

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Year Ended June 30, 2022

Included as an Enterprise Fund of the State of Arizona
Tucson, Arizona



THE UNIVERSITY
OF ARIZONA

COVER IMAGE

Walkway to the Bartlett Academic Success Center, part of the new University of Arizona Student Success District

Student success at Arizona is a top priority. That's why the Student Success District, a 9-acre centralized student hub that was informed by student input and which launched in Spring 2022, lives right in the heart of campus. Students have access to tutoring, advising, study spaces and libraries, a technology playground with maker spaces and studios, career support services, a fitness room and more, all in one place.

Photo: Steve Babuljak, 160over90

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FOR THE YEAR ENDED JUNE 30, 2022

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Prepared by Financial Services

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Photo: University Marketing & Brand Management

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INTRODUCTORY SECTION

MESSAGE FROM THE PRESIDENT



We have made incredible progress on strategic priorities for the University of Arizona this year, and we take tremendous pride in some truly outstanding success stories. While we continue to navigate the lingering impact of the COVID-19 pandemic, the University of Arizona has a bright future ahead.

We continue to make student success our top priority, and creating the best possible learning environment with premier educational resources is at the heart of our focus on the Wildcat Journey. In April 2022 we celebrated the grand opening of our new Student Success District, which brings together support services, academic tutoring, wellness, and many other tools students will need to prepare for their future, all in one convenient location.

We also were very proud to announce the Arizona Native Scholars Grant program, which is the first of its kind for a public university in our state. This game-changing program will cover tuition and mandatory fees for full-time undergraduate students from the State's 22 federally recognized tribes, and it is part of our larger commitment to access and to serving our indigenous students. Serving Arizona's Native American tribes and tribal students is a crucial part of the University of Arizona's land-grant mission, and the Arizona Native

Scholars Grant program is another important step among many to advance that goal.

One of our strategic priorities is to drive social, cultural and economic impact in our region and to reinforce our commitment to diversity and inclusion. As part of that goal, I was excited to welcome our inaugural cohort for the President's Postdoctoral Fellowship Program. This program comes through a multi-university network that prioritizes creating pathways to academic careers for talented scholars, artists, and scientists whose research, teaching, and service will contribute to equal opportunity, and I am proud to have these scholars at the University of Arizona.

The University of Arizona continues to lead the world in tackling the grand challenges of our time, in part because of our history of excellence in collaborative partnerships across sectors and with institutions all over the world. One example is our partnership with Oklahoma State University on the new Comprehensive Pain and Addiction Center to tackle the growing issue of Opioid-related deaths. Another example is the continued impact and anticipated long-term benefits for Arizona of our agreement with the French National Centre for Scientific Research (CNRS), signed in 2021, which made the University of Arizona CNRS's first International



Research Center. We are leveraging this formal long-term research partnership to elevate many areas of strength, advance potential collaboration with other institutions in France, and creating a team to advance our goals with the CNRS in environment, space science, data science, and global climate change.

We also launched our new Center for Advanced Molecular and Immunological Therapies (CAMI) in Phoenix. The field of immunotherapies is at the leading edge of medical research, and I am confident CAMI will drive innovation in cellular, molecular, and gene immunotherapies while fast-tracking the development of new treatments under one umbrella. CAMI also will serve as the anchor for an innovation district that aims to differentiate Phoenix from other emerging life sciences hubs, establishing the Phoenix Bioscience Core as a center of cell and gene therapy research, startup activity and corporate engagement. I am sure you have seen some of the awe-inspiring photos NASA released that were enabled by the James Webb Space Telescope (JWST). Seeing these extraordinary images on every news outlet across the globe and knowing they were taken by infrared cameras designed by the University of Arizona Astronomy team has been remarkable.

Finally, we have made important strides with the physical infrastructure needed to advance innovation, including groundbreaking on two new research facilities, the Grand Challenges Research Building and the Applied Research Building. We also have moved Tech Launch Arizona, the university's technology transfer organization, to The Refinery at The Bridges, our location just off I-10 south of the main campus. With the Refinery also serving as the headquarters for Tech Parks Arizona, this location will serve as the commercialization hub for the university and an access point for the university to connect with industry.

There are many more examples of the University of Arizona's incredible success and progress. I am very excited for the university's future, and I look forward to all the ways the University of Arizona will continue to expand human potential, explore new horizons, and enrich life for all.

Most sincerely,

Robert C. Robbins
President

LETTER OF TRANSMITTAL



Lisa Rulney,
Senior Vice President for Business Affairs and Chief Financial Officer

October 28, 2022

To President Robert Robbins, Members of the Arizona Board of Regents and the University of Arizona community:

I respectfully submit the University of Arizona *Annual Comprehensive Financial Report* (ACFR) for the fiscal year ended June 30, 2022. The ACFR includes the Management's Discussion and Analysis (MD&A) and the basic financial statements, as well as other supplemental information that helps the reader gain an understanding of the university's financial position, activities, and economic landscape of the surrounding area. Responsibility for the accuracy, completeness, and fairness of the data presented, including all disclosures, rests with the university's management. We believe to the best of our knowledge the information is accurate in all material respects and fairly presents the university's financial position, revenues, expenses, and other changes in net position.

The university is responsible for implementing and maintaining an internal control structure to safeguard and prevent misuse of the university's assets. We

believe our system of internal controls is sound and sufficient to disclose material deficiencies in controls to the auditors and the Arizona Board of Regents' (ABOR) Audit Committee. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements and to provide management with reasonable, although not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition.

The university's ACFR is intended to fulfill the State of Arizona Transparency Law, Arizona Revised Statutes § 41-725. Additionally, federal guidelines and bond covenants require that the university's accounting and financial records be subject to an annual independent audit. The university's annual audit is performed by the Arizona Auditor General. The reports resulting from the audit are public documents and are shared with university management, the ABOR Finance, Capital and Resources Committee, ABOR Audit Committee, and the Arizona Board of Regents. The audit of the university's federal financial assistance programs is performed by the Arizona Auditor General in conjunction with the statewide Single Audit. The Independent Auditors' Report on page 16 of the Financial Section includes the auditors' unmodified opinion on the fair presentation of the university's financial statements.

The ACFR is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting as established by the Governmental Accounting Standards Board (GASB) using the guidelines as recommended by the Government Finance Officers Association of the United States and Canada (GFOA). The MD&A is presented to supplement the financial statements by providing the necessary information for the reader to gain a broad understanding of the university's financial position and results of operations. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditors' Report.

Institutional Profile

History: The University of Arizona was established as a land grant institution in 1885, 27 years before the Arizona



Photo: University Marketing & Brand Management

Territory became a state. The years following World War II and the Korean War were a period of substantial growth for the university. In the late 1950s, enrollment greatly increased, with the university gaining an average of more than 1,200 students per year for 17 years. During this period, the foundation was laid for the development of a leading research institution.

The university was one of the original Carnegie Research I institutions. In 1985, the university was elected to membership in the Association of American Universities, a prestigious group limited to North America’s preeminent public and private research universities.

The university’s outstanding research programs provide advances in applied and basic or pure knowledge that fulfill the institution’s obligation to the State and the nation. Such programs attract internationally distinguished faculty who serve the university’s students through a comprehensive range of undergraduate and graduate programs.

Enrollment: Today, the university has gained an average of 1,169 students per year for the last five years. It serves 49,471 students through 20 colleges offering 405 degree programs and is ranked among the leading research universities in the country.

Enrollment Statistics: Academic Year 2021-22

Undergraduate enrollment - Fall 2021	38,528
Graduate and Professional enrollment - Fall 2021	10,943
Degrees awarded - Bachelor’s	7,699
Degrees awarded - Advanced	3,379
Tuition and fees for full-time student - Resident	\$ 12,696
Tuition and fees for full-time student - Non-resident	\$ 37,218

The university’s 2,780 full-time equivalent faculty and 1,249 full-time equivalent graduate teaching and research assistants and associates educate a diverse student population. The university’s student population is 55.6% female, 25.2% Hispanic, 5.3% Asian, 3.8% African American or Black, and 1.4% American Indian. It includes students from all fifty states, the District of Columbia, and 118 foreign countries. International students represented 6.4% of the Fall 2021 enrollment; this figure is primarily represented by 28.4% from China, 12.8% from India, 8.4% from Kuwait, 7.0% from Saudi Arabia, and 4.3% from Mexico.

Component Units: The basic financial statements of the university include the operations of the University of Arizona Foundation, Inc., University of Arizona Global



Campus, Law College Association of the University of Arizona, Campus Research Corporation, and Eller Executive Education, all discretely presented component units. More information relating to the component units can be found in Notes 2 and 14 to the financial statements.

Budget: The university is responsible for planning, developing, and controlling its budget and expenses in accordance with Arizona Board of Regents and university policies, and state and federal laws and regulations. The Arizona Board of Regents approves the university's annual operating budget in accordance with ABOR policy 3-403. The budget includes the general purpose (State general funds and tuition and fees) budget and the local funds budget which consists of the designated, restricted and auxiliary funds. The State Legislature reviews the university's local funds budget and adopts and appropriates the general purpose budget through legislation.

After the budget has been approved, the university monitors the budget through UAccess Financials, the university financial enterprise system. While there are many controls built into UAccess Financials, colleges and departments also use financial reports to monitor budgetary compliance. Additionally, Financial Services, a part of the university's central administration, provides periodic financial reports to management and the Arizona Board of Regents. The reports include a comparison of actuals to budget, highlight the changes that occurred throughout the fiscal year, and project revenues, expenses and net position for the end of the fiscal year.

Economic Condition

Local Economy: As reported by the Economic and Business Research Center of the University of Arizona Eller College of Management in May 2022, the State of Arizona's economy continues to recover its pre-pandemic levels of economic activity at a solid pace. In calendar year (CY) 2021, the State continued to add residents at a faster pace than the nation. Additionally, job growth has regained momentum, and the State's unemployment rate is comparable to pre-pandemic levels.

State personal income gains increased to 7.2% in CY 2021, up from 6.4% growth in CY 2020. Growth

in Arizona's retail sales accelerated to 21.1% in 2021, which is significantly higher than last year's rate of 4.4%. According to the June 2022 Index of State Economic Momentum, Arizona ranked 4th in population growth, 18th in economic momentum, 20th in employment growth, and 25th in personal income growth.

Employment growth rose 3.7% in CY 2021 for the State, up from 2.0% in CY 2020, with population growth slightly increasing from 1.4% to 1.5%. Using data through June 2021, the job gains specific to the Tucson area with the largest increases have been noted in the following sectors: leisure and hospitality, trade, transportation and utilities, and financial activities.

Long-Term Planning

The university's progress on the initiatives contained in its Strategic Plan became more visible than ever with the commencement and or completion of several capital projects aimed at supporting goals across several of the plan's pillars.

Notable initiatives include:

Student Success District: In April, the university celebrated the grand opening of the Student Success District, a nine-acre span of four buildings that house resources students need to thrive, including library services, learning support, tutoring, advising, mentoring, career services and health programs. The district is central to the Wildcat Journey pillar of our Strategic Plan, which focuses on student success.

Research Facilities: Construction progressed on two major research facilities, the Grand Challenges Research Building (GCRB) and the Applied Research Building (ARB). GCRB will leverage the university's core strengths in alignment with the Grand Challenges pillar of the Strategic Plan. Designed to be an interdisciplinary facility, GCRB will foster conversations among and across sciences and programs. The ARB is where the research will come to life. With state-of-the-art equipment and technology, the 89,000-square-foot building will provide the space for researchers to test and refine research applications in applied physical sciences and engineering.

Arizona Arts: Among projects completed in the last year are a transformation of the entrance to the Art building and a new façade at the Center for Creative Photography.

The Arizona Arts Master Plan is a significant part of the Arizona Advantage pillar of the university's Strategic Plan, which calls on the university to "integrate the arts throughout the university experience and beyond."

Native American Initiatives: Serving Arizona's Native American tribes and students is a key part of the university's strategic plan, and is central to the plan's Arizona Advantage pillar, which highlights the University's role as a land-grant institution. Among notable efforts during FY22:

- The university hosted nearly two dozen tribal leaders from across the U.S. for a two-day summit focused on finding ways that university scholarship and programs can better serve tribes and tribal students.
- The university established the Indigenous Resilience Center, an interdisciplinary center that will work on projects and partnerships with Native American nations to advance tribal communities' efforts to respond to environmental challenges and become more resilient.
- The university created the Arizona Native Scholars Grant program, the first of its kind for a public Arizona university, which will cover tuition and mandatory fees for full-time undergraduate students from Arizona's 22 federally recognized tribes who are studying on the main campus.

President's Postdoctoral Fellows Program: The university named the inaugural cohort for the program, which provides postdoctoral scholars from a variety of backgrounds a pathway to pursue careers in academia. The program aligns with the Arizona Advantage pillar of the Strategic Plan, which calls on the university to drive social, cultural and economic impact and reinforce its commitment to diversity and inclusion.

Activity Informed Budgeting: The university completed the development of the Activity Informed Budgeting model, which was implemented July 1, 2022. Among the model's guiding principles are strengthening leadership and accountability, reducing complexity, and ensuring there are adequate funds centrally for institutional strategic opportunities – goals that are consistent with the Institutional Excellence pillar of the Strategic Plan.

Major Initiatives

The University of Arizona, a land-grant university with two independently accredited medical schools, is one of the nation's top 50 public universities, according to U.S. News & World Report. It is widely recognized as a student-centric university and has been designated as a Hispanic-Serving Institution by the U.S. Department of Education. For decades, the university has been one of the leading research universities in the nation, with particular strengths in space, physical, biological and health sciences programs.

High-quality research programs secure extensive federal and corporate funding, enrich instructional programs, and provide tremendous education and research opportunities for students, as well as contribute to the economic engine of the city of Tucson and the State of Arizona.

The following are notable activities of fiscal year 2022.

James Webb Space Telescope: University of Arizona astronomers played key roles in designing and developing the telescope's infrared eyes, which allow it to peer deeper into the cosmos than ever before and collect light from the earliest stars and galaxies, nebulous stellar nurseries, planetary atmospheres and more.

Event Horizon Telescope: The first image of the black hole at the center of the Milky Way galaxy was unveiled this past year. It was produced by the Event Horizon Telescope, a collaboration that would not have been possible without the groundwork and heavy lifting provided by University of Arizona scientists and facilities.

OSIRIS-APEX: NASA extended the University of Arizona-led OSIRIS-REx mission – which will be renamed OSIRIS-APEX – in order to study near-Earth asteroid Apophis. The mission is set to begin soon after the OSIRIS-REx spacecraft delivers the sample it collected from the asteroid Bennu back in October 2020.

Hypersonics: University researchers received \$3.5 million in funding from the State of Arizona's investment in the New Economy Initiative and \$6.5 million in federal support through the Department of Defense's Test Resource Management Center to upgrade hypersonic facilities and related research infrastructure. The funding positions the university – which is home to multiple high-

speed wind tunnels and facilities for high-temperature materials and manufacturing – as a leading educational institution in the hypersonics field.

Aegis Consortium: Based at the University of Arizona Health Sciences, the consortium is a new strategic initiative that unites experts from across disciplines, governmental agencies, communities and industries worldwide to build upon lessons learned from SARS-CoV-2 and COVID-19. The goal is to create a pandemic-free future.

Addiction Research Partnership: The University of Arizona announced a partnership with Oklahoma State University to combat the opioid crisis and chronic pain through research, treatment and education.

Awards and Acknowledgments

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the university for its annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the ninth consecutive year that the university has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Other notable acknowledgements include:

- In the most recent ranking (FY20), the National Science Foundation ranked the University of Arizona No. 1 among all public and private U.S. institutions in astronomy science expenditures – a ranking the university has held every year since 1988. Overall, the NSF ranked the university 20th among public research universities, second among institutions with high Hispanic enrollment, fifth for research expenditures in the physical sciences and 35th among all public and private universities and colleges.
- The University of Arizona is the top doctorate-granting institution for American Indian or Alaska Native students, according to the National Science Foundation's most recent survey of earned doctorates.

- Per U.S. News & World Report, the university ranks No. 2 among public graduate institutions in geology and has the largest mineral database in the world. The same report ranks the university No. 1 among U.S. public graduate programs in management information systems, No. 2 among public graduate programs in photography and No. 6 among public graduate programs for entrepreneurship.
- The university made its third consecutive appearance on Forbes' annual Best Employers For Diversity list, placing at No. 248 out of 500 businesses with at least 1,000 employees. The University is ranked No. 18 out of the 40 educational institutions on the list, and No. 10 among public colleges and universities.
- The Center for World University Rankings ranked the university No. 93 globally, No. 49 in the U.S. and No. 27 among public colleges and universities.
- Arizona Online tied for No. 7 out of 361 programs in the 2022 Best Online Bachelor's Programs rankings by U.S. News & World Report. Arizona Online also earned a No. 4 ranking overall (No. 3 among public universities) for its bachelor's program offerings for veterans.
- The National Jurist Magazine named the James E. Rogers College of Law among the best for diversity and for practical training.

Preparation of this ACFR required extensive time and effort. The completion of the report would not have been possible without the professionalism and dedication from staff and student employees in Financial Services, including Financial Management, Accounts Payable, Procurement & Contracting Services, Treasury, Business Systems Analysis, Bursar's Office, Information Technology, Initiatives & Outreach, Communications, and Administration, as well as the business officers in the Office of Budget and Planning and colleges and departments. In addition, we recognize the valuable contributions from University Information Technology Services, University Analytics & Institutional Research, and University Marketing & Communications.

Respectfully Submitted,

Lisa Rulney
*Senior Vice President, Business Affairs
and Chief Financial Officer*



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

University of Arizona

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

ARIZONA BOARD OF REGENTS

June 30, 2022

Ex-Officio Members

Honorable Doug Ducey

Governor of Arizona

Honorable Kathy Hoffman

Superintendent of Public Instruction

Appointed Members

Lyndel Manson

Chair, Flagstaff

Fred DuVal

Chair Elect, Phoenix

Cecilia Mata

Secretary, Sierra Vista

Larry Penley

Treasurer, Phoenix

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Robert Herbold

Regent, Phoenix

Jessica Pacheco

Regent, Phoenix

Ron Shoopman

Regent, Tucson

Nikhil Dave

Student Regent, Arizona State University

Rachel Kanyur

Student Regent, Northern Arizona University

EXECUTIVE ADMINISTRATION

June 30, 2022

Dr. Robert C. Robbins

President

Craig Henderson

Vice President, Executive Office of the President

Elizabeth “Betsy” Cantwell

Senior Vice President for Research and Innovation

Michael Dake

Senior Vice President, Health Sciences

Jon Dudas

Senior Vice President, Secretary of the University, and Chief of Staff

Liesl Folks

Senior Vice President for Academic Affairs and Provost

Dave Heeke

Vice President and Director, Athletics

Laura Todd Johnson

Senior Vice President for Legal Affairs and General Counsel

Steve Moore

Senior Vice President and Chief Marketing and Communications Officer

John-Paul Rocznik

President and Chief Executive Officer, UA Foundation and Vice President of Development

Lisa Rulney

Senior Vice President, Business Affairs and Chief Financial Officer

N. Levi Esquerra

Senior Vice President for Native American Advancement and Tribal Engagement

Nicole Salazar

Vice President, Financial Services

Garth Perry

Vice President and Chief Budget Officer, Office of Budget and Planning

ORGANIZATION CHART

June 30, 2022

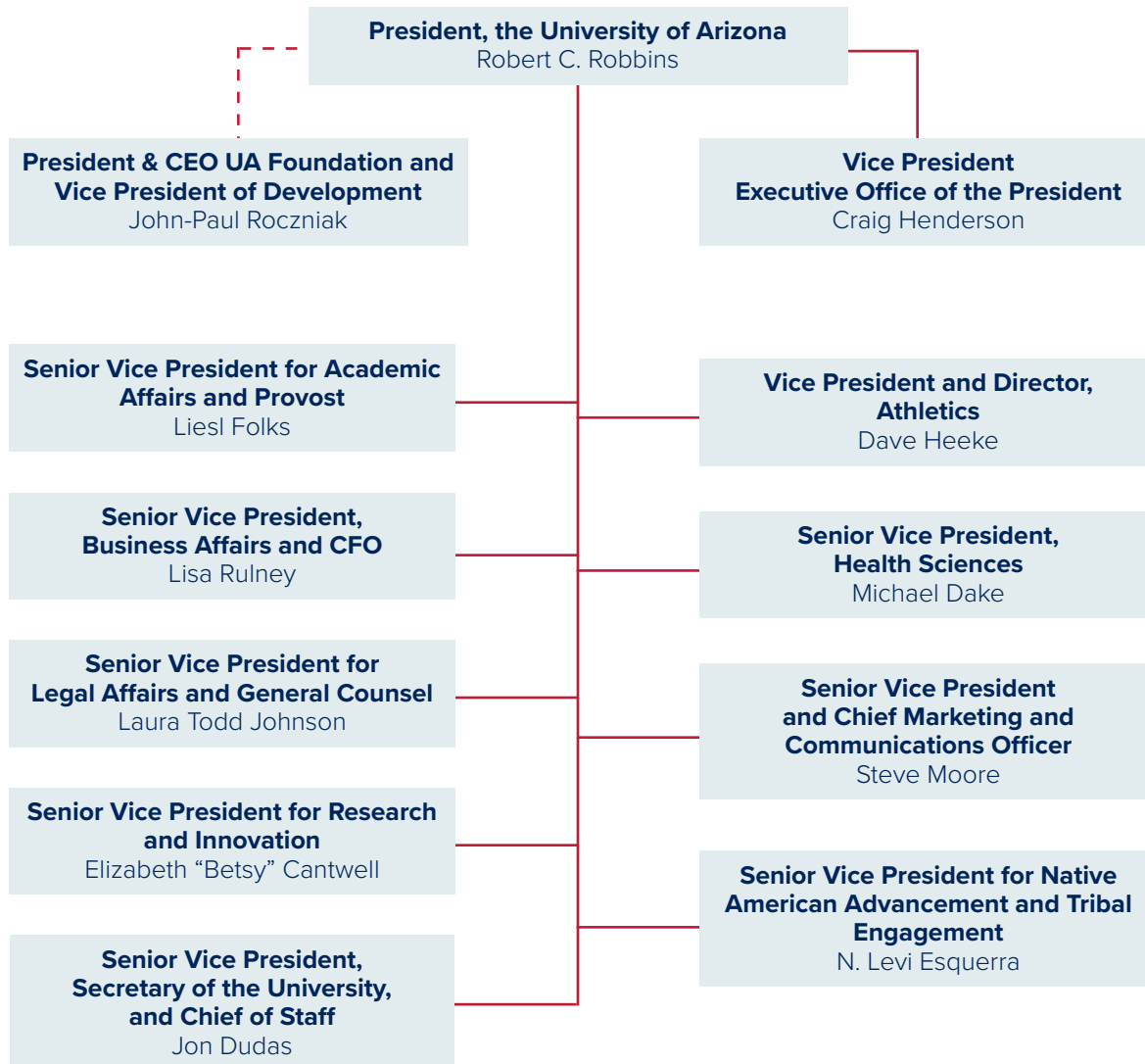




Photo: University Marketing & Brand Management



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Arizona Board of Regents

Report on the audit of the financial statements

Opinions

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the University of Arizona as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of the aggregate discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the other auditors' reports.

Basis for opinions

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are required to be independent of the University 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 opinions. The other auditors did not audit the aggregate discretely presented component units' financial statements in accordance with *Government Auditing Standards*.

Emphasis of matters

As discussed in Note 1 to the financial statements, the University's financial statements are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only those portions of the business-type activities, major fund, and aggregate discretely presented component

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units of the State of Arizona that are attributable to the University's transactions. They do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, for the year ended June 30, 2022, the University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 a report that includes our opinions. 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 generally accepted auditing standards 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 the University's internal control. Accordingly, we express no such opinion.
- 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 the University'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 audit's planned scope and timing, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 20 through 29, schedule of the University's proportionate share of the net pension liability on page 71, schedule of University's pension contributions on page 71, and schedule of University's proportionate share of the total OPEB liability page 71 be presented to supplement the basic financial statements. Such information is management's responsibility 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 U.S. generally accepted auditing standards, 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 opinions on the financial statements that collectively comprise the University's basic financial statements. The combining statements on pages 72 and 73 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is management's responsibility 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 U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining statements 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 comprises the introductory and statistical sections but does not include the basic financial statements and our report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance on the other information.

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 will issue our report on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. 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 the University'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 the University's internal control over financial reporting and compliance.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

October 28, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis (MD&A) provides an overview of the University of Arizona financial performance based on currently known facts, data, and conditions and is designed to assist readers in understanding the accompanying financial statements. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles and focus on the university as a whole. The MD&A, financial statements, notes, and other required supplementary information are the responsibility of university management. The MD&A should be read in conjunction with the financial statements and notes.

The financial statements encompass the university and its discretely presented component units; however, the MD&A focuses only on the university. Information relating to the component units can be found in their separately issued financial statements. The university's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. While audited financial statements for fiscal year 2021 are not presented with this report, condensed data is presented in the MD&A to illustrate certain increases and decreases in comparing with fiscal year 2022 data.

Key Reporting Implementations

In fiscal year 2022, the university implemented the provisions of GASB Statement No. 87, *Leases*, as amended by GASB Statement No. 99, *Omnibus 2022*, and early implemented the lease-related topics, paragraphs 11-17, of GASB Statement No. 99. GASB Statement No. 87, as amended, established criteria for accounting

and financial reporting for leases. It creates a single model for lease accounting and requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. A lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Overview of Financial Statements

Statement of Net Position

The Statement of Net Position (SNP) presents the financial position of the university at fiscal year-end. This information allows stakeholders to review the assets available to continue the operations of the university and how much the university owes vendors, investors, and lending institutions. The SNP also provides a summary of the university's net position. The change in net position is one indicator of whether the financial condition has improved or worsened during the fiscal year. The change in net position should be analyzed in conjunction with nonfinancial facts, such as, but not limited to, enrollment levels and the condition of university facilities.

