

Brigham Young University

Financial Statements as of and for the
Years Ended December 31, 2019 and 2018,
Other Information as Required by U.S. Office of
Management and Budget Uniform Guidance
for the Year Ended December 31, 2019, 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, 2019 and 2018, 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, 2019 and 2018, 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.

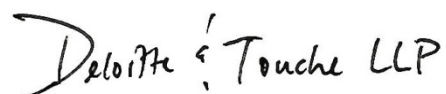
Other Matters

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, 2019, 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 2019 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2019 financial statements and certain additional procedures, including comparing and reconciling such 2019 information directly to the underlying accounting and other records used to prepare the 2019 financial statements or to the 2019 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 2019 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 21, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

The image shows a handwritten signature in dark ink. The signature is written in a cursive, flowing style. It begins with a large, stylized 'D' for 'Deloitte', followed by an ampersand '&', and then 'Touche' in a similar cursive script, ending with 'LLP' in a slightly more formal, blocky hand.

April 21, 2020

BRIGHAM YOUNG UNIVERSITY

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018 (In thousands of dollars)

	2019	2018
Assets		
Cash	\$ 72,593	\$ 53,487
Accounts and notes receivable, net of allowances of \$3,218 and \$3,617	65,511	59,848
Inventories, prepaid expenses, and other assets	50,899	50,631
Investments	3,561,666	3,030,999
Beneficial interest in trusts and pledged contributions, net	44,986	38,417
Land, buildings, and equipment, net	<u>1,789,752</u>	<u>1,733,844</u>
Total Assets	<u>\$ 5,585,407</u>	<u>\$ 4,967,226</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued liabilities, and deposits	\$ 86,884	\$ 85,878
Deferred revenue	49,217	48,119
Retirement and postretirement benefits obligation	395,990	371,536
Loans and notes payable	<u>242,540</u>	<u>220,264</u>
Total Liabilities	<u>774,631</u>	<u>725,797</u>
Net Assets		
Without donor restrictions:		
Operations	764,988	595,046
Board-designated endowments	1,397,025	1,169,537
Invested in land, buildings, and equipment	<u>1,696,019</u>	<u>1,680,213</u>
Total without donor restrictions	<u>3,858,032</u>	<u>3,444,796</u>
With donor restrictions:		
Operations	43,955	46,217
Land, buildings, and equipment	2,186	2,703
Beneficial interest in trusts and pledged contributions	45,868	38,954
Board-designated endowments	32,974	27,291
Endowments	<u>827,761</u>	<u>681,468</u>
Total with donor restrictions	<u>952,744</u>	<u>796,633</u>
Total Net Assets	<u>4,810,776</u>	<u>4,241,429</u>
Total Liabilities and Net Assets	<u>\$ 5,585,407</u>	<u>\$ 4,967,226</u>

See notes to financial statements.

BRIGHAM YOUNG UNIVERSITY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019 (In thousands of dollars)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Tuition and fees, net of scholarships and grants of \$70,510	\$ 215,753		\$ 215,753
Appropriations from a Church affiliate	657,321		657,321
Contributions and grants	75,045	\$ 37,779	112,824
Investment income, net	478,072	141,799	619,871
Auxiliary sales	216,051		216,051
Other	19,903	9,731	29,634
Net assets released from restrictions	<u>33,198</u>	<u>(33,198)</u>	<u></u>
Total Revenues and Other Support	<u>1,695,343</u>	<u>156,111</u>	<u>1,851,454</u>
Expenses:			
Education	739,242		739,242
Auxiliary	384,936		384,936
Administration	<u>122,204</u>	<u></u>	<u>122,204</u>
Total Expenses	<u>1,246,382</u>	<u></u>	<u>1,246,382</u>
Increase in Net Assets before Retirement and Postretirement Plans Adjustment	448,961	156,111	605,072
Retirement and Postretirement Plans Adjustment	<u>(35,725)</u>	<u></u>	<u>(35,725)</u>
Increase in Net Assets	413,236	156,111	569,347
Net Assets, Beginning of year	<u>3,444,796</u>	<u>796,633</u>	<u>4,241,429</u>
Net Assets, End of year	<u>\$ 3,858,032</u>	<u>\$ 952,744</u>	<u>\$ 4,810,776</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> </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>	<u> </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> </u>	<u>116,412</u>
Total Expenses	<u>1,147,530</u>	<u> </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> </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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of dollars)

	2019	2018
Cash Flows from Operating Activities:		
Increase in net assets	\$ 569,347	\$ 56,087
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	97,247	92,945
Donated assets held as investments	(1,877)	1,541
(Gain) loss on investments, net	(533,322)	180,933
(Increase) decrease in beneficial interest in trusts and pledged contributions, net	(6,569)	6,008
Loss on disposal of land, buildings, and equipment	111	498
Donated and appropriated land, buildings, and equipment	(121)	(1,491)
Contributions restricted for investment in buildings and equipment	(20)	(1,652)
Contributions restricted for investment in donor-restricted endowments	(33,322)	(22,319)
Investment income restricted for reinvestment	(495)	(291)
Other adjustments, net	998	805
Increase (decrease) due to changes in operating assets and liabilities		
Accounts receivable	(5,635)	(10,620)
Inventories, prepaid expenses, and other assets	(268)	(8,949)
Accounts payable, accrued liabilities, and deposits	3,724	887
Deferred revenue	1,098	8,270
Retirement and postretirement benefits obligation	24,454	(80,526)
Net cash provided by operating activities	<u>115,350</u>	<u>222,126</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	229,547	188,374
Purchase of investments	(225,015)	(207,879)
Collection of notes receivable	1,807	1,970
Disbursement for notes receivable	(1,835)	(2,443)
Proceeds from disposal of land, buildings, and equipment	4,732	2,839
Purchase of land, buildings, and equipment	(160,595)	(197,227)
Purchase of collections	(998)	(805)
Net cash used by investing activities	<u>(152,357)</u>	<u>(215,171)</u>
Cash Flows from Financing Activities:		
Contributions restricted for investment in buildings and equipment	20	1,652
Contributions restricted for investment in donor-restricted endowments	33,322	22,319
Other financing activities		
Investment income restricted for reinvestment	495	291
Proceeds from loans and notes payable	26,036	1,085
Payments on loans and notes payable	(3,760)	(55,427)
Net cash provided (used) by financing activities	<u>56,113</u>	<u>(30,080)</u>
Net increase (decrease) in cash	19,106	(23,125)
CASH, Beginning of year	<u>53,487</u>	<u>76,612</u>
CASH, End of year	<u>\$ 72,593</u>	<u>\$ 53,487</u>
Supplemental Data:		
Interest paid	\$ 4,144	\$ 5,220
Purchases of land, buildings, and equipment in accounts payable	7,957	10,676

See notes to financial statements

BRIGHAM YOUNG UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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 method) 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 fair 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—Tuition and fees revenue is received from students enrolled in degree or continuing education programs. Revenue is recognized within the year in which educational services are provided and is recorded net of scholarships and grants. Payments received in advance of providing services are recorded as deferred revenue.

Appropriations revenue is provided from a Church affiliate (Note 7) to support education, auxiliary and administrative activities. Appropriations revenue is recorded when received, or as costs are incurred for Church affiliate-funded projects.

