



Prepared in accordance with the requirements of §63N-6-301 (6) of the Utah Venture Capital Enhancement Act

PORTFOLIO PERFORMANCE

- 3.7 %** **net internal rate of return** including financing and administrative costs since fund inception
- 2.9 %** **net internal rate of return** including financing and administrative costs for the reporting period
- \$171.8 m** **investment distributions** since fund inception
- \$57.3 m** **net asset value** of Utah Capital portfolio funds

– as of and for the year ended
December 31, 2019 –

ECONOMIC DEVELOPMENT

78

Utah companies received investment capital from Utah Capital portfolio funds since fund inception (50 companies no longer owned by Utah Capital fund managers)

8,538

New Utah jobs added by Utah companies that received investments from the fund since fund inception (1,021 jobs were reported as part-time jobs)

Our Mission

Attracting Venture Capital & Private Equity to Utah

- \$0 cost to Utah
- \$18 million (of \$122 million fund) invested into Utah
- \$25 million *introduced* into Utah companies
- 78 Utah-based companies funded



Bret Jepsen
Managing Director



Richard Pugmire
Principal *



Emma Peterson
Office Manager

* Richard Pugmire / Mercer assists with due diligence, back office functions (accounting, capital calls & distributions, portfolio monitoring, reporting)



TA ASSOCIATES



Accel



ANDREESSEN
HOROWITZ



polarispartners

SOFINNOVA
INVESTMENTS



HGGC

BIOUTAH
UTAH'S INDEPENDENT LIFE SCIENCE ASSOCIATION

Utah Capital is uniquely positioned to help "build a significant, permanent source of capital available for businesses in the state" (S63N-6-203). Images above capture technology and life science events over the last five years.

CAPITAL INTRODUCTIONS



From the introductions Utah Capital has made since the inception of the 2015 post-performance legislation, **\$25 m** has been invested as of December 31, 2019 and reviewed by auditors. That's in addition to the \$18 m invested by the fund.

REFINANCE

The Utah Capital boards determined to refinance the debt in November of 2015 and Management prepared for both equity and debt offerings. After several months of debt and equity refinancing discussions with dozens of potential investors, Utah Capital's existing investors Zions and Morgan Stanley proposed an attractive, equity-like debt refinance that swept excess cash, eliminated required principal payments and fixed interest near 20-year historical low rates. The Utah Capital boards decided to retain the unrealized gains in the portfolio and refinance with debt on October 24, 2016. The portfolio had **\$17 m of debt (vs \$57 m net asset value)** at December 31, 2019. As of September 1, 2020, the portfolio is **debt-free**.

FINANCING COSTS

- ▶ **\$1.2 m** for the full year



The portfolio continues to provide regular distributions. On October 24, 2016, Utah Capital completed a more favorable debt structure that removed required principal payments as the portfolio continues to be harvested. No tax credits will be used in connection with future investments.

ADMINISTRATIVE COSTS

- ▶ **\$854 k** for the year ended December 31, 2019:
 - ▶ **\$410 k** in total compensation
 - ▶ **\$300 k** investment allocation manager
 - ▶ **\$141 k** other (economic development, office, legal, audit)
 - ▶ **\$6 k** business travel expense

Sources: Utah Capital analysis, Mercer (fund allocation manager) analysis. Job figures are received directly from Utah Capital portfolio funds.

Community Event: a Utah-based event focused on entrepreneurship and/or improving small business access to investment capital.

Consulting Sessions: meetings between Utah Capital staff and a Utah company seeking investment capital. These may include multiple meetings with the same company and are counted as separate sessions.

Events: meetings typically outside of Utah or with investors less familiar with Utah companies or Utah Capital strategy. These may include multiple meetings with the same company and are counted as separate sessions.

Financing Costs: interest, dividends, and fees.

Investment Commitment: commitment by Utah Capital to invest in a portfolio fund.

Investment Distributions: cash returns from Utah Capital portfolio funds.

Net Asset Value: unrealized value of Utah Capital portfolio funds.

Net Internal Rate of Return: the annualized rate of return calculated using dates of cash outflows (investments, operating costs), cash inflows (investment distributions), and net asset value.

