

Financial Statements  
December 31, 2023

# Utah Capital Investment Corporation

# Utah Capital Investment Corporation

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December 31, 2023

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# Utah Capital Investment Corporation

## 2023 Annual Update

### Program Description

The Utah Fund of Funds (“UFOF” or the “Program”) was created as part of the Utah Venture Capital Enhancement Act (the “Act”), which was passed by the Utah State Legislature (“Legislature”) in its 2003 General Session.

UFOF, managed by the Utah Capital Investment Corporation (“Utah Capital”), has operated from 2004 to present, pursuing the Legislature’s goals outlined in the Act, including investing in a variety of venture capital and private equity partnerships and having a direct economic impact for the State of Utah while focusing on rate of return.

Utah Capital utilized contingent tax credits from the State as collateral to obtain debt financing to make investments. Throughout its history, Utah Capital has been self-funded from debt financing and investment returns and paid all outstanding debt financing in 2020 with no expenditures from the State.

Through 2023, Utah Capital has distributed \$45 million to the State.

In 2022, the Utah State Legislature passed SB 218 directing Utah Capital to manage the realization of investments in the Program and distribute proceeds to the Utah Capital Investment Restricted Account, managed by the State Treasurer.

The tables below detail the Program’s financial and economic performance through year-end 2023.

### Overall Performance

As of December 31, 2023 (\$ in millions)

	Contributions	Distributions	Net Asset Value	Total Value	Net Gain	Net Multiple <sup>1</sup>	Net IRR <sup>1</sup>
Portfolio Performance	\$138.6	\$270.7	\$26.0	\$296.7	\$158.1	2.14x	12.9%
Performance After Admin Costs	\$157.6	\$270.7	\$26.0	\$296.7	\$139.1	1.88x	10.9%
Performance After Admin and Financing Costs <sup>2</sup>	\$212.7	\$270.7	\$26.0	\$296.7	\$84.0	1.39x	5.9%

Source: General Partner and Utah Capital Investment Corporation provided information. The portfolio consists of 33 funds and \$133.9 million of commitments.

<sup>1</sup> Performance is reported since inception.

<sup>2</sup> Contribution amount includes financing costs, which are defined as paid commitment fees, initiation fees and paid interest on financing.

### Utah Economic Impact

#### Summary Statistics (As of December 31, 2023)

Number of Utah-based Companies Receiving Investments	100
Invested capital in Utah-based companies by Portfolio Funds	\$1,124.2 million
Invested capital in Utah-based companies directly by Utah Capital	\$19.9 million

Source: General Partner provided information. Note: Utah-based companies include any company headquartered in or with substantial operations in Utah.

#### DISCLAIMER:

**This presentation relies on information provided by third parties, including UCIC’s General Partners. The analysis included herein is dependent on such information being complete and accurate in all material respects. Nothing herein is intended to serve as investment advice, a recommendation of any particular investment or type of investment, a suggestion of merits of purchasing or selling securities, or an invitation or inducement to engage in investment activity.**



OFFICE OF THE  
**STATE AUDITOR**

# Independent Auditor's Report

To the Board of Directors  
and  
Marlo Oaks, Board Chair, State Treasurer  
Utah Capital Investment Corporation

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of the Utah Capital Investment Corporation (UCIC) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise UCIC's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of UCIC, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UCIC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Substantive Doubt About the Entity's Ability to Continue as a Going Concern

As discussed in Note 2, during the 2022 General Session the Utah State Legislature changed the laws governing UCIC and the Utah Fund of Funds (UFOF) and required it to wind up their affairs and disburse the proceeds of the investments to the State of Utah at a time that is in the best interest of the State. At present, the end date of UCIC and UFOF is not yet determined. Our opinion is not modified with respect to this matter.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UCIC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 UCIC's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UCIC's ability to continue as a going concern

for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise UCIC's basic financial statements. The Statement of Cash Flows and Schedule of Expenditures are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Cash Flows and the Schedule of Expenditures are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Information**

Management is responsible for the other information included in the annual report. The other information is comprised of the 2023 Annual Update but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance

thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2024 on our consideration of UCIC'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 solely 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 UCIC'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 UCIC's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Office of the State Auditor".