Contributions and grants revenue includes monetary gifts or gifts-in-kind to support university operations, student aid, and capital projects. 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. Contributions are recorded at fair value at the time gifts are received. Amounts expected to be collected in future years are recorded at the present value of estimated future cash flows. Grants and contracts awarded by governmental and private entities are generally considered nonreciprocal transactions. Resources provided benefit the University, the funding entity's mission, or the public at large. Revenue is recognized according to the conditions of the agreement, usually as qualifying expenditures are incurred and conditions are met. Payments received in advance of conditions being met are recorded as deferred revenue.

Auxiliary sales revenue results from furnishing goods or services to students, faculty, staff, or to the general public. Auxiliary enterprises are managed to operate as self-supporting activities. Auxiliary sales revenue includes dining, housing, student medical services, store sales, event ticket sales, sponsorships, Church affiliate education services and other services. Goods and services revenues are recognized, equal to the applicable exchange consideration, at the time of sale or over the life of the contract as performance obligations are met. Amounts received in advance are recorded as deferred revenues. Auxiliary enterprises may also be supported by appropriations, contributions, and investment income.

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 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 traded in active markets, 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 Pronouncements—In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU implements a single framework for revenue recognition ensuring that revenue is recognized in a manner which reflects the consideration to which the entity is entitled in exchange for goods and services. The University adopted ASU 2014-09 in the current year. Adoption did not materially affect the University's financial statements, but did result in expanded disclosure about the University's sources of revenue in Note 1.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides additional guidance for evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance, and for determining whether a contribution is conditional or unconditional. The University adopted ASU 2018-08 in the current year. Adoption did not materially affect the University's financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation - Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This ASU requires the service cost component of net periodic benefit cost for pension and other postretirement benefits to be presented as a component of employee benefit expense. The other components of net periodic benefit cost, such as interest, expected return on plan assets, and amortization of other actuarially determined amounts, are required to be presented as a nonoperating change in net assets without donor restrictions or disclosed, if applicable. The University adopted ASU 2017-07 in the current fiscal year. Adoption did not affect the University's financial statements, but did result in expanded disclosure in Note 10.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU removes and modifies certain disclosures related to fair value measurement. The University early adopted ASU 2018-13 in the current year. Adoption resulted in simplified disclosure in Notes 9 and 10.

In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20), Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*. This standard removes certain disclosures that no longer are considered cost beneficial, clarifies the specific requirements of disclosures, and adds disclosures related to defined benefit pension and other postretirement plans. The University early adopted ASU 2018-14 in the current year. Adoption resulted in simplified disclosure in Note 10.

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 contributions received by the University through 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, 2019 and 2018 (in thousands of dollars):

	2019	2018
Cash	\$ 72,593	\$ 53,487
Accounts and notes receivable, net, exchange transactions	17,667	17,207
Accounts and notes receivable, net, non-exchange transactions	47,844	42,641
Investments	3,561,666	3,030,999
Beneficial interest in trusts and pledged contributions, net	<u>44,986</u>	<u>38,417</u>
Total financial assets	3,744,756	3,182,751
Less those unavailable for general expenditure within one year:		
Accounts and notes receivable, net	3,665	3,690
Other investments and other assets	14,979	13,954
Beneficial interest in trusts and pledged contributions, net	44,741	37,504
Board-designated endowments, net of projected payout	1,373,562	1,140,490
Endowments, net of projected payout	796,451	653,467
Reserved for capital projects	133,270	171,432
Other donor restrictions	<u>18,941</u>	<u>20,882</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,359,147</u>	<u>\$1,141,332</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, 2019 and 2018 are as follows (in thousands of dollars):

	2019	2018
Investments at fair value:		
Time deposits and cash equivalents	\$ 31	\$ 26
Equity portfolios, domestic	1,845,045	1,473,823
Equity portfolios, international	457,980	361,271
Fixed income portfolios, domestic	1,171,431	1,113,345
Other equity and fixed income investments	<u>22,734</u>	<u>19,725</u>
Total investments at fair value	<u>3,497,221</u>	<u>2,968,190</u>
Other investments carried at cost or estimated value at the date of donation:		
Equity securities	3,791	2,115
Real estate	55,392	55,415
Other assets	<u>5,262</u>	<u>5,279</u>
Total other investments	<u>64,445</u>	<u>62,809</u>
Total investments	<u>\$3,561,666</u>	<u>\$3,030,999</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 \$14,000 and \$374,000 as of December 31, 2019 and 2018, respectively, determined using discount rates ranging from approximately 1.60 to 5.02 percent, are as follows (in thousands of dollars):

	2019	2018
Less than one year	\$ 436	\$ 1,103
One to five years	9,436	8,543
More than five years	<u>35,114</u>	<u>28,771</u>
Total beneficial interest in trusts and pledged contributions, net	<u>\$44,986</u>	<u>\$38,417</u>

5. LAND, BUILDINGS, AND EQUIPMENT

As of December 31, 2019 and 2018, land, buildings and equipment included (in thousands of dollars):

	2019	2018
Land, buildings, and improvements	\$ 2,297,447	\$ 2,157,618
Furniture, fixtures, equipment, and other	459,753	459,464
Library books	264,800	258,122
Construction in progress	<u>125,606</u>	<u>159,966</u>
	3,147,606	3,035,170
Less accumulated depreciation	<u>1,357,854</u>	<u>1,301,326</u>
Total land, buildings, and equipment, net	<u>\$ 1,789,752</u>	<u>\$ 1,733,844</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 \$242,300,000 and \$220,024,000 at December 31, 2019 and 2018, respectively. These loans bear interest at rates ranging from 2.0 to 3.0 percent. Maturity dates range from 2047 to 2060.

The amounts of future principal payments as of December 31, 2019 are (in thousands of dollars):

Years Ending December 31,

2020	\$ 4,203
2021	4,724
2022	4,820
2023	4,919
2024	5,020
2025 and thereafter	<u>218,854</u>
Total loans and notes payable	<u>\$242,540</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, 2019 and 2018 (in thousands of dollars):

	2019	2018
Cash	\$ 58,457	\$ 42,975
Accounts receivable	37,797	32,300
Investments	3,474,487	2,948,465
Beneficial interest in trusts and pledged contributions, net	44,935	38,341
Accounts payable and accrued liabilities	4,745	13,856
Retirement and postretirement benefits obligation	395,990	371,536
Loans and notes payable	242,300	220,024
Appropriations:		
Operations	508,574	499,834
Capital expenditures	148,747	162,536
Contributions processed from donors	80,747	75,542
Investment income (loss), net	609,879	(102,757)
Auxiliary enterprises sales	57,324	56,490
Other revenue—interest	1,028	910
Expenses:		
Benefit plans	207,070	88,305
Products and services	5,582	5,622
Interest	4,001	5,409

8. ENDOWMENTS

The University's endowment fund consists of individual donor-restricted endowment funds and funds designated by the Board to function as endowments (board-designated endowments). The net assets associated with endowment funds, including board-designated 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, 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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	N/A	\$827,761	\$ 827,761
Board-designated endowment funds	1,397,025	32,974	1,429,999
Underwater endowment funds			
Total endowment funds	<u>\$1,397,025</u>	<u>\$860,735</u>	<u>\$2,257,760</u>