New Utah Jobs: number of Utah employees at a company that has received investment capital from a Utah Capital portfolio fund less number of employees at time of original investment by a Utah Capital portfolio fund. Once fund managers have sold their position in the company, Utah Capital does not track job growth after the year of realization. With investments where fund managers continue to hold positions in the company, job growth is updated on an annual basis. Beginning in the 2014 reporting period, Utah Capital compares its portfolio companies to the companies GOED provides incentives to. In conjunction with GOED's EDTIF program, the legislature created Utah Capital to help companies secure investment they need to start, grow, and contribute to the state's economy. EDTIF may have supplied post-performance incentives or other funds to some of the same Utah Capital companies invested in previously, provided that each company made separate EDTIF application and met separate criteria.

Utah Capital Portfolio Fund: any fund receiving an investment commitment from Utah Capital.

Utah Company: any company headquartered in or with substantial operations in Utah.

Scott Kupor of Andreessen Horowitz visited Utah Capital's office on December 6, 2018. Although several investment professionals were present, no offering of securities occurred. Andreessen Horowitz has become one of the venture capital industry's top firms.

BioUtah's "Closing the Life Science Funding Gap in Utah" was a gathering of industry professionals on August 31, 2018 focused on solutions for the mismatch between life science talent and investment dollars in Utah.



Note: Examples may or may not be specific to current Utah Capital fund



Financial Statements
December 31, 2019 and 2018

Utah Capital Investment Corporation

Utah Capital Investment Corporation

Table of Contents

December 31, 2019 and 2018

Independent Auditor’s Report 1

Financial Statements

 Statements of Financial Position..... 3

 Statements of Activities and Changes in Net Assets..... 4

 Statements of Cash Flows 5

 Notes to Financial Statements 6

Independent Auditor’s 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* 11



Independent Auditor's Report

The Board of Directors
Utah Capital Investment Corporation
Cottonwood Heights, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Utah Capital Investment Corporation, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, 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.

Auditor's 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 audits 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Capital Investment Corporation as of December 31, 2019 and 2018 and the results of its operations, its changes in 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2020, on our consideration of Utah Capital Investment Corporation'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 results of that testing and not to provide an opinion on the effectiveness of Utah Capital Investment Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Utah Capital Investment Corporation's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Salt Lake City, Utah
August 17, 2020

Utah Capital Investment Corporation
 Statements of Financial Position
 December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash	\$ 43,086	\$ 30,052
Receivable from Utah Fund of Funds, LLC	213,630	234,869
Other receivable	-	252
Prepaid expenses	7,921	4,029
	\$ 264,637	\$ 269,202
Liabilities		
Current Liabilities		
Accounts payable	\$ 257	\$ 4,822
Net Assets		
Without donor restrictions	264,380	264,380
	\$ 264,637	\$ 269,202

Utah Capital Investment Corporation
 Statements of Activities and Changes in Net Assets
 Years Ended December 31, 2019 and 2018

	2019	2018
Revenues		
Management fee revenue	\$ 497,305	\$ 480,071
Miscellaneous income	737	-
Total revenues	498,042	480,071
Expenses		
Management and general	498,042	480,071
Total expenses	498,042	480,071
Change in Net Assets	-	-
Net Assets, Beginning of Year	264,380	264,380
Net Assets, End of Year	\$ 264,380	\$ 264,380

Utah Capital Investment Corporation

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ -	\$ -
Change in operating assets and liabilities		
Receivable from Utah Fund of Funds, LLC	21,239	40,041
Other receivable	252	11,052
Prepaid expenses	(3,892)	(399)
Checks written in excess of cash	-	(4,126)
Accounts payable	(4,565)	(16,516)
	13,034	30,052
Net Cash from Operating Activities	13,034	30,052
Net Change in Cash	13,034	30,052
Cash, Beginning of Year	30,052	-
Cash, End of Year	\$ 43,086	\$ 30,052

Note 1 - Principal Activity and Significant Accounting Policies

Utah Capital Investment Corporation (the Corporation) is a nonprofit organization incorporated under the laws of the State of Utah on January 29, 2004. The Corporation's only activity is to act as the Managing Member of the Utah Fund of Funds, LLC (the Fund). The Fund is a \$122 million State of Utah economic development program aimed at providing access to alternative or non-traditional capital by Utah entrepreneurs.