Office of the State Auditor  
Salt Lake City, Utah  
August 29, 2024

## Introduction

Management's Discussion and Analysis (MD&A) of Utah Capital Investment Corporation provides a comprehensive overview of the financial position at December 31, 2023 and its changes in financial position for the year then ended with fiscal year 2022 data presented for comparative purposes. The intent of this discussion and analysis is to promote a greater understanding of the Fund's financial activities and position. Management has prepared the basic financial statements and related footnote disclosures along with this MD&A in accordance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB). This MD&A should be read in conjunction with the accompanying financial statements and footnotes.

## About Utah Capital Investment Corporation and Utah Fund of Funds, LLC

Utah Capital Investment Corporation's financial statements include the financial activity of both Utah Capital Investment Corporation and its blended component unit, Utah Fund of Funds, LLC (collectively, "the Fund"). Utah Capital Investment Corporation and its blended component unit are a component of the State of Utah.

The Fund is a 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 located in and outside of Utah.

## Financial Highlights

It was determined by the Utah Legislature that the Fund and its investments be dissolved, with proceeds to be transferred to the State of Utah. In connection with this decision, the Fund may not invest money after May 4, 2022, unless Utah Fund of Funds, LLC committed to the investment prior to May 4, 2022.

Realized income on investments in 2023 was \$1.9 million as compared to \$4.0 million in 2022 due to fewer sales of investments. Unrealized losses on investments were \$4.8 million in 2023 as compared to \$14.2 million in 2022 due to a continued decline in the fair value of the investments. Total assets decreased by \$13.1 million due to this investment activity and due to cash transfers out of \$10.0 million.

### Overview of the Financial Statements

This report consists of a series of financial statements prepared in accordance with GASB principles. The GASB framework provides for both government-wide financial statements and fund financial statements. The Fund's government-wide financial statements include the statement of net position and the statement of activities on the full-accrual basis of accounting, whereby revenues and receivables are recognized when the service is provided, and expenses and liabilities are recognized when incurred, regardless of when the cash is exchanged. The Fund's fund financial statements include the fund balance sheet and the statement of revenues, expenditures, and changes in fund balance on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual, defined as measurable and available. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Where applicable, reconciliations are presented between the government-wide and the fund financial statements. The Fund has no reconciling items between the government-wide financial statements and the fund financial statements.

### Statement of Net Position and Fund Balance Sheet

The Statement of Net Position and the Fund Balance Sheet present the financial position of the Fund as of December 31, 2023. The net position is the difference between assets plus deferred outflows of resources, if any, and liabilities plus deferred inflows of resources. Over time, increases or decreases in net position are one indicator of the increase or decrease of the Fund's net assets when considered in combination with other non-financial information.

The following is a comparison of the condensed Statements of Net Position at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Cash	\$ 13,576,979	\$ 20,939,002	\$ (7,362,023)	-35.2%
Investments	25,995,839	31,745,621	(5,749,782)	-18.1%
Other assets	-	9,602	(9,602)	-100.0%
<b>Assets</b>	<u>\$ 39,572,818</u>	<u>\$ 52,694,225</u>	<u>\$ (13,121,407)</u>	<u>-24.9%</u>
<b>Total Assets</b>	<u>\$ 39,572,818</u>	<u>\$ 52,694,225</u>	<u>\$ (13,121,407)</u>	<u>-24.9%</u>
Liabilities	\$ 2,337	\$ 29,200	\$ (26,863)	-92.0%
<b>Total Liabilities</b>	<u>\$ 2,337</u>	<u>\$ 29,200</u>	<u>\$ (26,863)</u>	<u>-92.0%</u>
<b>Net Position - Restricted</b>	<u>\$ 39,570,481</u>	<u>\$ 52,665,025</u>	<u>\$ (13,094,544)</u>	<u>-24.9%</u>

For the year ended December 31, 2023, assets decreased by \$13.1 million, largely due to cash transfers of \$10 million to the State of Utah and investments at fair value decreasing by \$5.7 million. The investments decreased mainly due to a decrease of \$4.8 million in the fair value of these investments during the year, combined with some sales of investments.