Changes in Endowment Net Assets for the year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$1,169,537	\$708,759	\$1,878,296
Investment income, net	231,479	141,422	372,901
Contributions and other revenue	4,595	35,905	40,500
Appropriation for expenditure	(43,735)	(26,008)	(69,743)
Reclassifications		657	657
Other changes:			
Transfers to/from board-designated endowment funds, net	<u>35,149</u>	<u> </u>	<u>35,149</u>
Endowment net assets, end of year	<u>\$1,397,025</u>	<u>\$860,735</u>	<u>\$2,257,760</u>

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	<u> </u>	<u>(706)</u>	<u>(706)</u>
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> </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>

Description of Endowment Net Assets With Donor Restriction

	2019	2018
The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or UPMIFA	\$ 504,374	\$465,640
The portion of perpetual endowments subject to a time restriction under UPMIFA, net of underwater amount		
Without purpose restrictions	1,342	992
With purpose restrictions	322,045	214,836
Term endowment funds	<u>32,974</u>	<u>27,291</u>
Total endowment funds classified as net assets with donor restriction	<u>\$ 860,735</u>	<u>\$708,759</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, 2019 and 2018, respectively (in thousands of dollars):

	2019	2018
Total original gift amount	\$ -	\$33,616
Less total fair value	<u> </u>	<u>32,910</u>
Total underwater amount	<u>\$ -</u>	<u>\$ (706)</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, 2019 and 2018 (in thousands of dollars):

Fair Value Measurements as of December 31, 2019				
	Level 1	Level 2	Level 3	Total
Time deposits and cash equivalents	\$ 31	\$ -	\$ -	\$ 31
Equity and fixed income investments	17,381	5,353		22,734
Investments measured at net asset value per share	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>3,474,456</u>
Total investments	17,412	5,353	-	3,497,221
Beneficial interest in trusts	<u> </u>	<u> </u>	<u>44,563</u>	<u>44,563</u>
Total assets carried at fair value	<u>\$17,412</u>	<u>\$5,353</u>	<u>\$44,563</u>	<u>\$3,541,784</u>

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>

The following table summarizes selected changes in Level 3 financial instruments measured at fair value for the years ended December 31, 2019 and 2018 (in thousands of dollars):

Fair Value Measurements Using Significant Unobservable Inputs		
	2019	2018
Purchases	\$284	\$639
Transfers into (out of) Level 3		

The fair value of the beneficial interests in trusts is based upon the 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 \$356,247,000 and \$240,427,000 as of December 31, 2019 and 2018, 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, 2019 and 2018 (in thousands of dollars):

	Fair Value Measurements of Investments Measured at Net Asset Value Per Share	
	2019	2018
Equity portfolios, domestic	\$1,845,045	\$1,473,823
Equity portfolios, international	457,980	361,271
Fixed income portfolios, domestic	<u>1,171,431</u>	<u>1,113,345</u>
Total investments measured at net asset value per share	<u>\$3,474,456</u>	<u>\$2,948,439</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, 2019 and 2018 (in thousands of dollars):

	Retirement Plan		Postretirement Plan	
	2019	2018	2019	2018
Fair value of plan assets	\$ 1,796,258	\$ 1,569,046	\$ 161,445	\$ 144,678
Benefit obligation	<u>(2,151,075)</u>	<u>(1,896,943)</u>	<u>(202,618)</u>	<u>(188,317)</u>
Amount under funded	<u>\$ (354,817)</u>	<u>\$ (327,897)</u>	<u>\$ (41,173)</u>	<u>\$ (43,639)</u>

The accumulated benefit obligation for the retirement plan was \$1,881,020,000 and \$1,642,342,000 as of December 31, 2019 and 2018, respectively.

The following table provides information relating to the retirement and postretirement plans as of and for the years ended December 31, 2019 and 2018 (in thousands of dollars):

	Retirement Plan		Postretirement Plan	
	2019	2018	2019	2018
Selected changes in plan assets:				
Employer contributions	\$ 73,000	\$ 65,378	\$ 3,423	\$ 5,852
Plan participants' contributions	N/A	N/A	N/A	N/A
Benefits paid	77,981	74,400	6,413	7,041
Accumulated amounts reflected in the Statements of Financial Position:				
Net loss	\$ 396,298	\$ 353,831	\$ 36,457	\$ 41,804
Prior service cost	<u>4,363</u>	<u>5,216</u>	<u>2,707</u>	<u>3,248</u>
Amount in net assets without donor restrictions	400,661	359,047	39,164	45,052
(Prepaid) accrued retirement/postretirement cost	<u>(45,844)</u>	<u>(31,150)</u>	<u>2,009</u>	<u>(1,413)</u>
Retirement/postretirement liability	<u>354,817</u>	<u>327,897</u>	<u>41,173</u>	<u>43,639</u>
Periodic benefit cost and other amounts recognized in net assets without donor restrictions reflected in the Statements of Activities:				
Benefit cost*	<u>58,307</u>	<u>74,307</u>	<u>6,845</u>	<u>7,655</u>
Net loss (gain)	42,466	(86,064)	(5,347)	(3,800)
Prior service credit	<u>(853)</u>	<u>(853)</u>	<u>(541)</u>	<u>(541)</u>
Other amounts recognized in net assets without donor restrictions	<u>41,613</u>	<u>(86,917)</u>	<u>(5,888)</u>	<u>(4,341)</u>
Total benefit cost and other amounts recognized in net assets without donor restrictions	<u>\$ 99,920</u>	<u>\$ (12,610)</u>	<u>\$ 957</u>	<u>\$ 3,314</u>

* Benefit cost for 2019 is comprised of service cost of \$50,266,367 and components other than service cost of \$8,040,252 for the retirement plan, and a service cost of \$4,699,082 and components other than service cost of \$2,146,123 for the postretirement plan.

The Plans experience demographic changes from assumptions used during the prior year and could have benefit obligation transfers between related entity participants in the Plans. The Plans also include assumptions for discount rate, mortality table, and salary scale which changed. For the postretirement plan, assumptions for base cost and trend, and Cadillac tax cost also changed. The table below shows the effect upon plan (gains) and losses for the year ended December 31, 2019 due to demographic and assumption changes:

	Retirement Plan Effect on Benefit Obligation	Postretirement Plan Effect on Benefit Obligation
Demographic changes		
Obligation transfer	- %	- %
Demographic data	<u>0.20</u>	<u>0.30</u>
Total demographic change	<u>0.20 %</u>	<u>0.30 %</u>
Assumption changes		
Discount rate	15.20 %	16.70 %
Mortality	(1.90)	(4.00)
Salary scale	(2.30)	N/A
Base cost and trend	N/A	(6.30)
Cadillac tax cost	<u>N/A</u>	<u>(0.80)</u>
Total assumption change	<u>10.50 %</u>	<u>4.10 %</u>

For the years ended December 31, 2019 and 2018, the following weighted-average assumptions were used in accounting for the Plans:

	Retirement Plan		Postretirement Plan	
	2019	2018	2019	2018
Benefit obligation:				
Discount rate	3.10 %	4.10 %	3.10 %	4.10 %
Rate of compensation increase	4.15	4.44	N/A	N/A
Net periodic benefit cost:				
Discount rate	4.10	3.50	4.10	3.50
Expected return on plan assets	5.00	5.00	5.00	5.00
Rate of compensation increase	4.44	4.44	N/A	N/A

Postretirement benefits are fixed dollar amounts which might be adjusted in the future. For December 31, 2019 valuations, a 6.8% (6.5% for Medicare supplement) annual rate of increase in the per capita cost of covered health care benefits was assumed for 2020; the rate was assumed to decrease gradually going forward to 5.7% (6.0% for Medicare supplement) for 2029, and will continue to decrease until it reaches its ultimate level in 2076 at 3.9% (3.9% for Medicare supplement). 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).