Condensed Schedule of Net Position

A comparison of the university's assets, deferred outflows of resources (consumption of the university's net position that is applicable to a future reporting period), liabilities, deferred inflows of resources (acquisition of net position by the university that is applicable to a future reporting period), and net position (in thousands of dollars) at June 30, 2022 and at June 30, 2021, is as follows:

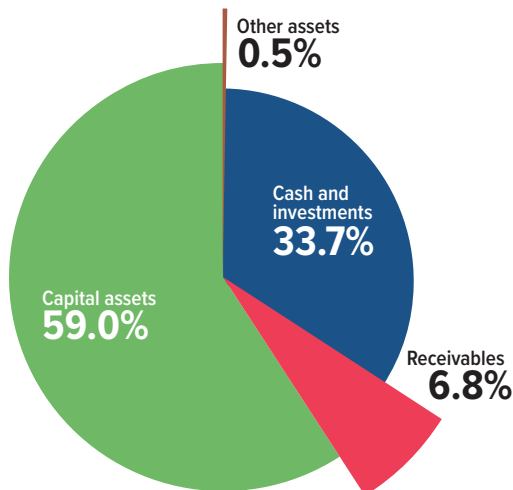


	FY 2022	FY 2021	% Change
Other assets	\$ 1,826,227	\$ 1,880,314	(2.9)%
Capital assets	2,630,333	2,413,403	9.0%
Total assets	\$ 4,456,560	\$ 4,293,717	3.8%
Total deferred outflows of resources	\$ 228,722	\$ 261,899	(12.7)%
Other liabilities	\$ 262,620	\$ 281,951	(6.9)%
Long-term liabilities	2,671,784	2,929,879	(8.8)%
Total liabilities	\$ 2,934,404	\$ 3,211,830	(8.6)%
Total deferred inflows of resources	\$ 648,927	\$ 295,824	119.4%
Net position			
Net investment in capital assets	\$ 959,468	\$ 888,422	8.0%
Restricted - nonexpendable	179,033	189,845	(5.7)%
Restricted - expendable	270,661	239,189	13.2%
Unrestricted (deficit)	(307,211)	(269,494)	(14.0)%
Total net position	\$ 1,101,951	\$ 1,047,962	5.2%

Total Assets

Assets are what the university owns and are measured in current or fair value, except for capital assets, which are recorded at historical cost less the applicable accumulated depreciation and amortization. The following table and chart present total assets, in thousands of dollars and percent:

Cash and investments	\$ 1,503,778	33.7%
Receivables	300,053	6.8%
Capital assets	2,630,333	59.0%
Other assets	22,396	0.5%
Total assets	\$ 4,456,560	100.0%



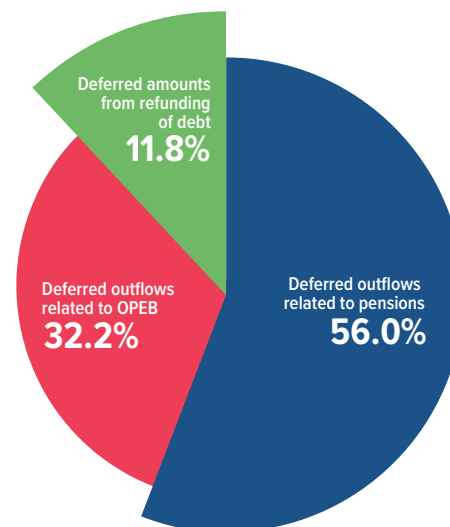
When compared to fiscal year 2021, the university's total assets increased by \$162.8 million. This change is primarily attributed to an increase in capital assets of \$216.9 million and receivables of \$133.5 million, offset by decreases in cash and investments and other assets of \$187.6 million. The increase in capital assets of \$216.9 million is primarily due to right-to-use assets of \$180.9 million due to the implementation of GASB Statement No. 87 for leases, the completion of the Student Success District project (See "Capital and Debt Analysis" on page 28 for more information), and increases in construction in progress for the Applied Research Building project of \$30.7 million, the Grand Challenges Research Building project for \$28.0 million, the Chemistry Building Renovation project for \$22.7 million, the Facilities Management Consolidated Facility project for \$16.1 million, the Campus Research Infrastructure Improvement project for \$9.3 million, the Giant Magellan Telescope project for \$8.5 million, the Arizona Arts Master Plan project for \$4.2 million, and all other individual capital project additions totaling \$4.4 million, as well as additions to moveable equipment of \$17.2 million and library materials of \$13.9 million. This is offset by the changes in accumulated depreciation and amortization of \$152.9 million. The increase in receivables of \$133.5 million is primarily due to lease receivables of \$109.8 million due to the implementation of GASB Statement No. 87 for leases. The remainder of the increase in receivables is primarily attributed to timing differences related to student payments, reimbursements from partner hospitals, and grants and sponsored projects. The decrease in cash and investments of \$187.3 million is primarily due to decreases of \$98.5 million in restricted

investments with bond trustees, \$86.0 million in current cash and cash equivalents, \$38.4 million related to the Academic Enhancement Fund (AEF), and \$28.3 million in endowment investments, offset by increases of \$51.0 million in short and long-term investments and \$12.9 million in restricted cash and cash equivalents. Restricted investments with bond trustees decreased by \$98.5 million due to the spend down of previously issued bond proceeds of \$25.6 million for the Applied Research Building project, \$12.6 million for the Facilities Management Consolidated Facility project, \$12.4 million for the Grand Challenges Research Building project, \$8.1 million for the Chemistry Building Renovation project, \$8.1 million for the Campus Research Infrastructure Improvement project, \$6.9 million for the Biomedical Sciences Partnership Building (BSPB) 3rd & 4th floor Shell Space project, and \$6.0 million for the Intercollegiate Athletics project. The remaining \$18.8 million decrease is primarily associated with net changes from the closeout of previously issued debt. Current cash and cash equivalents and short and long-term investments decreased by \$35.0 million primarily due to a \$23.9 million investment loss due to lower bond yields and unfavorable market conditions and \$11.1 million due to fluctuations in timing of receipts and payments to meet the operating needs of the university. Endowment investments decreased by \$28.3 million primarily due to a decrease of \$35.6 million in unrealized change in fair value, offset by a net increase of \$7.3 million in assets net of payouts, withdrawals, distributions and fees. Restricted cash and cash equivalents increased by \$12.9 million primarily due to \$18.8 million in capital projects funded by capital appropriations, offset by a net decrease of \$6.1 million due to the spend down of gift funds for the Student Success District project and the Arizona Arts Master Plan project.

Total Deferred Outflows of Resources

Deferred outflows of resources are consumptions of the university's net position that are applicable to a future reporting period. The following table and chart present total deferred outflows of resources, in thousands of dollars and percent:

Deferred outflows related to pensions	\$ 128,017	56.0%
Deferred outflows related to OPEB	73,728	32.2%
Deferred amounts from refunding of debt	26,977	11.8%
Total deferred outflows of resources	\$ 228,722	100.0%

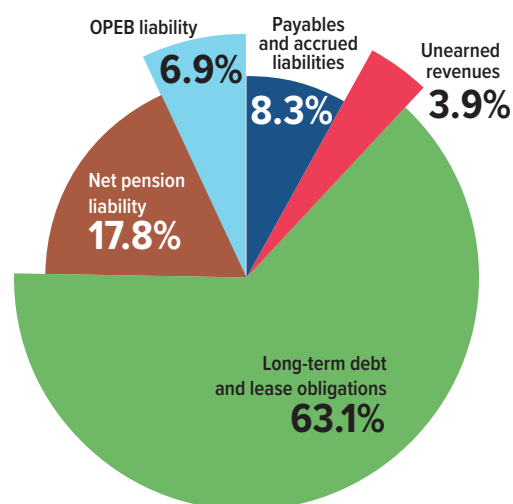


The decrease in deferred outflows of \$33.2 million is primarily attributed to a \$29.9 million decrease in deferred outflows of resources related to pensions and other postemployment benefits (OPEB) due to actuarial adjustments provided by the Arizona State Retirement System (ASRS), Public Safety Personnel Retirement System (PSPRS), and the Arizona Department of Administration (ADOA).

Total Liabilities

Liabilities are what the university owes to others or resources it has collected from others before it has provided services. The following table and chart present total liabilities, in thousands of dollars and percent:

Payables and accrued liabilities	\$ 242,103	8.3%
Unearned revenues	113,879	3.9%
Long-term debt and lease obligations	1,853,560	63.1%
Net pension liability	522,357	17.8%
OPEB liability	202,505	6.9%
Total liabilities	\$ 2,934,404	100.0%

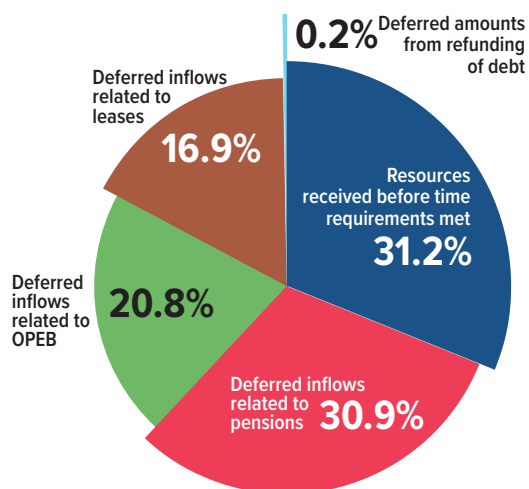


Total liabilities decreased by \$277.4 million compared to fiscal year 2021 primarily due to decreases in net pension liability of \$211.9 million, OPEB liability of \$108.9 million, and payables and accrued liabilities of \$17.9 million, offset by an increase in long-term debt and lease obligations of \$70.2 million. The decrease in net pension liability and OPEB liability is due to actuarial adjustments as provided by ASRS, PSPRS and ADOA. The change in payables and accrued liabilities of \$17.9 million is primarily due to a decrease in accrued payroll and benefits of \$17.7 million due to the partial payment of \$15.7 million related to the payroll tax deferral granted to employers under the Coronavirus, Aid, Relief, and Economic Security (CARES) Act. The increase in long-term debt and lease obligations of \$70.2 million is primarily due to an increase of \$162.7 million due to the implementation of GASB Statement No. 87 for leases, offset by the annual principal payments on long-term debt of \$72.8 million, the annual amortization of bond premium and discounts of \$13.3 million, and finance sale changes of \$6.4 million.

Total Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the university that is applicable to a future reporting period. The following table and chart present total deferred inflows of resources, in thousands of dollars and percent:

Resources received before time requirements met	\$ 202,723	31.2%
Deferred inflows related to pensions	200,305	30.9%
Deferred inflows related to OPEB	135,272	20.8%
Deferred inflows related to leases	109,607	16.9%
Deferred amounts from refunding of debt	1,020	0.2%
Total deferred inflows of resources	\$ 648,927	100.0%



The increase in deferred inflows of \$353.1 million is primarily attributed to an increase of \$280.6 million in deferred inflows of resources related to pensions and OPEB due to actuarial adjustments provided by ASRS, PSPRS and ADOA. Additionally, there was an increase of \$109.6 million in deferred inflows related to leases due to the implementation of GASB Statement No. 87 for leases. This is offset by the annual \$18.7 million distribution to the university related to the Academic Enhancement Fund (AEF) Trust Agreement and an \$18.4 million decrease for cost and fair value changes of AEF investments.

Total Net Position

Net position is divided into three categories. Net investment in capital assets represents the historical cost of capital assets reduced by the balance of related outstanding debt and accumulated depreciation and amortization. Restricted net position includes amounts that have been restricted for use by an external party and is further broken down into nonexpendable and expendable. Restricted nonexpendable net position represents the funds that are required to be retained in perpetuity. Restricted expendable net position includes amounts restricted by external parties for such things as debt service, academic and departmental uses, scholarships and fellowships, and capital projects. Finally, unrestricted net position includes amounts institutionally designated or committed to support specific academic and research programs and for working capital requirements.

The following table represents net position categories, in thousands of dollars and percent:

Net investment in capital assets	\$ 959,468	87.1%
Restricted	449,694	40.8%
Unrestricted (deficit)	(307,211)	(27.9)%
Total net position	\$ 1,101,951	100.0%

Total net position increased by \$54.0 million in fiscal year 2022, which is attributed to increases in net investment in capital assets and restricted net position, offset by a decrease in unrestricted net position. Net investment in capital assets increased by \$71.0 million primarily due to increases in the capitalized costs for the Student Success District project and ongoing capitalized construction in progress for the Applied Research Building project of \$30.7 million, the Grand Challenges Research Building project for \$28.0 million, the Chemistry Building Renovation project for \$22.7 million, the Facilities Management Consolidated Facility project for \$16.1 million, the Campus Research Infrastructure Improvement project for \$9.3 million, the Giant Magellan Telescope project for \$8.5 million, the Arizona Arts Master Plan project for \$4.2 million, and

all other individual capital project additions totaling \$4.4 million, as well as additions to library materials of \$13.9 million. Additionally, there were annual principal payments on long-term debt of \$72.8 million and the annual amortization of bond premiums and discounts of \$13.3 million. This is offset by a net increase to long-term debt and lease obligations of \$162.7 million attributed to the implementation of GASB Statement No. 87 for leases. Restricted net position increased by \$20.7 million primarily due to increases of \$25.8 million in departmental restricted accounts primarily due to additional funding for Technology and Research Initiative Fund (TRIF) and gift funds, \$11.3 million for capital projects funded by capital appropriations, offset by a net decrease of \$18.5 million in the fair value of endowments. Unrestricted net position decreased by \$37.7 million primarily due to decreases of \$28.4 million for construction spend down on projects including the Chemistry Building Renovation project for \$14.3 million, the Student Success District project for \$5.9 million, the Facilities Management Consolidated Facility project for \$4.2 million, and the Grand Challenges Research Building for \$4.0 million, as well as a decrease of \$18.0 million across various colleges and units due to an overall net increase in general and travel expenses, and \$11.2

million in unrealized fair value loss in quasi unrestricted endowments, offset by net increases of \$12.1 million due to the activity for the new appropriation funds related to the New Economy Initiative (NEI) and the School of Mining and \$7.8 million related to auxiliary enterprises due to an increase in on-campus business activities due to less stringent COVID-19 protocols.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the university's revenues earned and the expenses incurred during fiscal year 2022, regardless of when cash is received or paid. Activities are reported as either operating or non-operating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the university, including a provision for depreciation and amortization on capital assets. Certain revenue sources that the university relies on for operations, including state appropriations, gifts, grants, and investment income are required by GASB Statement No. 35 to be classified as non-operating revenues.



Photo: University Marketing & Brand Management



Photo: University Marketing & Brand Management

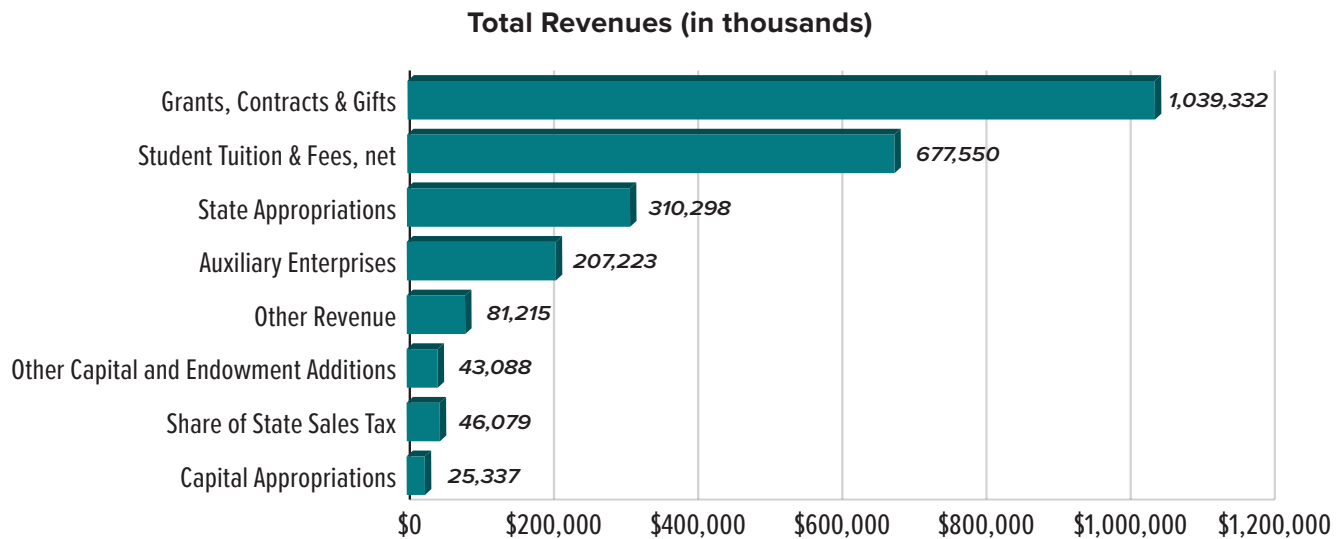
Condensed Schedule of Revenues, Expenses and Changes in Net Position

A comparison of the university's operations (in thousands of dollars) for the years ended June 30, 2022 and 2021 is as follows:

	FY 2022	FY 2021	% Change
Operating revenues			
Student tuition and fees, net	\$ 677,550	\$ 634,092	6.9%
Grants and contracts	554,999	568,934	(2.4)%
Auxiliary enterprises, net	207,223	110,226	88.0%
Other	63,174	70,585	(10.5)%
Total operating revenues	\$ 1,502,946	\$ 1,383,837	8.6%
Operating expenses			
Instruction and academic support	\$ 843,384	\$ 800,836	5.3%
Research and public service	605,072	591,213	2.3%
Student services and scholarships	183,559	184,825	(0.7)%
Institutional support and operation of plant	306,932	297,972	3.0%
Auxiliary enterprises	162,911	145,242	12.2%
Depreciation and amortization	168,320	150,138	12.1%
Total operating expenses	\$ 2,270,178	\$ 2,170,226	4.6%
Operating loss	\$ (767,232)	\$ (786,389)	(2.4)%
Non-operating revenues (expenses)			
State appropriations	\$ 310,298	\$ 259,415	19.6%
Grants, contracts and gifts	484,333	441,575	9.7%
Share of State sales tax revenues	46,079	31,979	44.1%
Investment income (loss)	(47,210)	83,281	(156.7)%
Interest expense on debt	(58,745)	(50,672)	15.9%
Other non-operating revenues, net	18,041	9,911	82.0%
Net non-operating revenues	\$ 752,796	\$ 775,489	(2.9)%
Loss before capital and endowment additions	\$ (14,436)	\$ (10,900)	32.4%
Capital appropriations	25,337	25,205	0.5%
Other capital and endowment additions	43,088	41,204	4.6%
Increase in net position	\$ 53,989	\$ 55,509	(2.7)%
Net position, beginning of year	1,047,962	992,453	5.6%
Net position, end of year	\$ 1,101,951	\$ 1,047,962	5.2%

Total Revenues

The following chart represents total revenues of \$2,430,122 for fiscal year 2022:



Operating and non-operating grants, contracts and gifts: Revenues vary from year to year for many reasons, including the availability of funding from sponsors, the commencement or closure of particularly large sponsored projects, and unanticipated gift revenues. Grants, contracts and gifts increased by \$28.8 million in comparison to fiscal year 2021 primarily due to increases of \$31.6 million in commitment funds associated with partner hospitals, \$28.7 million in gifts, and \$5.0 million for academic support programs related to local inter-governmental agreements (IGA). This is offset by a net decrease of \$39.3 million in COVID-19 emergency relief funding resulting from decreases of \$46.0 million for the Coronavirus Relief Fund (CRF); \$32.5 million for the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) for the Higher Education Emergency Relief Fund (HEERF) II institutional portion; \$15.5 million for the Coronavirus Aid, Relief, and Economic Security (CARES) Act HEERF I institutional portion; \$15.5 million for the CRRSAA HEERF II student support; \$10.8 million for the CARES Act student support; \$2.3 million for the CARES ACT Hispanic-Serving Institutions (HSI) Funding; and \$0.6 million for the Governor's Emergency Education Relief (GEER) Fund for the Arizona Teachers Academy (ATA) Grant Funding of the CARES Act, offset by increases of \$41.3 million for the American Rescue Plan (ARP) for HEERF III institutional portion; \$34.0 million for ARP for HEERF III student support; \$5.4 million for ARP HSI Funding; and \$3.2 million for CRRSAA HSI Funding.

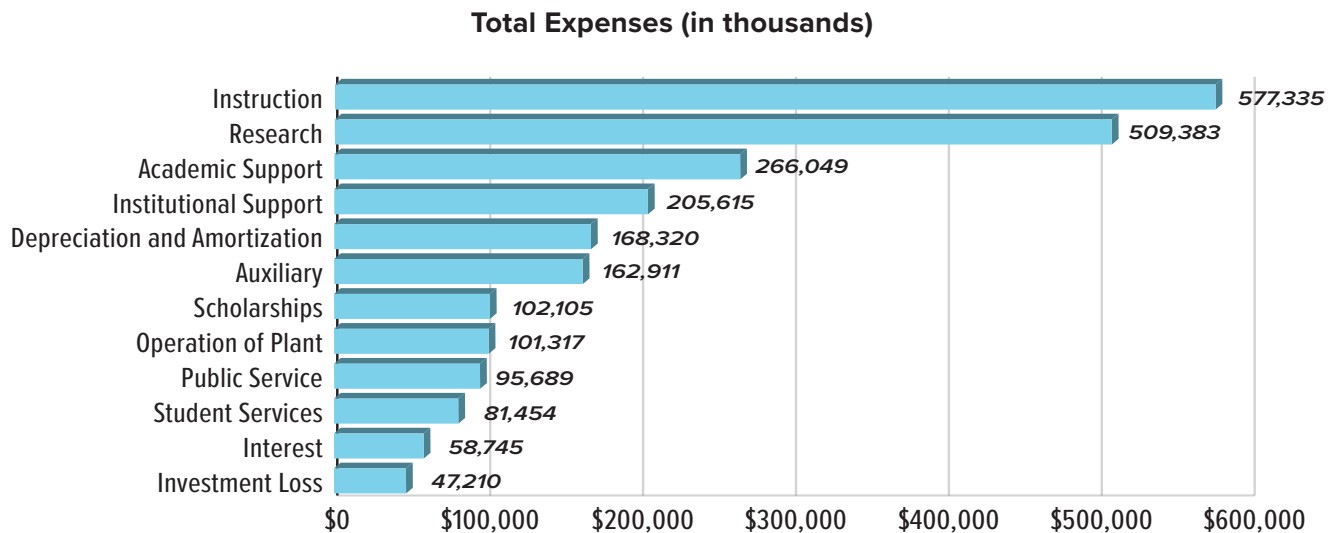
State appropriations: State appropriations increased by \$50.9 million primarily due to new appropriated funds of \$28.8 million for NEI and \$4.0 million for the School of Mining. Additionally, there was an increase of \$8.0 million in one-time appropriations for personal services and employee related expenditures in fiscal year 2022. The remaining net increase of \$10.1 million is due to various state general fund appropriations.

Auxiliary enterprises: Total auxiliary enterprises increased by \$97.0 million primarily due to an increase in on-campus business activities as a result of less stringent COVID-19 protocols.

Share of State sales tax revenues: Share of State sales tax revenues increased by \$14.1 million primarily due to new funding for the Opportunity Initiative Funds and Regents Research Grants.

Total Expenses

The following chart represents total expenses by functional classification of \$2,376,133 for fiscal year 2022:

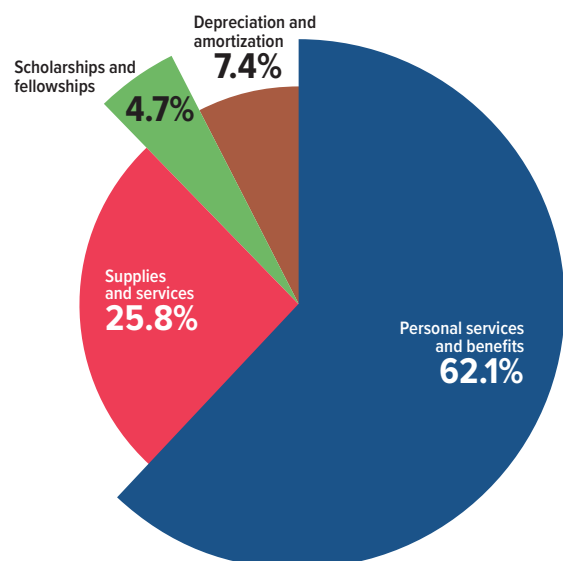


Total expenses increased by \$155.2 million in comparison to fiscal year 2021. The university experienced a net increase of \$78.1 million in supplies and services primarily due to increases in general expenses of \$50.3 million, travel expenses of \$16.0 million and utilities of \$11.2 million, which is attributed to an increase in on-campus and in-person business activities as a result of less stringent COVID-19 protocols. Depreciation and amortization increased by \$18.2 million primarily due to an increase of \$16.6 million attributed to the implementation of GASB Statement No. 87 for leases. Scholarships and fellowships increased by \$13.3 million primarily due to an increase in emergency relief provided to students from federal COVID-19 relief funds of \$34.0 million for ARP HEERF III, offset by decreases for awards fully expended in the prior fiscal year as follows: \$15.5 million for CRRSAA HEERF II; \$10.8 million for the CARES Act; and \$0.6 million for GEER ATA. Additionally, there was an increase of \$5.0 million in additional aid to students in the form of merit awards and need based aid. Investment loss reflects a balance of \$47.2 million primarily due to lower bond yields and unfavorable market conditions.

Operating Expenses by Natural Classification

In addition to programmatic (functional) classification of operating expenses, a summary of the university's expenses by natural classification (in thousands of dollars), as listed in Note 12, for the years ended June 30, 2022 and 2021 is as follows:

	FY 2022	FY 2021	% Change
Personal services and benefits	\$ 1,410,808	\$ 1,420,434	(0.7)%
Supplies and services	585,118	506,999	15.4%
Scholarships and fellowships	105,932	92,655	14.3%
Depreciation and amortization	168,320	150,138	12.1%
Total operating expenses	\$ 2,270,178	\$ 2,170,226	4.6%



Condensed Statement of Cash Flows

The statement of cash flows provides additional information about the university's financial results by reporting the major sources and uses of cash and cash equivalents. This statement assists in evaluating the university's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the university. Due to the categorization of operating and non-operating expenses by GASB, cash flows from operating activities are typically a net cash use. Net cash flows from noncapital financing activities is a major funding source for operating expenses and includes state appropriations, donations, and other activities not covered in the other sections. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show all the uses of cash and cash equivalents to purchase investments, and all the increases in cash and cash equivalents as a result of selling investments or earning income on cash and investments. The following summarizes cash flows for fiscal years 2022 and 2021 (in thousands of dollars):

Cash Provided By (Used For):	FY 2022	FY 2021
Operating activities	\$ (620,121)	\$ (517,369)
Noncapital financing activities	841,444	712,129
Capital financing activities	(323,601)	126,727
Investing activities	29,217	(219,525)
Net increase (decrease) in cash and cash equivalents	(73,061)	101,962
Cash and cash equivalents, beginning of year	168,536	66,574
Cash and cash equivalents, end of year	\$ 95,475	\$ 168,536

Capital and Debt Analysis

The University of Arizona capital program is developed through a formal process involving internal committees, the Arizona Board of Regents (ABOR), and the State Joint Committee on Capital Review (JCCR). The process starts with the preparation of a comprehensive annual Capital Improvement Plan (CIP) as required by Arizona Revised Statutes § 41-793 and ABOR policy 7-102. The CIP presents the university's strategic plan on space and capital acquisition to meet short and long-term requirements. It outlines the current capital funding allocation for the university, specifically for building renewal, deferred maintenance, facility leases, and other critical construction projects. The CIP covers a three-year period and focuses on addressing space deficiencies in academic, research, student services/support services,

and deferred maintenance. The CIP also provides a summary of the university debt information including debt ratio projections to comply with ABOR policy and State statutes. The projects in the CIP are prioritized at a later date by university management and presented to ABOR for approval through the Annual Capital Plan (ACP). The ACP presents immediate need for capital projects in the coming 12 months including the estimated budget costs of the project, how the project aligns with the university's strategic plan, funding source(s), and any associated debt information. Each project on the ACP must also receive an individual project and financing approval that authorizes the university to proceed with financing and execution of construction contracts for the project. Projects to be financed by debt must also be reviewed by JCCR.

During fiscal year 2022, the university completed and placed in service the Student Success District project. This project was constructed at a total cost to the university of \$81.0 million and was financed by System Revenue Bonds. This project integrated and revitalized student services in four adjacent central campus buildings: Main Library, Weaver Science-Engineering Library, Bear Down Gym, and Bartlett Academic Success Center.

In addition, there were ongoing major building projects under construction with approved budgets including: the Grand Challenges Research Building of \$99.0 million, the Applied Research Building of \$85.0 million, the Chemistry Building Renovation project of \$42.0 million, the Facilities Management Consolidated Facility project of \$24.0 million, and the Campus Research Infrastructure Improvement project of \$16.0 million.

The university generally finances capital improvements and acquisitions through the issuance of System Revenue Bonds (SRBs), Stimulus Plan for Economic and Education Development (SPEED) Revenue Bonds, or Certificates of Participation (COPs). Stimulus Plan for Economic and Education Development (SPEED) was authorized by the Arizona State Legislature to stimulate the State's economy through capital construction for State universities. This legislation also authorizes the use of State lottery revenue allocations to fund up to 80 percent of the annual debt service on all projects financed by SPEED Revenue Bonds. The three State universities are responsible for at least 20 percent of the debt service. Prior to issuing any non-refunding Bonds or COPs, the university must provide a financing and funding plan in the ACP for ABOR approval. Additionally, the project is required to be reviewed or approved by JCCR. The amount of debt the university is capable of issuing is limited by a debt ratio of 8% as defined by State law (Arizona Revised Statutes § 15-1683) and ABOR policy 7-102(B)(2)(e)(3). The debt ratio is determined by annual debt service on Bonds and COPs as a percentage

of total operating expenses and debt service. At June 30, 2022, the university's debt ratio was 4.6%. The university's credit rating on its outstanding SRBs is Aa2 by Moody's and AA- by Standard and Poor's.