The year-end balance of total liabilities, comprised of accrued expenses, was not significantly different from 2022 to 2023.

Total net position decreased by \$13.1 million or 24.9% in 2023, mainly due to the changes in assets described above. Net position is restricted by state law to be transferred into the Utah Capital Investment Restricted Account that is within the State of Utah's General Fund.

**Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balance**

The Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance present revenues earned, and expenses incurred during the year. This statement reflects the results of the Fund's operations on net position for the year ended December 31, 2023.

The following is a comparison of the condensed Statements of Activities for the year ended December 31, 2023 and 2022:

	2023	2022	Change	% Change
Expenses/expenditures				
Program expenses	\$ 423,087	\$ 883,432	\$ (460,345)	-52.1%
Investment income (loss)				
Investment income (loss)	(2,671,457)	(10,161,678)	7,490,221	-73.7%
Expenditures in Excess of Revenues	(3,094,544)	(11,045,110)	7,950,566	-72.0%
Transfers out	(10,000,000)	(15,000,000)	5,000,000	-33.3%
Net Change in Net Position	\$ (13,094,544)	\$ (26,045,110)	\$ 12,950,566	-49.7%

Net position during 2023 decreased by \$13.1 million compared to a decrease of \$26.0 million in 2022. For the year ended December 31, 2023, total investment loss decreased by \$7.5 million as compared to the 2022 investment loss. The decrease in investment loss is due to both fewer sales of investments, which therefore generated fewer realized gains, and a decreased decline in the fair value on investments of \$4.8 million. Expenses consist of investment management fees, professional fees, salaries and related benefits, rent, and other administrative expenses. Expenses decreased from 2022 to 2023 due to the elimination of salaries and related benefits and rent. Transfers out to the State of Utah, in amounts determined by management and the State of Utah, were \$10.0 million in 2023 and \$15.0 million in 2022.

#### Economic Outlook

It was determined by the Utah Legislature that the Fund and its investments be dissolved, with proceeds to be transferred to the State of Utah. In connection with this decision, the Fund may not invest money after May 4, 2022, unless Utah Fund of Funds committed to the investment prior to May 4, 2022. Economic and market conditions likely will continue to impact the amounts of gains or losses that can be realized when the Fund exits investments in future periods.

Basic Financial Statements  
December 31, 2023

# Utah Capital Investment Corporation

Utah Capital Investment Corporation  
Statement of Net Position and Fund Balance Sheet – General Fund  
December 31, 2023

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Assets

Cash and cash equivalents	\$ 13,576,979
Investments at fair value	<u>25,995,839</u>
Total assets	<u><u>\$ 39,572,818</u></u>

Liabilities

Accrued expenses	<u>\$ 2,337</u>
Total liabilities	2,337

Fund Balance - Restricted /Net Position - Restricted	<u>39,570,481</u>
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Total liabilities and fund balance - restricted /net position - restricted	<u><u>\$ 39,572,818</u></u>
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Utah Capital Investment Corporation

Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund  
For the Fiscal Year Ended December 31, 2023

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Revenues	
Investment income (loss)	<u>\$ (2,671,457)</u>
Expenditures	
Administrative expenses	<u>423,087</u>
Total expenditures	<u>423,087</u>
Expenditures in Excess of Revenues	<u>(3,094,544)</u>
Other Financing Uses	
Transfers to State of Utah	<u>(10,000,000)</u>
Total other financing uses	<u>(10,000,000)</u>
Net Change in Fund Balance/Net Position	<u>(13,094,544)</u>
Fund Balance/Net Position, Beginning of Year	<u>52,665,025</u>
Fund Balance/Net Position, End of Year	<u><u>\$ 39,570,481</u></u>