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

For 2019 and 2018, 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.

For the year 2019, the asset classes were defined as follows:

	<u>Asset Allocation</u>		<u>Expected Return</u>	
	Target	Range	Weighting	Category Return
Asset category:				
Domestic equity securities	20 %	10-30%	20 %	5.11 %
International equity securities	10	5-20	10	5.70
Debt securities	25	15-40	25	2.50
Real estate	10	5-20	10	6.00
Private equities	15	5-20	15	7.50
Non-investment grade debt	10	0-15	10	4.10
Hybrid equities	5	0-10	5	3.50
Real assets	5	0-10	5	3.75
Value from active management				0.25
Weighted-average return			100 %	5.00 %

For the year 2018, the asset classes were defined as follows:

	<u>Asset Allocation</u>		<u>Expected Return</u>	
	Target	Range	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 %

* This Weighting and Category Return includes Non-investment grade debt, and Hybrid equities

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, 2019 and 2018 (in thousands of dollars), of which the University's share was 26.48% and 26.48% as of the respective dates:

Fair Value Measurements as of December 31, 2019				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, net of accruals	\$ 69,220	\$ -	\$ -	\$ 69,220
Investments:				
U.S. government securities		61,398		61,398
Corporate debt securities, domestic		338,696	26,455	365,151
Corporate debt securities, international		15,472		15,472
Mutual funds	2,085,316			2,085,316
Common stocks, domestic	531,209			531,209
Common stocks, international	375,346		7,672	383,018
Preferred stocks	10,920		2,975	13,895
Government agency mortgage-backed securities		394,124		394,124
Private mortgage-backed securities		139,704	6,717	146,421
Derivatives	6	1,143	8	1,157
Investments measured at net asset value per share	N/A	N/A	N/A	2,716,732
Net master retirement plan assets	<u>\$3,072,017</u>	<u>\$950,537</u>	<u>\$43,827</u>	<u>\$6,783,113</u>
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>

The tables below present the fair value of the Retiree Medical and Life Plan assets as of December 31, 2019 and 2018 (in thousands of dollars), of which the University's postretirement plan's share was 25.85% and 25.99% as of the respective dates:

Fair Value Measurements as of December 31, 2019				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, net of accruals	\$ 6,965	\$ -	\$ -	\$ 6,965
Investments:				
U.S. government securities		2,925		2,925
Corporate debt securities, domestic		25,552	307	25,859
Corporate debt securities, international		941		941
Mutual funds	356,085			356,085
Common stocks, domestic	25,867			25,867
Preferred stocks	623			623
Government agency mortgage-backed securities		263		263
Derivatives	1	156		157
Investments measured at net asset value per share	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>204,819</u>
Net retiree medical and life plan assets	<u>\$389,541</u>	<u>\$29,837</u>	<u>\$ 307</u>	<u>\$624,504</u>

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
Preferred stocks	846			846
Government agency mortgage-backed securities		244		244
Derivatives		9		9
Investments measured at net asset value per share	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>168,752</u>
Net retiree medical and life plan assets	<u>\$347,621</u>	<u>\$40,360</u>	<u>\$ -</u>	<u>\$556,733</u>

The following tables provide selected changes in the Level 3 Master Retirement Plan assets for the years ended December 31, 2019 and 2018 (in thousands of dollars):

Assets at fair value	Changes in Level 3 Financial Assets Year Ended December 31, 2019		
	Purchases	Transfers In	Transfers Out
Corporate debt securities, domestic	\$ 9,646	\$ 564	\$(550)
Common stocks, international	4,970	2,452	
Government agency mortgage-backed securities			(58)
Private mortgage-backed securities	3,847	61	
Derivatives		8	
	<u> </u>	<u> </u>	<u> </u>
Total Assets at fair value	<u>\$18,463</u>	<u>\$3,085</u>	<u>\$(608)</u>

Assets at fair value	Changes in Level 3 Financial Assets Year Ended December 31, 2018		
	Purchases	Transfers In	Transfers Out
Corporate debt securities, domestic	<u>\$22,700</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets at fair value	<u>\$22,700</u>	<u>\$ -</u>	<u>\$ -</u>

The following table provides selected changes in the Level 3 Retiree Medical and Life Plan assets for the year ended December 31, 2019 (in thousands of dollars). There is no such table for 2018 as there were no Level 3 assets in 2018.

Assets at fair value	Changes in Level 3 Financial Assets Year Ended December 31, 2019		
	Purchases	Transfers In	Transfers Out
Corporate debt securities, domestic	<u>\$250</u>	<u>\$43</u>	<u>\$ -</u>
Total Assets at fair value	<u>\$250</u>	<u>\$43</u>	<u>\$ -</u>

The University expects to contribute \$64,200,000 to its retirement plan and \$8,532,545 to its postretirement plan during the year ending December 31, 2020.

As of December 31, 2019, 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
2020	\$ 82,882	\$ 7,320
2021	87,086	7,652
2022	91,314	7,915
2023	95,501	8,140
2024	99,417	8,475
2025-2029	547,179	47,280

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, 2019 and 2018, totaled \$17,012,000 and \$16,387,000, respectively. Effective January 1, 2021, new-hire full-time employees will be eligible to participate in an expanded defined contribution retirement plan. For those employees, participation in the Master Retirement Plan will not be offered. Full-time employees hired prior to January 1, 2021 will continue to be eligible for participation in the current defined benefit and defined contribution plans.