Basis of Presentation

The accounting policies of the Corporation conform to accounting principles generally accepted in the United States of America (GAAP). The following policies are considered to be significant.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

As of December 31, 2019 and 2018, the Corporation has no net assets with donor restrictions.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material.

Revenue Recognition

Revenue is collected as a management fee from the Fund based on expenses incurred by the Corporation. For the years ended December 31, 2019 and 2018, management fee revenue earned was \$497,305 and \$480,071, respectively.

Advertising and Promotion

Advertising costs are expensed in the year incurred. No advertising costs were incurred for the years ended December 31, 2019 and 2018.

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the Corporation has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. The Corporation is annually required to file a Return of Organization Exempt from Income Tax (990) with the IRS and also files an Exempt Organization Business Income Tax Return (Form 990-T). There was no material unrelated business income tax for the years ended December 31, 2019 and 2018.

Concentrations of Credit Risk

The Corporation’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash deposits.

The Corporation maintains its cash deposits at financial institutions. At times such deposits may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Corporation received all of its management fee revenue from the Fund. Decreases in management fee revenue from the Fund could have an adverse effect on the Corporation.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2018:

Cash	\$ 43,086
Receivable from Utah Fund of Funds, LLC	<u>213,630</u>
	<u>\$ 256,716</u>

Note 3 - Related Party Transactions

The Corporation has an agreement with the Fund to provide management services. Under the agreement, the Corporation may charge the Fund for reasonable expenses incurred in promoting the Fund. For the years ended December 31, 2019 and 2018, management fee revenue from the Fund was \$497,305 and \$480,071, respectively. As of December 31, 2019 and 2018, the Corporation had a receivable from the Fund totaling \$213,630 and \$234,869, respectively.

Note 4 - Operating Lease

The Corporation leases its office space under an operating lease. The original lease agreement commenced on May 1, 2017 and terminates on May 31, 2020. The lease was renewed upon termination and is now effective through May 31, 2023. Payments are \$3,739 per month. The future minimum lease payments for the years ending December 31, are as follows:

<u>December 31,</u>		
2020	\$	<u>18,693</u>
	\$	<u><u>18,693</u></u>

Total lease expense associated with this lease was \$31,017 and \$26,068 for the years ended December 31, 2019 and 2018, respectively. The Corporation subleased a portion of its office space to various entities throughout the year, which reduced lease expense.

Note 5 - Commitments and Contingencies

In the normal course of business, the Corporation can become party to various claims, actions, and complaints. There are currently no claims, actions or complaints outstanding.

The Fund renegotiated the terms of the debt of which the Corporation is the guarantor of debt and a line of credit in October 2016, issued to the Fund. The debt is secured by the investments of the Fund. As of December 31, 2019 and 2018, the total amount of outstanding debt was \$17,000,000 and \$38,000,000, respectively.

Note 6 - Functionalized Expenses

The following schedule presents the natural classification of expenses by function for the year ended December 31, 2019:

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ -	\$ 409,662	\$ 409,662
Rent	-	31,017	31,017
Insurance	-	18,275	18,275
Office expenses	-	14,091	14,091
Contract services	-	2,515	2,515
Taxes	-	15,286	15,286
Travel	-	5,696	5,696
Marketing	-	1,500	1,500
Total expenses included in the expense section on the statement of activities and changes in net assets	<u>\$ -</u>	<u>\$ 498,042</u>	<u>\$ 498,042</u>

Utah Capital Investment Corporation

Notes to Financial Statements

December 31, 2019 and 2018

The following schedule presents expenses by function as of December 31, 2019:

Program expenses	\$ <u> -</u>
Total program expenses	<u> -</u>
Management and general	<u> 498,042</u>
Total functionalized expenses	<u><u> \$ 498,042</u></u>

The following schedule presents the natural classification of expenses by function for the year ended December 31, 2018:

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ -	\$ 394,069	\$ 394,069
Rent	-	26,068	26,068
Insurance	-	26,058	26,058
Office expenses	-	13,626	13,626
Contract services	-	9,170	9,170
Taxes	-	7,619	7,619
Travel	-	2,031	2,031
Marketing	-	1,430	1,430
	<u> -</u>	<u> 480,071</u>	<u> 480,071</u>
Total expenses included in the expense section on the statement of activities and changes in net assets	<u><u> \$ -</u></u>	<u><u> \$ 480,071</u></u>	<u><u> \$ 480,071</u></u>

The following schedule presents expenses by function as of December 31, 2018:

Program expenses	\$ <u> -</u>
Total program expenses	<u> -</u>
Management and general	<u> 480,071</u>
Total functionalized expenses	<u><u> \$ 480,071</u></u>

Note 7 - Subsequent Events

Subsequent to year-end, the United States and the global economy were impacted by the world-wide coronavirus pandemic. There have also been resulting significant declines in the stock market. The Corporation is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Corporation's financial position is not known.