Detailed capital asset and debt information can be found in Notes 5 and 8, respectively, in the accompanying notes to the financial statements.

Economic Outlook

The University of Arizona continuously evaluates programmatic and institutional changes necessary to serve as a center for advanced graduate and professional studies while emphasizing research and providing excellence in undergraduate programs. University management has been diligently working to develop long and short-term strategic plans to address these programmatic and institutional changes and other challenges to the financial health of the institution. At the same time, the Arizona Board of Regents and the three State universities are actively evaluating creative solutions to contain costs and generate new revenues in order to continue providing quality and affordable education.

While the university and Arizona Board of Regents recognize the fiscal pressures from the COVID-19 pandemic, the university has continued the Guaranteed Tuition Program, started in the fall of 2014, which is a constant tuition rate set by ABOR for eight semesters.

Additionally, the university continues to return a portion of tuition revenue in the form of need-based aid. For fiscal year 2023 incoming students participating in the Guaranteed Tuition Program, the Arizona Board of Regents voted to increase undergraduate tuition and fees by 4.2% for residents and 6.2% for non-residents.

The university experienced an increase in total appropriations of \$40.7 million or approximately 12.1% by the State for fiscal year 2023. The fiscal year 2023 total appropriation to the University of Arizona is \$376.3 million.

The Arizona Board of Regents also recently approved the university's fiscal year 2023 annual operating budget, which includes an estimated 2.1% increase in revenues, a \$46.2 million increase in net position, and an estimated ending days cash on hand of 160 days. The university continually works to implement efficiencies and identify savings opportunities. It is committed to its students, parents, employees, and the State to providing the most efficient and effective services as possible. The fiscal year 2023 budget is one example of this commitment.

Since the university is ultimately subject to the same economic variables that affect other financial entities, it is difficult to predict future outcomes. Management is working diligently to continue to provide quality instruction, research and public service to the State of Arizona and the nation.



Photo: University Marketing & Brand Management

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2022 (in thousands of dollars)

Assets

Current assets

Cash and cash equivalents (Note 3)	\$ 47,469
Short-term investments (Note 3)	191,348
Receivables:	
Accounts receivable (net of allowances of \$3,093)	72,788
Government grants receivable	91,560
Lease receivables	10,277
Student loans (net of allowances of \$45)	1,391
Inventories	5,422
Prepaid expenses	11,951
Total current assets	\$ 432,206

Noncurrent assets

Restricted cash and cash equivalents (Note 3)	\$ 48,006
Restricted investments with trustee (Note 3)	231,323
Restricted investments with bond trustees (Note 3)	156,352
Long-term investments (Note 3)	530,761
Endowment investments (Note 3)	298,519
Equity interest in joint venture (Note 4)	4,993
Student loans receivable (net of allowances of \$1,705)	24,518
Lease receivables	99,519
Prepaid expenses	30
Capital assets, not being depreciated /amortized (Note 5)	450,195
Capital assets, being depreciated /amortized, net (Note 5)	2,180,138
Total noncurrent assets	\$ 4,024,354
Total Assets	\$ 4,456,560

Deferred Outflows of Resources

Deferred outflows related to pensions (Note 10)	\$ 128,017
Deferred outflows related to OPEB (Note 11)	73,728
Deferred amounts from refunding of debt	26,977
Total Deferred Outflows of Resources	\$ 228,722

Statement of Net Position (continued)

Liabilities

Current liabilities

Accounts payable	\$	66,584
Accrued payroll and benefits		82,157
Accrued compensated absences, current portion (Note 7)		10,013
Unearned revenue and deposits (Note 6)		113,879
Pension liability, current portion (Note 10)		4,770
Current portion of long-term debt and lease obligations (Note 8)		
To be funded by university revenues		77,098
To be funded by State of Arizona appropriations and State Lottery monies		19,752
Total current liabilities	\$	374,253

Noncurrent liabilities

Accrued compensated absences (Note 7)	\$	83,349
Net pension liability (Note 10)		517,587
OPEB liability (Note 11)		202,505
Long-term debt and lease obligations (Note 8)		
To be funded by university revenues		1,317,504
To be funded by State of Arizona appropriations and State Lottery monies		439,206
Total noncurrent liabilities	\$	2,560,151
Total Liabilities	\$	2,934,404

Deferred Inflows of Resources

Deferred inflows related to pensions (Note 10)	\$	200,305
Deferred inflows related to OPEB (Note 11)		135,272
Deferred amounts from refunding of debt		1,020
Deferred inflows related to leases		109,607
Resources received before time requirements met (Note 3)		202,723
Total Deferred Inflows of Resources	\$	648,927

Net Position

Net investment in capital assets	\$	959,468
Restricted for nonexpendable:		
Endowments		146,407
Student loans		32,626
Restricted for expendable:		
Scholarships and fellowships		6,355
Academic/departmental uses		196,792
Capital projects		39,572
Debt service		27,942
Unrestricted (deficit)		(307,211)
Total Net Position	\$	1,101,951

See Notes to Financial Statements



Photo: University Marketing & Brand Management

STATEMENT OF FINANCIAL POSITION – COMPONENT UNITS

June 30, 2022 (in thousands of dollars)

	University of Arizona Foundation	University of Arizona Global Campus	Other	Total
Assets				
Cash and cash equivalents	\$ 149,697	\$ 34,175	\$ 9,611	\$ 193,483
Restricted cash	-	4,613	-	4,613
Pledges receivable, net	35,693	-	894	36,587
Accounts receivable, net	-	30,645	1,675	32,320
Investments in marketable securities	1,214,084	-	13,284	1,227,368
Other investments	-	-	159	159
Prepaid expenses	-	1,726	49	1,775
Property and equipment, net	1,584	372	31,529	33,485
Intangible assets, net	-	21,671	1,145	22,816
Other assets	1,324	19,350	1,231	21,905
Total Assets	\$ 1,402,382	\$ 112,552	\$ 59,577	\$ 1,574,511
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 7,156	\$ 2,930	\$ 3,718	\$ 13,804
Fair value of endowments managed for the university	214,216	-	-	214,216
Annuities payable and other trust liabilities	17,905	-	-	17,905
Deferred revenue and deposits	-	43,537	1,613	45,150
Short-term and long-term debt	-	-	3,464	3,464
Other liabilities	-	1,274	-	1,274
Total Liabilities	\$ 239,277	\$ 47,741	\$ 8,795	\$ 295,813
Net Assets				
Without donor restrictions	\$ 25,398	\$ 64,811	\$ 36,633	\$ 126,842
With donor restrictions	1,137,707	-	14,149	1,151,856
Total Net Assets	\$ 1,163,105	\$ 64,811	\$ 50,782	\$ 1,278,698
Total Liabilities and Net Assets	\$ 1,402,382	\$ 112,552	\$ 59,577	\$ 1,574,511

See Notes to Financial Statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2022 (in thousands of dollars)

Operating Revenues

Student tuition and fees, net of scholarship allowances of \$329,727	\$ 677,550
Federal grants and contracts	384,520
State grants and contracts	13,359
Local grants and contracts	5,695
Nongovernment grants and contracts	151,425
Sales and services of educational departments	52,802
Auxiliary enterprises, net of scholarship allowances of \$9,604	207,223
Other operating revenues	10,372
Total operating revenues	\$ 1,502,946

Operating Expenses

Educational and general	
Instruction	\$ 577,335
Research	509,383
Public service	95,689
Academic support	266,049
Student services	81,454
Institutional support	205,615
Operation and maintenance of plant	101,317
Scholarships and fellowships	102,105
Auxiliary enterprises	162,911
Depreciation and amortization (Note 5)	168,320
Total operating expenses	\$ 2,270,178
Operating Loss	\$ (767,232)

Nonoperating Revenues (Expenses)

State appropriations	\$ 310,298
Share of State sales tax revenues	46,079
Federal grants and appropriations	192,396
State and other government grants	30,862
Nongovernment grants and contracts	151,837
Gifts	109,238
Investment loss	(47,210)
Interest expense on debt	(58,745)
Other nonoperating revenues, net	18,041
Net nonoperating revenues	\$ 752,796
Loss before Capital and Endowment Additions	\$ (14,436)

Statement of Revenues, Expenses and Changes in Net Position (continued)

Capital grants, gifts and conveyances	\$ 18,720
Capital appropriations	25,337
Capital commitment - State Lottery Revenue	20,811
Additions to permanent endowments	3,557
Total capital and endowment additions	\$ 68,425
Increase in Net Position	\$ 53,989

Net Position

Net Position - Beginning of year	1,047,962
Net Position - End of year	\$ 1,101,951

See Notes to Financial Statements



Photo: University Marketing & Brand Management

STATEMENT OF ACTIVITIES – COMPONENT UNITS

Year Ended June 30, 2022 (in thousands of dollars)

	University of Arizona Foundation	University of Arizona Global Campus	Other	Total
Revenues				
Student revenues, net of scholarship allowance of \$169,561	-	\$ 290,433	-	\$ 290,433
Sales and services	\$ 3,100	-	\$ 1,882	4,982
Contributions	167,666	-	3,123	170,789
Rental revenues	-	-	14,197	14,197
Investment loss, net	(63,785)	-	(2,176)	(65,961)
Other income	13,754	553	561	14,868
Total revenues	<u>\$ 120,735</u>	<u>\$ 290,986</u>	<u>\$ 17,587</u>	<u>\$ 429,308</u>
Expenses				
Program services:				
Academic and educational activities	-	\$ 250,200	-	\$ 250,200
Leasing related expenses	-	-	\$ 15,215	15,215
Payments to the university	\$ 92,320	-	100	92,420
Payments on behalf of the university	26,432	-	3,544	29,976
Supporting services:				
Administration and general	8,340	45,930	2,131	56,401
Fundraising	8,629	-	82	8,711
Total expenses	<u>\$ 135,721</u>	<u>\$ 296,130</u>	<u>\$ 21,072</u>	<u>\$ 452,923</u>
 Decrease in Net Assets	 \$ (14,986)	 \$ (5,144)	 \$ (3,485)	 \$ (23,615)
 Net Assets - Beginning of year, as restated	 <u>\$ 1,178,091</u>	 <u>\$ 69,955</u>	 <u>\$ 54,267</u>	 <u>\$ 1,302,313</u>
Net Assets - End of year	<u>\$ 1,163,105</u>	<u>\$ 64,811</u>	<u>\$ 50,782</u>	<u>\$ 1,278,698</u>

See Notes to Financial Statements



Photo: University Marketing & Brand Management

STATEMENT OF CASH FLOWS

Year Ended June 30, 2022 (in thousands of dollars)

Cash Flows from Operating Activities

Tuition and fees	\$	669,637
Grants and contracts		547,439
Payments for salaries, wages and benefits		(1,440,497)
Payments to suppliers		(598,609)
Payments for scholarships and fellowships		(105,932)
Loans issued to students		(4,258)
Collections on loans to students		2,425
Auxiliary enterprise receipts		203,065
Sales and services of educational departments		51,834
Funds held for others received		14,976
Funds held for others disbursed		(12,916)
Other receipts		52,715
Net cash used for operating activities	\$	(620,121)

Cash Flows from Noncapital Financing Activities

State appropriations	\$	310,298
Share of State sales tax receipts		43,670
Gifts, contracts and grants for other than capital purposes		488,058
Direct Loans received		250,654
Direct Loans disbursed		(251,236)
Net cash provided by noncapital financing activities	\$	841,444

Cash Flows from Capital Financing Activities

Proceeds from issuance of capital debt, including premiums	\$	330
Capital appropriations, grants and gifts received		32,066
Capital commitment - State Lottery revenue		20,811
Proceeds from sale of capital assets		33
Purchase of capital assets		(210,796)
Principal paid on capital debt and leases		(85,953)
Interest paid on capital debt and leases		(80,092)
Net cash used for capital financing activities	\$	(323,601)

Statement of Cash Flows (continued)

Cash Flows from Investing Activities

Proceeds from sales and maturities of investments	\$	758,872
Interest and dividends on investments		24,581
Purchase of investments		(754,236)
Net cash provided by investing activities	\$	29,217
Net decrease in Cash and Cash Equivalents	\$	(73,061)

Cash and Cash Equivalents

Cash and Cash Equivalents - Beginning of year		168,536
Cash and Cash Equivalents - End of year	\$	95,475

Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating loss	\$	(767,232)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization		168,320
Net funds held for others		2,060
Miscellaneous income		43,225
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Net pension liability		(212,607)
Deferred outflows of resources related to pensions		9,816
Deferred inflows of resources related to pensions		177,267
OPEB liability		(108,934)
Deferred outflows of resources related to OPEB		20,056
Deferred inflows of resources related to OPEB		103,416
Receivables, net		(17,106)
Equity interest in joint venture		1,920
Inventories		(1,357)
Prepaid expenses		(245)
Accounts payable		(13,273)
Accrued payroll and benefits and compensated absences		(18,703)
Unearned revenue and deposits		(6,744)
Net cash used for operating activities	\$	(620,121)

Significant Noncash Transactions

Gifts and conveyances of capital assets		11,991
Change in fair value of investments		(85,964)
Change in fair value of equity interest in joint venture		(1,920)
Change in fair value of restricted investments with trustee		(18,369)
Amortization of bond discount, prepaid insurance, and deferred cost of refundings		(3,202)
Amortization of bond premium		13,299
Net loss on disposal of capital assets with an original cost of \$29,308, accumulated depreciation of \$20,940 and cash proceeds of \$33		(8,335)
Intangible right-to-use lease asset additions		55,351

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements include all activities that are directly controlled by the university. In addition, the financial statements include the financial position and activities of the university's discretely presented component units as described in Notes 2 and 14. Fiscal responsibility for the university remains with the State of Arizona; therefore, the university is an integral part of the State of Arizona's tri-university system, which is an enterprise fund in the State of Arizona's *Annual Comprehensive Financial Report*.

The component units are legally separate, private, nonprofit organizations that report under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component units' financial information included in the university's financial report. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the university.

Change in Reporting Entity

University of Arizona Alumni Association: Effective July 1, 2020, the University of Arizona Alumni Association (Alumni Association) entered into an Integration Agreement with the University of Arizona Foundation (Foundation) to create a University and Alumni Development Program. The goal of the Integration Agreement was to fully integrate the Alumni Association and the Foundation into a single nonprofit corporation. The Board of Directors of the Alumni Association approved a full merger into the Foundation effective January 1, 2022, with the Foundation as the surviving entity. During the fiscal year ended June 30, 2022, all Alumni Association net assets were transferred to the Foundation and the Alumni Association was removed from the reporting entity.

University of Arizona Global Campus: In fiscal year 2021, the university entered into an affiliation agreement with the University of Arizona Global Campus (UAGC). In January 2022, the university announced its intent to acquire UAGC and integrate its operations into the university. The two organizations have commenced a formal planning process and are working with applicable accreditation agencies to plan for the transition. After the affiliation agreement between the university and UAGC was amended and the university joined UAGC's

Temporary Provisional Program Participation Agreement (TPPPA) with the U.S. Department of Education, both of which occurred in January 2022, it was determined that UAGC met the criteria for inclusion as a discretely presented component unit of the university beginning in fiscal year 2022.

Restatement of Component Unit Net Assets: The changes in reporting entity associated with the removal of the Alumni Association and the addition of UAGC resulted in the following restatement to the university's component unit net assets reported as of June 30, 2021 (in thousands of dollars):

Component unit net assets, as previously reported at June 30, 2021	\$	1,242,168
Removal of Alumni Association		(9,810)
Addition of UAGC		69,955
Component unit net assets, as restated July 1, 2021	\$	1,302,313

The Alumni Association merger with the Foundation resulted in a decrease in beginning net assets. However, it did not impact component unit ending net assets as all net assets were transferred to the Foundation. The addition of UAGC as a discretely presented component unit resulted in an increase to net assets.

Basis of Presentation

The financial statements are presented in accordance with U.S. generally accepted accounting principles (GAAP) applicable to governmental colleges and universities engaged in business-type activities as adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2022, the university implemented the provisions of GASB Statement No. 87, *Leases*, as amended by GASB Statement No. 99, *Omnibus 2022*. The university elected to early implement the lease-related topics, paragraphs 11-17, of GASB Statement No. 99.

GASB Statement No. 87, as amended, establishes criteria for accounting and financial reporting for leases. It creates a single model for lease accounting and requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. A lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. In addition, the implementation of GASB Statement No. 87, as amended, resulted in additional footnote disclosures in Notes 5 and 8.

The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows.

The Statement of Net Position provides information about assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the university at June 30. Assets and liabilities are classified as either current or noncurrent. Current liabilities are obligations that will be paid within one year of the statement date, and current assets are those resources available to satisfy current liabilities. Deferred outflows/inflows of resources are resources that have been consumed or acquired that are applicable to a future reporting period. Net position is the residual amount and is classified according to external donor restrictions and availability of assets to satisfy university obligations. Net investment in capital assets represents capital assets less accumulated depreciation and amortization and the amount of related outstanding liabilities incurred to acquire or construct those assets. Nonexpendable restricted net position is comprised of gifts received for endowment purposes and revolving student loan funds, the corpus of which cannot be expended. Expendable restricted net position represents grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net position includes the remaining amounts of net position, including those that have been designated by management to be used for other than general operating purposes.

The Statement of Revenues, Expenses and Changes in Net Position provides information about the university's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, including capital contributions and additions to endowments. Operating revenues and expenses are those that generally result from exchange transactions. Accordingly, revenues such as tuition and fees, sales and services of auxiliary enterprises, and most government and nongovernment research grants and contracts are considered operating. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations, nonexchange grants, gifts, and investment income. Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization of capital assets. Other expenses, such as interest expense on debt, are considered to be nonoperating expenses.

The Statement of Cash Flows provides information about the university's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital financing, or investing activities.

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the same time liabilities are incurred, regardless of when the related cash flows take place. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The university eliminates all internal activity.

Significant Accounting Policies

The methods of applying GAAP that materially affect financial presentation are summarized below:

Cash and Investments:

- Cash equivalents include all highly liquid investments with an original maturity of 90 days or less.
- Investments are stated at fair value at June 30.
- Investment income includes interest and dividend earnings and changes in fair value of investments during the fiscal year from the investment of endowment, operating, and applicable trustee funds.

Endowment Spending Rate Policy: Arizona State law permits the university to expend the entire net appreciation of endowment fund investments. When determining the spending rate for endowment funds managed by the university, the Investment Committee and university administration consider long- and short-term needs, total investment return and price level trends, and general economic conditions. For fiscal year 2022, the expendable rate was established at 4.125% based on a twelve-quarter average fair value of principal account balances as of December 31, 2020. Donor restricted endowments that are available for expenditure are reported as restricted and expendable on the Statement of Net Position.

Inventories: Inventories consist primarily of items held for resale and supplies. Items held for resale are stated at the lower of cost (determined by the first-in, first-out or the weighted average method) or market. Supplies are stated at cost.

Special Collections and Historical Treasures: The university maintains special collections and historical treasures for educational purposes and public exhibition. These special collections include Kress, Pfeiffer, and Gallagher artwork, Ansel Adams, Harry Callahan, David Hume Kennerly, and Edward Weston photography collections, American Indians of the Southwest archeological collection, pottery whole

vessel collection, and several medical and law book collections. They are not subject to disposal for financial gain or encumbrance. Accordingly, such collections are not capitalized for financial statement purposes but are inventoried for property control purposes.

Capital Assets:

- Capital assets are reported at actual cost or, if donated, at acquisition value.
- Capital assets, other than land, construction in progress, and intangible assets with indefinite useful lives, are depreciated over their estimated useful lives using the straight-line method. Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset. The capitalization thresholds and estimated useful lives for capital assets of the university are as follows:

Asset Category	Capitalization Threshold (\$)	Estimated Useful Life (yrs)
Land	1	n/a
Construction in progress	100,000	n/a
Buildings and improvements	100,000	15 – 50
Infrastructure	100,000	10 – 100
Equipment (various equipment, machinery, vehicles and other)	5,000	3 – 25
Library materials	1	10
Intangibles:		
Intangible assets, computer software ≥ \$10 million	10,000,000	10
Intangible assets, computer software < \$10 million	1,000,000	5
Right-to-use lease assets (buildings)	100,000	n/a

Pension and Other Postemployment Benefits: For purposes of measuring the net pension and other postemployment benefits (OPEB) liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Scholarship Allowances: A scholarship allowance is the difference between the stated charge for tuition and fees or dormitory charges and the amount paid by the student or third parties making payments on behalf of the student. Accordingly, some types of student financial aid such as fee waivers, Pell grants, and scholarship awards are considered to be scholarship allowances if used to pay tuition and residence fees. These allowances are netted against tuition and auxiliary revenues in the Statement of Revenues, Expenses and Changes in Net Position.

Leases: As lessee, the university recognizes lease liabilities with an initial, individual value of \$100,000 or more. The university uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The university's estimated incremental borrowing rate is based on its most recent public debt issuance.

As lessor, the university recognizes lease receivables with an initial, individual value of \$100,000 or more. The university leases ground and building space to third parties under the provisions of various lease agreements for uses including offices, commercial space, clinical space, and mixed-use space. If there is no stated rate in the lease contract (or if the stated rate is not the rate the university charges the lessee) and the implicit rate cannot be determined, the university uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The university's estimated incremental borrowing rate is calculated as described above. During the fiscal year ended June 30, 2022, the university had \$10.3 million in current lease receivables and \$99.5 million in non-current lease receivables and recognized total lease-related revenues of \$12.8 million.

Restricted and Unrestricted Resources: The university has both restricted and unrestricted resources available for most programs. Restricted resources are externally restricted for a specific purpose and primarily include sponsored research grants and contracts and gifts. The university's policy regarding whether to first apply restricted or unrestricted resources is made on a case-by-case basis. Restricted resources remain classified as such until spent.

NOTE 2. Component Units

The financial statements of the university include the operations of the University of Arizona Foundation, Inc., the University of Arizona Global Campus, Law College Association of the University of Arizona, Campus Research Corporation, and Eller Executive Education, all discretely presented component units. For financial reporting purposes, only the statement of financial position and statement of activities are included in the university's financial statements as required by U.S. generally

accepted accounting principles for public colleges and universities. Discretely presented component units are reported on separate pages following the university's respective counterpart financial statements because those component unit financial statements are prepared in accordance with non-governmental U.S. generally accepted accounting principles (i.e., FASB). Each discretely presented component unit discussed below has a June 30 year-end.

Component units can be defined as legally separate entities for which the university is considered to be financially accountable. GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* have set forth criteria to be considered in determining financial accountability. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion under GASB Statement No. 14, *The Financial Reporting Entity*, a financial benefit or burden relationship also would need to be present between the primary government and the organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, GASB Statement No. 61 clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making that determination. GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, provides additional criteria for determining whether certain organizations are component units. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should also be considered component units, with discrete presentation. These criteria are (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the university, its component units, or its constituents (2) the university, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the university, or its component units, is entitled to, or has the ability to otherwise access, are significant to the university.

Discretely Presented Component Units

The University of Arizona Foundation, Inc. (Foundation) is a legally separate, tax-exempt, private nonprofit corporation governed by a separate Board of Trustees. The Foundation was established for the primary purpose

of advancing the university by building relationships, securing philanthropic support, and stewarding assets. Although the university does not control the timing or amount of receipts from the Foundation, the Foundation's restricted resources are significant to the university and can only be used by, or for the benefit of, the university or its constituents. As the university is also entitled to the benefit of these resources, the Foundation is considered a component unit of the university and is discretely presented in the university's financial statements. As discussed in Note 14, the Foundation is the sole member of the University of Arizona Global Campus (UAGC). Under FASB standards, the Foundation is precluded from issuing financial statements that consolidate the operations of UAGC as the Foundation has neither the control of nor an economic interest in UAGC. The Foundation's financial statements are not publicly available. For information regarding the Foundation's financial statements, contact the University of Arizona Foundation Comptroller at the following address: The University of Arizona Foundation, Financial Services Office, 1111 N. Cherry Ave., Room 403, Tucson, Arizona 85721-0109.

The University of Arizona Global Campus (UAGC) is a legally separate, tax exempt, private nonprofit corporation governed by a separate board of directors. UAGC was established to expand access to higher education for adult learners and other non-traditional students, expand and accelerate online higher education offerings aimed at workforce and economic development goals with the State of Arizona, and extend those same offerings to a national and international student audience consistent with the mission of the university. UAGC operates in affiliation with the university. As the university (i) must provide consent for UAGC to incur any debt, encumbrance, or similar obligations in excess of \$250,000; (ii) is jointly and severally liable for UAGC's performance under the TPPPA; and (iii) has provided notice to exercise its option to acquire UAGC, fiscal dependency and a benefit/burden relationship exist between the organizations, making UAGC a component unit of the university. As UAGC does not meet any of the blending criteria in GASB Statement No. 14, as amended, UAGC is presented as a discrete component unit in the university's financial statements. For information regarding UAGC's financial statements, contact the Chief Financial Officer at the following address: The University of Arizona Global Campus, 180 S. Arizona Ave., Suite 301, Chandler, AZ 85225-9606.

The Law College Association of the University of Arizona (Law College Association) is a legally separate, tax-exempt, private nonprofit corporation governed by a separate Board of Directors and was established to provide support and financial assistance to the College of Law at the University of Arizona. The Law College

Association funds provide support to the College on many levels, from endowed student scholarships to named faculty professorships. The funds also provide support for various academic programs. As the economic resources held by the Law College Association are significant to the university and are entirely or almost entirely for the direct benefit of the university, and as the university is entitled to a majority of the economic resources received or held by the Law College Association, it is considered a component unit of the university and is discretely presented in the university's financial statements. For information regarding the Law College Association's financial statements, contact the Law College Association at the following address: Law College Association, James E. Rogers College of Law at the University of Arizona, 1201 E. Speedway Blvd., Tucson, Arizona 85721-0176.

Campus Research Corporation (CRC) is a legally separate, tax-exempt, private nonprofit corporation governed by a separate Board of Directors and was established to assist the university in the acquisition, improvement, and operation of the University of Arizona Science and Technology Parks, the original UA Tech Park at Rita Road and the UA Tech Park at the Bridges, related properties and entities. CRC currently leases from the university all the buildings at the UA Tech Park at Rita Road. CRC is responsible for assisting in the development of the presently undeveloped portions of the UA Tech Parks and for subleasing unoccupied space, newly developed space, and space now occupied by IBM or its subtenants once the current subleases terminate. The university is responsible for payment of the operational expenses associated with the space occupied by university departments, offices, and programs. All net proceeds received by CRC from its activities, after retention for operations and improvements, as defined by the master lease agreement, and reserves, will be distributed to the university. As the university approves CRC's budget and can access its resources (i.e., leased property and new building construction on the property), fiscal dependency and a benefit/burden relationship exist between the organizations, making CRC a component unit of the university. As CRC does not meet any of the blending criteria in GASB Statement No. 14, as amended, CRC is presented as a discrete component unit in the university's financial statements. For information regarding CRC's financial statements, contact the Chief Financial Officer at the following address: Tech Parks Arizona, 9070 South Rita Road, Suite 1750, Tucson, Arizona 85747-6112.

Eller Executive Education (EEE) is a legally separate, tax-exempt, private nonprofit corporation governed by a separate Board of Directors, all members of which are appointed by the President of the University of Arizona. EEE was established to advance the missions

of the Eller College of Management and University of Arizona through noncredit, non-degree programs for business, government, and nonprofit leaders. Through leadership and business programs for local, regional, and international organizations, EEE helps organizations solve their leadership challenges. Given that these programs are customized and unlike any typical university course, EEE is able to fill an education market that is not otherwise effectively addressed by the university. In the process, EEE advances university goals in outreach, workforce, and faculty development. As the university President appoints all EEE board members and can remove any member at will, the university can impose its will on EEE, making EEE a component unit of the university. As EEE does not meet any of the blending criteria in GASB Statement No. 14, as amended, EEE is presented as a discrete component unit in the university's financial statements. For information regarding EEE's financial statements, contact EEE at the following address: Eller Executive Education, P.O. Box 210108, Tucson, Arizona 85721-0108.