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 tables present these expenses for the years ended December 31, 2019 and 2018 (in thousands of dollars):

	For the Year Ended December 31, 2019			
	Education	Auxiliary	Administration	Total
Salaries	\$375,346	\$ 88,372	\$ 47,666	\$ 511,384
Benefits	<u>140,360</u>	<u>31,943</u>	<u>17,230</u>	<u>189,533</u>
Total compensation	515,706	120,315	64,896	700,917
Materials and supplies	24,749	8,603	9,531	42,883
General and administrative	52,885	65,668	32,119	150,672
Travel	27,968	11,761	1,333	41,062
Media, software, equipment	26,506	84,282	2,450	113,238
Physical facilities	20,771	23,469	1,601	45,841
Depreciation	61,727	31,144	4,376	97,247
Cost of sales	1,243	35,049		36,292
Interest		4,001	143	4,144
Other	<u>7,687</u>	<u>644</u>	<u>5,755</u>	<u>14,086</u>
Total expenses	<u>\$739,242</u>	<u>\$384,936</u>	<u>\$122,204</u>	<u>\$1,246,382</u>

	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	505,872	130,858	63,399	700,129
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
Media, software, 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 \$44,757,000 as of December 31, 2019. Of this amount, \$17,472,000 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, 2019 through April 21, 2020, the date financial statements were available to be issued. On March 11, 2020, the World Health Organization declared the global outbreak of the novel corona virus (COVID-19) as a pandemic. The spread of COVID-19 has caused significant volatility in financial markets and the overall global economy. The resolution and impact of these ongoing events is highly uncertain. The University has implemented precautionary measures to continue its operations consistent with the guidance of local and national governmental leaders. Accordingly, the University is unable to predict to what extent the pandemic response may impact the subsequent financial results and operations of the University, or those of benefit plans in which it is a participating employer. No other 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, 2019

Federal Agency and Pass-through Entity	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:				
Corporation for National & Community Service:				
CNCS AmeriCorps UCSV 190691	94.006	\$ -	\$ 18,015	\$ 18,015
CNCS AmeriCorps UCSV 200896	94.006		14,137	14,137
Corporation for National & Community Service Total		-	32,152	32,152
Department of Agriculture:				
USDA 59-2060-9-001	10.001	3,813		3,813
USDA ARS 58-2080-6-018	10.001	7,777		7,777
USDA ARS 58-5082-8-008	10.001	12,036		12,036
USDA ARS 58-8042-8-048	10.001	14,976		14,976
USDA ERS 58-4000-7-0072	10.253	2,743		2,743
USDA ERS 58-4000-8-0033-R	10.253	3,258		3,258
USDA FS 15-CS-11221632-084	10.600	15,305		15,305
USDA FS 15-JV-11221632-181	10.600	10,221		10,221
USDA FS 15-JV-11221637-103	10.600	11,719		11,719
USDA FS 16-CS-11041000-022	10.600	36,286		36,286
USDA FS 16-JV-11221632-123	10.600	24,877		24,877
USDA FS 16-JV-11272167-024	10.600	78,992		78,992
USDA FS 17-CS-11041000-007	10.600	146,660		146,660
USDA FS 18-CS-11040800-011	10.600	11,595		11,595
USDA FS 19-JV-11221632-193	10.600	10,430		10,430
USDA NIFA WSU 128314_G003754	10.307		8,620	8,620
USDA UDAF 170979	10.170		5,706	5,706
Department of Agriculture Total		390,688	14,326	405,014
Department of Commerce:				
DOC NIST UCSD 92029515	11.609		144,546	144,546
Department of Commerce Total		-	144,546	144,546
Department of Defense:				
DOD AFA FA7000-17-2-0008	12.800	113,525		113,525
DOD AFOSR FA9550-17-1-0302	12.800	92,147		92,147
DOD ARMY DPG Tech Support	12.000	166,133		166,133
DOD ARMY DUG W9126G-19-2-0053	12.005	2,735		2,735
DOD ARMY USACE W9128F-17-2-0024	12.632	94,226		94,226
DOD ARMY W9126G-18-2-0055	12.300	411,665		411,665
DOD DARPA FA8750-17-2-0082	12.910	111,185		111,185
DOD NAWCWD N00174-19-1-0021	12.300	55,953		55,953
DOD NAWCWD N6893617P0486	12.000	72		72
DOD NAWCWD N6893619P0274	12.000	16,955		16,955
DOD NSA H982301910009	12.901	18,704		18,704
DOD ONR GRANT12671398	12.300	93,170		93,170
DOD ONR N00014-16-1-3025	12.300	255,613		255,613
DOD ONR N00014-18-1-2040	12.300	173,370		173,370
DOD ARMY PEOSTRI W900KK-15-C-0028	12.100	196,555		196,555
DOD ACC-NJ NSC KUCR FY2017-054	12.000		142,571	142,571

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BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Agency and Pass-through Entity	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
DOD ACE DPAA UWI 776K005	12.632	\$ -	\$ 9,170	\$ 9,170
DOD AF Utopia BYU-1765-1616-01	12.800		8,679	8,679
DOD AFOSR FIU 800011117-02UG	12.800		11,174	11,174
DOD AFRL BRRC 160176C-501	12.800		66,922	66,922
DOD AFRL TIPD LLC 6571BYU	12.800		1,830	1,830
DOD AFRL TIPD LWFP-HVD	12.800		13,306	13,306
DOD AFRL TSC TSC-1187-60000	12.000		5,000	5,000
DOD ARMY ATI 2017-391	12.100		385,381	385,381
DOD ARMY BRRC 180223C-501B	12.000		82,187	82,187
DOD ARMY Crimson Vista	12.400		75,000	75,000
DOD ARMY CU BOULDER 1557343	12.000		18,092	18,092
DOD ARMY IPITEK	12.000		(141,685)	(141,685)
DOD ARO BRRC 170189F-501	12.400		2,422	2,422
DOD BATC 19S0197C	12.000		21,929	21,929
DOD KSA N0001419C2001	12.300		102,301	102,301
DOD NAWCAD KSA N68335-18-C-0806	12.300		18,910	18,910
DOD NSEP IIE 0054-BYU-3-ARA-280-PO9 Yr1	12.550		139,551	139,551
DOD NSEP IIE 0054-BYU-3-ARA-280-PO9 Yr2	12.550		189,464	189,464
DOD NSEP IIE 0054-BYU-3-CHN-280-PO1 Yr1	12.550		117,609	117,609
DOD NSEP IIE 0054-BYU-3-CHN-280-PO1 Yr2	12.550		154,527	154,527
DOD NSEP IIE 0054-BYU-3-CHN-OS-280-PO12	12.550		71,908	71,908
DOD NSEP IIE 0054-BYU-3-SSA-280-PO11	12.550		23,600	23,600
DOD NSEP IIE 0054-BYU-3-SSC-280-PO10	12.550		57,250	57,250
DOD NSEP IIE 0054-BYU-3-SSC-280-PO7	12.550		46,366	46,366
DOD NSEP IIE 0054-BYU-3-CHN-OS-280-PO8	12.550		429,173	429,173
DOD ONR Carnegie 1140207-402510	12.300		261,414	261,414
DOD ONR Duke 14-ONR-1004	12.300		169,141	169,141
DOD ONR NAVSEA eCortex 1	12.300		12,704	12,704
DOD ONR OSU N0343A-A	12.300		75,929	75,929
DOD USACE BRRC 180224F-501	12.000		90,524	90,524
Department of Defense Total		<u>1,802,008</u>	<u>2,662,349</u>	<u>4,464,357</u>
Department of Education:				
ED P220A140019	84.220A	25,256		25,256
ED P220A180023	84.220A	248,446		248,446
ED KU FY2016-128	84.324		86,026	86,026
ED Provo School District	84.000		966	966
ED UofU 10035958	84.015A		501	501
ED UofU 10050229	84.015A		52,941	52,941
ED UofU 10050288	84.015B		279,862	279,862
ED UofU 10050289	84.015A		45,954	45,954
ED UofU 10050290	84.015B		284,587	284,587
ED USBE 190042MA	84.372		57,772	57,772
Department of Education Total		<u>273,702</u>	<u>808,609</u>	<u>1,082,311</u>