The Corporation has evaluated subsequent events through August 17, 2020, the date which the financial statements were available to be issued.



**Independent Auditor’s 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***

The Board of Directors
Utah Capital Investment Corporation
Cottonwood Heights, Utah

We have audited, 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, the financial statements of the Utah Capital Investment Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, and cash flows and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation’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 Corporation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation’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 Corporation’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 cursive script that reads "Eide Sully LLP".

Salt Lake City, Utah
August 17, 2020



Financial Statements
December 31, 2019 and 2018
Utah Fund of Funds, LLC

Independent Auditor’s Report	1
Financial Statements	
Balance Sheets	3
Schedules of Investments	4
Statements of Operations.....	6
Statements of Members’ Equity	7
Statements of Cash Flows.....	8
Notes to Financial Statements	9
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15



Independent Auditor's Report

The Board of Directors
Utah Fund of Funds, LLC
Cottonwood Heights, Utah

Report on the Financial Statements

We have audited the accompanying financial statements, including the schedules of investments, of Utah Fund of Funds, LLC which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, members' equity, 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.

Auditor's 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 audits 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In accordance with the Utah Venture Capital Enhancement Act of 2003 and in order to adhere to partnership agreements and maintain investing relationships with premier venture capital and private equity managers, these financial statements do not disclose the cost basis of individual investments. In our opinion, accounting principles generally accepted in the United States of America require that the cost basis of individual investments exceeding 5% of the investment portfolio on the schedules of investments be disclosed.

However, in conjunction with our audit of the Utah Fund of Funds, LLC, we have audited the associated individual investment costs that would be disclosed in the schedules of investments presented in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of not disclosing the cost basis of investments on the schedules of investments as explained in the *Basis for Qualified Opinion* paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Utah Fund of Funds, LLC as of December 31, 2019 and 2018, and the results of its operations, its changes in members' equity, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 17, 2020 on our consideration of Utah Fund of Funds, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the effectiveness of Utah Fund of Funds, LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Utah Fund of Funds, LLC's internal control over financial reporting and compliance.



Salt Lake City, Utah
August 17, 2020

Utah Fund of Funds, LLC
Balance Sheets
December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 683,052	\$ 496,134
Total current assets	683,052	496,134
Investments at Fair Value (Cost - \$16,855,056 and \$20,128,905)	57,296,640	76,535,194
	\$ 57,979,692	\$ 77,031,328
Liabilities		
Current Liabilities		
Payable to UCIC	\$ 213,630	\$ 234,869
Accrued expenses	85,384	50,377
Total current liabilities	299,014	285,246
Notes Payable	17,000,000	38,000,000
Total liabilities	17,299,014	38,285,246
Members' Equity	40,680,678	38,746,082
	\$ 57,979,692	\$ 77,031,328

Utah Fund of Funds, LLC
Schedule of Investments
December 31, 2019

	Percentage of Investment Portfolio	Interest Held	Fair Value
UV Partners IV	36.96%	7.95%	\$ 21,175,738
West Rim Capital Associates II	8.60%	1.90%	4,927,068
TA XI	8.09%	0.16%	4,636,185
New Enterprise Associates	6.36%	0.14%	3,644,760
	60.01%		34,383,751
Total investments in other funds	39.99%		22,912,889
Total investments	100.00%		\$ 57,296,640

(Note: Investments in the schedule are shown as a percentage of total investments of \$57,296,640 and only separately disclose individual investments that represent more than 5% of total assets.)

