



UTAH SYSTEM OF  
HIGHER EDUCATION

# MEMORANDUM

March 24, 2023

## Annual Money Management Report – FY 2022

Pursuant to Utah Code 51-7-13(3)(a)(c), Utah Code 51-8-303(6), and Board policy R541, USHE institutions are required to submit reports to the Board monthly and annually detailing the deposit and investment of funds. The Board then submits an annual summary report of all investments by institution to both the governor and the Utah Legislature. This report serves as the annual summary report and meets the requirements outlined in the statute.

### Background

On both a monthly and annual basis, institutions prepare investment reports that are reviewed and approved by the institution's treasurer and internal auditor(s). The treasurer certifies the institution is in compliance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the State Money Management Act. The internal auditor(s) verifies compliance with state statutes, Board policy, institutional policy, federal regulation, strength of controls, and confirms the completeness and accuracy of the investment reports. Completed reports are submitted to the institution's board of trustees for review and approval (as delegated by the Utah Board of Higher Education) and forwarded to the Commissioner's office for review and record keeping.

Statute requires that the annual summary report to the governor and Legislature represent audited values. To meet this requirement, this report is prepared after the state auditors complete their annual financial audit of the institutions. The investment figures used in this report tie to the audited "Statement of Net Assets" found in the institution's financial statements.

The attached report demonstrates the relative size of institutional investments and the asset allocations at each school by investment category. The categories are:

- Endowment Investments - governed by UPMIFA and Board policy R541
- Foundation Investments - governed by a Foundation Board of Trustees/Directors operating under the requirements of non-profit 501(c)(3)s
- Other Investments - all funds not endowment or foundation operating under the guidelines and requirements of Utah Code 51-7, and Utah Money Management Act

## **Additional Information**

The Commissioner's staff has worked with USHE controllers to provide additional information regarding the oversight and review of the investment process to address Board questions regarding asset allocation, compliance with laws and regulations, return on assets, and risk management. The following information has been provided by the institutions describing their processes and procedures for evaluating the performance of their respective investments, the various benchmarks used in the evaluation process, and clarifying notes describing the use of outside industry professionals to assist in the management of institutional investments.

## **Oversight and Review**

The responsibility for oversight, management, and reporting of assets invested (including the management of the portfolio, selection of investment products, and investiture/divestiture decisions) has been delegated by the Board to an institution's board of trustees. To assist with this charge, the institutions have created investment committees to help with the operational responsibilities. The membership of these committees varies by campus but may include trustees, institutional officers, designated treasurers, institution employees, members of the business community, and/or investment professionals. Institutional use of outside professionals varies. In some cases, outside professionals (i.e., Commonfund, Wells Fargo, LCG Associates, Albourne America, and Strata Financial Services) are hired to manage pieces of investment portfolios. In other cases, individuals who are recognized as investment professionals may sit on the investment committees.

Investment committees are asked to evaluate the respective investments relative to returns, risk mitigation, institutional needs, reasonableness, effectiveness, overall position, prudence, and management cost while maintaining compliance with statutes, policies, authorities, and regulations.

Reports of the positions, instruments, and balances are produced monthly and quarterly by the designated treasurer, approved by committees, and presented to the institutional president and board of trustees for review and approval.

## **Performance Measurement**

Institutions use industry-standard benchmarks to measure the return on their investments, allocation of assets, and risk level. The benchmark tools may include S&P 500, Russell 3000, Morgan Stanley (MSCI) for equity funds, UBS index, Barclays Capital Index, London Interbank Offered Rate (LIBOR), and peer group comparisons. Several institutions participate in a national survey by NACUBO – Commonfund Study of Endowments (including all major U.S. colleges and universities). The results of this annual study are a key indicator of how their investment practices and results compare to other major universities. The NACUBO study also provides insights into current investment trends and ways to improve overall results.

Utah Tech University places most of its investments with the University of Utah to benefit from the University of Utah's investment strategies and staff professionals.

## **Foundations**

Foundations have a board and committee that oversee and direct the investments of each foundation. The foundations are subject to federal regulations. In the case of Utah Tech University, the foundation is a separate entity from the institution, and Utah Tehc University does not maintain any institutional investments within its foundation.

Utah State University's foundation is a part of the university or "dependent foundation," which is dedicated to maximizing support from private donations. As such, foundation funds are invested as part of the university endowment according to current university guidelines, oversight protocols, performance evaluation standards, and according to the same investment policies as all other university funds.

## **Note**

Davis Technical College dropped from \$13,429,609 in FY21 to \$12,262,939 in FY23. Their cash balance declined during FY22 as the college completed significant space renovation projects in their main building to repurpose areas that were vacated when their Allied Health Building was completed. The renovation included classroom space for information technology, cybersecurity, and software development, as well as student services, the Veteran's Support Center, and financial aid offices

Dixie Technical College dropped from \$1,653,351 in FY21 to \$1,074,749. They spent \$308,000 expanding and upgrading labs for apprenticeship programs and biotechnology. They also paid \$218,000 to reduce current liabilities.

## **Commissioner's Recommendation**

This is an information item only; no action is required

## **Attachment**