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BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Agency and Pass-through Entity	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
Department of Energy:				
DOE DE-NE0000644	81.121	\$ 18,201	\$ -	\$ 18,201
DOE DE-SC0012587	81.049	149,153		149,153
DOE DE-SC0016441	81.049	107,063		107,063
DOE DE-SC0016446	81.049	133,835		133,835
DOE DE-SC0018329	81.049	76,243		76,243
DOE OFE DE-FE0029157	81.089	264,348		264,348
DOE ONE DE-NE0000644	81.121	4,605		4,605
DOE INL 223094	81.000		23,000	23,000
DOE INL Battelle 207630	81.000		287	287
DOE INL Battelle 212976	81.087		10,500	10,500
DOE LANL 510027	81.087		20,000	20,000
DOE LANL 527136	81.087		95,421	95,421
DOE LANL SHREC	81.000		33,460	33,460
DOE LBNL UC-Berkeley 7451423	81.000		362,102	362,102
DOE LLNS B629134 DE-AC52-07NA27344	81.000		77,552	77,552
DOE NNSA LLNL B621785	81.000		42,749	42,749
DOE NREL XAT-8-70357-01	81.000		94,197	94,197
DOE ONE U IDAHO UA3008-SB-855959	81.121		103,727	103,727
DOE Sandia National Labs SHREC	81.000		1,037	1,037
DOE SANDIA PO 2039945	81.000		21,864	21,864
DOE SANDIA PO 2072795	81.000		22,000	22,000
DOE SRNL 0000395264	81.000		100,346	100,346
DOE UNM 327090-87B1	81.121		51,168	51,168
DOE U of IL 013683-9483	81.089		4,327	4,327
DOE U of IL 086368-16416	81.000		5,479	5,479
DOE U of IL 086735-16427	81.000		29,829	29,829
DOE U of U 10029200-BYU	81.124		99,737	99,737
DOE UTBAT 4000167342	81.087		80,426	80,426
DOE UTBAT 4000168452	81.087		209,039	209,039
Department of Energy Total		<u>753,448</u>	<u>1,488,247</u>	<u>2,241,695</u>
Department of Health and Human Services:				
DHHS NIH 1R01AI116989-01	93.855	858,422		858,422
DHHS NIH 1R01DA035958-01A1	93.279	86,433		86,433
DHHS NIH 1R01DC016269-01A1	93.173	462,205		462,205
DHHS NIH 1R01EB006124-01	93.286	6,032		6,032
DHHS NIH 1R01EB027096-01	93.286	332,861		332,861
DHHS NIH 1R15DA038092-01A1	93.279	119,761		119,761
DHHS NIH 1R15GM100376-01	93.859	15,022		15,022
DHHS NIH 1R15GM114789-01A1	93.859	116,478		116,478
DHHS NIH 1R15GM132852-01	93.859	30,084		30,084
DHHS NIH 1R15GM132868-01	93.859	70,777		70,777
DHHS NIH 1R15GM134476-01	93.859	49,420		49,420
DHHS NIH 1R15HD095737-01A1	93.865	28,909		28,909
DHHS NIH 1R15HD098969-01	93.865	47,462		47,462
DHHS NIH 1R15NS087447-01A1	93.853	1,430		1,430
DHHS NIH 1RF1AG054052-01	93.866	909,646		909,646
DHHS NIH 1UH2AR076723-01	93.846	6,644		6,644

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BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Agency and Pass-through Entity	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
DHHS NIH 2R01DC009616-06A1	93.173	\$ 350,294	\$ -	\$ 350,294
DHHS NIH 2R01EY012287-10A2	93.867	266,132		266,132
DHHS NIH 2R15CA202618-02	93.396	208,378		208,378
DHHS NIH 2R56DC009616	93.173	(3,003)		(3,003)
DHHS NIH 3R15GM114789-01A1S1	93.859	37,259		37,259
DHHS NIH NCCIH 1F32AT009945-01A1	93.213	73,794		73,794
DHHS NIH NEI R15EY029510	93.867	47,775		47,775
DHHS NIH NIGMS 1R15GM123405-01A1	93.859	123,030		123,030
DHHS NIH R33CA225248	93.353	649,337		649,337
DHHS NIH BRI COH 60600.2004497.669305	93.397		13,397	13,397
DHHS NIH McGill 216730	93.173		50,691	50,691
DHHS NIH Montana State G124-19-W7319	93.855		46,919	46,919
DHHS NIH NIA Mt Sinai 0255-4131-4609	93.866		28,939	28,939
DHHS NIH NWU 60046279 BYU	93.868		5,072	5,072
DHHS NIH NYU 16-A0-00-006114-0	93.394		153,028	153,028
DHHS NIH PNNL 428804	93.286		7,966	7,966
DHHS NIH R41 N8 Medical	93.837		31,323	31,323
DHHS NIH Rice R22591	93.859		6,554	6,554
DHHS NIH Sanford Research SR-2018-16	93.838		12,554	12,554
DHHS NIH SBIR PM 2018-01	93.855		18,348	18,348
DHHS NIH TSRI 5-53453	93.855		86,372	86,372
DHHS NIH TSRI 5-53829	93.855		197,666	197,666
DHHS NIH U of L ULRF 18-0152	93.113		1,338	1,338
DHHS NIH UCSC A20-0105-S001	93.286		11,142	11,142
DHHS NIH UM SUBK00007138	93.866		68,450	68,450
DHHS NIH UMA 17-009425 A03	93.113		14,980	14,980
DHHS NIH UMinn H006592401	93.000		65,788	65,788
DHHS NIH U of P CNVA0061638 (131407-1)	93.838		52,297	52,297
DHHS NIH U of U 10038839-01	93.286		19,672	19,672
DHHS NIH UPenn 570551	93.866		151,121	151,121
DHHS NIH UW UWSC9087	93.273		22,059	22,059
Department of Health and Human Services Total		<u>4,894,582</u>	<u>1,065,676</u>	<u>5,960,258</u>
Department of Homeland Security: DHS HHSP233201600046C	97.000	<u>6,547</u>		<u>6,547</u>
Department of Homeland Security Total		<u>6,547</u>	<u>-</u>	<u>6,547</u>
Department of Interior:				
DOI BLM JFS L17AC00233	15.232	100,005		100,005
DOI BLM L14AC00370	15.238	11,001		11,001
DOI BLM L14AC00389	15.231	150,936		150,936
DOI BLM L18AC00042	15.246	3,730		3,730
DOI BLM L19AC00198	15.245	269		269
DOI BLM L19AC00213	15.247	3,455		3,455
DOI BLM URMCC 14FC-UT-1930	15.200	31,960		31,960
DOI BOR URMCC 17FC-UT-2170	15.000	20,371		20,371
DOI NPS P16AC01260	15.945	51,222		51,222
DOI URMCC 19FC-UT-2330	15.200	6,848		6,848