Utah Fund of Funds, LLC
Schedule of Investments
December 31, 2018

	Investment Portfolio	Interest Held	Fair Value
UV Partners IV	19.51%	6.16%	\$ 14,934,960
Hummer Winblad Venture Partners VI	8.61%	2.08%	6,592,210
TA XI	7.51%	5.00%	5,744,796
West Rim Capital Associates II	7.16%	0.71%	5,481,582
Fenway Partners	6.60%	0.01%	5,051,517
New Enterprise Associates	5.95%	0.15%	4,556,529
Cross Creek	5.13%	5.51%	3,928,957
	<u>60.48%</u>		<u>46,290,551</u>
Total investments in other funds	<u>39.52%</u>		<u>30,244,643</u>
Total investments	<u><u>100.00%</u></u>		<u><u>\$ 76,535,194</u></u>

(Note: Investments in the schedule are shown as a percentage of total investments of \$76,535,194 and only separately disclose individual investments that represent more than 5% of total assets.)

Utah Fund of Funds, LLC
 Statements of Operations
 Years Ended December 31, 2019 and 2018

	2019	2018
Expenses		
Management fees	\$ 497,305	\$ 480,071
Professional fees	359,172	388,001
Loan fees	34,472	34,472
Interest expense	1,179,414	2,089,086
Total expenses	2,070,363	2,991,630
Realized and Unrealized Gain on Investments		
Realized gain on investments	19,975,942	18,092,846
Net change in unrealized appreciation on investments	(15,970,983)	(2,066,179)
Total realized and unrealized gain on investments	4,004,959	16,026,667
Net Income	\$ 1,934,596	\$ 13,035,037

Utah Fund of Funds, LLC
Statements of Members' Equity
Years Ended December 31, 2019 and 2018

	<u>Members' Equity</u>
Balance as of December 31, 2017	\$ 25,711,045
Net income	<u>13,035,037</u>
Balance as of December 31, 2018	38,746,082
Net income	<u>1,934,596</u>
Balance as of December 31, 2019	<u><u>\$ 40,680,678</u></u>

Utah Fund of Funds, LLC
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Operating Activities		
Net Income	\$ 1,934,596	\$ 13,035,037
Adjustments to reconcile net income to net cash used for operating activities		
Realized gain on investments	(19,975,942)	(18,092,846)
Net change in unrealized appreciation from investments	15,970,983	2,066,179
Changes in operating assets and liabilities		
Payable to UCIC	(21,239)	(40,041)
Other assets	-	81,974
Accrued expenses	35,007	27,159
	(2,056,595)	(2,922,538)
Net Cash used for Operating Activities		
Investing Activities		
Purchase of investments	(255,971)	(722,526)
Cash distributions from investments	23,499,484	26,018,967
	23,243,513	25,296,441
Net Cash from Investing Activities		
Financing Activities		
Principal payments on notes payable	(21,000,000)	(23,000,000)
	186,918	(626,097)
Net Change in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning of Year	496,134	1,122,231
	\$ 683,052	\$ 496,134
Cash and Cash Equivalents, End of Year		
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 1,179,414	\$ 2,089,086

Note 1 - Basis of Presentation and Summary of Significant Accounting Policies

Utah Fund of Funds, LLC (the Fund) is a limited liability company organized under the laws of the State of Utah. The Fund commenced operations on March 16, 2006. The Fund is scheduled to terminate only on the occurrence of an “Event of Dissolution” as specified in the Amended and Restated Limited Liability Company Agreement (the Agreement).

The Fund is a \$122 million State of Utah economic development program aimed at providing access to alternative or non-traditional capital by Utah entrepreneurs. The Fund does not invest money directly into any company but rather invests in venture capital and private equity funds that commit to establishing a working relationship with the Fund and with Utah’s start-up and business community. The Fund invests in venture capital and private equity funds located in and outside of Utah. As of December 31, 2019, the Fund’s portfolio of funds had 26 investments.

The Managing Member of the Fund is Utah Capital Investment Corporation (a Utah quasi-public nonprofit corporation) (the Managing Member, or UCIC). The Managing Member was created upon the enactment of the Utah Venture Capital Enhancement Act of 2003 to establish and provide management services to the Fund.

The accounting policies of the Fund conform to accounting principles generally accepted in the United States of America (GAAP). The following policies are considered to be significant.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material.

Concentrations of Credit Risk

The Fund’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash deposits.