## **Note 1 - Reporting Entity and Summary of Significant Accounting Policies**

### Reporting Entity and Principal Activity

The financial statements include the combined financial activity of Utah Capital Investment Corporation and its blended component unit, Utah Fund of Funds, LLC (collectively, "the Fund"). The entities are a component unit of the State of Utah. The proceeds from the Fund's investments are used to fund the State's Utah Capital Investment Restricted Account. The Fund follows Governmental Accounting Standards Board (GASB) in determining the reporting entity and component units. Accordingly, the financial statements include all funds, and agencies of the primary government whose budgets are controlled by Utah Capital Investment Corporation's Board of Directors.

Utah Fund of Funds, LLC is a limited liability company organized under the laws of the State of Utah. Utah Fund of Funds, LLC 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. It was determined by the Utah Legislature that the Fund and its investments be dissolved, with proceeds to be transferred to the State of Utah. In connection with this decision, the Fund may not invest money after May 4, 2022, unless Utah Fund of Funds, LLC committed to the investment prior to May 4, 2022. See Note 2 for more information on management's plans to dissolve the Fund and sell assets.

Utah Capital Investment Corporation is a Utah quasi-public nonprofit corporation incorporated under the laws of the State of Utah on January 29, 2004. Utah Capital Investment Corporation's only activity is to act as the Managing Member of the Utah Fund of Funds, LLC. 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 Fund is a 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, 2023, the Fund's portfolio of funds had 25 investments.

### **Basis of Accounting**

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.

The accounts of the Fund are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The funds of the Fund are classified as governmental funds. The fund classifications and a description of each existing fund type follow:

### **Governmental Funds**

Governmental funds are used to account for the Fund's general government activities, including economic development through investments. Governmental funds include:

General fund – the primary operating fund of the Fund accounts for all financial resources, except those required to be accounted for in other funds. The general fund is considered a major fund.

### **Measurement Focus and Basis of Accounting Government-Wide Financial Statements (GWFS)**

The statement of net position and the statement of activities display information about the reporting government as a whole. The statement of net position and the statement of activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenue, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions* in the government-wide financial statements.

### **Fund Financial Statements (FFS)**

#### **Governmental Funds**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual, defined as measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Fund considers all revenue available if they are collected within 90 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. With this measurement focus, only current assets and current liabilities and deferred outflows and inflows of resources, as applicable, are generally included on the balance sheet. Operating statements of these funds present increases and decreases in fund balance.

#### **Cash and Cash Equivalents**

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

**Investments**

Investments in equity and debt securities with readily determinable fair values are stated at fair value. In such cases, fair value is determined based on quoted market prices. Investments that do not have readily available market values are stated at fair value as reported by the Fund's Investment Manager. These investments include a range of investment vehicles, including private equity funds. The valuation of these investments is based on the most recent value provided by the Investment Manager. To evaluate the overall reasonableness of the valuation and resulting carrying value, management obtains and considers the audited financial statements of such investments. Management believes this method provides a reasonable estimate of fair value. However, the recorded value may differ from the fair value had a readily available market existed for such investments, and those differences could be material.

**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.

**Restricted Net Position**

For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position use is either: externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or, imposed by law through constitutional provisions or enabling legislation.

It is the Fund's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

The Fund's net position is restricted by state law to be transferred into the Utah Capital Investment Restricted Account that is within the State of Utah's General Fund.

**Fund Balances of Fund Financial Statements**

The governmental funds financial statements present a fund balance based on classifications that comprise a hierarchy that is based primarily on the extent to which the Fund is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental funds financial statements are as follows:

**Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

**Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action by the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

**Assigned:** This classification includes amounts that are constrained by the Board of Director's intent to be used for a specific purpose but are neither restricted nor committed.