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BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Agency and Pass-through Entity	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
DOI USGS G15PC00058	15.800	\$ 6,002	\$ -	\$ 6,002
DOI USGS G17AP00053	15.807	13,500		13,500
DOI USGS G18AC00158	15.808	48,587		48,587
DOI USGS G18AC00172	15.808	48,606		48,606
DOI FWS UDWR 206012	15.611		62,043	62,043
DOI USGS USU 200227-655	15.805		444	444
Department of Interior Total		496,492	62,487	558,979
Department of Transportation:				
DOT FAA ACRP BRRP 170193F-501	20.100		36,050	36,050
DOT FHA NAS NCHRP-202	20.200		34,253	34,253
Department of Transportation Total		-	70,303	70,303
Environmental Protection Agency				
EPA Carnegie 1080358-364681	66.509		86,425	86,425
EPA UT Austin UTA16-001139	66.509		22,331	22,331
Environmental Protection Agency Total		-	108,756	108,756
National Aeronautics and Space Administration:				
NASA 80MSFC19M0047	43.009	22,000		22,000
NASA 80NSSC17K0101	43.001	165,410		165,410
NASA 80NSSC17K0145	43.012	74,456		74,456
NASA 80NSSC18K0440	43.001	118,750		118,750
NASA 80NSSC19K0057	43.001	34,422		34,422
NASA 80NSSC19K0221	43.012	107,063		107,063
NASA 80NSSC20K0155	43.001	265		265
NASA 80NSSC20K0157	43.001	238		238
NASA ARC 80NSSC18K0929	43.001	17,552		17,552
NASA FINES 80NSSC19K1369	43.001	13,603		13,603
NASA NNX14AM67G ROSES	43.001	108,045		108,045
NASA NNX15AM89G	43.001	159,772		159,772
NASA NNX15AP49H	43.012	21,695		21,695
NASA NNX15AT29G	43.001	85,213		85,213
NASA NNX16AI69A USIP SFRO	43.008	(9,089)		(9,089)
NASA NNX16AN01G ROSES	43.001	42,467		42,467
NASA NNX16AN45G ROSES	43.001	118,639		118,639
NASA NSSC 80NSSC18K0411	43.001	109,773		109,773
NASA ASU ASUB00000231	43.001		23,556	23,556
NASA JHU 2003772131	43.001		30,977	30,977
NASA JPL 1622707	43.001		78,068	78,068
NASA NIA C18-201110-BYU	43.008		131,055	131,055
NASA PSU 5601-BYU-NASA-E21G	43.001		(410)	(410)
NASA R Cubed Engineering, LLC	43.000		885	885
NASA SERVIR JHU 2003933432	43.001		49,577	49,577
NASA STScI HST-AR-14581.004-A	43.000		2,174	2,174
NASA STScI HST-GO-15460.002	43.000		21,998	21,998

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BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Agency and Pass-through Entity	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
NASA UCSC A17-0601-S001-P0666413	43.001	\$ -	\$ 49,718	\$ 49,718
NASA U of U 10037896 BYU	43.008		134,982	134,982
NASA U of U 10039555	43.001		17,421	17,421
NASA U of U 10042166	43.000		73,545	73,545
National Aeronautics and Space Administration Total		<u>1,190,274</u>	<u>613,546</u>	<u>1,803,820</u>
National Science Foundation:				
NSF 1240417	47.041	80,146		80,146
NSF 1253241	47.074	71,353		71,353
NSF 1254148	47.041	81,162		81,162
NSF 1265714	47.074	79,417		79,417
NSF 1341736	47.050	79,517		79,517
NSF 1354791	47.000	32,455		32,455
NSF 1402880	47.041	(92)		(92)
NSF 1406578	47.070	144,814		144,814
NSF 1409739	47.070	139,418		139,418
NSF 1409739 REU R0112264	47.070	8,000		8,000
NSF 1413603	47.049	3,286		3,286
NSF 1449370	47.000	20,005		20,005
NSF 1450398	47.000	22,328		22,328
NSF 1461219	47.049	3,968		3,968
NSF 1500376	47.049	51,718		51,718
NSF 1507095 REU R0112292	47.049	649		649
NSF 1521468	47.000	37,563		37,563
NSF 1528022	47.070	68,195		68,195
NSF 1528022 REU R0112296	47.070	13,555		13,555
NSF 1538550	47.041	28,382		28,382
NSF 1538550 REU R0112297	47.041	369		369
NSF 1547110	47.000	171		171
NSF 1547110 REU R0112293	47.041	(114)		(114)
NSF 1557114	47.074	26,601		26,601
NSF 1557114 REU R0112305	47.074	3,067		3,067
NSF 1561569	47.076	66,023		66,023
NSF 1561569 PSC R0112326	47.076	16,500		16,500
NSF 1562729	47.041	8,953		8,953
NSF 1564502	47.049	34,362		34,362
NSF 1603316	47.041	48,214		48,214
NSF 1606040	47.041	50,670		50,670
NSF 1607356	47.049	125,783		125,783
NSF 1610077	47.049	35,179		35,179
NSF 1610077 REU R0112317	47.049	4,362		4,362
NSF 1636645	47.049	489,970		489,970
NSF 1650547 CUAS	47.070	16,529		16,529
NSF 1650547 CUAS MIPR	47.070	177,510		177,510
NSF 1650547 CUAS Munitions	47.070	69,323		69,323
NSF 1650547 CUAS REU	47.070	44,822		44,822

(Continued)

BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Agency and Pass-through Entity	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
NSF 1650547 CUAS Sensors	47.070	\$ 158,595	\$ -	\$ 158,595
NSF 1650547 CUAS VRS	47.070	12,454		12,454
NSF 1650547 CUAS Whitby	47.070	71,339		71,339
NSF 1651832	47.070	90,541		90,541
NSF 1652950	47.070	97,453		97,453
NSF 1654559	47.075	2,790		2,790
NSF 1654700	47.049	98,292		98,292
NSF 1655981	47.074	75,104		75,104
NSF 1663345	47.041	168,537		168,537
NSF 1663345 REU R0112344	47.041	15,279		15,279
NSF 1663546	47.041	92,133		92,133
NSF 1663546 REU R0112365	47.041	5,806		5,806
NSF 1665015	47.049	165,027		165,027
NSF 1707123	47.041	61,924		61,924
NSF 1708185	47.049	134,726		134,726
NSF 1710574	47.049	75,280		75,280
NSF 1710727	47.041	67,950		67,950
NSF 1712056	47.076	89,366		89,366
NSF 1720410	47.076	239,586		239,586
NSF 1726667	47.076	33,040		33,040
NSF 1727010	47.070	134,317		134,317
NSF 1738550 RET SHREC	47.070	26		26
NSF 1738550 REU SHREC	47.070	11,913		11,913
NSF 1738550 SHREC	47.070	99,572		99,572
NSF 1738550 SHREC MIPR	47.070	129,894		129,894
NSF 1749395	47.041	63,059		63,059
NSF 1753357	47.000	48,049		48,049
NSF 1755446	47.074	47,717		47,717
NSF 1757627	47.000	12,565		12,565
NSF 1757627 REU R0112374	47.000	97,856		97,856
NSF 1757998	47.049	7,286		7,286
NSF 1757998 REU R0112383	47.049	121,574		121,574
NSF 1761280	47.079	24,408		24,408
NSF 1761505	47.041	146,052		146,052
NSF 1764194	47.049	32,246		32,246
NSF 1805805	47.041	13,434		13,434
NSF 1805805 REU R0112395	47.041	714		714
NSF 1806056	47.041	120,316		120,316
NSF 1816929	47.070	92,364		92,364
NSF 1817321	47.041	4,869		4,869
NSF 1822442 & 1852152 & 2011060	47.000	262,352		262,352
NSF 1834332	47.049	75,890		75,890
NSF 1840996	47.076	61,317		61,317
NSF 1846477	47.070	100,337		100,337
NSF 1851728	47.041	55,062		55,062