The Fund maintains its cash deposits at financial institutions. At times such deposits may exceed federally insured limits. The Fund has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with original maturities of three months or less.

Gains or Losses on Investments

Unrealized gains and losses on investments reflect the difference between fair value and cost basis.

Realized gains and losses on investments are recognized in the period of disposal or exchange and are measured by the difference between the proceeds of the sale or the fair value at the date of distribution and the cost basis of the investment.

Allocation of Profits and Losses

The Agreement provides for profits and losses to be allocated by the Managing Member after financial obligations are met.

Income Taxes

As a limited liability company, the Fund's taxable income or loss is allocated to members in accordance with their respective percentage ownership. Therefore, no provision for income taxes has been included in the financial statements.

The Fund evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2019 and 2018, the unrecognized tax benefits accrual was zero. The Fund will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Note 2 - Related Party Transactions

Under the Agreement, the Fund pays UCIC, the Managing Member, management fees for reasonable expenses incurred in providing management services to the Fund. For the years ended December 31, 2019 and 2018, management fee expense to the Managing Member totaled \$497,305 and \$480,071, respectively. As of December 31, 2019 and 2018, the Fund had a payable due to UCIC totaling \$213,630 and \$234,869, respectively.

Note 3 - Fair Value Measurements

The Fund uses a fair value hierarchy that prioritizes inputs used to measure fair value into three broad levels. The Fund's investments are measured at fair value using the following fair value hierarchy levels:

- Level 1- Quoted prices in active markets for identical assets or liabilities.
- Level 2- Inputs that are both significant to the fair value measurement and observable, including net asset value per share (or equivalent) for certain investment funds.
- Level 3- Inputs that are both significant to the fair value measurement and unobservable, including inputs that are not derived from market data or cannot be corroborated by market data.

The Fund's invests in private investment funds. The classification level within the fair value hierarchy for investments in investment funds is determined by the Fund's ability to redeem the investment with the investee at net asset value (NAV) per share or its equivalent member units or interest in partners' capital at the measurement date. For Level 3 classification, the Fund determined that the investments in investment funds cannot be redeemed at December 31, 2019 and 2018, but may be redeemed at a future date because of a lock-up period.

The Fund, as a practical expedient, measures the fair value of its investment in private investment funds using the net asset value of the respective private investment funds. Classification within the fair value hierarchy is measured by the Fund's ability to redeem its investment with the private investment funds at the net asset value at December 31, 2019 and 2018.

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2019:

	Level 1	Level 2	Level 3
Investments	\$ -	\$ -	\$ 57,296,640

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2018:

	Level 1	Level 2	Level 3
Investments	\$ -	\$ -	\$ 76,535,194

The following table includes a roll-forward of the amounts for the years ended December 31, 2019 and 2018, for investments classified within Level 3. The classification of an investment within Level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.

Balance at December 31, 2017	\$ 85,804,968
Purchases	722,526
Distributions	(26,018,967)
Gains	
Realized	18,092,846
Unrealized	(2,066,179)
Balance at December 31, 2018	76,535,194
Purchases	255,971
Distributions	(23,499,484)
Gains	
Realized	19,975,942
Unrealized	(15,970,983)
Balance at December 31, 2019	\$ 57,296,640

All net realized and unrealized gains in the table above are reflected in the accompanying statements of operations. The fair values assigned to the investments where no market quotation exists are based upon available information and may not necessarily represent the amount that ultimately will be realized. Such estimated amounts depend on future circumstances. These estimated amounts will not be realized until the individual investments are liquidated.

Note 4 - Notes Payable and Line of Credit

The Fund is a \$122 million fund created by the Utah State Legislature in 2003 designed to invest in a variety of venture capital and private equity partnerships that benefit Utah. The investment capital was secured by the investments of the Fund and contingent tax credits from the State of Utah. To finance operations, the Fund obtained a loan in 2006. The original 2006 loan was refinanced in 2012 and again in 2016. The 2016 financing resulted in three new loans (Term Loan A, Term Loan B, and a revolving line of credit) on October 24, 2016. Term Loan A provided \$78 million and Term Loan B provided \$15 million, both with fixed interest rates of 4.22% and maturity dates of June 15, 2021. Although the full principal payment is due upon maturity, the Fund has been making principal and interest payments on Term Loan A. As of December 31, 2019 and 2018, the total balance of Term Loan A was \$17,000,000 and \$38,000,000, respectively. Term Loan B was fully retired in 2017. Under the terms of these loans, the Fund is required to meet the requirements of certain financial covenants. The revolving line of credit would only be used if needed and allows for draws of up to \$10,000,000 with a maturity date of June 15, 2021. The interest rate is variable and is based on 90-day LIBOR plus 2.95%. As of December 31, 2019 and 2018, the balance of the line of credit was \$0.

