

THE UNIVERSITY OF TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Investments

All investments are reported at fair value, including those securities with a maturity date of one year or less. Where applicable, maturities reported for pooled investment vehicles - bonds, represent a weighted average maturity of the individual bonds in the respective fund. As of June 30, 2019, the university had the following investments and maturities:

Investment Maturities (In Years)

Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	10+	Unknown	Cost
<u>Cash Management</u>							
<u>Pool</u>							
<u>Cash Equivalents</u>							
<u>Debt Securities</u>							
Commercial Paper	\$ 99,774,310.00	\$ 99,774,310.00					\$ 99,653,751.39
U.S. Treasury	56,848,798.00		\$ 56,848,798.00				56,996,171.70
U.S. Agencies	1,110,907,433.43	169,406,231.27	770,608,600.94	\$ 131,665,132.23	\$ 39,227,468.99		1,101,596,688.61
	<u>\$ 1,267,530,541.43</u>	<u>\$ 269,180,541.27</u>	<u>\$ 827,457,398.94</u>	<u>\$ 131,665,132.23</u>	<u>\$ 39,227,468.99</u>		<u>\$ 1,258,246,611.70</u>
<u>Investments</u>							
<u>Debt Securities</u>							
U.S. Treasury	\$ 227,601.12	\$ 3,021.57			\$ 224,579.55		\$ 199,387.66
U.S. Agencies	19,441.20			\$ 19,441.20			14,942.10
Corporate Bonds	360,333.90		\$ 182,853.40	25,836.75	151,643.75		359,105.90
Pooled Investment Vehicles-Bonds	56,161,323.73		3,395,334.17	50,997,960.92	1,433,545.18	\$ 334,483.46	\$ 54,844,065.59
	<u>\$ 56,768,699.95</u>	<u>\$ 3,021.57</u>	<u>\$ 3,578,187.57</u>	<u>\$ 51,043,238.87</u>	<u>\$ 1,809,768.48</u>	<u>\$ 334,483.46</u>	<u>\$ 55,417,501.25</u>
		<u>\$ 269,183,562.84</u>	<u>\$ 831,035,586.51</u>	<u>\$ 182,708,371.10</u>	<u>\$ 41,037,237.47</u>	<u>\$ 334,483.46</u>	
<u>Other Investments</u>							
Corporate Stocks:							
Domestic	\$ 21,339,669.14						\$ 16,527,678.51
International	4,322,102.06						4,613,122.96
Pooled Investment Vehicles-Equity	397,319,746.85						370,659,234.35
Alternative Investments:							
Pooled Investment Vehicles-Real Estate	39,133,777.36						29,232,825.49
Private Capital Investments	326,499,154.48						301,940,241.13
Hedge Funds	216,863,198.66						184,505,024.58
Real Estate Gifts	2,945,896.87						3,139,797.47
Assets With Trustees	6,970,317.48						6,642,136.68
Other	8,362.42						16,303.56
Total Investments & Cash Equivalents	<u>\$ 2,339,701,466.70</u>						<u>\$ 2,230,940,477.68</u>
Less: Cash Equivalents	<u>1,267,530,541.43</u>						<u>1,258,246,611.70</u>
Total Investments	<u>\$ 1,072,170,925.27</u>						<u>\$ 972,693,865.98</u>

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Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The university does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The university's debt investments as of June 30, 2019, were rated by Moody's Investors Service, Standard & Poor's, and /or Fitch Ratings and are reported below using Moody's rating scale.

The university is authorized by statute to invest funds in accordance with University of Tennessee investment policies. Funds, other than endowment and annuity and life income funds, may be invested in collateralized Tennessee bank or savings and loan association certificates of deposit, U. S. Treasury obligations, U.S. government agency obligations and repurchase agreements of those securities, highest quality commercial paper, prime bankers' acceptances, and money market mutual funds meeting certain criteria. Endowment and life income funds can be invested in equity securities and various other securities given prudent diversification. The university has no investment policy limiting its investment choice based on ratings issued by nationally recognized statistical rating agencies. As of June 30, 2019, the institution's investments were rated as follows:

Rated Debt Instruments	Fair Value	Aaa	Aa1	Aa2	Aa3	A1
<u>Cash Management Pool:</u>						
Commercial Paper	\$ 99,774,310.00					\$ 99,774,310.00
U.S. Agencies	1,110,907,433.43	\$ 793,179,835.81				
<u>Investments:</u>						
U.S. Agencies	\$ 19,441.20	\$ 19,441.20				
Corporate Bonds	360,333.90					
Pooled Investment Vehicles - Bonds	56,161,323.73					
Money Market Funds in Custodial Accounts	11,187,957.92					

Rated Debt Instruments (continued)	A2	A3	Baa1	Baa2	Baa3	B1
<u>Cash Management Pool</u>						
Commercial Paper						
U.S. Agencies						
<u>Investments:</u>						
U.S. Agencies						
Corporate Bonds			\$ 25,836.75	\$ 184,694.75	\$ 99,302.40	
Pooled Investment Vehicles - Bonds						
Money Market Funds in Custodial Accounts						

Rated Debt Instruments (continued)	Unrated
<u>Cash Management Pool:</u>	
Commercial Paper	
U.S. Agencies	\$317,727,597.62
<u>Investments:</u>	
U.S. Agencies	
Corporate Bonds	50,500.00
Pooled Investment Vehicles - Bonds	56,161,323.73
Money Market Funds in Custodial Accounts	11,187,957.92

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	6/30/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments in Entities That Calculate NAV per Share
Investments and cash equivalents by fair value level					
Debt securities					
U.S. Treasury	\$ 57,076,399.12		\$ 57,076,399.12		
U.S. Agencies	1,110,926,874.63		1,110,926,874.63		
Corporate bonds	360,333.90		360,333.90		
Corporate commercial paper	99,774,310.00			\$ 99,774,310.00	
Total debt securities	\$ 1,268,137,917.65				
Corporate Stock					
Domestic	\$ 21,339,669.14	\$ 21,262,519.14		77,150.00	
International	4,322,102.06	4,322,102.06			
Total equity securities	\$ 25,661,771.20				
Pooled investment vehicles (ETFs; Open-end funds with published and non-published values)					
Equity	\$ 397,319,746.85	\$ 123,244,809.71			\$ 274,074,937.14
Bonds	56,161,323.73	56,161,323.73			
Real estate	39,133,777.36	18,441,853.44			20,691,923.92
Total pooled investment vehicles	\$ 492,614,847.94				
Real estate gifts	\$ 2,945,896.87			2,945,896.87	
Assets held by others	6,970,317.48			6,970,317.48	
Other assets	8,362.42			8,362.42	
Private capital investments					
Private equity	\$ 103,334,703.21			103,334,703.21	
Private credit/debt	72,970,938.51			72,970,938.51	
Private real assets	144,331,878.09			144,331,878.09	
Private, other	5,861,634.67			5,861,634.67	
Total private capital investments	\$ 326,499,154.48				
Hedge Funds					
Long/short equity	\$ 79,810,924.04				79,810,924.04
Credit	33,768,528.18				33,768,528.18
Diversified	103,283,746.44				103,283,746.44
Total hedge funds	\$ 216,863,198.66	\$ 223,432,608.08	\$ 1,168,363,607.65	\$ 436,275,191.25	\$ 511,630,059.72
Total investments and cash equivalents valued at fair value	\$ 2,339,701,466.70				