	41,748		41,748
NSF 1404771 REU R0112260	47.041	(12)		(12)
NSF 1405508	47.041	6,715		6,715
NSF 1405508 REU R0112245	47.041	1,121		1,121
NSF 1406578	47.070	170,386		170,386
NSF 1408607	47.000	21,517		21,517
NSF 1409739	47.070	107,988		107,988
NSF 1412289	47.049	61,602		61,602
NSF 1413603	47.049	26,100		26,100

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BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Agency and Award Information	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:				
National Science Foundation (Continued):				
NSF 1417856	47.049	\$ 13,490	\$ -	\$ 13,490
NSF 1424682	47.050	6,359		6,359
NSF 1449370	47.000	7,520		7,520
NSF 1450398	47.000	96,875		96,875
NSF 1461219	47.049	51,353		51,353
NSF 1461219	47.049	29,835		29,835
NSF 1500376	47.049	70,200		70,200
NSF 1507095	47.049	142,872		142,872
NSF 1507095 REU R0112292	47.049	2,351		2,351
NSF 1521468	47.000	73,926		73,926
NSF 1528022	47.070	136,134		136,134
NSF 1538447	47.041	22,368		22,368
NSF 1538447 REU R0112312	47.041	608		608
NSF 1538550	47.041	99,354		99,354
NSF 1538550 REU R0112297	47.041	14,278		14,278
NSF 1539384	47.070	30,819		30,819
NSF 1547110	47.000	(7,004)		(7,004)
NSF 1547110 REU R0112293	47.041	8,663		8,663
NSF 1557114	47.074	17,057		17,057
NSF 1557114 REU R0112305	47.074	1,206		1,206
NSF 1561569	47.076	78,587		78,587
NSF 1561569 PSC R0112326	47.076	23,240		23,240
NSF 1562729	47.041	48,051		48,051
NSF 1564502	47.049	39,281		39,281
NSF 1564502	47.049	96,476		96,476
NSF 1603316	47.041	37,486		37,486
NSF 1606040	47.041	38,500		38,500
NSF 1607356	47.049	67,396		67,396
NSF 1607356 REU R0112316	47.049	5,650		5,650
NSF 1610077	47.049	158,155		158,155
NSF 1610077 REU R0112317	47.049	2,057		2,057
NSF 1626609	47.074	(8)		(8)
NSF 1632740	47.041	38,164		38,164
NSF 1636645	47.049	78,186		78,186
NSF 1650547 CUAS	47.070	22,393		22,393
NSF 1650547 CUAS Internships	47.070	23,349		23,349
NSF 1650547 CUAS MIPR	47.070	47,675		47,675
NSF 1650547 CUAS Munitions	47.070	39,233		39,233
NSF 1650547 CUAS REU	47.070	63,771		63,771
NSF 1650547 CUAS Sensors	47.070	104,792		104,792
NSF 1650547 CUAS VRS	47.070	14,165		14,165
NSF 1650547 CUAS Whitby	47.070	46,414		46,414
NSF 1650576	47.041	5,105		5,105
NSF 1651832	47.070	79,332		79,332
NSF 1651832 REU R0112337	47.070	(1,667)		(1,667)
NSF 1652950	47.070	120,968		120,968
NSF 1652950 REU R0112338	47.070	8,000		8,000
NSF 1654559	47.075	6,406		6,406
NSF 1654700	47.049	88,686		88,686
NSF 1655513	47.075	5,168		5,168
NSF 1655981	47.074	92,864		92,864

(Continued)

BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Agency and Award Information	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:				
National Science Foundation (Continued):				
NSF 1655981 RET R0112358	47.074	\$ 12,750	\$ -	\$ 12,750
NSF 1655981 REU R0112358	47.074	15,768		15,768
NSF 1663345	47.041	137,457		137,457
NSF 1663546	47.041	41,121		41,121
NSF 1665015	47.049	90,684		90,684
NSF 1707123	47.041	84,285		84,285
NSF 1708185	47.049	48,444		48,444
NSF 1710574	47.049	37,765		37,765
NSF 1710727	47.041	49,404		49,404
NSF 1712056	47.076	73,275		73,275
NSF 1720410	47.076	256,134		256,134
NSF 1726667	47.076	53,292		53,292
NSF 1727010	47.070	256,798		256,798
NSF 1727594	47.041	24,646		24,646
NSF 1727594 REU R0112341	47.041	4,894		4,894
NSF 1738550 RET SHREC	47.070	18,925		18,925
NSF 1738550 SHREC	47.070	151,897		151,897
NSF 1738550 SHREC MIPR	47.070	25,169		25,169
NSF 1745707	47.041	809		809
NSF 1753357	47.000	14,409		14,409
NSF 1755446	47.074	1,644		1,644
NSF 1757627	47.000	9,163		9,163
NSF 1757627 REU R0112374	47.000	82,043		82,043
NSF 1757998	47.049	3,275		3,275
NSF 1757998 REU R0112383	47.049	70,304		70,304
NSF 1761280	47.079	32,824		32,824
NSF 1761280 R0112368	47.079	48,904		48,904
NSF 1761505	47.041	26,939		26,939
NSF 1764194	47.049	14,229		14,229
NSF 1805805	47.041	1,821		1,821
NSF 1806056	47.041	31,482		31,482
NSF 1840996	47.076	39,746		39,746
NSF 1851728	47.041	16,203		16,203
NSF 1912028	47.041	2,776		2,776
NSF CBET 1749395	47.041	37,158		37,158
NSF DUE-1822442	47.000	252,694		252,694
NSF ASU Waeso CC0159-PG08675-1-49/SUB	47.076		900	900
NSF ASU WAESO ECRA632-1-48/SUB	47.076		450	450
NSF Chief Dull Knife	47.000		10,149	10,149
NSF Col Univ 54(GG009393)	47.050		3,488	3,488
NSF Cornell 75548-10787	47.049		53,525	53,525
NSF Cornell 75548-10787 REU	47.049		5,000	5,000
NSF CU 1555334	47.050		32,931	32,931
NSF CUAHSI 1338606-006	47.050		6,501	6,501
NSF CUAHSI 1338606-18-11	47.050		662	662
NSF Duke 333-2356	47.075		21,842	21,842
NSF GMU E204647-1	47.076		187	187
NSF MAA 3-8-710-892	47.076		42,416	42,416
NSF MAA 3-8-710-949	47.049		6,632	6,632
NSF NJH 20112101_BYU	47.074		74,379	74,379
NSF NRAO AST-1519126	47.049		542	542

(Continued)

BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Agency and Award Information	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:				
National Science Foundation (Continued):				
NSF NRAO PO 360878	47.049	\$ -	\$ 4,780	\$ 4,780
NSF OSU AA-5-54654	47.074		95,207	95,207
NSF Planck Aerosystems Inc PA-STTR-002	47.000		48,105	48,105
NSF STTR PA-USTTR001-1	47.041		26,029	26,029
NSF Syracuse 28250-04301-S03	47.041		6,853	6,853
NSF UNCC 20140709-01-BYU	47.074		197,930	197,930
NSF UofMich 3004726151	47.070		43,572	43,572
NSF USU 12037604	47.080		94,393	94,393
NSF USU 201242-479	47.070		26,581	26,581
NSF VPISU 479716-19013	47.070		38,781	38,781
National Science Foundation Total		<u>5,683,566</u>	<u>841,835</u>	<u>6,525,401</u>
Nuclear Regulatory Agency:				
NRC NRC-HQ-84-16-G-0008	77.008	178,502		178,502
NRC UCLA 0135-S-WA364	77.006		6,876	6,876
Nuclear Regulatory Agency Total		<u>178,502</u>	<u>6,876</u>	<u>185,378</u>
Veterans Administration:				
VA 660-D64028 IPA Taylor	64.000	<u>21,776</u>		<u>21,776</u>
Veterans Administration Total		<u>21,776</u>	<u>-</u>	<u>21,776</u>
Research and Development Cluster Total		<u>16,891,154</u>	<u>7,000,511</u>	<u>23,891,665</u>
STUDENT FINANCIAL ASSISTANCE CLUSTER:				
Department of Education—Federal Direct Student Loans	84.268	39,930,484		39,930,484
Department of Education—Pell Grant Program	84.063	<u>60,611,600</u>		<u>60,611,600</u>
Student Financial Assistance Cluster Total		<u>100,542,084</u>	<u>-</u>	<u>100,542,084</u>
TOTAL FEDERAL EXPENDITURES		<u>\$ 117,433,238</u>	<u>\$ 7,000,511</u>	<u>\$ 124,433,749</u>

(Concluded)

BRIGHAM YOUNG UNIVERSITY

NOTES TO THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018

1. BASIS OF PRESENTATION

The accompanying supplementary schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Brigham Young University (the "University") under programs of the federal government for the year ended December 31, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended and does not present the financial position, changes in net assets, or cash flows of the University.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The University does not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance.