**Unassigned:** This classification includes the residual fund balance for the general fund and the amount established for minimum funding.

The Fund would typically use restricted fund balances first, followed by committed resources, and the assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

### **Income Taxes**

As a limited liability company, Utah Fund of Fund LLC'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.

Utah Capital Investment Corporation (UCIC) 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, UCIC has been determined by the Internal Revenue Service not to be a "private Fund" within the meaning of Section 509(a) of the Internal Revenue Code. UCIC is annually required to file a Return of Organization Exempt from Income Tax (990) with the IRS and also files, when applicable, an Exempt Organization Business Income Tax Return (Form 990-T). There was no material unrelated business income tax for the year ended December 31, 2023.

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, 2023, 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.

### **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.

**Note 2 - Plans to Sell Assets**

As discussed in Note 1, it was determined by the Utah Legislature that the Fund and its investments be dissolved, with proceeds to be transferred to the State of Utah. In connection with this decision, the Fund may not invest money after May 4, 2022, unless Utah Fund of Funds, LLC committed to the investment prior to May 4, 2022. The Fund's investment assets include investments in private investment funds for which there is no market or exchange for trading shares. Management of the Fund is in the process of seeking to exit the investments by selling their investments, which could likely involve selling the investments for significantly less than the current reported net asset value, and those losses could be material. It cannot yet be determined what the future selling price might be or when these sales might occur. Once the investment assets are sold and the proceeds are transferred to the State of Utah, the Fund will no longer have any significant operations and will be dissolved.

**Note 3 - Cash and Investments****Custodial Credit Risk**

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The Fund's policy for managing custodial credit risk for cash deposits is to place deposits of the Fund in a financial institution whose deposits are insured by an agency of the federal government. At December 31, 2023, the Fund's cash and cash equivalents consisted of cash deposits of \$13,576,978. Of this balance, \$264,699 was covered by depository insurance, and the remaining balance of \$13,312,278 was uninsured and uncollateralized and, as a result, was subject to custodial credit risk at December 31, 2023.

For investments, the custodial credit risk is the risk that, in the event of a failure of the counterparty, the Fund will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The Fund's policy is to follow all applicable statutes, including state statutes that were implemented to guide the Fund's purpose. However, the Fund does not have a formal policy specifically for managing custodial credit risk of investments.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund's policy is to follow all applicable statutes, including state statutes that were implemented to guide the Fund's purpose. However, the Fund does not have a formal policy specifically for managing credit risk.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund's policy is to follow all applicable statutes, including state statutes that were implemented to guide the Fund's purpose. However, the Fund does not have a formal policy specifically for managing concentration of credit risk. As of December 31, 2023, the Fund's portfolio held investments in 25 private equity funds. Of these 25 funds, there are five that combined comprise over half of the Fund's portfolio.

# Utah Capital Investment Corporation

Notes to Financial Statements

December 31, 2023

The following table shows the Fund's investments that exceed 5% of the Fund's total investments:

	Percentage of Investment Portfolio	Interest Held	Fair Value
Investments comprising over 5% of the total investments:			
Sorenson Capital Partners II Continuation Vehicle A, L.P.	14.42%	1.30%	\$ 3,749,140
Pelion Ventures Fund VII, L.P.	13.99%	1.10%	3,636,632
Media Technology Ventures V (A), L.P.	10.90%	4.60%	2,834,367
SV Life Sciences Fund IV CF, L.P.	10.15%	0.70%	2,637,352
Hummer Winblad Venture Partners VI, L.P.	6.10%	2.50%	1,586,338
TA XI, L.P.	5.06%	0.19%	1,316,514
	60.63%		15,760,343
Investments in all other funds and in marketable equity securities	39.37%		10,235,496
Total investments	100.00%		\$ 25,995,839

## Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund's policy is to follow all applicable statutes, including state statutes that were implemented to guide the Fund's purpose. However, the Fund does not have a formal policy specifically for managing interest rate risk.