Photo: University Marketing & Brand Management



NOTE 3. Deposits and Investments

A. General

At year end, the university's deposits and investments had a fair value of \$1.5 billion. The required disclosures are included in sections B through D of this footnote.

Included in the university's deposits and investments are capital project funds totaling \$156.4 million which are held in trust by a commercial bank and available for future construction costs. Trust funds are invested in accordance with the Board's authorizing resolutions, as disclosed in section B of this footnote.

Endowment funds totaling \$214.2 million managed by the University of Arizona Foundation (Foundation) make up a portion of the deposits and investments. These funds are primarily held in a pooled endowment fund managed under a service contract with the Foundation and invested in the Foundation's Endowment Pool (Pool). The university's endowment assets are maintained separately on the financial system of the Foundation and receive a proportional share of the Pool activity. As such, the Foundation owns the assets of the Pool; the university has an interest in the Pool, which is considered an external investment pool to the university. The Pool invests in a variety of asset classes, including common stocks, fixed income, foreign investments, private equity and hedge funds. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The Foundation's Investment Committee is responsible for oversight of the Pool in accordance with Foundation policies. Included in these investments are balances invested on behalf of the Arizona Student Financial Aid Trust (ASFAT). ASFAT was established by the Arizona Board of Regents and is funded by the Arizona State Legislature and student fees. The university's ASFAT funds are recorded as endowment investments at \$44.9 million.

Further, the university is the sole beneficiary of the University of Arizona Academic Enhancement Fund Trust (Trust). Trust assets totaled \$231.3 million at June 30, 2022 and are recorded in the university's Statement of Net Position as restricted investments with trustee. Trust assets, less university contributions to the trust, are offset by a \$202.7 million deferred inflow of resources because not all time requirements have been met. The purpose of the Trust is to provide ongoing funding over 30 years, beginning in fiscal year 2015, in the form of \$20.0 million annual distributions to the university for academic enhancements, faculty recruitment, and program development at the Arizona Health Science Center. The university has entered into an investment agreement with a third party, Banner Health, to direct the investment activity of the trustee in accordance with Banner policies. In the event the Trust becomes

insolvent or does not generate sufficient income to make the annual distributions, Banner Health is contractually obligated to make the annual distribution payments to the university from other sources.

B. Statutory and Board of Regents' Policies

Arizona Revised Statutes requires collateral for deposits at 102 percent of all deposits of the university not covered by federal deposit insurance. Further policy regarding deposits is provided by the Arizona Board of Regents. According to Board policy, deposits can be made only at depository banks approved by the Board.

The Statutes do not specifically address the investment policy of the university; rather, Board of Regents' policy governs in this area. Board policy requires that the university arrange for the safekeeping of securities by a bank or other financial institution approved by the Board. Also under Board policy, the university is limited to investing its pooled operating funds in certificates of deposit, collateralized repurchase agreements, United States Treasury securities, federal agency securities, investment grade corporate bonds or in the government investment pool administered by the State Treasurer's Office.

Investment of capital project funds held with bond trustees are subject to investment policy set by the Board and included in bond indentures. The monies may be invested in obligations of or guaranteed by the federal government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities; or in certificates of deposit of federally insured banks, trust companies or savings and loan associations in the State of Arizona.

With regard to endowments, Board of Regents' policy dictates that these funds are to be invested under the direction of an investment committee designated by the president of each university. At the University of Arizona, the investment committee is responsible for defining, developing, and implementing investment objectives, policies, and restrictions. However, if donors restrict investments, Board policy requires that the university invest those funds separately as directed by the donor, and the individual endowments bear all changes in value.

The State of Arizona Treasurer's pools are not registered with the SEC. The State of Arizona Board of Investment provides oversight for the State of Arizona Treasurer's pools.

The university's deposit and investment policies follow the Board's policies.



Photo: University Marketing & Brand Management

C. Deposit and Investment Risk

Custodial Credit Risk: University policy for its operating funds requires all repurchase agreements to be collateralized with government debt securities or cash balances held in the comptroller’s demand deposit account. Beyond this requirement, the university does not have a policy that specifically addresses custodial credit risk. At June 30, 2022, \$21.4 million of the university’s total deposits and investments is exposed to custodial credit risk since a portion of the university’s endowment funds are held by trustees. These deposits and securities are held by the counterparties in the names of the individual donors as irrevocable trusts for the benefit of the university.

Credit Risk: With regard to credit risk, university policy restricts investment of the operating funds to certificates of deposit and collateralized repurchase agreements, United States Treasury securities, federal agency securities, investment grade corporate bonds or the government investment pool administered by the State Treasurer’s Office. When investing operating funds, university policy requires corporate bonds and notes to be of investment grade quality, rated Baa or higher by Moody’s Investors Service, at the time of purchase.

The university does not have a formal policy that specifically addresses credit risk over endowment funds. As indicated in Section A of this note, \$214.2 million of the university’s endowment funds are held in the Foundation’s Endowment Pool, which is not rated. The Foundation’s Investment Committee manages the credit risk of the Pool’s investments. Other university endowment funds held by external trustees are invested in accordance with donor restrictions and those investments’ credit quality ratings are included in the following table.

The following table presents credit risk by investment type (in thousands of dollars):

Investment Type	Moody’s/Standard & Poor’s Rating						
	Fair Value	Not Rated	Aaa/AAA	Aa/AA	A/A	Baa/BBB	Ba/BB
Certificates of Deposit*	\$ 6,685	\$ 6,685	-	-	-	-	-
Commercial Paper	9,958	-	-	-	\$ 9,958	-	-
Corporate Bonds	499,042	-	\$ 2,883	\$ 30,814	205,976	\$ 258,037	\$ 1,332
Federal Agency Securities	15,924	-	-	15,924	-	-	-
Fixed Income Mutual Funds	9,429	4,547	4,882	-	-	-	-
Money Market Mutual Funds	163,584	-	163,584	-	-	-	-
Municipal Bonds	1,843	-	-	1,843	-	-	-
State Treasurer’s Pool 3	2,766	2,766	-	-	-	-	-
Total	\$ 709,231	\$ 13,998	\$ 171,349	\$ 48,581	\$ 215,934	\$ 258,037	\$ 1,332

* Although the certificates of deposit are unrated by Moody’s Investor Service or Standard & Poor’s, \$6.7 million is covered by federal deposit insurance and would be returned to the university in the situation of default by the issuer.

The university used both Moody’s and Standard & Poor’s to determine the credit quality ratings of its debt securities. When a debt security investment was rated by only one of the rating agencies, that credit quality rating was disclosed. When a debt security was rated by both rating agencies, the university disclosed the credit quality rating with the greatest degree of risk.

Concentration of Credit Risk: Other than United States Treasury securities and other federal agency securities, which can represent greater than 5% of total investments, university policy limits investment in a single issuer to 5% or less of the fair value of the total portfolio. Except for United States Treasury securities, the university does not have an investment in any single issuer that exceeds 5% of the overall portfolio.

Interest Rate Risk: The university does not have a formal policy for interest rate risk. The following chart presents the interest rate risk for the university's debt investments (in thousands of dollars) at June 30, 2022, utilizing the segmented time distribution method:

Investment Type	Fair Value	Maturity Date			
		< 1 Year	1-5 Years	6-10 Years	> 10 Years
Certificates of Deposit	\$ 6,685	\$ 5,459	\$ 1,226	-	-
Commercial Paper	9,958	9,958	-	-	-
Corporate Bonds	499,042	71,825	422,129	\$ 5,088	-
Federal Agency Securities	15,924	6,803	9,121	-	-
Fixed Income Mutual Funds	9,429	4,882	1,015	2,196	\$ 1,336
Money Market Mutual Funds	163,584	163,584	-	-	-
Municipal Bonds	1,843	-	1,843	-	-
State Treasurer's Pool 3	2,766	2,766	-	-	-
US Treasury Securities	201,468	142,655	50,226	8,587	-
Total	\$ 910,699	\$ 407,932	\$ 485,560	\$ 15,871	\$ 1,336

Foreign Currency Risk: The university's foreign investments (in thousands of dollars) at June 30, 2022 are shown in the table below. Foreign currency - denominated investments are part of the university's endowment portfolios. University policy does not include any specific requirements for foreign currency risk. University endowment funds held by external trustees are invested in accordance with donor restrictions.

Investment Type	Currency	Fair Value
Common Stocks	Various	\$ 1,141
Equity Mutual Funds	Various	6,459
Fixed Income Mutual Funds	Various	2,251
Mutual Funds - Asset Allocation	Various	1,528
Total		\$ 11,379

D. Fair Value of Investment Assets

The university measures and categorizes its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines establish a three-tier hierarchy of inputs to valuation techniques used to measure fair value, as follows:

- Level 1: Quoted prices for identical investments in active markets that are accessible at the measurement date;
- Level 2: Inputs, other than quoted market prices included within Level 1, that are observable, either directly or indirectly;
- Level 3: Prices or valuations that require inputs that are significant to the fair value measurement and unobservable.



Photo: University Marketing & Brand Management

Fair value measurements (in thousands of dollars) as of June 30, 2022 are shown in the table below.

	As of June 30, 2022	Hierarchy Fair Value		
		Level 1	Level 2	Level 3
Investments by Fair Value Level				
Certificates of Deposit	\$ 6,685	-	\$ 6,685	-
Commercial Paper	9,958	-	9,958	-
Common Stocks	5,977	\$ 5,433	544	-
Corporate Bonds	499,042	-	499,042	-
Equity Mutual Funds	75,228	74,668	-	\$ 560
Federal Agency Securities	15,924	-	15,924	-
Fixed Income Mutual Funds	7,070	7,070	-	-
Money Market Mutual Funds	163,084	163,084	-	-
Municipal Bonds	1,843	-	1,843	-
Mutual Funds - Asset Allocation	1,545	970	-	575
Private Equities	476	-	-	476
Real Estate	607	-	-	607
US Treasury Securities	201,468	201,468	-	-
Total investments by fair value level	\$ 988,907	\$ 452,693	\$ 533,996	\$ 2,218
Other Investments at Fair Value				
Academic Enhancement Fund Trust	231,323			
State Treasurer's Pool 3	2,766			
Interest in Permanent Endowment	10,036			
University of Arizona Foundation	214,216			
Total other investments at fair value	\$ 458,341			
Investments at Net Asset Value (NAV)				
Equity Mutual Funds	9,061			
Total investments at net asset value	\$ 9,061			
Total investments at fair value	\$ 1,456,309			

Investments Classified in Fair Value Hierarchy

Investments categorized as Level 1 of the fair value hierarchy are valued using unadjusted prices quoted for identical assets in active, exchange and brokered markets for those securities. Investments categorized as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments categorized as Level 3 of the fair value hierarchy are valued using various methods. The fair value of private equities are valued using multiple pricing options. For managed assets, business appraisers use valuation methodologies based on a number of assumptions to create the price.

For non-managed assets, pricing is provided by various sources including the issuer or private investment manager. Real estate is valued by using the market approach industry standard valuation technique which includes independent appraisals.

Other Investments at Fair Value

The fair values of the Academic Enhancement Fund Trust and Interest in Permanent Endowment are derived from their respective custodial bank's independent pricing services. The university has beneficial interests in these investment accounts, and determines fair value based on the university's percentage of beneficial interest, which is the unit of account for purposes of fair value determination.

The fair value of a participant’s portion in the State Treasurer’s Pool 3 approximates the value of that participant’s pool shares and the participant’s shares are not identified with specific investments. Investments in the State Treasurer’s investment pools are valued at the pool’s share price multiplied by the number of shares the university held.

The fair value of the university’s position in the University of Arizona Foundation Pool is based on the university’s proportionate share of the Pool, which is valued at marked-to-market monthly.

Investments at Net Asset Value

Equity mutual funds include event-driven hedge funds investing in corporate financial restructurings, major operational reorganizations, distressed situations, and other events. The funds are valued using the Net Asset Valuation per share and have a quarterly redemption frequency with 90 days’ notice. There are no unfunded commitments.

NOTE 4. Joint Venture and Jointly Governed Organization

Joint Venture: The university is a participant in the Large Binocular Telescope Corporation (LBT). LBT was formally incorporated as a nonprofit corporation in August 1992 pursuant to a Memorandum of Understanding, as amended, executed on February 24, 1989, between the university and INAF Astrophysical Observatory in Florence, Italy. The purpose of the joint venture is to design, develop, construct, own, operate and maintain a binocular telescope located in Arizona. The current members of LBT are the university, Istituto Nazionale di Astrofisica, The Ohio State University, and LBT Beteiligungsgesellschaft (LBTB).

The university has committed resources equivalent to 26.25% of LBT’s construction costs and annual operating costs. The university has made total cash contributions of \$19.2 million and contributions of services and materials of \$3.5 million, which is recorded as equity interest in joint venture on the statement of net position. The university’s financial interest represents future viewing/observation rights. As of December 31, 2007, the assets had been substantially completed and the telescope entered the commissioning phase. During calendar year 2007, the telescope became operational for research purposes and depreciation of the property and equipment commenced. The university recorded its proportionate share of the use of the viewing/observation rights, \$1.9 million in calendar year 2022, as a reduction in its equity interest. At June 30, 2022, the equity interest totaled \$5.0 million. According to the most recent audited financial statements of LBT for the year ended December 31, 2021, assets, liabilities,

revenues and expenses totaled \$104.6 million, \$7.6 million, \$12.0 million, and \$19.9 million, respectively. For information regarding LBT’s financial statements, contact the University of Arizona Comptroller at the following address: The University of Arizona, Financial Services, 888 N. Euclid Ave., Room 502, Tucson, Arizona 85721.

Jointly Governed Organization: The Giant Magellan Telescope Organization (GMTO) is a non-stock, nonprofit, jointly governed corporation founded to own and administer the planning, design, construction and operation of the 25-meter Giant Magellan Telescope, a proposed astronomical telescope and its associated buildings, equipment and instrumentation, to be located in northern Chile. The GMTO is jointly governed by several leading educational and research institutions from the United States, South Korea, and Australia, including the University of Arizona. The university comprises two of the fifteen members of the GMTO Board of Directors and is one of thirteen founders and participants. The GMTO will hold all rights, title and interest to and in the telescope. Although the university does not have a defined equity interest, as a founder the university will receive viewing rights to the telescope in proportion to its voluntary contributions to the project. The university has recognized an intangible asset related to the costs incurred during the Design Development and Construction/Commissioning Phases. The university has also signed agreements outlining capital commitments to the GMTO between June 2016 and June 2022. Changes in capital commitments related to the GMTO (in thousands of dollars) during the fiscal year ended June 30, 2022, were as follows:

GMTO Capital Commitments		
Beginning balance	\$	6,424
Additions		-
Reductions		(6,424)
Ending balance	\$	-

The university has contributed a total of \$85.6 million to the GMTO as of June 30, 2022. The university has been and will be responsible for manufacturing the telescope’s mirrors and will receive compensation from other GMTO founders and participants based on individual contractual agreements. As of June 30, 2022, the university has received contractual payments related to the project from the GMTO and related partners totaling \$87.0 million. Contractual payments were for projects related to mirror construction and process development and include the acquisition of glass and mold materials, the development of mirror testing systems, design study, and engineering support.

NOTE 5. Capital Assets

Capital asset activity, excluding intangible right-to-use leased assets, (in thousands of dollars) for the year ended June 30, 2022, was as follows:

	Beginning Balance July 1, 2021	Additions	Retirements	Transfers/ Reclasses	Ending Balance June 30, 2022
Land	\$ 127,988	\$ 1,574	\$ (46)	-	\$ 129,516
Construction in progress:					
Real property	203,936	148,221	-	\$ (117,120)	235,037
Intangible assets	77,100	8,542	-	-	85,642
Total non-depreciable capital assets	<u>\$ 409,024</u>	<u>\$ 158,337</u>	<u>\$ (46)</u>	<u>\$ (117,120)</u>	<u>\$ 450,195</u>
Buildings and improvements	\$ 3,195,901	\$ 6,423	\$ (11,903)	\$ 115,447	\$ 3,305,868
Infrastructure	310,244	556	-	1,673	312,473
Equipment	594,007	38,405	(16,672)	-	615,740
Intangible assets	100,327	-	-	-	100,327
Library materials	363,993	14,552	(687)	-	377,858
Total depreciable capital assets	<u>\$ 4,564,472</u>	<u>\$ 59,936</u>	<u>\$ (29,262)</u>	<u>\$ 117,120</u>	<u>\$ 4,712,266</u>
Less: accumulated depreciation					
Buildings and improvements	\$ 1,534,457	\$ 97,059	\$ (5,660)	-	\$ 1,625,856
Infrastructure	174,277	10,143	-	-	184,420
Equipment	451,212	29,535	(14,593)	-	466,154
Intangible assets	97,469	1,578	-	-	99,047
Library materials	302,678	13,399	(687)	-	315,390
Total accumulated depreciation	<u>\$ 2,560,093</u>	<u>\$ 151,714</u>	<u>\$ (20,940)</u>	<u>-</u>	<u>\$ 2,690,867</u>
Depreciable capital assets, net	<u>\$ 2,004,379</u>	<u>\$ (91,778)</u>	<u>\$ (8,322)</u>	<u>\$ 117,120</u>	<u>\$ 2,021,399</u>
Capital assets, net	<u>\$ 2,413,403</u>	<u>\$ 66,559</u>	<u>\$ (8,368)</u>	<u>-</u>	<u>\$ 2,471,594</u>

Intangible right-to-use leased asset activity (in thousands of dollars) for the year ended June 30, 2022, was as follows:

	Beginning Balance July 1, 2021 (Restated)*	Additions	Retirements	Transfers/ Reclasses	Ending Balance June 30, 2022
Leased buildings	\$ 125,534	\$ 55,351	-	-	\$ 180,885
Total leased assets	<u>\$ 125,534</u>	<u>\$ 55,351</u>	<u>-</u>	<u>-</u>	<u>\$ 180,885</u>
Less: amortization					
Leased buildings	\$ 5,540	\$ 16,606	-	-	\$ 22,146
Total accumulated amortization	<u>\$ 5,540</u>	<u>\$ 16,606</u>	<u>-</u>	<u>-</u>	<u>\$ 22,146</u>
Amortized leased assets, net	<u>\$ 119,994</u>	<u>\$ 38,745</u>	<u>-</u>	<u>-</u>	<u>\$ 158,739</u>

*Due to the implementation of GASB Statement No. 87 for leases, the university's beginning leased asset balance was restated from fiscal year 2021. There was no impact to net position.

In addition to expenditures through June 30, 2022, it is estimated that \$224.5 million will be required to complete projects under construction or planned for construction. Of that amount, \$145.7 million is contractually encumbered.



NOTE 6. Unearned Revenue and Deposits

Unearned revenue consists primarily of amounts received from grants and contract sponsors that have not yet been earned under the terms of the agreements as well as tuition and fees received in advance. Unearned revenue also includes amounts received in advance of an event, such as advance ticket sales for sporting events.

Unearned revenue and deposits (in thousands of dollars) at June 30, 2022 consisted of the following:

Current Unearned Revenue and Deposits	
Unexpended cash advances received for sponsored programs	\$ 69,051
Tuition and fees	20,341
Auxiliary sales and services	16,843
Other unearned revenue	5,877
Deposits	1,767
Total current unearned revenue and deposits	\$ 113,879

NOTE 7. Accrued Compensated Absences

Compensated absences consist of vacation leave earned by employees based on services already rendered. These balances are accrued when earned. Employees may carry forward from one calendar year to the next up to 320 accrued vacation hours depending on classification and years of service. Upon termination, accrued hours up to 176 will be paid. At fiscal year-end, the university accrued all compensated absence balances accumulated to date as a liability in the financial statements. The university does not accrue sick time. Upon retirement, employees with a minimum of 500 hours of accumulated sick time are paid a formulated amount from the Retiree Accumulated Sick Leave (RASL) fund administered by the Arizona Department of Administration (ADOA). The university pays a percentage of its payroll for RASL to ADOA and does not have further liability. Accrued compensated vacation (in thousands of dollars) for the year ended June 30, 2022, was as follows:

Beginning balance	\$ 94,371
Additions	61,587
Reductions	(62,596)
Ending balance	\$ 93,362
Current portion	\$ 10,013

NOTE 8. Long-Term Debt & Lease Obligations

Long-term debt and financed purchase obligations activity (in thousands of dollars) for the year ended June 30, 2022 was as follows:

	Beginning Balance July 1, 2021 (Restated)*	Additions	Reductions	Ending Balance June 30, 2022	Due Within One Year
Bonds payable	\$ 1,379,595	-	\$ (41,370)	\$ 1,338,225	\$ 46,225
Certificates of participation	193,635	-	(31,535)	162,100	25,635
Financed purchase obligations	6,486	\$ 330	(434)	6,382	112
Subtotal long-term debt	\$ 1,579,716	\$ 330	\$ (73,339)	\$ 1,506,707	\$ 71,972
Premium on sale of debt	197,479	-	(13,299)	184,180	11,212
Discount on sale of debt	(70)	-	12	(58)	(12)
Total long-term debt obligations	\$ 1,777,125	\$ 330	\$ (86,626)	\$ 1,690,829	\$ 83,172

Lease activity (in thousands of dollars) for the year ended June 30, 2022 was as follows:

	Beginning Balance July 1, 2021 (Restated)*	Additions	Reductions	Ending Balance June 30, 2022	Due Within One Year
Lease liabilities	\$ 119,994	\$ 55,351	\$ (12,614)	\$ 162,731	\$ 13,678
Total lease liabilities	\$ 119,994	\$ 55,351	\$ (12,614)	\$ 162,731	\$ 13,678

*Due to the implementation of GASB Statement No. 87 for leases, the university's beginning liability balance was restated from fiscal year 2021. There was no impact to net position.

Bonds: The university's bonded debt consists of various issues of System Revenue Bonds and Stimulus Plan for Economic and Educational Development (SPEED) revenue bonds that are generally callable with interest payable semi-annually. Bond proceeds are used to pay for acquiring or constructing capital facilities, infrastructure and for refunding obligations from previously issued bonds.

For all outstanding SPEED revenue bonds, up to 80% of the debt service payments are payable from the university's SPEED revenue bond account monies, which are derived from certain revenues of the Arizona State Lottery as defined by State Statute. To the extent SPEED revenue bond account monies are not sufficient to make debt service payments, the SPEED revenue bonds are secured by a pledge of certain university gross revenues, such as student tuition and fees, but that pledge is subordinate to the pledge of those gross revenues for the university's System Revenue Bonds.

In fiscal year 2020, the university refunded, in advance of maturity, a portion of outstanding System Revenue Bonds Series 2013A. At June 30, 2022, the total outstanding principal balance of the refunded bonds was \$11.5 million, which will be paid by investments held in an irrevocable trust with a fair value of \$11.7 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the university's financial statements.

In fiscal year 2020, the university refunded, in advance of maturity, a portion of outstanding SPEED Revenue Bonds Series 2013. At June 30, 2022, the total outstanding principal balance of the refunded bonds was \$17.4 million, which will be paid by investments held in an irrevocable trust with a fair value of \$18.2 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the university's financial statements.

The following schedule details outstanding bonds payable (in thousands of dollars) at June 30, 2022.

Issue	Original Amount	Year of Final Maturity	Interest Rates	Outstanding Principal
2012C – System Revenue Refunding Bonds	\$ 43,920	2034	2.916-3.912%	\$ 20,030
2013A – System Revenue Bonds	69,175	2023	5.00%	1,260
2013B – System Revenue Refunding Bonds	34,985	2023	5.00%	1,435
2014 – System Revenue Refunding Bonds	16,025	2029	4.00-5.00%	7,875
2015A – System Revenue Refunding Bonds	103,950	2045	4.00-5.00%	94,545
2016 – System Revenue Refunding Bonds	175,385	2039	3.00-5.00%	161,225
2016A – System Revenue Refunding Bonds	44,175	2040	3.00-5.00%	34,845
2016B – System Revenue Bonds	142,390	2046	4.00-5.00%	133,730
2018A – System Revenue Bonds	93,995	2043	3.25-5.00%	86,590
2018B – System Revenue Bonds	16,840	2043	3.00-5.00%	15,425
2019A – System Revenue Bonds	55,405	2044	4.00-5.00%	51,865
2019B – System Revenue Bonds	15,950	2044	2.75-3.90%	15,475
2020 – System Revenue Refunding Bonds	72,205	2042	2.011-3.201%	72,205
2020A – System Revenue Refunding Bonds	95,575	2048	0.532-2.974%	95,575
2021A – System Revenue Bonds	140,260	2043	5.00%	140,260
2021B – System Revenue Refunding Bonds	43,075	2048	4.00-5.00%	43,075
2021C – System Revenue Bonds	42,460	2043	0.517-2.902%	42,460
Subtotal - System Revenue Bonds	<u>\$ 1,205,770</u>			<u>\$ 1,017,875</u>
2013 – SPEED Revenue Bonds	70,125	2049	3.75-5.00%	45,310
2014 – SPEED Revenue Bonds	129,185	2045	4.00-5.00%	113,600
2019 – SPEED Revenue Bonds	15,400	2045	2.68-3.94%	14,675
2020A – SPEED Revenue Refunding Bonds	108,180	2045	3.125-5.00%	104,280
2020B – SPEED Revenue Refunding Bonds	19,565	2044	1.864-3.293%	19,365
2020C – SPEED Revenue Refunding Bonds	23,120	2030	5.00%	23,120
Subtotal – SPEED Revenue Bonds	<u>\$ 365,575</u>			<u>\$ 320,350</u>
Total	<u>\$ 1,571,345</u>			<u>\$ 1,338,225</u>

The following schedule details debt service requirements to maturity for System and SPEED Revenue Bonds payable (in thousands of dollars) at June 30, 2022:

Year	Principal	Interest
2023	\$ 46,225	\$ 56,906
2024	59,595	54,931
2025	57,275	52,488
2026	59,605	50,149
2027	61,235	47,649
2028-2032	316,430	197,059
2033-2037	280,995	132,995
2038-2042	291,175	69,596
2043-2047	153,900	14,935
2048-2049	11,790	432
Total	<u>\$ 1,338,225</u>	<u>\$ 677,140</u>

The university has pledged portions of its gross revenues towards the payment of debt related to all system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2022. The bonds generally provide financing for various capital projects of the university. These pledged revenues include student tuition and fees, auxiliary enterprise revenue, sales and service revenue and other operating revenues, such as indirect cost recovery and certain investment income. Pledged revenues do not include state appropriations, gifts, endowment income or other restricted revenues. At June 30, 2022, pledged revenues totaled \$1.43 billion of which 7.0% (\$100.4 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 5.2% of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2048 is \$2.02 billion.

Certificates of Participation: The University utilizes Certificates of Participation to acquire buildings, equipment, and land. The Certificates are generally callable and are collateralized by the acquired assets. In the event of a default, the underlying asset value would be removed from the university's financial statements and the control of the assets would return to the trustee.

The following schedule details outstanding Certificates of Participation payable (in thousands of dollars) at June 30, 2022:

Issue	Original Amount	Year of Final Maturity	Interest Rates	Outstanding Principal
2006 Arizona Biomedical Research Collaborative Building Project	\$ 18,240	2031	4.35-4.50%	\$ 9,100
2012B Refund COPS 2002B	20,600	2023	5.00%	2,725
2015A Refund COPS 2005A-2005C, 2005F, 2006A & 2006B	89,470	2025	5.00%	19,295
2015B Refund COPS 2007A	13,810	2025	2.89-3.09%	8,070
2018B Refund COPS 2007D	32,430	2031	5.00%	22,895
2021A Refund COPS 2012B, 2012C, 2015A, 2015B & 2018A	18,770	2031	5.00%	18,770
2021B Refund COPS 2012C	82,740	2031	0.492-2.284%	81,245
Total	\$ 276,060			\$ 162,100

The following schedule details debt service requirements to maturity for Certificates of Participation payable (in thousands of dollars) at June 30, 2022:

Year	Principal	Interest	Year	Financed Purchase Obligations Payments
2023	\$ 25,635	\$ 5,079	2023	\$ 123
2024	29,115	4,261	2024	123
2025	22,630	3,245	2025	162
2026	18,505	2,520	2026	163
2027	13,095	1,933	2027	92
2028-31	53,120	4,049	2028-2032	473
Total	\$ 162,100	\$ 21,087	2033-2037	494
			2038-2042	518
			2043-2047	544
			2048-2052	572
			2053-2057	731
			2058-2062	766
			2063-2067	803
			2068-2072	845
			Total minimum payments	\$ 6,409
			Less: interest	(27)
			Present Value of net minimum financed purchase obligations payments	\$ 6,382

Financed Purchase Obligations: The university has entered into various long-term financed purchase obligations to acquire real estate and equipment. These purchases transfer ownership by the end of the contract, do not contain termination options, but may contain a fiscal funding or cancellation clause that is not reasonably certain to be exercised.