3. FEDERAL LOANS PROGRAM

The University administers the Federal Direct Loan Program (including Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans), CFDA No. 84.268. The University is responsible for completing portions of the loan applications, verifying student eligibility, filing student confirmation reports, processing refunds, and disbursing loan proceeds. During the year ended December 31, 2018, the University authorized new loans under the Federal Direct Loan Program for a total of \$39,930,484.

4. PASS-THROUGH FUNDS

The University has subcontracted the following federal awards for the year ended December 31, 2018, as follows:

Federal Sponsor	Number	Expenditures
Department of Defense:		
DOD Army ATI 2017-391	12.100	\$ 205,048
DOD ARMY USACE W9128F-17-2-0024	12.632	2,599
DOD NSEP IIE 0054-BYU-3-CHN-OS-280-PO6	12.550	230,281
DOD ONR N00014-16-1-3025	12.300	98,100
DOD PEOSTRI W900KK-15-C-0028	12.100	<u>176,291</u>
Total Department of Defense		<u>712,319</u>
Department of Education:		
ED T365Z120236	84.365Z	<u>115,370</u>
Department of Energy:		
DOE DE-SC0016441	81.049	<u>21,993</u>
Department of Health and Human Services:		
DHHS NIH 1R01AI116989-01	93.855	89,250
DHHS NIH 1R01DA035958-01A1	93.279	181,021
DHHS NIH 1R01DC016269-01A1	93.173	34,681
DHHS NIH 1R21DK099619-01A1	93.847	72,502
DHHS NIH 1RF1AG054052-01	93.866	482,873
DHHS NIH 2R01DC009616-06A1	93.173	47,458
DHHS NIH 2R01EY012287-10A2	93.867	54,015
DHHS NIH 2R56DC009616	93.173	<u>197,475</u>
Total Department of Health and Human Services		<u>1,159,275</u>
National Aeronautics and Space Administration:		
NASA NNX15AT29G	43.001	278,440
NASA NNX16AI69A USIP SFRO	43.008	2,001
NASA NNX16AN45G ROSES	43.001	18,856
NASA NSSC 80NSSC18K0411	43.001	<u>13,758</u>
Total National Aeronautics and Space Administration		<u>313,055</u>

(Continued)

Federal Sponsor	Number	Expenditures
National Science Foundation:		
NSF 1241885	47.074	\$ 69,105
NSF 1339412	47.074	6,152
NSF 1354791	47.000	15,342
NSF 1500376	47.049	38,207
NSF 1636645	47.049	44,906
NSF 1650547 CUAS Sensors	47.070	<u>74,668</u>
Total National Science Foundation		<u>248,380</u>
TOTAL SUBCONTRACTOR PAYMENTS		<u>\$ 2,570,392</u>
		(Concluded)

* * * * *

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Brigham Young University

We have audited, in accordance with the 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, the financial statements of Brigham Young University (the "University"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 25, 2019, which included an emphasis-of-matter paragraph regarding the adoption of Accounting Standards Update No. 2016-14, *Not-for-Profits Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

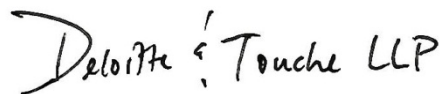
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

April 25, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Brigham Young University

Report on Compliance for Each Major Federal Program

We have audited Brigham Young University's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended December 31, 2018. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

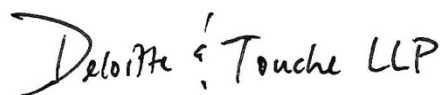
Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

April 25, 2019

BRIGHAM YOUNG UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I—SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. The independent auditors' report on the financial statements expressed an unmodified opinion.
2. No deficiencies were identified in internal control over financial reporting that were considered to be significant deficiencies or material weaknesses.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.

Federal Awards

4. No deficiencies were identified in internal control over compliance with requirements applicable to major federal award programs that were considered to be significant deficiencies or material weaknesses.
5. The independent auditors' report on compliance for each major federal program expressed an unmodified opinion.
6. The audit disclosed no compliance findings required to be reported by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
7. The University's major program was:

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster:	
Federal Direct Student Loans	84.268
Pell Grant Program	84.063
Research and Development Cluster	Various
8. A threshold of \$3,000,000 was used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance.	
9. The University did qualify as a low-risk auditee as that term is defined in the Uniform Guidance.	

PART II—FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS SECTION

None.

PART III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

None.

BRIGHAM YOUNG UNIVERSITY

**SCHEDULE OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

None.