The Fund was created as a result of the Utah Venture Capital Enhancement Act of 2003 (UVCEA) as codified in *Utah Code Annotated* Sections 63N-6-101 *et seq.* (formerly codified in *Utah Code Annotated* Sections 63M-1-1201 *et seq.*) as amended, modified and replaced and including any successor statute promulgated in replacement thereof. Consistent with the UVCEA, the Utah Capital Investment Board, in consultation with the State Tax Commission, issued certificates and related contingent tax credits to be used as collateral on loans issued for the debt-based financing of investments in the Fund in 2006. The Fund’s debt was refinanced in October 2016.

Note 5 - Financial Highlights

The following financial highlights are being presented in accordance with the provisions of ASC 946, *Financial Services – Investment Companies*, which provides guidance on reporting for investment companies.

These financial highlights may not be indicative of the future performance of the Fund.

	2019	2018
Net internal rate of return	2.87%	17.68%

Net internal rate of return is a measure of the Fund’s investment performance that is equal to the internal rate of return after operating costs and carried interest have been accounted for.

	2019	2018
Operating expense ratio	5.00%	9.00%

ASC 946 requires that investment companies calculate the operating expense ratio as a percentage of average members' equity (deficit). Operating costs are inclusive of management fees, professional fees, other expenses, and interest expense. Unlike traditional investment companies, which are financed largely by equity, the Fund is financed wholly by debt facilities. The result has been a negative members' equity balance that has become positive with investment performance increases. Consequently, while investment performance has increased (and negative equity balances decrease) the Fund's operating expense ratio has decreased.

Operating expenses are comprised of interest expense, loan fees, management fees paid to UCIC, professional fees and other expenses. Interest expense and loan fees include interest and other fees paid to lenders to the Fund. Management fees paid to UCIC include UCIC staff salaries and benefits, costs to manage the investment portfolio, and costs related to driving Utah economic development. Professional fees include compensation paid to the Fund allocation manager required by legislation, and legal and accounting fees. Other expenses include taxes, bank account fees, and software.

	2019	2018
Net investment income/(loss) ratio	5.00%	9.00%

ASC 946 requires that investment companies calculate the net investment income ratio defined as net investment income divided by average members' equity (deficit). Unlike traditional investment companies who are financed largely by equity, Utah Fund of Funds, LLC is financed wholly by debt facilities. Consequently, the Fund's investment income is equal to its operating expense. Net investment income does not include realized or unrealized gains (losses) from portfolio fund investments.

Note 6 - Commitments and Contingencies

In the normal course of business, the Fund can become party to various claims, actions, and complaints. There are currently no claims, actions or complaints outstanding.

As of December 31, 2019, the Fund has uncalled capital commitments of \$4,734,072. These capital calls are determined by the underlying fund managers and can be made at any time.

Note 7 - Subsequent Events

Subsequent to year-end, the United States and the global economy were impacted by the world-wide coronavirus pandemic. There have also been resulting significant declines in the stock market. The Fund and their fund managers are closely monitoring the investment portfolio and actively working to minimize the potential negative impact. The financial statements do not include adjustments to fair value as the full impact remains unknown. The Fund is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Fund's financial position is not known.

The Fund has evaluated subsequent events through August 17, 2020, the date which the financial statements were available to be issued.



Independent Auditor’s 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*

The Board of Directors
Utah Fund of Funds, LLC
Cottonwood Heights, Utah

We have audited, 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, the financial statements of the Utah Fund of Funds LLC (the Fund), which comprise the balance sheet, and schedule of investments as of December 31, 2019, and the related statements of operations, members’ equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund’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 Fund’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund’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 Fund’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.

Eide Bailly LLP

Salt Lake City, Utah
August 17, 2020