The following schedule details minimum payments to maturity for financed purchase obligations (in thousands of dollars) at June 30, 2022:

Leases: The university has entered into certain leases that convey control of the right to use another entity's nonfinancial asset for a period of time in an exchange or exchange-like transaction. These are generally for real property.

The following schedule details minimum payments to maturity for leases greater than \$0.1 million (in thousands of dollars):

Year	Principal	Interest
2023	\$ 13,678	\$ 3,910
2024	13,540	3,564
2025	13,777	3,224
2026	14,216	2,878
2027	14,813	2,520
2028-2032	42,188	7,753
2033-2037	17,117	4,489
2038-2042	17,663	2,631
2043-2047	7,183	1,261
2048-2052	7,634	563
2053	922	18
Total	\$ 162,731	\$ 32,811

NOTE 9. Self-Insurance Program

The university is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The university participates in a self-insurance program administered by the State of Arizona Department of Administration, Risk Management. Arizona Revised Statutes § 41-621 *et seq.* provides that losses eligible for coverage and not covered by insurance will be paid by the State from the self-insurance program or by a future appropriation from the State Legislature. Loss risks not covered by Risk Management and for which the university has no insurance coverage are losses that arise from contractual breaches or are directly attributable to an act or omission determined to be a felony by a court of law. The university has an Enterprise Risk Management program to ensure that risk exposures are identified and addressed across all areas of the organization. From time to time, various claims and lawsuits associated with the normal conduct of university business are pending or may arise against the university. In the opinion of university management, any losses from the resolution of any other pending claims or litigation not covered by Risk Management should not have a material effect on the university's financial statements. The university has no significant risk of unfunded loss beyond adjustments to future years' premium payments to the State's self-insurance program. All estimated losses for unsettled claims and actions of the State are determined on an actuarial basis and are included in the State of Arizona *Annual Comprehensive Financial Report*.



Photo: University Marketing & Brand Management

NOTE 10. Pension Plans

The university participates in the Arizona State Retirement System (ASRS), a cost-sharing, multiple-employer defined benefit pension plan, and two defined contribution plans which are described below. The university also contributes to the Public Safety Personnel Retirement System (PSPRS) state administered multiple-employer defined benefit pension plans. Although a PSPRS net pension liability has been recorded at June 30, 2022, PSPRS has not been further disclosed due to its relative insignificance to the university's financial statements.

For the year ended June 30, 2022, the university recognized total pension expense for all plans of \$57.6 million.

Changes in the university's net pension liability (in thousands of dollars) during the fiscal year ended June 30, 2022, were as follows:

Beginning balance	\$	734,304
Increases		36,748
Decreases		(248,695)
Ending balance	\$	522,357
Current portion*	\$	4,770

*The current portion is attributable to the defined contribution pension plans.

A. Defined Benefit Plan

Arizona State Retirement System

Full benefit eligible Classified Staff are required, and full benefit eligible university staff, faculty, academic professionals, and administrative officers have the option, to participate in the Arizona State Retirement System (ASRS) defined benefit plan.

The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. That report may be obtained by visiting: www.azasrs.gov.

Benefits Provided: The ASRS provides retirement and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

Retirement Initial Membership Date:

	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80	30 years, age 55
	10 years, age 62	25 years, age 60
	5 years, age 50*	10 years, age 62
	any years, age 65	5 years, age 50*
		any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.10% to 2.30%	2.10% to 2.30%

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions: In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.22 percent of the members' annual covered payroll for retirement benefits, and statute required the university to contribute at the actuarially determined rate of 12.01 percent of the active members' annual covered payroll for retirement benefits. In addition, the university was required by statute to contribute at the actuarially determined rate of 10.13 percent of annual covered payroll of retired members who worked for the university in positions that an employee who contributes to the ASRS would typically fill. The university's contributions to the pension plan for the year ended June 30, 2022, were \$53.6 million.

Pension Liability: At June 30, 2022, the university reported a liability of \$495.2 million for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the five-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7–7.2 percent to 2.9–8.4 percent. The university's proportion of the net pension liability was based on the university's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021. The university's proportion measured as of June 30, 2021 was 3.77 percent which was a decrease of 0.29 from its proportion measured as of June 30, 2020.

Pension Expense and Deferred Outflows/Inflows of Resources: For the year ended June 30, 2022, the university recognized pension expense for ASRS of \$28.8 million. At June 30, 2022, the university reported deferred outflows of resources and deferred inflows of resources related to pensions (in thousands of dollars) from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,549	-
Changes of assumptions or other inputs	64,457	-
Net difference between projected and actual earnings on pension plan investments	-	\$ 156,905
Changes in proportion and differences between university contributions and proportionate share of contributions	-	39,778
University contributions subsequent to the measurement date	53,618	-
Total	\$ 125,624	\$ 196,683

The \$53.6 million reported as deferred outflows of resources related to ASRS pensions resulting from university contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense (in thousands of dollars) as follows:

Year ending June 30	
2023	\$ (23,933)
2024	\$ (12,083)
2025	\$ (34,590)
2026	\$ (54,071)
2027	-

Actuarial Assumptions: The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020.



Photo: University Marketing & Brand Management

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Equity	50%	4.90%
Fixed income - credit	20%	5.20%
Fixed income - interest rate sensitive	10%	0.70%
Real estate	20%	5.70%
Total	100%	

Discount Rate: At June 30, 2021, the discount rate used to measure the ASRS total pension liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate: The following table presents the university’s proportionate share of the net pension liability (in thousands of dollars) calculated using the discount rate of 7.0 percent, as well as what the university’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
University’s proportionate share of the net pension liability	\$ 778,947	\$ 495,225	\$ 258,679

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

B. Defined Contribution Plans

Plan Descriptions: In accordance with ARS § 15-1628, defining the authority under which benefit terms are established or may be amended, university staff, faculty, academic professionals, and administrative officers have the option to participate in defined contribution pension plans. For the year ended June 30, 2022, plans offered by the Teachers Insurance Annuity Association/ College Retirement Equities Fund (TIAA/ CREF) and Fidelity Investments Tax-Exempt Services Company (Fidelity) were approved by the Arizona Board of Regents. Benefits under these plans depend solely on the contributed amounts and the returns earned on investments of those contributions. Contributions made by members vest immediately; university contributions vest after five years of full-time employment. Non-vested contributions held by the university earn interest. Member and university contributions and associated returns earned on investments may be withdrawn upon termination of employment, death, or retirement. The distribution of member contributions and associated investment earnings are made in accordance with the member’s contract with the applicable insurance and annuity companies.

Funding Policy: The Arizona State Legislature establishes the contribution rates for active plan members and the university. For the year ended June 30, 2022, plan members and the university were each required by statute to contribute an amount equal to 7 percent of a member’s compensation.

Pension Liability: At June 30, 2022, the university reported a liability of \$13.7 million for non-vested defined contributions. If individuals terminate employment prior to vesting, any non-vested university contributions are retained by the university.

Pension Expense: For the year ended June 30, 2022, the university recognized pension expense for Defined Contribution Plans of \$27.8 million. The university’s recognized pension expense includes forfeitures totaling \$2.2 million for the year ended June 30, 2022.

NOTE 11. Other Postemployment Benefits

Other postemployment benefits (OPEB) provided as part of university employment include the Arizona Department of Administration (ADOA) sponsored single-employer defined benefit postemployment plan as well as the ASRS sponsored cost-sharing, multi-employer defined benefit plan for the Long-Term Disability Fund and the Health Benefit Supplement Fund. University public safety personnel who are regularly assigned to hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). PSPRS administers an agent multi-employer defined benefit health insurance premium benefit plan. Although an ASRS and PSPRS net OPEB asset has been recorded at June 30, 2022, these plans have not been further disclosed due to the relative insignificance to the university's financial statements.

For the year ended June 30, 2022, the university recognized total OPEB expense for all plans of \$20.4 million.

Changes in the university's OPEB liability (in thousands of dollars) during the fiscal year ended June 30, 2022, were as follows:

Beginning balance	\$	311,439
Increases		22,953
Decreases		(131,887)
Ending balance	\$	<u>202,505</u>

The Arizona Department of Administration

Plan Descriptions: The Arizona Department of Administration (ADOA) administers a single-employer defined benefit postemployment plan that provides medical and accident benefits to retired State employees, including university employees and their dependents. Title 38, Chapter 4 of the A.R.S. assigns the authority to establish and amend the benefit provisions to the Arizona State Legislature. The ADOA pays the medical costs incurred by retired employees minus a specified premium amount, which is paid for entirely by the retiree or on behalf of the retiree. These premium rates are based on a blend of active employee and retiree experience, resulting in a contribution basis which is lower than the expected claim costs for retirees only, which results in an implicit subsidization of retirees by the State. ADOA does not issue a separate, publicly available financial report.

A portion of the ADOA plan's implicit rate subsidy represents a liability to the university for its proportionate share of the total OPEB liability. The total OPEB liability is allocated to the university based on its percentage of contributions to the ADOA medical and dental plans.

Benefits Provided: The ADOA provides medical and accident benefits to retired State employees and their dependents. Dental and vision benefits are also available, but are not valued as there is no implicit subsidization in the retiree rates.

Funding Policy: The ADOA's current funding policy for the single-employer plan is pay-as-you-go for OPEB benefits. There are no dedicated assets at this time to offset the total OPEB liability.

OPEB Liability: At June 30, 2022, the university reported a liability of \$220.3 million for its proportionate share of the ADOA's total OPEB liability. The total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date. The total OPEB liability as of June 30, 2021, reflects a decrease in the discount rate due to changes in the bond index.

The university's proportion measured as of June 30, 2021 was 18.38 percent, which was a decrease of 0.94 from its proportion measured as of June 30, 2020.

OPEB Expense and Deferred Outflows/Inflows of Resources: For the year ended June 30, 2022, the university recognized an OPEB expense for ADOA of \$22.0 million. At June 30, 2022, the university reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits (in thousands of dollars) from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ 57,996	\$ 21,426
Difference between expected and actual experience	4,818	79,212
Changes in proportion and differences between university contributions and proportionate share of contributions	3,013	18,536
University benefit payments subsequent to the measurement date	4,476	-
Total	\$ 70,303	\$ 119,174

The \$4.5 million reported as deferred outflows of resources related to ADOA OPEB resulting from university benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to

ADOA OPEB will be recognized in OPEB expense as follows (in thousands of dollars):

Year Ended June 30	
2023	\$ (8,896)
2024	\$ (8,896)
2025	\$ (5,287)
2026	\$ (2,082)
2027	\$ (6,829)
Thereafter	\$ (21,357)

Actuarial Assumptions: The significant actuarial assumptions used to measure ADOA's total OPEB liability are as follows:

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Salary increases	2.90 to 8.40% varying by years of service
Discount rate	1.92% as of June 30, 2021
Healthcare cost trend rates:	
Medical (pre-65)	7.00% declining to 4.15% after 13 years
Medical (post-65)	5.30% declining to 4.15% after 13 years
Administrative costs	None
Contribution trend rates:	
Pre-65	7.00% declining to 4.15% after 13 years
Post-65	5.30% declining to 4.15% after 13 years
Mortality rates:	
Employees	Pub-2010 General Employee Mortality Tables projected with generational improvements from 2017 in accordance with the Ultimate MP scales.
Healthy Retirees and Spouses	2017 State Retirees of Arizona Mortality Tables projected with generational improvements from 2017 in accordance with the Ultimate MP scales.
Disabled Retirees	Pub-2010 Disabled Retiree Mortality Tables projected with generational improvements from 2017 in accordance with the Ultimate MP scales.

Benefit projections assume the specified premium amount will follow the current pattern of practice of being paid for entirely by the retiree or on behalf of the retiree. The specified premium amounts are projected to increase at the contribution trend rates noted above. Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020.

Discount Rate: The discount rate was based on the Fidelity "20-Year Municipal GO AA Index."

Sensitivity of the University's Proportionate Share of the ADOA's Total OPEB Liability: The following table presents the university's proportionate share of the total OPEB liability (in thousands of dollars) calculated using the discount rate of 1.92 percent, as well as what the university's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.92 percent) or 1 percentage point higher (2.92 percent) than the current rate (in thousands of dollars):

	1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
University's proportionate share of the total OPEB liability	\$ 265,269	\$ 220,277	\$ 185,433

The following table presents the university's proportionate share of the total OPEB liability (in thousands of dollars) calculated using the healthcare cost and contribution trend rates stated above, as well as what the university's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost and contribution trend rates that are 1 percentage point lower or 1 percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
University's proportionate share of the total OPEB liability	\$ 179,188	\$ 220,277	\$ 275,255

NOTE 12. Operating Expenses by Classification

Operating expenses by functional and natural classification (in thousands of dollars) for the year ended June 30, 2022 consisted of the following:

	Personal Services and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation and Amortization	Total
Instruction	\$ 493,742	\$ 83,593	-	-	\$ 577,335
Research	344,436	164,947	-	-	509,383
Public service	62,427	33,262	-	-	95,689
Academic support	174,350	91,699	-	-	266,049
Student services	64,272	15,753	\$ 1,429	-	81,454
Institutional support	140,927	64,688	-	-	205,615
Operation and maintenance of plant	36,608	64,709	-	-	101,317
Scholarships and fellowships	161	-	101,944	-	102,105
Auxiliary enterprises	93,885	66,467	2,559	-	162,911
Depreciation and amortization	-	-	-	\$ 168,320	168,320
Total operating expenses	\$ 1,410,808	\$ 585,118	\$ 105,932	\$ 168,320	\$ 2,270,178

NOTE 13. Subsequent Event

On July 18, 2022, the university entered into the fifth amendment to the commitment agreement for the Giant Magellan Telescope. The original commitment agreement was dated December 5, 2014. The new amendment was for an additional funding round associated with the continued construction of the telescope. This included a capital commitment by the university for \$50.0 million to be paid on an annual schedule through July 2031 with average annual payments of approximately \$5.0 million per year. Additional information on the university's capital commitments for the Giant Magellan Telescope can be found in Note 4.

NOTE 14. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

The University of Arizona Foundation

Basis of Accounting: For financial reporting purposes, two net asset categories are utilized to reflect resources according to the existence or lack thereof of externally (donor) imposed restrictions.

- *Without donor restrictions* - include assets and contributions that are not restricted by donors or for which such restrictions have expired.
- *With donor restrictions* - include temporarily and permanently restricted assets and contributions for which donor-imposed restrictions either have not been met (by the passage of time or by

actions of the Foundation or university) or require that the corpus be invested in perpetuity. Donor-restricted contributions are classified as such even if restrictions are satisfied in the same reporting period in which the contributions are received. The Foundation's endowment is included in net assets with donor restrictions.

Cash and Cash Equivalents: Cash and cash equivalents with original maturities of three months or less include monies held in overnight money market accounts and U.S. Treasury money market funds. Cash equivalents are stated at cost which approximates fair value.

Investments in Securities: Investments are stated at fair value. Such investments are exposed to various risks including market risk, company-specific risk, country-specific risk, interest rate risk, liquidity risk and credit risk. Investments in domestic and international equity securities and mutual funds, U.S. fixed income obligations and mutual funds, REIT funds and international fixed income mutual funds are valued based on quoted market prices. Investments in real estate and natural resources limited partnerships are recorded at fair value as determined by the fund manager.

Absolute return limited partnership and fund interests are recorded at fair value based on quoted market prices (where the underlying investment is a mutual fund) or as determined by the fund manager. Private capital (venture capital and leveraged buyout), private credit and natural resource limited partnership interests are recorded at fair value as determined by the fund manager. Investments in such alternative securities are highly susceptible to valuation changes.

Investment income comprises the sum of realized and unrealized gains and losses on investments and interest and dividends, net of investment expenses including the Foundation's Endowment Fee.

Collections: The Foundation capitalizes donated collections (principally photographs, prints and negatives to benefit The University of Arizona Center for Creative Photography) at a nominal value and includes them in other assets on the statement of financial position.

Annuities Payable and Other Trust Liabilities: Annuities payable and other trust liabilities of \$17.9 million at June 30, 2022 are stated at the actuarially-computed present value of future payments to the annuitants, which approximates fair value. The excess of the fair values of assets received (classified according to their nature in the statement of financial position) pursuant to annuity agreements over the actuarially-computed annuities payable (using market rates in effect on the contribution date) is recorded as contributions in the year received (\$0.3 million in the year ended June 30, 2022). The fair values of assets held in trust at June 30, 2022 are \$27.7 million, of which \$1.3 million were without donor restrictions and \$26.4 million were with donor restrictions and are included in cash and cash equivalents and investments in marketable securities.

Net Assets Released from Restriction: As the restrictions on donor-restricted net assets are met, the net assets are reported as released from restriction and reclassified to net assets without donor restrictions. Payouts made from donor-restricted net assets are reported as released from restriction and transferred to net assets without donor restrictions. The total net assets reclassified and reported as net assets released from restriction for the year ended June 30, 2022 was \$107.6 million.

Fair Value of Financial Instruments: The Foundation's cash and cash equivalents, pledges receivable, investments in securities, loans payable and annuities payable and other trust liabilities represent financial instruments. The carrying value of cash and cash equivalents, pledges receivable, loans payable and annuities payable and other trust liabilities approximates fair value.

University of Arizona Global Campus

Cash and Restricted Cash: Cash and cash equivalents consist of cash on hand and deposits held at financial institutions. Restricted cash primarily consists of funds held for students from financial aid programs under Title IV of the Higher Education Act of 1965 ("Title IV programs"). To a lesser extent, restricted cash also includes amounts held as collateral in connection with letters of credit issued to comply with licensure requirements in certain states.

Accounts Receivable: Accounts receivable represent UAGC's unconditional right to consideration arising from the transfer of tuition, digital course materials, and technology and other fees under contracts with students.

Intangible Assets: Definite-lived intangible assets relate to purchased intangibles and are amortized on a straight-line basis over their estimated useful life. Purchased intangibles include capitalized curriculum costs (including digital course materials) and UAGC's trademark agreement with Forbes. Definite-lived intangible assets are tested for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds fair value.

UAGC has one purchased indefinite-lived intangible asset, which relates to its accreditation. UAGC's accreditation is considered to have an indefinite life because there is no foreseeable limit on the period of time over which it is expected to contribute to cash flows. UAGC tests its indefinite-lived intangible asset for impairment annually or more frequently if events and circumstances warrant it.

Revenues and Deferred Revenues: UAGC generates the majority of its revenue from tuition, technology fees, and digital course materials related to students whose primary funding source is governmental aid. In certain cases, UAGC provides scholarships to students who qualify under various programs. These scholarships are recognized as direct reductions of revenue consistent with the timing of recognition associated with the related performance obligations. Deferred revenue consists of cash payments that are received or due in advance of performance as well as deferrals associated with certain student contracts that include a material right.

Campus Research Corporation

Property, Equipment, Depreciation, and Amortization: Property and equipment are stated at cost. Expenditures for major improvements to property are capitalized and expenditures for repairs and maintenance are expensed as incurred. Depreciation and amortization are provided for using the straight-line method over the estimated useful lives of the assets. CRC has recorded in the financial statements a building and related debt for which ABOR, on behalf of the university, holds the title to the building under the requirements of a lease.

Solar Zone Development: CRC has an agreement with Tucson Electric Power (TEP) to develop a portion of the Tech Park for a series of projects focused on the advancement of solar energy technologies. Under the terms of the agreement, CRC incurred certain infrastructure costs to develop the land to facilitate the construction of a solar zone and TEP reimbursed CRC

for a portion of these costs. As CRC enters into various lease agreements with lessees who will construct solar projects, each lessee is charged a prorated portion of the development costs reimbursed by TEP and those costs are refunded to TEP. Costs related to the development of the solar zone are capitalized as incurred and included in property and equipment. Reimbursements from TEP are recorded as deferred revenues. The capitalized costs and deferred revenues are allocated to the various solar projects and recognized as expenses and revenues over the term of the related leases.

Protected Water Facility Rights: CRC developed a well, well pump, one million gallon storage tank, various booster pumps, piping, valving, electrical and other equipment and improvements required to operate a well booster station and water storage facility (Water Project) in accordance with their master water plan. The purpose of this development is to provide water throughout the Tech Park. The Water Project is substantially complete and title is held by ABOR. Ultimately, title of the Water Project will pass to the City of Tucson in exchange for protected water rights. Costs related to the construction of the Water Project are capitalized as incurred and allocated to specific phases of the project. These capitalized costs are expected to be reimbursed over time through the realization of the protected water rights. As each phase of the project is complete, CRC negotiates cost reimbursement from the end water user. These reimbursements are recognized as other revenue in the period that they are determined realizable. The allocated capitalized costs related to each phase are expensed in the period that the related reimbursement is recognized.



Photo: University Marketing & Brand Management

B. Investments

The University of Arizona Foundation

Investments in securities (in thousands of dollars) are comprised of the following amounts at June 30, 2022:

	Carrying Value	Cost
Domestic/international equity securities and mutual funds	\$ 415,129	\$ 446,274
Absolute return and private credit limited partnerships and funds	245,738	216,458
Private capital limited partnerships	244,050	162,085
U.S. fixed income obligations and mutual funds	138,744	160,146
Natural resources limited partnerships	110,389	71,659
REIT funds and real estate limited partnerships	58,305	52,013
International fixed income mutual funds	1,729	1,893
Totals	<u>\$ 1,214,084</u>	<u>\$ 1,110,528</u>

Fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Market or observable inputs are the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. As a basis for considering such assumptions, the Foundation utilizes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- *Level 1* – Quoted prices in active markets for identical securities.
- *Level 2* – Other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.) and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investments.
- *Level 3* – Significant unobservable inputs (including investee partnership’s own assumptions in determining the fair value of investments). The inputs into determination of fair value require management’s judgment or estimation of assumptions that market participants would use in pricing the investments. The fair values are determined using factors involving considerable judgment.

Certain of the Foundation's investments are in alternative investment funds and limited partnerships (private equity, real estate, private credit, natural resources and absolute return). The Foundation values its investments in alternative investment funds and limited partnership interests at the net asset value (NAV) as determined by the fund manager as a practical expedient to fair value. NAVs are updated monthly for domestic/international equity, absolute return and certain private credit investments, and the Foundation uses the NAV as of the valuation date. As the NAVs for the real estate, natural resources, private equity and certain private credit partnerships are provided quarterly, the Foundation uses the latest NAV made available by the manager prior to the valuation date.

It is required that when observable market data is available, it be used in determining the fair value measurement. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

The following table presents the Foundation's investments in securities (in thousands of dollars) at June 30, 2022, by valuation hierarchy:

	Quoted Prices In Active Markets for Identical Securities (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	As of June 30, 2022
Domestic/international equity securities and mutual funds	\$ 252,383	-	-	\$ 252,383
Absolute return funds	42,802	-	-	42,802
U.S. fixed income obligations and mutual funds	36,565	-	-	36,565
REIT funds	19,084	-	-	19,084
International fixed income mutual fund	1,729	-	-	1,729
Totals	\$ 352,563			\$ 352,563
Investments measured at NAV				861,521
				\$ 1,214,084

In accordance with Accounting Standards Codification (ASC) 820-10, investments that were measured at NAV have not been classified in the fair value hierarchy but have been summarized in the table. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the statement of financial position.

Additional information on investments that are measured at NAV per share as a practical expedient (in thousands of dollars):

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private capital limited partnerships	\$ 244,050	\$ 129,594	Not Applicable	Not Applicable
Natural resources limited partnerships	110,389	28,805	Not Applicable	Not Applicable
U.S. fixed income funds	102,179	-	Daily	5 days
Multi-strategy hedge funds	100,510	8,484	Quarterly	60-90 days
Equity long-only hedge funds	81,684	-	Monthly to quinquennially	60-90 days
Equity long-only funds	81,062	-	Daily to semi-annually	5-90 days
Equity long/short hedge funds	61,712	-	Quarterly, biannually	90-120 days
Private credit limited partnerships	39,614	19,797	Not Applicable	Not Applicable
Private real estate limited partnerships	39,220	24,348	Not Applicable	Not Applicable
Fixed income hedge funds	1,101	-	Not Applicable	Not Applicable
Totals	\$ 861,521	\$ 211,028		

C. Endowment

The University of Arizona Foundation

The Foundation's endowment pool, included in assets with donor restrictions, consists of approximately 3,000 individual funds (2,300 for the Foundation and 700 for the university) established for a variety of purposes. The endowment pool is subject to the Arizona Management of Charitable Funds Act. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's endowment also includes certain endowment assets owned by the University of Arizona which it manages for the university under the terms of the Development Services and Asset Management Agreement. The fair value of the university endowment assets is reported as an asset in donor-restricted investments in securities and as a liability for the fair value of endowment managed for the university.

The endowment payout rate (Payout Rate), a percentage (4.125% of the average fair value at the end of the twelve quarterly periods within the three previous calendar year-ends) of the fair value of each endowment account, as determined from time to time by the Foundation's Board of Trustees, is made available to support the purposes as specified by the donors of the individual endowment accounts that comprise the endowment pool. The Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds:

- The net rate of return earned by each endowment account in each of the five most recent fiscal years;
- The net real rate of return (as measured by the Higher Education Price Index) earned by the endowment pool in each of the five most recent fiscal years (i.e., the duration and preservation of the endowment pool);
- Payout rates established by other university endowments as published in the National Association of College and University Business Officers (NACUBO) – Teachers, Insurance, and Annuity Association (TIAA) Study of Endowments;
- Any unusual or extraordinary circumstances impacting the university's flow of funds from other sources (i.e., tuition revenues, State appropriations, etc.);
- The extent to which programs benefiting from the Payout Rate rely on these funds to achieve their goals and objectives (i.e., the purposes of the institution and the endowment pool);

- General economic conditions;
- The possible effect of inflation or deflation; and
- The expected total return from income and appreciation of investments per the most recent asset allocation study.

The Foundation charges an endowment fee (Endowment Fee), based on a percentage of the fair value of the endowment pool as determined from time to time by the Foundation's Board of Trustees (1.125% in fiscal 2022). The Endowment Fee is used to defray the Foundation's costs of holding, managing and stewarding the endowment pool, including costs for safeguarding, investing and accounting for such funds. During fiscal year 2022, endowment fees of \$13.2 million were recognized by the Foundation and \$2.6 million in such fees were distributed to the university. The Foundation considers the following factors in setting the Endowment Fee:

- The external costs of managing the endowment pool;
- The internal costs of managing and providing stewardship for the endowment pool;
- Recommendations from staff and the outsourced Chief Investment Officer; and
- Endowment fee rates established by other university endowments as published in the NACUBO-TIAA Study of Endowments.

The Foundation's goal is to manage endowment assets such that the annual nominal return exceeds the annual "hurdle rate" (the sum of the Payout Rate and the Endowment Fee) so the endowment principal is able to grow and continue to fund in perpetuity the set of activities envisioned by the donor at the time of the gift. The Foundation expects its endowment pool to provide an annual average rate of return of 6.5% with a standard deviation of 12.0% over a 20-year period. Actual returns in any given year may vary from this goal. These returns and risks reflect a broadly diversified asset allocation including domestic and international equities, domestic and international fixed income securities, private capital, private credit, absolute return, and natural resources strategies.