**Note 4 - Fair Value Measurements**

The Fund invests in private investment funds. 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. Investments valued using the net asset value (NAV) per share (or its equivalent) are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The Fund values these investments based on the partnerships' audited financial statements.

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2023:

Investments measured at net asset value (NAV):

Private investment funds - private equity	\$ 6,142,231
Private investment funds - venture capital	<u>19,853,608</u>
Total investments measured at NAV	<u>\$ 25,995,839</u>
Total investments measured at fair value	<u><u>\$ 25,995,839</u></u>

The investments in private investment funds reported at net asset value (NAV) are invested in closed-end private equity and venture capital funds with no redemption rights.

**Note 5 - Commitments and Contingencies**

Claims

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.

Unfunded Commitments

As of December 31, 2023, the Fund has uncalled capital commitments of \$1,966,252. These capital calls are determined by the underlying fund managers and can be made at any time.

**Note 6 - Subsequent Events**

See also Note 2 regarding management's plans to sell assets and to dissolve the Fund.

Supplementary Information  
December 31, 2023

## Utah Capital Investment Corporation

Utah Capital Investment Corporation – Utah Fund of Funds, LLC  
 Supplementary Information  
 Statement of Cash Flows – Utah Fund of Funds, LLC Component  
 For the Fiscal Year Ended December 31, 2023

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Utah Fund of Funds, LLC

Operating Activities	
Expenditures over revenues	\$ (3,094,544)
Adjustments to reconcile expenditures over revenues to net cash from operating activities	
Realized gain on investments	(1,904,700)
Net change in unrealized appreciation from investments	4,755,870
Purchase of investments	(543,868)
Proceeds from sales of investments	3,442,479
Changes in operating assets and liabilities	
Payable to Utah Capital Investment Corporation	73,004
Accrued expenses	(29,200)
	<u>2,699,041</u>
Net cash flows from operating activities	
	<u>2,699,041</u>
Non-capital and Related Financing Activities	
Transfers to State of Utah	(10,000,000)
	<u>(10,000,000)</u>
Net Change in Cash and Cash Equivalents	
	(7,300,959)
Cash and Cash Equivalents, Beginning of Year	
	<u>20,877,344</u>
Cash and Cash Equivalents, End of Year	
	<u>\$ 13,576,385</u>
Reconciliation to Statement of Net Position	
Utah Fund of Funds, LLC - Cash and Cash Equivalents, End of Year	\$ 13,576,385
Utah Capital Investment Corporation - Cash and Cash Equivalents, End of Year	594
	<u>594</u>
Total for Statement of Net Position - Utah Capital Investment Corporation and Blended Component Unit Utah Fund of Funds, LLC	<u>\$ 13,576,979</u>

# Utah Capital Investment Corporation

## Supplementary Information

### Schedule of Expenditures – Utah Capital Investment Corporation and Utah Fund of Funds, LLC

For the Fiscal Year Ended December 31, 2023

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Expenditures		
Salaries and benefits	\$	149,070
Professional fees		221,104
Bank charges		386
Insurance		21,355
Occupancy		22,526
Taxes		1,115
Office		7,531
Travel and entertainment		-
		<hr/>
Total	\$	<u>423,087</u>



OFFICE OF THE  
STATE AUDITOR

# 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*

To the Board of Directors  
and  
Marlo Oaks, Board Chair, State Treasurer  
Utah Capital Investment Corporation

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 the Utah Capital Investment Corporation (UCIC), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise UCIC's basic financial statements, and have issued our report thereon dated August 29, 2024.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered UCIC'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 UCIC's internal control. Accordingly, we do not express an opinion on the effectiveness of UCIC'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 to 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 or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether UCIC'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. However, pursuant to *Utah Code* Title 63G Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.



Office of the State Auditor  
Salt Lake City, Utah  
August 29, 2024