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BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Agency and Pass-through Entity	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
NSF 1851728 REU R0112396	47.041	\$ 1,348	\$ -	\$ 1,348
NSF 1856530	47.049	41,799		41,799
NSF 1901845	47.041	82,524		82,524
NSF 1902048	47.074	3,341		3,341
NSF 1904838	47.049	40,485		40,485
NSF 1910812	47.070	2,404		2,404
NSF 1912028	47.041	118,893		118,893
NSF 1912883	47.049	5,504		5,504
NSF 1915620	47.076	69,455		69,455
NSF 1916696	47.041	15,240		15,240
NSF 1926024	47.041	30,507		30,507
NSF 1926245	47.041	16,583		16,583
NSF 1926662	47.041	13,625		13,625
NSF 1937147	47.049	8,985		8,985
NSF ASU ECRA632-1-49/SUB	47.076		450	450
NSF Chief Dull Knife	47.000		9,473	9,473
NSF Col Univ 54(GG009393)	47.050		10,445	10,445
NSF Cornell 75548-10787	47.049		54,632	54,632
NSF Cornell 75548-10787 REU	47.049		5,350	5,350
NSF CU 1555099	47.070		63,892	63,892
NSF CU 1555334	47.050		96,915	96,915
NSF CUAHSI 1338606-18-11	47.050		44,313	44,313
NSF Duke 333-2356	47.075		27,217	27,217
NSF GMU E204647-1	47.076		45,975	45,975
NSF MAA 3-8-710-892	47.076		81,095	81,095
NSF Nielson Scientific	47.041		52,426	52,426
NSF NJH 20112101_BYU	47.074		45,164	45,164
NSF OSU AA-5-54654	47.074		18,907	18,907
NSF Planck Aerosystems Inc PA-STTR-002	47.000		113,333	113,333
NSF SFASU 18-016-19-006	47.076		10,714	10,714
NSF Syracuse 28250-04301-S03	47.041		560	560
NSF TEMPLE 264225-BYU	47.070		19,644	19,644
NSF TU 14-2-1206783-94802	47.041		5,101	5,101
NSF U of Mich 3004726151	47.070		23,206	23,206
NSF USU 201242-479	47.070		59,723	59,723
NSF VPISU 479716-19013	47.070		48,914	48,914
National Science Foundation Total		<u>6,153,237</u>	<u>837,449</u>	<u>6,990,686</u>

(Continued)

BRIGHAM YOUNG UNIVERSITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Agency and Pass-through Entity	CFDA Number	Direct Award	Pass-through Award	Total Expenditures
Nuclear Regulatory Commission:				
NRC 31310019M0006	77.008	\$ 19,497	\$ -	\$ 19,497
NRC NRC-HQ-84-16-G-0008	77.008	<u>38</u>	<u></u>	<u>38</u>
Nuclear Regulatory Commission Total		<u>19,535</u>	<u>-</u>	<u>19,535</u>
Veterans Administration:				
VA PO# 660-C90146	64.000	<u>12,236</u>	<u></u>	<u>12,236</u>
Veterans Administration Total		<u>12,236</u>	<u>-</u>	<u>12,236</u>
Research and Development Cluster Total		<u>15,992,749</u>	<u>7,908,446</u>	<u>23,901,195</u>
STUDENT FINANCIAL ASSISTANCE CLUSTER:				
Department of Education-Federal Direct Student Loans	84.268	36,067,070		36,067,070
Department of Education-Pell Grant Program	84.063	<u>60,033,477</u>	<u></u>	<u>60,033,477</u>
Student Financial Assistance Cluster Total		<u>96,100,547</u>	<u>-</u>	<u>96,100,547</u>
TOTAL FEDERAL EXPENDITURES		<u>\$ 112,093,296</u>	<u>\$ 7,908,446</u>	<u>\$ 120,001,742</u>

(Concluded)

BRIGHAM YOUNG UNIVERSITY

NOTES TO THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019. 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, 2019, the University authorized new loans under the Federal Direct Loan Program for a total of \$36,067,070.

4. PASS-THROUGH FUNDS

The University has subcontracted the following federal awards for the year ended December 31, 2019, as follows:

Federal Sponsor	CFDA Number	Federal Expenditures
Department of Agriculture: USDA ARS 58-5082-8-008	10.001	\$ <u>3,015</u>
Department of Defense:		
DOD ARMY ATI 2017-391	12.100	261,639
DOD ARMY USACE W9128F-17-2-0024	12.632	10,396
DOD IIE 0054-BYU-3-CHN-OS-280-P08	12.550	313,159
DOD ONR N00014-16-1-3025	12.300	115,644
DOD ARMY PEOSTRI W900KK-15-C-0028	12.100	<u>117,462</u>
Total Department of Defense		<u>818,300</u>
Department of Energy: DOE DE-SC0016441	81.049	<u>30,753</u>
Department of Health and Human Services:		
DHHS NIH 1R01AI116989-01	93.855	330,688
DHHS NIH 1R01DA035958-01A1	93.279	41,411
DHHS NIH 1R01DC016269-01A1	93.173	299,734
DHHS NIH 1RF1AG054052-01	93.866	580,357
DHHS NIH 2R01DC009616-06A1	93.173	227,929
DHHS NIH 2R56DC009616	93.173	(3,003)
DHHS NIH R33CA225248	93.353	<u>11,646</u>
Total Department of Health and Human Services		<u>1,488,762</u>
National Aeronautics and Space Administration:		
NASA NNX16AN45G ROSES	43.001	8,366
NASA NSSC 80NSSC18K0411	43.001	<u>38,984</u>
Total National Aeronautics and Space Administration		<u>47,350</u>

(Continued)

Federal Sponsor	CFDA Number	Federal Expenditures
National Science Foundation:		
NSF 1500376	47.049	\$ 6,150
NSF 1636645	47.049	193,295
NSF 1650547 CUAS Sensors	47.070	98,577
NSF 1851728	47.041	638
NSF 1912028	47.041	<u>26,622</u>
Total National Science Foundation		<u>325,282</u>
TOTAL SUBCONTRACTOR PAYMENTS		<u>\$ 2,713,462</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, 2019, 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 21, 2020.

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.

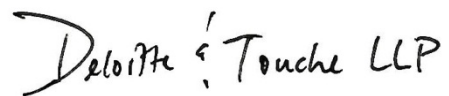
Compliance and Other Matters

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 21, 2020

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, 2019. 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, 2019.

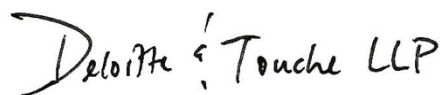
Report on Internal Control over Compliance

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 21, 2020

BRIGHAM YOUNG UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 programs were:

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster:	
Federal Direct Student Loans	84.268
Pell Grant Program	84.063
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, 2019**

None.