The Foundation holds certain endowment funds that have a historic dollar value larger than fair value. As of June 30, 2022, the Foundation had endowment funds in this category with an aggregated historic dollar value of \$263.0 million and an aggregated current fair value of \$245.4 million and deficiencies totaling \$17.6 million. These deficiencies resulted from the Foundation's

practice (as documented in endowment gift agreements with donors and the Investment Policy Statement) that the payout will continue to be distributed even if the historic dollar value of an endowment fund exceeds its fair value.

The following shows the changes in endowment net assets (in thousands of dollars) for the fiscal year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of fiscal year	\$ 4,132	\$ 1,129,671	\$ 1,133,803
Investment return:			
Investment income	-	38,023	38,023
Less endowment fee	-	(13,219)	(13,219)
Net depreciation	(672)	(96,538)	(97,210)
Total investment return	(672)	(71,734)	(72,406)
Contributions	-	85,144	85,144
Transfers	(3,460)	(4,600)	(8,060)
Appropriation for payout	-	(42,184)	(42,184)
Capitalization of payout	-	6,684	6,684
Endowment net assets, end of fiscal year	\$ -	\$ 1,102,981	\$ 1,102,981

D. Pledges Receivable

The University of Arizona Foundation

Unconditional promises are included in the financial statements as pledges receivable and contribution revenue in the period pledges are received. Pledges that are to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of an expected present value calculation using yields on U.S. Treasury obligations of equivalent maturity dates in the fiscal year in which they were received. Pledges receivable, net at June 30, 2022 totaled \$35.7 million.

E. Intangible Assets

University of Arizona Global Campus

Intangible assets, net (in thousands of dollars) consisted of the following as of June 30, 2022:

Capitalized curriculum costs	\$ 9,370
Forbes licensing agreement	6,267
Total definite-lived intangible assets	\$ 15,637
Less accumulated amortization	(7,066)
Definite-lived intangible assets, net	8,571
Accreditation rights	13,100
Indefinite-lived intangible assets	13,100
Total intangible assets, net	\$ 21,671

F. Property and Equipment

Campus Research Corporation

Property and equipment (in thousands of dollars) consisted of the following as of June 30, 2022:

Building, infrastructure and improvements	\$ 50,290
Furniture, equipment and other property	7,622
Total	\$ 57,912
Less accumulated depreciation	(26,383)
Property and equipment, net	\$ 31,529



G. Long-Term Debt

Campus Research Corporation

Long-term debt (in thousands of dollars) is comprised of the following:

Note payable, Washington Federal Bank, payable in monthly installments of \$23.5 thousand including interest at 3.60% through October 2026.	\$	1,150
Note payable, Washington Federal Bank, payable in monthly installments of \$26.4 thousand including interest at 2.68% through July 2024.		645
Note payable, Washington Federal Bank, payable in monthly installments of \$17.0 thousand including interest at 2.95% through October 2026.		831
Note payable, Washington Federal Bank, payable in monthly installments of \$28.3 thousand including interest at 2.66% through October 2024.		769
Note payable, Washington Federal Bank, payable in monthly installments of \$83.4 thousand including interest at 2.67% through July 2022.		86
Less unamortized deferred financing fees		(17)
Total long-term debt	\$	3,464

The notes payable to Washington Federal Bank are collateralized by leasehold interests in real property and an assignment of rents and require CRC to be in compliance with certain financial and nonfinancial covenants.

CRC entered into a line of credit agreement during 2022 with Washington Federal Bank for a maximum amount of \$1.5 million through September 2023. Interest is payable at the LIBOR rate (1.78% at June 30, 2022). CRC did not have an outstanding balance related to this line of credit at June 30, 2022. Washington Federal Bank requires CRC to be in compliance with certain financial and nonfinancial covenants.

H. Project Operation Agreement (POA)

Campus Research Corporation

CRC has an agreement with IBM whereby all common services at the Tech Park are to be provided by the Managing Operator, which is currently IBM. Common services consist of the operation, maintenance and repair of the central utility system, project fire and security services, and the common areas. The term of the agreement coincides with the IBM master lease agreement that expires in August 2024.

CRC is required to pay a monthly amount based on an annual operating budget for these services that is prepared by IBM. CRC has the right to review and consult with IBM in the process of preparing the operating budget. A quarterly analysis of central utility and occupant electric expenses is prepared for each building and its occupants, and these costs are reconciled to the budget. Annual common service expenses are also reconciled to the budget. Based on these reconciliations, an additional charge or refund is assessed. Lease agreements between CRC and its tenants provide for either the inclusion of a factor for these costs in their monthly rent or a proration of these costs based on the quarterly budget and subject to a quarterly reconciliation. Leases with one tenant include a maximum on the amount of cumulative annual capital expenditures that will be paid by the tenant. CRC is responsible for any capital expenditures allocated to this tenant in excess of the maximum.

I. Related Party Transactions

The University of Arizona Foundation

During fiscal year 2017, the university and the Foundation entered into an agreement whereby the university would pay for agreed-upon services. The Foundation received \$3.1 million for services rendered for the year ended June 30, 2022.

On August 31, 2020, the Foundation was named sole member of University of Arizona Global Campus (UAGC), a newly-created 501(c)(3) corporation classified by the Internal Revenue Service as a public charity. UAGC acquired the tangible and intangible academic and related operation, assets, and certain related liabilities comprising Ashford University, LLC from Zovio (a publicly-traded company) as of 12:01 AM on December 1, 2020. UAGC is a national online institution that prepares its approximately 30,000 adult students to realize their life and career aspirations. UAGC is accredited by WASC Senior College and University Commission, and subject to regulations promulgated by the U.S. Department of Education. UAGC is overseen by a nine-person Board of Directors, of which five members are independent of both the university and Foundation. Zovio provides select education technology services to UAGC under

a long-term Strategic Services Agreement. UAGC operates in affiliation with the university.

University of Arizona Global Campus

UAGC has an Affiliation Agreement with the Arizona Board of Regents for and on behalf of the university, and a strategic services agreement (“Strategic Services Agreement” or “SSA”) with Zovio, Inc. for Zovio to provide recruiting, financial aid support, student counseling, institutional support, information technology, and academic support services to UAGC. For so long as the SSA remains in effect and UAGC achieves the required minimum charges in net assets for each full fiscal year under the Affiliation Agreement, UAGC will pay to the university an annual fee calculated based on UAGC’s actual financial performance for each respective fiscal year. No annual fee is due to the university in connection with UAGC’s fiscal year ended June 30, 2022.

Campus Research Corporation

CRC has master lease agreements expiring in 2113 with ABOR on behalf of the university under which CRC develops, leases and operates certain buildings at the Tech Park and The Bridges. The leases provide that all new buildings constructed by CRC are owned by ABOR on behalf of the university. The leases require CRC to pay \$1 annually and additional, discretionary rent on an annual basis based in part on the previous year’s net proceeds as defined in the agreement.

During 2022, CRC incurred development costs related to land owned by ABOR on behalf of the university. Total costs incurred during 2022 applicable to these projects were \$32.0 thousand. It was determined through an agreement between CRC and the university that CRC would incur these costs. Accordingly, CRC has expensed the costs incurred on behalf of the university related to these projects. Although there is no contractual agreement, CRC may be reimbursed by the university for these costs at a later date. During 2022, CRC did not receive any reimbursements.

Eller Executive Education

EEE has an Affiliation Agreement with the Arizona Board of Regents for and on behalf of the university through June 2026. The agreement covers policies, procedures, working relationships, respective rights and responsibilities between EEE and the university. The university provides the services of certain university employees to perform management and program support functions on a part-time basis for EEE, for which EEE must reimburse the university for all salary and employee related expenses. Program expenses relating to the university during the year ended June 30, 2022 were \$0.6 million.

EEE pledged to contribute \$0.1 million to the university’s

Eller College of Management for the fiscal year, and this amount is recorded in accounts payable at June 30, 2022.

Law College Association of the University of Arizona

During the year ended June 30, 2022, the Law College Association distributed funds or paid distributions on behalf of the Law College of the University of Arizona in the amount of \$2.2 million.

J. Concentrations

University of Arizona Global Campus

Sources of Supply, Student Acquisition and Support:

UAGC is dependent on a third-party provider, Zovio, for its online platform, which includes a learning management system, that stores, manages and delivers course content, enables assignment uploading, provides interactive communication between students and faculty and supplies online assessment tools. UAGC receives recruiting, financial aid, counseling, institutional support, information technology, and academic support services from Zovio. The partial or complete loss of this source may have an adverse effect on enrollments, revenues and results of operations.

Campus Research Corporation

CRC derives its rental revenue from leases with various tenants. At times, rental revenue from particular tenants may constitute a concentration of credit risk. Rent from two tenants comprised 68% of rental revenues in fiscal year 2022.

Eller Executive Education

At June 30, 2022, two customers comprised 50% of total revenue for the year then ended.

K. Litigation

University of Arizona Global Campus

Dispute Related to Liabilities Acquired in Connection with Acquisition: Per the terms of the Asset Purchase and Sale Agreement dated August 1, 2020 (“APA”), UAGC agreed to accept certain “Current Assets,” and to be responsible for certain post-Closing liabilities (“Assumed Liabilities”). Zovio agreed to be responsible for other pre-Closing liabilities (“Excluded Liabilities”). The Excluded Liabilities, for which UAGC is not responsible, included (but was not limited to) such items as pre-Closing liabilities related to employment or independent contractor liabilities, and benefit plan liabilities. Exhibit D of the APA was intended to describe the Current Assets vs. Current Liabilities that UAGC accepted at Closing. However, Exhibit D incorrectly includes items that are not intended to be Assumed Liabilities, in contradiction to the other express terms of the APA. These incorrect

Assumed Liabilities include Zovio’s pre-Closing Liabilities for employee salaries, bonuses and vacation.

In addition, and related to this matter, Zovio has requested that UAGC pay other trade payables related to pre-Closing expenses, for which UAGC believes Zovio is responsible. UAGC has paid those expenses under a reservation of rights issued to Zovio. The aggregate amount of liabilities in dispute at the end of the period totals approximately \$7.4 million. As of June 30, 2022, UAGC was currently disputing the responsibility for all these liabilities with Zovio.

L. Subsequent Events

University of Arizona Global Campus

On July 31, 2022, UAGC closed on an Asset Purchase and Sale Agreement (“New Purchase Agreement”) with Zovio Inc. to acquire tangible and intangible assets, and certain related liabilities related to Zovio’s Online Program Management (“OPM”) business. Concurrently with the acquisition of the OPM business, UAGC and Zovio terminated the SSA and a transition services agreement (“Transition Services Agreement” or “TSA”). UAGC paid Zovio cash in the amount of \$1.00, assumed certain contracts and long-term building lease associated with the OPM Business, released Zovio from any remaining obligations under the SSA and TSA, released UAGC and Zovio from all claims related to the December 1, 2020 Purchase Agreement pre-Closing dispute, and granted Zovio a general release of all claims. In turn, Zovio paid to UAGC cash in the amount of \$5.5 million, reflecting the minimum payment owed by Zovio for the month of July 2022, cash in the amount of \$5.0 million, assignment of the right to a security deposit in the amount of \$2.7 million, assignment of the right to any refund achieved by Zovio as a result of Zovio’s appeal of the judgment set forth by the Superior Court of the State of California, released UAGC from all remaining obligations under the SSA and TSA, and granted UAGC a general release of all claims.



Photo: University Marketing & Brand Management

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – ARIZONA STATE RETIREMENT SYSTEM

Year Ended June 30 (in thousands of dollars)

Reporting Fiscal Year (Measurement Date)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 - 2013
University's proportion of the net pension liability	3.77%	4.06%	4.28%	4.05%	3.84%	3.85%	3.91%	3.94%	Information Not Available
University's proportionate share of the net pension liability	\$ 495,225	\$ 702,890	\$ 622,751	\$ 565,000	\$ 598,493	\$ 621,697	\$ 608,338	\$ 582,754	
University's covered payroll	\$ 424,788	\$ 443,989	\$ 452,293	\$ 403,949	\$ 375,912	\$ 362,043	\$ 362,516	\$ 365,347	
University's proportionate share of the net pension liability as a percentage of its covered payroll	116.58%	158.31%	137.69%	139.87%	159.21%	171.72%	167.81%	159.51%	
Plan fiduciary net position as a percentage of the total pension liability	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

SCHEDULE OF UNIVERSITY PENSION CONTRIBUTIONS – ARIZONA STATE RETIREMENT SYSTEM

Year Ended June 30 (in thousands of dollars)

Fiscal Year Ended June 30	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 53,618	\$ 49,388	\$ 50,804	\$ 50,496	\$ 43,892	\$ 40,395	\$ 39,128	\$ 39,376	\$ 38,172	\$ 34,946
University's contribution in relation to the statutorily required contribution	\$ 53,618	\$ 49,388	\$ 50,804	\$ 50,496	\$ 43,892	\$ 40,395	\$ 39,128	\$ 39,376	\$ 38,172	\$ 34,946
University's contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
University's covered payroll	\$ 447,627	\$ 424,788	\$ 443,989	\$ 452,293	\$ 403,949	\$ 375,912	\$ 362,043	\$ 362,516	\$ 365,347	\$ 351,279
University's contributions as a percentage of covered payroll	11.98%	11.63%	11.44%	11.16%	10.87%	10.75%	10.81%	10.86%	10.45%	9.95%

SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY – ARIZONA DEPARTMENT OF ADMINISTRATION

Year Ended June 30 (in thousands of dollars)

Reporting Fiscal Year (Measurement Date)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 - 2013
University's proportion of the total OPEB liability	18.38%	19.32%	19.70%	19.13%	19.20%	Information Not Available
University's proportionate share of the total OPEB liability	\$ 220,277	\$ 311,107	\$ 250,691	\$ 166,725	\$ 161,905	
University's covered-employee payroll	\$ 804,619	\$ 841,752	\$ 819,622	\$ 738,315	\$ 718,904	
University's proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	27.38%	36.96%	30.59%	22.58%	22.52%	

*There are no dedicated assets at this time to offset the total OPEB liability.

SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF FINANCIAL POSITION – OTHER COMPONENT UNITS

June 30, 2022 (in thousands of dollars)

	Other			Total Nonmajor Component Units
	Campus Research Corporation	Law College Association	Eller Executive Education	
Assets				
Cash and cash equivalents	\$ 7,998	\$ 1,340	\$ 273	\$ 9,611
Pledges receivable, net	-	894	-	894
Accounts receivable, net	876	5	794	1,675
Investments in marketable securities	-	13,284	-	13,284
Other investments	-	159	-	159
Deferred expenses	49	-	-	49
Property and equipment, net	31,529	-	-	31,529
Intangible assets, net	1,145	-	-	1,145
Other assets	1,224	7	-	1,231
Total Assets	\$ 42,821	\$ 15,689	\$ 1,067	\$ 59,577
Liabilities and Net Assets Liabilities				
Accounts payable and accrued expenses	\$ 3,235	\$ 48	\$ 435	\$ 3,718
Deferred revenue and deposits	1,534	-	79	1,613
Short-term and long-term debt	3,464	-	-	3,464
Total Liabilities	\$ 8,233	\$ 48	\$ 514	\$ 8,795
Net Assets				
Without donor restrictions	\$ 34,588	\$ 1,492	\$ 553	\$ 36,633
With donor restrictions	-	14,149	-	14,149
Total Net Assets	\$ 34,588	\$ 15,641	\$ 553	\$ 50,782
Total Liabilities and Net Assets	\$ 42,821	\$ 15,689	\$ 1,067	\$ 59,577

COMBINING STATEMENT OF ACTIVITIES – OTHER COMPONENT UNITS

Year Ended June 30, 2022 (in thousands of dollars)

	Other			Total Nonmajor Component Units
	Campus Research Corporation	Law College Association	Eller Executive Education	
Revenues				
Sales and services	-	-	\$ 1,882	\$ 1,882
Contributions	-	\$ 3,086	37	3,123
Rental revenues	\$ 14,197	-	-	14,197
Investment income (loss)	5	(2,181)	-	(2,176)
Other income	504	57	-	561
Total revenues	\$ 14,706	\$ 962	\$ 1,919	\$ 17,587
Expenses				
Program services:				
Leasing related expenses	\$ 15,215	-	-	\$ 15,215
Payments to the university	-	-	\$ 100	100
Payments on behalf of the university	32	\$ 2,602	910	3,544
Supporting services:				
Administration and general	1,364	292	475	2,131
Fundraising	-	82	-	82
Total expenses	\$ 16,611	\$ 2,976	\$ 1,485	\$ 21,072
Increase (Decrease) in Net Assets	\$ (1,905)	\$ (2,014)	\$ 434	\$ (3,485)
Net Assets - Beginning of year, as restated	\$ 36,493	\$ 17,655	\$ 119	\$ 54,267
Net Assets - End of year	\$ 34,588	\$ 15,641	\$ 553	\$ 50,782



Photo: University Marketing & Brand Management



STATISTICAL SECTION

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June 30, 2022

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NET POSITION BY COMPONENT

As of June 30 (in thousands of dollars)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net investment in capital assets	\$ 959,468	\$ 888,422	\$ 951,375	\$ 801,215	\$ 776,373	\$ 730,135	\$ 687,149	\$ 637,380	\$ 612,081	\$ 610,237
Restricted, Non-expendable	179,033	189,845	157,378	161,496	154,227	142,774	134,356	138,464	138,512	122,635
Restricted, Expendable	270,661	239,189	203,957	233,337	244,542	241,080	238,522	218,805	161,894	124,582
Unrestricted	(307,211)	(269,494)	(320,257)	(130,727)	(135,502)	20,756	(80,965)	(124,204)	373,103	361,244
Total Net Position	\$ 1,101,951	\$ 1,047,962	\$ 992,453	\$ 1,065,321	\$ 1,039,640	\$ 1,134,745	\$ 979,062	\$ 870,445	\$ 1,285,590	\$ 1,218,698
<i>Expressed as a percent of the total</i>	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	87.1	84.8	95.9	75.2	74.6	64.3	70.2	73.2	47.6	50.1
Restricted, Non-expendable	16.2	18.1	15.9	15.2	14.8	12.6	13.7	16.0	10.8	10.1
Restricted, Expendable	24.6	22.8	20.5	21.9	23.6	21.3	24.4	25.1	12.6	10.2
Unrestricted	(27.9)	(25.7)	(32.3)	(12.3)	(13.0)	1.8	(8.3)	(14.3)	29.0	29.6
Total Net Position	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>Percentage increase(decrease) from prior year</i>	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	8.0	(6.6)	18.7	3.2	6.3	6.3	7.8	4.1	0.3	5.4
Restricted, Non-expendable	(5.7)	20.6	(2.5)	4.7	8.0	6.3	(3.0)	-	12.9	7.6
Restricted, Expendable	13.2	17.3	(12.6)	(4.6)	1.4	1.1	9.0	35.2	29.9	1.4
Unrestricted	14.0	15.9	(145.0)	3.5	(752.8)	125.6	34.8	(133.3)	3.3	16.4
Total Net Position	5.2	5.6	(6.8)	2.5	(8.4)	15.9	12.5	(32.3)	5.5	8.2

Note: The university implemented GASB 65 in FY 2014; historical data has not been restated in the statistical section.

The university implemented GASB 68/71 in FY 2015; historical data has not been restated in the statistical section.

The university implemented GASB 75/85 in FY 2018; historical data has not been restated in the statistical section.

CHANGE IN NET POSITION

Fiscal Year Ended June 30 (in thousands of dollars)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net of scholarship allowance	\$ 677,550	\$ 634,092	\$ 644,352	\$ 658,090	\$ 653,519	\$ 653,725	\$ 608,679	\$ 554,768	\$ 484,809	\$ 461,580
Federal grants and contracts	384,520	373,496	327,006	339,196	304,183	297,409	283,083	290,967	308,291	366,363
State grants and contracts	13,359	16,911	12,582	12,050	13,592	14,201	14,191	8,121	11,286	11,697
Local grants and contracts	5,695	3,793	3,771	2,352	2,424	2,082	1,533	1,754	1,614	2,749
Nongovernment grants and contracts	151,425	174,734	166,144	178,531	179,667	200,291	243,468	174,556	96,096	92,540
Sales and services of educational departments	52,802	59,372	57,622	56,083	54,180	51,753	52,934	51,436	44,321	35,951
Auxiliary enterprises	207,223	110,226	186,918	205,457	205,468	210,496	206,710	203,740	191,163	190,199
Other operating revenues *	10,372	11,213	10,792	16,116	18,558	18,485	14,172	29,749	16,387	14,285
Total Operating Revenues	\$ 1,502,946	\$ 1,383,837	\$ 1,409,187	\$ 1,467,875	\$ 1,431,591	\$ 1,448,442	\$ 1,424,770	\$ 1,315,091	\$ 1,153,967	\$ 1,175,364
Expenses										
<i>Operating Expenses</i>										
Educational and general										
Instruction	\$ 577,335	\$ 542,050	\$ 562,485	\$ 527,927	\$ 505,879	\$ 459,357	\$ 460,005	\$ 417,300	\$ 425,722	\$ 391,545
Research	509,383	492,534	495,462	462,112	426,873	397,512	391,122	421,973	396,680	435,536
Public Service	95,689	98,679	88,365	85,822	82,167	89,221	78,604	78,231	84,572	91,118
Academic support	266,049	258,786	283,095	295,024	302,360	314,480	344,380	264,336	203,545	173,414
Student services	81,454	95,269	108,833	91,224	74,253	56,022	53,033	47,187	46,380	42,625
Institutional support	205,615	201,955	197,209	169,176	146,222	146,185	129,501	136,347	117,956	99,886
Operation and maintenance of plant	101,317	96,017	107,704	105,311	103,087	87,925	84,418	87,079	86,097	88,757
Scholarships and fellowships	102,105	89,556	67,450	58,673	55,421	54,884	51,808	57,158	64,070	58,145
Auxiliary enterprises	162,911	145,242	172,106	167,387	175,576	164,539	164,187	167,150	160,938	156,954
Depreciation and amortization	168,320	150,138	149,793	144,250	135,565	132,726	125,455	124,870	116,781	113,345
Total Operating Expenses	\$ 2,270,178	\$ 2,170,226	\$ 2,232,502	\$ 2,106,906	\$ 2,007,403	\$ 1,902,851	\$ 1,882,513	\$ 1,801,631	\$ 1,702,741	\$ 1,651,325
Operating loss	\$ (767,232)	\$ (786,389)	\$ (823,315)	\$ (639,031)	\$ (575,812)	\$ (454,409)	\$ (457,743)	\$ (486,540)	\$ (548,774)	\$ (475,961)
Nonoperating Revenues (Expenses)										
State appropriations	\$ 310,298	\$ 259,415	\$ 269,495	\$ 252,931	\$ 254,789	\$ 245,146	\$ 241,257	\$ 270,538	\$ 265,038	\$ 254,654
Share of State sales tax revenues	46,079	31,979	30,683	30,970	28,763	27,618	25,025	24,964	23,576	20,773
Federal grants and appropriations	192,396	218,206	96,357	93,817	78,951	65,128	77,423	79,316	79,287	83,064
State and other government grants	30,862	21,798	20,751	25,524	25,968	21,722	5,609	14,138	16,353	17,261
Nongovernment grants and contracts	151,837	120,989	142,094	112,437	129,621	123,478	128,111	114,408	91,890	99,249
Gifts	109,238	80,582	88,956	84,578	81,746	80,060	80,890	89,975	78,287	74,530
Investment income (loss)	(47,210)	83,281	13,070	48,396	30,911	31,962	10,046	6,638	43,229	20,619
Interest expense on debt	(58,745)	(50,672)	(60,187)	(55,072)	(53,275)	(51,253)	(49,748)	(46,293)	(50,596)	(47,643)
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	46,874	-	-
Other nonoperating revenues, net	18,041	9,911	15,015	8,404	9,040	11,072	9,480	18,103	20,009	13,440
Net Nonoperating Revenues	\$ 752,796	\$ 775,489	\$ 616,234	\$ 601,985	\$ 586,514	\$ 554,933	\$ 528,093	\$ 618,661	\$ 567,073	\$ 535,947
Income/(Loss) before Capital and Endowment Additions	\$ (14,436)	\$ (10,900)	\$ (207,081)	\$ (37,046)	\$ 10,702	\$ 100,524	\$ 70,350	\$ 132,121	\$ 18,299	\$ 59,986
Capital grants, gifts and conveyances	\$ 18,720	\$ 17,078	\$ 85,677	\$ 11,068	\$ 11,447	\$ 9,304	\$ 3,472	\$ 36,489	\$ 31,985	\$ 9,697
Capital appropriations	25,337	25,205	25,013	24,803	14,249	21,978	9,594	11,204	14,253	14,253
Capital commitment - State Lottery Revenue	20,811	20,827	21,772	21,430	21,211	21,520	22,169	11,604	9,599	6,470
Additions to permanent endowments	3,557	3,299	1,751	5,426	4,746	2,357	3,032	2,793	4,831	2,231
Increase/(Decrease) in Net Position	\$ 53,989	\$ 55,509	\$ (72,868)	\$ 25,681	\$ 62,355	\$ 155,683	\$ 108,617	\$ 194,211	\$ 78,967	\$ 92,637
Total Revenues	\$ 2,430,122	\$ 2,276,407	\$ 2,219,821	\$ 2,187,659	\$ 2,123,033	\$ 2,109,787	\$ 2,040,878	\$ 2,042,135	\$ 1,832,304	\$ 1,791,605
Total Expenses	2,376,133	2,220,898	2,292,689	2,161,978	2,060,678	1,954,104	1,932,261	1,847,924	1,753,337	1,698,968
Increase/(Decrease) in Net Position	\$ 53,989	\$ 55,509	\$ (72,868)	\$ 25,681	\$ 62,355	\$ 155,683	\$ 108,617	\$ 194,211	\$ 78,967	\$ 92,637

*In compliance with Arizona Revised Statutes 35-391, the University of Arizona discloses the following: For fiscal year 2022, the university received a rebate in the amount of \$1.8 million from J.P. Morgan for Purchase Card purchases for the year.

Change in Net Position (continued)

(Expressed as a percent of Total Revenues / Total Expenses)

Fiscal Year Ended June 30	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues	%	%	%	%	%	%	%	%	%	%
<i>Operating Revenues</i>										
Student tuition and fees, net of scholarship allowance	27.9	27.9	29.0	30.1	30.8	31.0	29.8	27.2	26.5	25.8
Federal grants and contracts	15.8	16.4	14.6	15.4	14.3	14.1	13.9	14.2	16.8	20.4
State grants and contracts	0.6	0.7	0.6	0.6	0.6	0.7	0.7	0.4	0.6	0.7
Local grants and contracts	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Nongovernment grants and contracts	6.2	7.7	7.5	8.2	8.5	9.5	11.9	8.5	5.2	5.2
Sales and services of educational departments	2.2	2.6	2.6	2.6	2.6	2.5	2.6	2.5	2.4	2.0
Auxiliary enterprises	8.5	4.8	8.4	9.4	9.7	10.0	10.1	10.0	10.4	10.6
Other operating revenues	0.4	0.5	0.5	0.7	0.9	0.9	0.7	1.5	0.9	0.8
Total Operating Revenues	61.8	60.8	63.4	67.1	67.4	68.7	69.8	64.4	63.0	65.6
Expenses										
<i>Operating Expenses</i>										
Educational and general										
Instruction	24.3	24.4	24.6	24.5	24.5	23.5	23.8	22.6	24.3	23.0
Research	21.4	22.2	21.6	21.4	20.7	20.3	20.2	22.8	22.6	25.6
Public Service	4.0	4.4	3.9	4.0	4.0	4.6	4.1	4.2	4.8	5.4
Academic support	11.2	11.7	12.3	13.6	14.7	16.1	17.8	14.3	11.6	10.2
Student services	3.4	4.3	4.8	4.2	3.6	2.9	2.7	2.6	2.6	2.5
Institutional support	8.7	9.1	8.6	7.8	7.1	7.5	6.7	7.4	6.7	5.9
Operation and maintenance of plant	4.3	4.3	4.7	4.9	5.0	4.5	4.4	4.7	4.9	5.2
Scholarships and fellowships	4.3	4.0	2.9	2.7	2.7	2.8	2.7	3.1	3.7	3.4
Auxiliary enterprises	6.9	6.5	7.5	7.7	8.5	8.4	8.5	9.0	9.2	9.2
Depreciation and amortization	7.1	6.8	6.5	6.7	6.6	6.8	6.5	6.8	6.7	6.7
Total Operating Expenses	95.6	97.7	97.4	97.5	97.4	97.4	97.4	97.5	97.1	97.2
Operating loss	(32.3)	(35.4)	(35.9)	(29.6)	(27.9)	(23.3)	(22.4)	(23.8)	(29.9)	(26.6)
Nonoperating Revenues (Expenses)										
State operating appropriations	12.8	11.4	12.1	11.6	12.0	11.6	11.8	13.2	14.5	14.2
Share of State sales tax revenues	1.9	1.5	1.4	1.4	1.4	1.3	1.2	1.2	1.3	1.2
Federal grants and appropriations	7.9	9.6	4.3	4.3	3.7	3.1	3.8	3.9	4.3	4.6
State and other government grants	1.3	1.0	0.9	1.2	1.2	1.0	0.3	0.7	0.9	1.0
Nongovernment grants and contracts	6.3	5.3	6.4	5.1	6.1	5.9	6.3	5.6	5.0	5.5
Gifts	4.5	3.5	4.0	3.9	3.9	3.8	4.0	4.4	4.3	4.2
Investment income (loss)	(2.0)	3.7	0.6	2.2	1.5	1.5	0.5	0.3	2.4	1.2
Interest expense on debt	(2.5)	(2.3)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.5)	(2.9)	(2.8)
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	2.3	-	-
Other nonoperating revenues, net	0.7	0.4	0.7	0.4	0.4	0.5	0.5	0.9	1.1	0.8
Net Nonoperating Revenues	31.0	34.1	27.8	27.5	27.6	26.3	25.9	30.3	30.9	29.9
Income/(Loss) before Capital and Endowment Additions	(0.6)	(0.5)	(9.3)	(1.7)	0.5	4.8	3.4	6.5	1.0	3.3
Capital grants, gifts and conveyances	0.8	0.8	3.9	0.5	0.5	0.5	0.2	1.8	1.7	0.6
Capital appropriations	1.0	1.1	1.1	1.1	0.7	1.0	0.5	0.5	0.8	0.8
Capital commitment - State Lottery Revenue	0.9	0.9	1.0	1.0	1.0	1.0	1.1	0.6	0.5	0.4
Additions to permanent endowments	0.1	0.1	0.1	0.3	0.2	0.1	0.1	0.1	0.3	0.1
Increase/(Decrease) in Net Position	2.2	2.4	(3.3)	1.2	2.9	7.4	5.3	9.5	4.3	5.2

Change in Net Position (continued)

(Percentage increase (decrease) from prior year)

Fiscal Year Ended June 30	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues	%	%	%	%	%	%	%	%	%	%
<i>Operating Revenues</i>										
Student tuition and fees, net of scholarship allowance	6.9	(1.6)	(2.1)	0.7	-	7.4	9.7	14.4	5.0	12.4
Federal grants and contracts	3.0	14.2	(3.6)	11.5	2.3	5.1	(2.7)	(5.6)	(15.9)	1.1
State grants and contracts	(21.0)	34.4	4.4	(11.3)	(4.3)	0.1	74.7	(28.0)	(3.5)	(17.1)
Local grants and contracts	50.1	0.6	60.3	(3.0)	16.4	35.8	(12.6)	8.7	(41.3)	(89.8)
Nongovernment grants and contracts	(13.3)	5.2	(6.9)	(0.6)	(10.3)	(17.7)	39.5	81.6	3.8	19.2
Sales and services of educational departments	(11.1)	3.0	2.7	3.5	4.7	(2.2)	2.9	16.1	23.3	(29.1)
Auxiliary enterprises	88.0	(41.0)	(9.0)	-	(2.4)	1.8	1.5	6.6	0.5	11.2
Other operating revenues	(7.5)	3.9	(33.0)	(13.2)	0.4	30.4	(52.4)	81.5	14.7	31.0
Total Operating Revenues	8.6	(1.8)	(4.0)	2.5	(1.2)	1.7	8.3	14.0	(1.8)	4.5
Expenses										
<i>Operating Expenses</i>										
Educational and general										
Instruction	6.5	(3.6)	6.5	4.4	10.1	(0.1)	10.2	(2.0)	8.7	0.8
Research	3.4	(0.6)	7.2	8.3	7.4	1.6	(7.3)	6.4	(8.9)	2.2
Public Service	(3.0)	11.7	3.0	4.4	(7.9)	13.5	0.5	(7.5)	(7.2)	17.9
Academic support	2.8	(8.6)	(4.0)	(2.4)	(3.9)	(8.7)	30.3	29.9	17.4	9.2
Student services	(14.5)	(12.5)	19.3	22.9	32.5	5.6	12.4	1.7	8.8	9.0
Institutional support	1.8	2.4	16.6	15.7	-	12.9	(5.0)	15.6	18.1	2.4
Operation and maintenance of plant	5.5	(10.9)	2.3	2.2	17.2	4.2	(3.1)	1.1	(3.0)	1.6
Scholarships and fellowships	14.0	32.8	15.0	5.9	1.0	5.9	(9.4)	(10.8)	10.2	10.8
Auxiliary enterprises	12.2	(15.6)	2.8	(4.7)	6.7	0.2	(1.8)	3.9	2.5	5.4
Depreciation and amortization	12.1	0.2	3.8	6.4	2.1	5.8	0.5	6.9	3.0	5.4
Total Operating Expenses	4.6	(2.8)	6.0	5.0	5.5	1.1	4.5	5.8	3.1	4.3
Operating loss	(2.4)	(4.5)	28.8	11.0	26.7	(0.7)	(5.9)	(11.3)	15.3	3.7
Nonoperating Revenues (Expenses)										
State operating appropriations	19.6	(3.7)	6.5	(0.7)	3.9	1.6	(10.8)	2.1	4.1	(5.2)
Share of State sales tax revenues	44.1	4.2	(0.9)	7.7	4.1	10.4	0.2	5.9	13.5	2.1
Federal grants and appropriations	(11.8)	126.5	2.7	18.8	21.2	(15.9)	(2.4)	-	(4.5)	7.5
State and other government grants	41.6	5.0	(18.7)	(1.7)	19.5	287.3	(60.3)	(13.5)	(5.3)	825.5
Nongovernment grants and contracts	25.5	(14.9)	26.4	(13.3)	5.0	(3.6)	12.0	24.5	(7.4)	2,241.3
Gifts	35.6	(9.4)	5.2	3.5	2.1	(1.0)	(10.1)	14.9	5.0	(22.5)
Investment income (loss)	(156.7)	537.2	(73.0)	56.6	(3.3)	218.2	51.3	(84.6)	109.7	508.9
Interest expense on debt	15.9	(15.8)	9.3	3.4	3.9	3.0	7.5	(8.5)	6.2	7.3
Gain on Sale of Capital Assets	-	-	-	-	-	-	(100.0)	100.0	-	-
Other nonoperating revenues, net	82.0	(34.0)	78.7	(7.0)	(18.4)	16.8	(47.6)	(9.5)	48.9	(51.4)
Net Nonoperating Revenues	(2.9)	25.8	2.4	2.6	5.7	5.1	(14.6)	9.1	5.8	17.8
Income/(Loss) before Capital and Endowment Additions	32.4	(94.7)	459.0	(446.2)	(89.4)	42.9	(46.8)	622.0	(69.5)	(1,578.6)
Capital grants, gifts and conveyances	9.6	(80.1)	674.1	(3.3)	23.0	168.0	(90.5)	14.1	229.8	(78.1)
Capital appropriations	0.5	0.8	0.8	74.1	(35.2)	129.1	(14.4)	(21.4)	-	-
Capital commitment - State Lottery Revenue	(0.1)	(4.3)	1.6	1.0	(1.4)	(2.9)	91.0	20.9	48.4	100.0
Additions to permanent endowments	7.8	88.4	(67.7)	14.3	101.4	(22.3)	8.6	(42.2)	116.5	(7.6)
Increase/(Decrease) in Net Position	(2.7)	176.2	(383.7)	(58.8)	(59.9)	43.3	(44.1)	145.9	(14.8)	62.6

OPERATING EXPENSES BY NATURAL CLASSIFICATION

Fiscal Year Ended June 30 (in thousands of dollars)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Personal Services and Benefits	\$ 1,410,808	\$ 1,420,434	\$ 1,462,234	\$ 1,340,973	\$ 1,283,072	\$ 1,229,939	\$ 1,248,749	\$ 1,138,615	\$ 1,048,926	\$ 1,005,283
Supplies and Services	585,118	506,999	549,572	560,018	530,930	482,530	454,215	479,021	470,546	472,323
Scholarships and Fellowships	105,932	92,655	70,903	61,665	57,836	57,656	54,094	59,125	66,488	60,374
Depreciation and amortization	168,320	150,138	149,793	144,250	135,565	132,726	125,455	124,870	116,781	113,345
Total Operating Expenses by Natural Classification	\$ 2,270,178	\$ 2,170,226	\$ 2,232,502	\$ 2,106,906	\$ 2,007,403	\$ 1,902,851	\$ 1,882,513	\$ 1,801,631	\$ 1,702,741	\$ 1,651,325
<i>Expressed as a percent of the total</i>	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	62.1	65.4	65.5	63.6	63.9	64.6	66.3	63.2	61.6	60.9
Supplies and Services	25.8	23.4	24.6	26.6	26.4	25.4	24.1	26.6	27.6	28.5
Scholarships and Fellowships	4.7	4.3	3.2	2.9	2.9	3.0	2.9	3.3	3.9	3.7
Depreciation and amortization	7.4	6.9	6.7	6.9	6.8	7.0	6.7	6.9	6.9	6.9
Total Operating Expenses by Natural Classification	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>Percentage increase/(decrease) from prior year</i>	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	(0.7)	(2.9)	9.0	4.5	4.3	(1.5)	9.7	8.6	4.3	2.4
Supplies and Services	15.4	(7.7)	(1.9)	5.5	10.0	6.2	(5.2)	1.8	(0.4)	6.1
Scholarships and Fellowships	14.3	30.7	15.0	6.6	0.3	6.6	(8.5)	(11.1)	10.1	23.6
Depreciation and amortization	12.1	0.2	3.8	6.4	2.1	5.8	0.5	6.9	3.0	5.4
Total Operating Expenses by Natural Classification	4.6	(2.8)	6.0	5.0	5.5	1.1	4.5	5.8	3.1	4.3

ACADEMIC YEAR TUITION AND REQUIRED FEES

Fiscal Year Ended June 30	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Resident Undergraduate										
University of Arizona	\$ 12,696	\$ 12,696	\$ 12,691	\$ 12,467	\$ 12,248	\$ 11,789	\$ 11,424	\$ 10,957	\$ 10,391	\$ 10,035
percent increase from prior year	0.0%	0.0%	1.8%	1.8%	3.9%	3.2%	4.3%	5.4%	3.5%	0.0%
Pac-12 Public Average	\$ 12,529	\$ 12,350	\$ 12,126	\$ 11,823	\$ 11,586	\$ 10,885	\$ 10,866	\$ 10,217	\$ 10,150	\$ 10,294
percent increase/(decrease) from prior year	1.4%	1.8%	2.6%	2.0%	6.4%	0.2%	6.4%	0.7%	(1.4)%	4.7%
ABOR Peers Average	\$ 12,583	\$ 12,374	\$ 12,197	\$ 12,034	\$ 11,904	\$ 11,613	\$ 11,454	\$ 11,289	\$ 11,130	\$ 11,012
percent increase from prior year	1.7%	1.5%	1.4%	1.1%	2.5%	1.4%	1.5%	1.4%	1.1%	3.3%
Non-Resident Undergraduate										
University of Arizona	\$ 37,218	\$ 36,723	\$ 36,718	\$ 36,366	\$ 35,678	\$ 34,987	\$ 32,652	\$ 29,421	\$ 27,073	\$ 26,231
percent increase from prior year	1.3%	0.0%	1.0%	1.9%	2.0%	7.2%	11.0%	8.7%	3.2%	2.9%
Pac-12 Public Average	\$ 36,570	\$ 35,953	\$ 35,401	\$ 34,447	\$ 33,561	\$ 31,640	\$ 30,492	\$ 28,088	\$ 27,698	\$ 28,062
percent increase/(decrease) from prior year	1.7%	1.6%	2.8%	2.6%	6.1%	3.8%	8.6%	1.4%	(1.3)%	2.0%
ABOR Peers Average	\$ 37,503	\$ 36,881	\$ 36,430	\$ 35,452	\$ 34,457	\$ 32,728	\$ 31,480	\$ 30,159	\$ 29,315	\$ 28,756
percent increase from prior year	1.7%	1.2%	2.8%	2.9%	5.3%	4.0%	4.4%	2.9%	1.9%	3.0%
Resident Graduate										
University of Arizona	\$ 13,460	\$ 13,272	\$ 13,271	\$ 13,044	\$ 12,812	\$ 12,397	\$ 12,062	\$ 11,723	\$ 11,511	\$ 11,122
percent increase from prior year	1.4%	0.0%	1.7%	1.8%	3.3%	2.8%	2.9%	1.8%	3.5%	2.7%
Pac-12 Public Average	\$ 14,196	\$ 14,011	\$ 13,800	\$ 13,427	\$ 13,246	\$ 13,057	\$ 12,897	\$ 12,007	\$ 11,710	\$ 11,810
percent increase/(decrease) from prior year	1.3%	1.5%	2.8%	1.4%	1.4%	1.2%	7.4%	2.5%	(0.9)%	2.8%
ABOR Peers Average	\$ 15,324	\$ 15,079	\$ 14,993	\$ 14,680	\$ 14,358	\$ 13,994	\$ 13,760	\$ 13,247	\$ 13,031	\$ 12,770
percent increase from prior year	1.6%	0.6%	2.1%	2.2%	2.6%	1.7%	3.9%	1.7%	2.0%	3.5%
Non-Resident Graduate										
University of Arizona	\$ 33,644	\$ 33,399	\$ 33,398	\$ 33,393	\$ 32,762	\$ 32,149	\$ 30,384	\$ 28,705	\$ 27,383	\$ 26,533
percent increase from prior year	0.7%	0.0%	0.0%	1.9%	1.9%	5.8%	5.8%	4.8%	3.2%	2.9%
Pac-12 Public Average	\$ 30,731	\$ 30,270	\$ 29,877	\$ 28,860	\$ 28,223	\$ 27,978	\$ 27,336	\$ 25,622	\$ 24,918	\$ 24,558
percent increase from prior year	1.5%	1.3%	3.5%	2.3%	0.9%	2.3%	6.7%	2.8%	1.5%	2.1%
ABOR Peers Average	\$ 31,557	\$ 30,914	\$ 30,759	\$ 30,079	\$ 29,413	\$ 28,673	\$ 28,077	\$ 27,474	\$ 26,995	\$ 26,456
percent increase from prior year	2.1%	0.5%	2.3%	2.3%	2.6%	2.1%	2.2%	1.8%	2.0%	3.0%

Sources:

The University of Arizona Interactive Fact Book and University Analytics & Institutional Research (UAIR) <https://uair.arizona.edu>.

A complete list of the university's fifteen ABOR peers can be found at <http://azregents.edu/arizonas-public-universities/peer-institutions>.

Tuition rates are approved by the Arizona Board of Regents.

Some Pac-12 Tuition and Fees were acquired from the Association of American Universities Data Exchange (AAUDE) and universities' websites.

PRINCIPAL REVENUE SOURCES

Fiscal Year Ended June 30 (in thousands of dollars)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Tuition and Fees, net of scholarship allowance	\$ 677,550	\$ 634,092	\$ 644,352	\$ 658,090	\$ 653,519	\$ 653,725	\$ 608,679	\$ 554,768	\$ 484,809	\$ 461,580
percent of total revenue	28%	28%	29%	30%	31%	31%	30%	27%	26%	26%
percent increase/(decrease) from prior year	7%	(2)%	(2)%	1%	0%	7%	10%	14%	5%	12%
State of Arizona Government										
State and local grants and contracts	\$ 44,805	\$ 40,487	\$ 37,104	\$ 39,926	\$ 41,984	\$ 38,005	\$ 21,333	\$ 24,013	\$ 29,253	\$ 31,707
State appropriations	310,298	259,415	269,495	252,931	254,789	245,146	241,257	270,538	265,038	254,654
Technology and research initiatives funding	46,079	31,979	30,683	30,970	28,763	27,618	25,025	24,964	23,576	20,773
Capital appropriations and capital commitments (1)	46,148	46,032	46,785	46,233	35,460	43,498	31,763	22,808	23,852	20,723
Financial aid grants	5,111	2,015	-	-	-	-	-	-	-	-
State of Arizona Government	\$ 452,441	\$ 379,928	\$ 384,067	\$ 370,060	\$ 360,996	\$ 354,267	\$ 319,378	\$ 342,323	\$ 341,719	\$ 327,857
percent of total revenue	19%	17%	17%	17%	17%	17%	16%	17%	19%	18%
percent increase/(decrease) from prior year	19%	(1)%	4%	3%	2%	11%	(7)%	0%	4%	(5)%
Federal Government										
Federal grants and contracts	\$ 481,392	\$ 505,365	\$ 360,286	\$ 376,132	\$ 329,388	\$ 312,547	\$ 308,469	\$ 318,118	\$ 336,288	\$ 399,958
Financial aid grants	95,524	86,337	63,077	56,881	53,746	49,990	52,037	52,165	51,290	49,469
Federal Government	\$ 576,916	\$ 591,702	\$ 423,363	\$ 433,013	\$ 383,134	\$ 362,537	\$ 360,506	\$ 370,283	\$ 387,578	\$ 449,427
percent of total revenue	24%	26%	19%	20%	18%	17%	18%	18%	21%	25%
percent increase/(decrease) from prior year	(2)%	40%	(2)%	13%	6%	1%	(3)%	(4)%	(14)%	2%
Total from principal revenue payers	\$ 1,706,907	\$ 1,605,722	\$ 1,451,782	\$ 1,461,163	\$ 1,397,649	\$ 1,370,529	\$ 1,288,563	\$ 1,267,374	\$ 1,214,106	\$ 1,238,864
percent of total revenue	70%	71%	65%	67%	66%	65%	63%	62%	66%	69%
percent increase/(decrease) from prior year	6%	11%	(1)%	5%	2%	6%	2%	4%	(2)%	4%

(1) Includes Arizona Lottery capital commitment beginning in FY 2013.

LONG-TERM DEBT

Fiscal Year Ended June 30 (in thousands of dollars)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
System Revenue Bonds and SPEED Revenue Bonds	\$ 1,338,225	\$ 1,379,595	\$ 1,168,675	\$ 1,218,745	\$ 1,166,915	\$ 1,090,805	\$ 953,005	\$ 984,265	\$ 788,685	\$ 811,285
Plus Unamortized Premium/(Discount)	173,231	182,320	137,464	128,207	124,003	115,487	91,269	68,835	36,311	37,823
Less Deferred amount on Refundings*	-	-	-	-	-	-	-	-	-	(8,179)
Net System Revenue Bonds and SPEED Revenue Bonds	\$ 1,511,456	\$ 1,561,915	\$ 1,306,139	\$ 1,346,952	\$ 1,290,918	\$ 1,206,292	\$ 1,044,274	\$ 1,053,100	\$ 824,996	\$ 840,929
Certificates of Participation	\$ 162,100	\$ 193,635	\$ 199,385	\$ 232,816	\$ 264,761	\$ 302,176	\$ 331,861	\$ 354,736	\$ 377,990	\$ 400,720
Plus Unamortized Premium/(Discount)	10,891	15,089	22,899	26,330	29,760	23,959	26,478	29,001	19,145	20,864
Less Deferred amount on Refundings*	-	-	-	-	-	-	-	-	-	(13,301)
Net Certificates of Participation	\$ 172,991	\$ 208,724	\$ 222,284	\$ 259,146	\$ 294,521	\$ 326,135	\$ 358,339	\$ 383,737	\$ 397,135	\$ 408,283
Total Bonds Payable	\$ 1,511,456	\$ 1,561,915	\$ 1,306,139	\$ 1,346,952	\$ 1,290,918	\$ 1,206,292	\$ 1,044,274	\$ 1,053,100	\$ 824,996	\$ 840,929
COPs Payable	172,991	208,724	222,284	259,146	294,521	326,135	358,339	383,737	397,135	408,283
Financed Purchase Obligations Payable	6,382	12,702	13,261	14,916	15,514	16,308	17,134	41,699	37,555	38,543
Total	\$ 1,690,829	\$ 1,783,341	\$ 1,541,684	\$ 1,621,014	\$ 1,600,953	\$ 1,548,735	\$ 1,419,747	\$ 1,478,536	\$ 1,259,686	\$ 1,287,755

Long Term Debt (whole dollars)

per student FTE	\$ 36,106	\$ 39,180	\$ 34,479	\$ 36,529	\$ 36,279	\$ 35,546	\$ 32,771	\$ 34,881	\$ 30,881	\$ 31,943
per Dollar of State Appropriations and State Capital Appropriations	\$ 5.04	\$ 6.27	\$ 5.23	\$ 5.84	\$ 5.95	\$ 5.80	\$ 5.66	\$ 5.25	\$ 4.51	\$ 4.79
per Dollar of Total Grants and Contracts	\$ 1.82	\$ 1.92	\$ 2.01	\$ 2.12	\$ 2.17	\$ 2.13	\$ 1.91	\$ 2.16	\$ 2.07	\$ 1.89

Data Used in Above Calculations

Total Student FTE	46,829	45,517	44,714	44,376	44,129	43,570	43,323	42,388	40,791	40,314
State appropriations and State Capital Appropriations	\$ 335,635	\$ 284,620	\$ 294,508	\$ 277,734	\$ 269,038	\$ 267,124	\$ 250,851	\$ 281,742	\$ 279,291	\$ 268,908
Grants and Contracts	\$ 930,094	\$ 930,488	\$ 768,705	\$ 764,429	\$ 738,688	\$ 726,420	\$ 743,216	\$ 685,400	\$ 609,596	\$ 682,620

* There will no longer be deferred amounts on refunding reported as liabilities due to the implementation of GASB Statement No. 65 beginning in FY 2014.

SUMMARY OF RATIOS

Summary of Composite Financial Index Ratios

Fiscal Year Ended June 30	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	0.10	0.10	0.04	0.13	0.13	0.20	0.14	0.12	0.36	0.34
/ Strength Factor	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133
= Ratio / Strength Factor	0.75	0.75	0.30	0.98	0.98	1.50	1.05	0.90	2.71	2.56
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.26	0.26	0.11	0.34	0.34	0.53	0.37	0.32	0.95	0.89
= Ratio 10.00 Cap Subtotal	0.26	0.26	0.11	0.34	0.34	0.53	0.37	0.32	0.95	0.89
+ Return on Net Assets Ratio	1.3%	17.2%	(4.4)%	6.6%	12.7%	13.7%	6.2%	17.5%	9.3%	8.5%
/ Strength Factor	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
= Ratio / Strength Factor	0.65	8.60	(1.00)	3.30	6.35	6.85	3.10	8.75	4.65	4.25
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.13	1.72	(0.20)	0.66	1.27	1.37	0.62	1.75	0.93	0.85
= Ratio 10.00 Cap Subtotal	0.13	1.72	(0.20)	0.66	1.27	1.37	0.62	1.75	0.93	0.85
+ Net Operating Revenues Ratio	1.4%	0.2%	(10.5)%	(1.5)%	0.7%	5.5%	3.7%	7.3%	1.4%	3.8%
/ Strength Factor	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
= Ratio / Strength Factor	1.08	0.15	(1.00)	(1.00)	0.54	4.23	2.85	5.62	1.08	2.92
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.11	0.02	(0.10)	(0.10)	0.05	0.42	0.28	0.56	0.11	0.29
= Ratio 10.00 Cap Subtotal	0.11	0.02	(0.10)	(0.10)	0.05	0.42	0.28	0.56	0.11	0.29
+ Viability Ratio	0.2	0.2	0.1	0.2	0.2	0.3	0.2	0.2	0.6	0.5
/ Strength Factor	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417
= Ratio / Strength Factor	0.48	0.48	0.24	0.48	0.48	0.72	0.48	0.48	1.44	1.20
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.17	0.17	0.08	0.17	0.17	0.25	0.17	0.17	0.50	0.42
= Ratio 10.00 Cap Subtotal	0.17	0.17	0.08	0.17	0.17	0.25	0.17	0.17	0.50	0.42
Composite Financial Index	0.67	2.17	(0.11)	1.07	1.83	2.57	1.44	2.80	2.49	2.46
Composite Financial Index with 10.00 Cap	0.67	2.17	(0.11)	1.07	1.83	2.57	1.44	2.80	2.49	2.46

The Composite Financial Index (CFI) provides a methodology for a single overall financial measurement of the institution's health based on the four core ratios. The CFI uses a reasonable weighting plan and allows a weakness or strength in a specific ratio to be offset by another ratio result, which provides a more balanced measure. The CFI provides a more holistic approach to understanding the financial health of the institution. The CFI scores are not intended to be precise measures; they are indicators of ranges of financial health that can be indicators of overall institutional well-being when combined with non-financial indicators.

Composite Financial Index calculation includes component unit information. Detail of ratio calculations are on the following pages.

Summary of Ratios (continued)

Fiscal Year Ended June 30 (in thousands of dollars)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
PRIMARY RESERVE RATIO										
Unrestricted Net Assets	\$ (307,211)	\$ (269,494)	\$ (320,257)	\$ (130,727)	\$ (135,502)	\$ 20,756	\$ (80,965)	\$ (124,204)	\$ 373,103	\$ 361,244
Net Assets Without Donor Restrictions – Component Units	126,842	77,930	63,733	62,819	56,189	52,612	44,154	43,592	39,419	33,945
Expendable Restricted Net Assets	270,661	239,189	203,957	233,337	244,542	241,080	238,522	218,805	161,894	124,582
Expendable Restricted Net Assets – Component Units*	223,051	226,345	184,247	152,068	143,895	128,288	122,486	126,134	125,534	114,430
Investment in Plant - Component Units	(33,485)	(37,273)	(34,166)	(31,095)	(27,696)	(26,777)	(33,163)	(32,712)	(31,088)	(30,743)
Expendable Net Assets	\$ 279,858	\$ 236,697	\$ 97,514	\$ 286,402	\$ 281,428	\$ 415,959	\$ 291,034	\$ 231,615	\$ 668,862	\$ 603,458
Operating Expenses										
Operating Expenses	\$ 2,270,178	\$ 2,170,226	\$ 2,232,502	\$ 2,106,906	\$ 2,007,403	\$ 1,902,851	\$ 1,882,513	\$ 1,801,631	\$ 1,702,741	\$ 1,651,325
Nonoperating Expenses	105,955	50,672	60,187	55,072	53,275	51,253	49,748	46,293	50,596	47,643
Component Unit Total Expenses	452,923	132,942	126,925	128,604	108,606	103,419	110,428	130,081	119,033	87,516
Total Expenses	\$ 2,829,056	\$ 2,353,840	\$ 2,419,614	\$ 2,290,582	\$ 2,169,284	\$ 2,057,523	\$ 2,042,689	\$ 1,978,005	\$ 1,872,370	\$ 1,786,484
Expendable Net Assets										
Expendable Net Assets	\$ 279,858	\$ 236,697	\$ 97,514	\$ 286,402	\$ 281,428	\$ 415,959	\$ 291,034	\$ 231,615	\$ 668,862	\$ 603,458
Total Expenses										
Total Expenses	\$ 2,829,056	\$ 2,353,840	\$ 2,419,614	\$ 2,290,582	\$ 2,169,284	\$ 2,057,523	\$ 2,042,689	\$ 1,978,005	\$ 1,872,370	\$ 1,786,484
Ratio	0.10	0.10	0.04	0.13	0.13	0.20	0.14	0.12	0.36	0.34

Measures the financial strength of the institution by indicating how long the institution could function using its expendable reserves to cover operations should additional net assets not be available. A positive ratio and an increasing amount over time denote strength.

*Beginning in fiscal year 2019, the Financial Accounting Standards Board (FASB) reduced the number of net asset classes presented by the component units from three to two, net assets without donor restrictions and net assets with donor restrictions. For purposes of ratio calculations, the portion of net assets with donor restrictions that represents net assets with temporary restrictions is reported as Expendable Restricted Net Assets – Component Units.

RETURN ON NET ASSETS RATIO										
Change in Net assets	\$ 30,374	\$ 335,681	\$ (89,445)	\$ 125,916	\$ 215,540	\$ 224,673	\$ 96,154	\$ 229,469	\$ 163,058	\$ 138,868
Total Net Assets (Beginning of Year)	\$ 2,350,275	\$ 1,954,449	\$ 2,043,894	\$ 1,917,978	\$ 1,702,438	\$ 1,635,225	\$ 1,539,071	\$ 1,309,602	\$ 1,755,900	\$ 1,629,107
Ratio	1.3%	17.2%	(4.4)%	6.6%	12.7%	13.7%	6.2%	17.5%	9.3%	8.5%

Measures total economic return. While an increasing trend reflects strength, a decline may be appropriate and even warranted if it represents a strategy on the part of the institution to fulfill its mission.

NET OPERATING REVENUES RATIO										
Income/(Loss) before Capital and Endowment Additions	\$ (14,436)	\$ (10,900)	\$ (207,081)	\$ (37,046)	\$ 10,702	\$ 100,524	\$ 70,350	\$ 132,121	\$ 18,299	\$ 59,986
Component Units Change in Net Assets Without Donor Restrictions Before Extraordinary or Special Items	48,912	14,197	914	6,630	3,577	8,458	562	4,173	5,474	2,259
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Units Change in Net Assets Without Donor Restrictions Before Extraordinary or Special Items	\$ 34,476	\$ 3,297	\$ (206,167)	\$ (30,416)	\$ 14,279	\$ 108,982	\$ 70,912	\$ 136,294	\$ 23,773	\$ 62,245
Total Operating Revenues	\$ 1,502,946	\$ 1,383,837	\$ 1,409,187	\$ 1,467,875	\$ 1,431,591	\$ 1,448,442	\$ 1,424,770	\$ 1,315,091	\$ 1,153,967	\$ 1,175,364
State Appropriation and State related revenues	379,399	308,448	318,200	306,696	306,791	294,486	271,891	309,640	304,967	292,688
Non-capital Gifts and Grants, net	109,238	80,582	88,956	84,578	81,746	80,060	80,890	89,975	78,287	74,530
Financial Aid Trust Funds*	2,729	2,729	2,729	2,729	2,729	2,761	2,880	3,030	3,154	3,193
Financial Aid - State Grants	5,111	2,015	-	-	-	-	-	-	-	-
Investment Income/(Loss), net	(47,210)	83,281	13,070	48,396	30,911	31,962	10,046	6,638	43,229	20,619
Component Units Total Revenue Without Donor Restrictions	438,721	148,392	127,732	135,079	112,932	111,633	110,779	134,054	124,081	89,506
Adjusted Net Operating Revenues	\$ 2,390,934	\$ 2,009,284	\$ 1,959,874	\$ 2,045,353	\$ 1,966,700	\$ 1,969,344	\$ 1,901,256	\$ 1,858,428	\$ 1,707,685	\$ 1,655,900
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Units Change in Net Assets Without Donor Restrictions Before Extraordinary or Special Items	\$ 34,476	\$ 3,297	\$ (206,167)	\$ (30,416)	\$ 14,279	\$ 108,982	\$ 70,912	\$ 136,294	\$ 23,773	\$ 62,245
Adjusted Net Operating Revenues	\$ 2,390,934	\$ 2,009,284	\$ 1,959,874	\$ 2,045,353	\$ 1,966,700	\$ 1,969,344	\$ 1,901,256	\$ 1,858,428	\$ 1,707,685	\$ 1,655,900
Ratio	1.4%	0.2%	(10.5)%	(1.5)%	0.7%	5.5%	3.7%	7.3%	1.4%	3.8%

Measures whether the institution is living within available resources. A positive ratio and an increasing amount over time, generally reflects strength.

*Prior to FY2018, Financial Aid Trust Funds were appropriated directly to ABOR on behalf of the universities. Beginning in Fiscal Year 2018, these funds are appropriated directly to the universities.

Summary of Ratios (continued)

Fiscal Year Ended June 30 (in thousands of dollars)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
VIABILITY RATIO										
Unrestricted Net Assets	\$ (307,211)	\$ (269,494)	\$ (320,257)	\$ (130,727)	\$ (135,502)	\$ 20,756	\$ (80,965)	\$ (124,204)	\$ 373,103	\$ 361,244
Net Assets Without Donor Restriction – Component Units	126,842	77,930	63,733	62,819	56,189	52,612	44,154	43,592	39,419	33,945
Expendable Restricted Net Assets	270,661	239,189	203,957	233,337	244,542	241,080	238,522	218,805	161,894	124,582
Expendable Restricted Net Assets – Component Units*	223,051	226,345	184,247	152,068	143,895	128,288	122,486	126,134	125,534	114,430
Expendable Net Assets	\$ 313,343	\$ 273,970	\$ 131,680	\$ 317,497	\$ 309,124	\$ 442,736	\$ 324,197	\$ 264,327	\$ 699,950	\$ 634,201
University Long Term Debt	\$ 1,853,560	\$ 1,783,341	\$ 1,541,684	\$ 1,621,014	\$ 1,600,953	\$ 1,548,735	\$ 1,419,747	\$ 1,478,536	\$ 1,259,686	\$ 1,287,755
Component Units Long Term Debt	3,464	5,245	8,154	5,840	5,553	6,024	4,255	5,279	6,682	8,105
Total Adjusted University Debt	\$ 1,857,024	\$ 1,788,586	\$ 1,549,838	\$ 1,626,854	\$ 1,606,506	\$ 1,554,759	\$ 1,424,002	\$ 1,483,815	\$ 1,266,368	\$ 1,295,860
Expendable Net Assets	\$ 313,343	\$ 273,970	\$ 131,680	\$ 317,497	\$ 309,124	\$ 442,736	\$ 324,197	\$ 264,327	\$ 699,950	\$ 634,201
Total Adjusted University Debt	\$ 1,857,024	\$ 1,788,586	\$ 1,549,838	\$ 1,626,854	\$ 1,606,506	\$ 1,554,759	\$ 1,424,002	\$ 1,483,815	\$ 1,266,368	\$ 1,295,860
Ratio	0.2	0.2	0.1	0.2	0.2	0.3	0.2	0.2	0.6	0.5

Measures the ability of the institution to cover its debt as of the statement of net position date, should the institution need to do so. A positive ratio of greater than 1:1 generally denotes strength.

* Beginning in fiscal year 2019, the Financial Accounting Standards Board (FASB) reduced the number of net asset classes presented by the component units from three to two, net assets without donor restrictions and net assets with donor restrictions. For purposes of ratio calculations, the portion of net assets with donor restrictions that represents net assets with temporary restrictions is reported as Expendable Restricted Net Assets – Component Units.

Summary of Ratios – Other Ratios

Fiscal Year Ended June 30 (in thousands of dollars)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
OPERATING MARGIN EXCLUDING GIFTS										
Income/(Loss) before Capital and Endowment Additions	\$ (14,436)	\$ (10,900)	\$ (207,081)	\$ (37,046)	\$ 10,702	\$ 100,524	\$ 70,350	\$ 132,121	\$ 18,299	\$ 59,986
Capital appropriations	25,337	25,205	25,013	24,803	14,249	21,978	9,594	11,204	14,253	14,253
Less: Non-capital Gifts	(109,238)	(80,582)	(88,956)	(84,578)	(81,746)	(80,060)	(80,890)	(89,975)	(78,287)	(74,530)
Less: Net investment return/loss	47,210	(83,281)	(13,070)	(48,396)	(30,911)	(31,962)	(10,046)	(6,638)	(43,229)	(20,619)
Less: Other nonoperating revenue, net	(18,041)	(9,911)	(15,015)	(8,404)	(9,040)	(11,072)	(9,480)	(18,103)	(20,009)	(13,440)
Adjusted Income/(Loss) before Capital and Endowment Additions	\$ (69,168)	\$ (159,469)	\$ (299,109)	\$ (153,621)	\$ (96,746)	\$ (592)	\$ (20,472)	\$ 28,609	\$ (108,973)	\$ (34,350)
Total Operating Revenues	\$ 1,502,946	\$ 1,383,837	\$ 1,409,187	\$ 1,467,875	\$ 1,431,591	\$ 1,448,442	\$ 1,424,770	\$ 1,315,091	\$ 1,153,967	\$ 1,175,364
Less: Scholarships and Fellowships	(102,105)	(89,556)	(67,450)	(58,673)	(55,421)	(54,884)	(51,808)	(57,158)	(64,070)	(58,145)
State Appropriation and share of sales tax	353,648	288,665	297,449	281,172	280,823	272,764	266,282	295,502	288,614	275,427
Financial aid grants	100,635	88,352	63,077	56,881	53,746	49,990	52,037	52,165	51,290	49,469
Grants and contracts (Nonoperating)	177,588	140,772	162,845	137,961	155,589	145,200	133,720	128,546	108,243	116,510
Financial Aid Trust Funds*	2,729	2,729	2,729	2,729	2,729	2,761	2,880	3,030	3,154	3,193
Capital appropriations	25,337	25,205	25,013	24,803	14,249	21,978	9,594	11,204	14,253	14,253
Adjust Net Operating Revenues less Non-capital Gifts and Grants	\$ 2,060,778	\$ 1,840,004	\$ 1,892,850	\$ 1,912,748	\$ 1,883,306	\$ 1,886,251	\$ 1,837,475	\$ 1,748,380	\$ 1,555,452	\$ 1,576,071
Adjusted Income/(Loss) before Capital and Endowment Additions	\$ (69,168)	\$ (159,469)	\$ (299,109)	\$ (153,621)	\$ (96,746)	\$ (592)	\$ (20,472)	\$ 28,609	\$ (108,973)	\$ (34,350)
Adjust Net Operating Revenues less Non-capital Gifts and Grants	\$ 2,060,778	\$ 1,840,004	\$ 1,892,850	\$ 1,912,748	\$ 1,883,306	\$ 1,886,251	\$ 1,837,475	\$ 1,748,380	\$ 1,555,452	\$ 1,576,071
Ratio	(3.4)%	(8.7)%	(15.8)%	(8.0)%	(5.1)%	0.0%	(1.1)%	1.6%	(7.0)%	(2.2)%

A more restrictive measure of whether the institution is living within available resources. A positive ratio and an increasing amount over time generally reflect strength.

* Prior to FY2018, Financial Aid Trust Funds were appropriated directly to ABOR on behalf of the universities. Beginning in Fiscal Year 2018, these funds are appropriated directly to the universities.

Summary of Ratios – Other Ratios (continued)

Fiscal Year Ended June 30 (in thousands of dollars)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES										
Operating Expenses	\$ 2,270,178	\$ 2,170,226	\$ 2,232,502	\$ 2,106,906	\$ 2,007,403	\$ 1,902,851	\$ 1,882,513	\$ 1,801,631	\$ 1,702,741	\$ 1,651,325
Less: Scholarships and Fellowships	(102,105)	(89,556)	(67,450)	(58,673)	(55,421)	(54,884)	(51,808)	(57,158)	(64,070)	(58,145)
Interest on Debt	58,745	50,672	60,187	55,072	53,275	51,253	49,748	46,293	50,596	47,643
Total Adjusted Operating Expenses	\$ 2,226,818	\$ 2,131,342	\$ 2,225,239	\$ 2,103,305	\$ 2,005,257	\$ 1,899,220	\$ 1,880,453	\$ 1,790,766	\$ 1,689,267	\$ 1,640,823
Research Expenses	\$ 509,383	\$ 492,534	\$ 495,462	\$ 462,112	\$ 426,873	\$ 397,512	\$ 391,122	\$ 421,973	\$ 396,680	\$ 435,536
Total Adjusted Operating Expenses	\$ 2,226,818	\$ 2,131,342	\$ 2,225,239	\$ 2,103,305	\$ 2,005,257	\$ 1,899,220	\$ 1,880,453	\$ 1,790,766	\$ 1,689,267	\$ 1,640,823
Ratio	23%	23%	22%	22%	21%	21%	21%	24%	23%	27%

Measures the institution's research expense to the total operating expenses.

NET TUITION PER STUDENT										
Student Tuition and Fees, net	\$ 677,550	\$ 634,092	\$ 644,352	\$ 658,090	\$ 653,519	\$ 653,725	\$ 608,679	\$ 554,768	\$ 484,809	\$ 461,580
Financial Aid Grants	103,364	91,081	65,806	59,610	56,475	52,751	54,917	55,195	54,444	52,662
Less Scholarships and Fellowships	(102,105)	(89,556)	(67,450)	(58,673)	(55,421)	(54,884)	(51,808)	(57,158)	(64,070)	(58,145)
Net Tuition and Fees	\$ 678,809	\$ 635,617	\$ 642,708	\$ 659,027	\$ 654,573	\$ 651,592	\$ 611,788	\$ 552,805	\$ 475,183	\$ 456,097
Net Tuition and Fees	\$ 678,809	\$ 635,617	\$ 642,708	\$ 659,027	\$ 654,573	\$ 651,592	\$ 611,788	\$ 552,805	\$ 475,183	\$ 456,097
Undergraduate, Graduate, and Professional FTE	46,829	45,517	44,714	44,376	44,129	43,570	43,323	42,388	40,791	40,314
Net Tuition per Student (whole dollars)	\$ 14,495	\$ 13,964	\$ 14,374	\$ 14,851	\$ 14,833	\$ 14,955	\$ 14,122	\$ 13,042	\$ 11,649	\$ 11,314

Measures the institution's net student tuition and fees received per student.

STATE APPROPRIATIONS PER STUDENT										
State Appropriations	\$ 310,298	\$ 259,415	\$ 269,495	\$ 252,931	\$ 254,789	\$ 245,146	\$ 241,257	\$ 270,538	\$ 265,038	\$ 254,654
Capital Appropriations	25,337	25,205	25,013	24,803	14,249	21,978	9,594	11,204	14,253	14,253
Adjusted State Appropriations	\$ 335,635	\$ 284,620	\$ 294,508	\$ 277,734	\$ 269,038	\$ 267,124	\$ 250,851	\$ 281,742	\$ 279,291	\$ 268,907
State Appropriations	\$ 335,635	\$ 284,620	\$ 294,508	\$ 277,734	\$ 269,038	\$ 267,124	\$ 250,851	\$ 281,742	\$ 279,291	\$ 268,907
Undergraduate, Graduate, and Professional FTE	46,829	45,517	44,714	44,376	44,129	43,570	43,323	42,388	40,791	40,314
State Appropriation per Student (whole dollars)	\$ 7,167	\$ 6,253	\$ 6,586	\$ 6,259	\$ 6,097	\$ 6,131	\$ 5,790	\$ 6,647	\$ 6,847	\$ 6,670

Measures the institution's dependency on state appropriations.

Summary of Ratios – Debt Related Ratios

Fiscal Year Ended June 30 (in thousands of dollars)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
EXPENDABLE RESOURCES TO DEBT										
Unrestricted Net Assets	\$ (307,211)	\$ (269,494)	\$ (320,257)	\$ (130,727)	\$ (135,502)	\$ 20,756	\$ (80,965)	\$ (124,204)	\$ 373,103	\$ 361,244
Expendable Restricted Net Assets	270,661	239,189	203,957	233,337	244,542	241,080	238,522	218,805	161,894	124,582
Expendable Net Assets	\$ (36,550)	\$ (30,305)	\$ (116,300)	\$ 102,610	\$ 109,040	\$ 261,836	\$ 157,557	\$ 94,601	\$ 534,997	\$ 485,826
Expendable Net Assets	\$ (36,550)	\$ (30,305)	\$ (116,300)	\$ 102,610	\$ 109,040	\$ 261,836	\$ 157,557	\$ 94,601	\$ 534,997	\$ 485,826
Total Adjusted University Debt	\$ 1,690,829	\$ 1,783,341	\$ 1,541,684	\$ 1,621,014	\$ 1,600,953	\$ 1,548,735	\$ 1,419,747	\$ 1,478,536	\$ 1,259,686	\$ 1,287,755
Ratio	(0.02)	(0.02)	(0.08)	0.06	0.07	0.17	0.11	0.06	0.40	0.40

Measures the ability of the institution to cover its debt using expendable resources as of the statement of net position date.

TOTAL FINANCIAL RESOURCES TO DIRECT DEBT										
Unrestricted Net Assets	\$ (307,211)	\$ (269,494)	\$ (320,257)	\$ (130,727)	\$ (135,502)	\$ 20,756	\$ (80,965)	\$ (124,204)	\$ 373,103	\$ 361,244
Expendable Restricted Net Assets	270,661	239,189	203,957	233,337	244,542	241,080	238,522	218,805	161,894	124,582
Non-expendable Restricted Net Assets	179,033	189,845	157,378	161,496	154,227	142,774	134,356	138,464	138,512	122,635
Total Financial Resources	\$ 142,483	\$ 159,540	\$ 41,078	\$ 264,106	\$ 263,267	\$ 404,610	\$ 291,913	\$ 233,065	\$ 673,509	\$ 608,461
Total Financial Resources	\$ 142,483	\$ 159,540	\$ 41,078	\$ 264,106	\$ 263,267	\$ 404,610	\$ 291,913	\$ 233,065	\$ 673,509	\$ 608,461
Total Bonds, COPs and Financed Purchase Obligations	\$ 1,690,829	\$ 1,783,341	\$ 1,541,684	\$ 1,621,014	\$ 1,600,953	\$ 1,548,735	\$ 1,419,747	\$ 1,478,536	\$ 1,259,686	\$ 1,287,755
Ratio	0.08	0.09	0.03	0.16	0.16	0.26	0.21	0.16	0.50	0.50

A broader measure of the ability of the institution to cover its debt as of the statement of net position date.

DIRECT DEBT TO ADJUSTED CASH FLOW										
Net Cash Used by Operating Activities	\$ (620,121)	\$ (517,369)	\$ (571,080)	\$ (551,720)	\$ (464,708)	\$ (295,594)	\$ (287,171)	\$ (336,897)	\$ (402,380)	\$ (362,458)
State Appropriations	310,298	259,415	269,495	252,931	254,789	245,146	241,257	270,538	265,038	254,654
Share of State Sales Tax - TRIF	46,079	31,979	30,683	30,970	28,763	27,618	25,025	24,964	23,576	20,773
Non-capital Grants and Contracts and Gifts (1)	484,333	441,575	348,158	316,356	316,286	290,388	292,033	297,837	265,817	274,104
Adjusted Cash Flow from Operations	\$ 220,589	\$ 215,600	\$ 77,256	\$ 48,537	\$ 135,130	\$ 267,558	\$ 271,144	\$ 256,442	\$ 152,051	\$ 187,073
Total Adjusted University Debt Outstanding	\$ 1,690,829	\$ 1,783,341	\$ 1,541,684	\$ 1,621,014	\$ 1,600,953	\$ 1,548,735	\$ 1,419,747	\$ 1,478,536	\$ 1,259,686	\$ 1,287,755
Adjusted Cash Flow from Operations	\$ 220,589	\$ 215,600	\$ 77,256	\$ 48,537	\$ 135,130	\$ 267,558	\$ 271,144	\$ 256,442	\$ 152,051	\$ 187,073
Ratio	7.67	8.27	19.96	33.40	11.85	5.79	5.24	5.77	8.28	6.88

(1) Includes: Financial aid grants, grants and contracts, and private gifts.

Measures the financial strength of the institution by indicating how long (in years) the institution would take to repay the debt using the cash provided by its operations. A decreasing ratio over time denotes strength.

DEBT SERVICE TO OPERATIONS										
Interest and Fees Paid on Debt and Financed Purchase Obligations	\$ 58,745	\$ 50,672	\$ 60,187	\$ 55,072	\$ 53,275	\$ 51,253	\$ 49,748	\$ 46,293	\$ 50,596	\$ 47,643
Principal Paid on Debt and Financed Purchase Obligations	73,339	241,389	285,106	67,468	132,499	79,838	254,284	197,381	47,605	120,436
Less: Principal Paid from Refinancing Activities	-	(172,510)	(210,660)	-	(65,950)	(15,685)	(181,440)	(157,050)	-	(71,115)
Debt Service	\$ 132,084	\$ 119,551	\$ 134,633	\$ 122,540	\$ 119,824	\$ 115,406	\$ 122,592	\$ 86,624	\$ 98,201	\$ 96,964
Debt Service	\$ 132,084	\$ 119,551	\$ 134,633	\$ 122,540	\$ 119,824	\$ 115,406	\$ 122,592	\$ 86,624	\$ 98,201	\$ 96,964
Operating Expenses	\$ 2,270,178	\$ 2,170,226	\$ 2,232,502	\$ 2,106,906	\$ 2,007,403	\$ 1,902,851	\$ 1,882,513	\$ 1,801,631	\$ 1,702,741	\$ 1,651,325
Ratio	5.8%	5.5%	6.0%	5.8%	6.0%	6.1%	6.5%	4.8%	5.8%	5.9%

Measures the institution's dependence on borrowed funds as a source of financing its mission and the relative cost of borrowing to overall expenditures. The ratio measures the relative cost of debt to overall expenses and a declining trend is generally desirable, however the ratio can spike during times of specific funding activity.

DEBT SERVICE COVERAGE FOR SENIOR LIEN SYSTEM AND SUBORDINATE LIEN SYSTEM REVENUE BONDS

Fiscal Year Ended June 30 (in thousands of dollars)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Tuition and Fees, net of scholarship allowance	\$ 677,550	\$ 634,092	\$ 644,352	\$ 658,090	\$ 653,519	\$ 653,725	\$ 608,679	\$ 554,768	\$ 484,809	\$ 461,580
Receipts from Other Major Revenue Sources (Facilities Revenues)	429,641	316,980	396,227	425,920	416,819	410,659	402,760	397,917	374,153	351,162
Net Revenues Available for Debt Service	\$ 1,107,191	\$ 951,072	\$ 1,040,579	\$ 1,084,010	\$ 1,070,338	\$ 1,064,384	\$ 1,011,439	\$ 952,685	\$ 858,962	\$ 812,742
Senior Lien Bonds Debt Service										
Interest on Debt	\$ 44,339	\$ 34,259	\$ 37,752	\$ 37,730	\$ 31,849	\$ 28,936	\$ 24,121	\$ 23,290	\$ 24,887	\$ 23,379
Principal Paid on Debt	30,335	26,320	28,960	24,955	25,135	23,820	25,205	21,575	22,600	21,895
Senior Lien Bonds Debt Service Requirements	\$ 74,674	\$ 60,579	\$ 66,712	\$ 62,685	\$ 56,984	\$ 52,756	\$ 49,326	\$ 44,865	\$ 47,487	\$ 45,274
Coverage	14.83	15.70	15.60	17.29	18.78	20.18	20.51	21.23	18.09	17.95
<i>Bond Resolution Covenant: The Gross Revenues of the university for each fiscal year will be at least 150% of the Maximum Annual Debt Service due in any fiscal year.</i>										
Subordinate Lien Bonds Debt Service										
Interest on Debt	\$ 14,689	\$ 15,271	\$ 19,475	\$ 19,575	\$ 20,044	\$ 20,458	\$ 21,412	\$ 14,442	\$ 13,362	\$ 11,176
Principal Paid on Debt	11,035	11,440	10,400	9,970	9,590	9,260	-	-	-	-
Subordinate Lien Bonds Debt Service Requirements	\$ 25,724	\$ 26,711	\$ 29,875	\$ 29,545	\$ 29,634	\$ 29,718	\$ 21,412	\$ 14,442	\$ 13,362	\$ 11,176
Combined Senior/Subordinate Lien Debt Service	\$ 100,398	\$ 87,290	\$ 96,587	\$ 92,230	\$ 86,618	\$ 82,474	\$ 70,738	\$ 59,307	\$ 60,849	\$ 56,450
Coverage	11.03	10.90	10.77	11.75	12.36	12.91	14.30	16.06	14.12	14.40
<i>Debt Service Assurance Agreement and SPEED Bond Resolution Covenant: The Gross Revenues of the university for each fiscal year will be at least 100% of the annual debt service due on all outstanding parity bonds and subordinate obligations.</i>										

ADMISSIONS, ENROLLMENT AND DEGREES EARNED

Fall enrollment of fiscal year	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
ADMISSIONS - FIRST YEAR UNDERGRADUATES										
Applied	48,202	43,540	40,854	39,941	33,608	36,166	35,383	32,723	26,480	26,328
Admitted	41,996	37,064	34,557	33,714	28,089	28,433	27,042	24,417	20,546	20,332
Enrolled	8,483	7,334	7,683	7,750	7,360	7,753	8,037	7,744	6,881	7,401
Accepted as Percentage of Applied	87%	85%	85%	84%	84%	79%	76%	75%	78%	77%
Enrolled as Percentage of Admitted	20%	20%	22%	23%	26%	27%	30%	32%	33%	36%
Average SAT scores - Total	1275	1256	1262	1229	1136	1123	1121	1114	1114	1116
Verbal	634	622	623	611	563	555	540	549	548	550
Math	642	633	639	618	575	568	567	565	565	566
ENROLLMENT										
Undergraduate, Graduate and Professional FTE	46,829	45,517	44,714	44,376	44,129	43,570	43,323	42,388	40,791	40,314
Undergraduate, Graduate and Professional Headcount	49,471	46,932	45,918	45,217	44,831	43,625	43,088	42,236	40,621	40,223
Men (Headcount)	21,956	21,132	21,383	21,456	21,673	21,011	20,833	20,345	19,518	19,258
Percentage of Total	44.4%	45.0%	46.6%	47.5%	48.3%	48.2%	48.3%	48.2%	48.0%	47.9%
Women (Headcount)	27,515	25,800	24,535	23,761	23,158	22,614	22,255	21,891	21,103	20,965
Percentage of Total	55.6%	55.0%	53.4%	52.5%	51.7%	51.8%	51.7%	51.8%	52.0%	52.1%
African American (Headcount)	1,885	1,745	1,670	1,657	1,679	1,601	1,510	1,402	1,266	1,222
Percentage of Total	3.8%	3.7%	3.6%	3.7%	3.7%	3.7%	3.5%	3.3%	3.1%	3.0%
Hispanic (Headcount)	12,478	12,114	10,869	10,729	10,753	10,161	9,790	9,405	8,676	8,106
Percentage of Total	25.2%	25.8%	23.7%	23.7%	24.0%	23.3%	22.7%	22.3%	21.4%	20.2%
White (Headcount)	23,343	22,073	21,878	21,869	22,040	22,069	22,198	22,050	21,825	22,303
Percentage of Total	47.2%	47.0%	47.7%	48.4%	49.2%	50.6%	51.5%	52.2%	53.7%	55.4%
Other (Headcount)	11,765	11,000	11,501	10,962	10,359	9,794	9,590	9,379	8,854	8,592
Percentage of Total	23.8%	23.5%	25.0%	24.2%	23.1%	22.4%	22.3%	22.2%	21.8%	21.4%
DEGREES EARNED										
Bachelor's	7,699	7,768	7,516	7,754	7,248	6,949	7,039	6,743	6,370	6,494
Master's	2,386	2,274	2,037	2,100	1,987	1,987	1,960	1,735	1,702	1,663
Doctoral	410	486	435	448	435	442	524	528	460	441
Professional	583	524	516	533	513	494	383	411	410	413

Sources: The University of Arizona Interactive Fact Book and University Analytics & Institutional Research (UAIR) <https://uair.arizona.edu>

DEMOGRAPHIC DATA

Fiscal Year Ended June 30	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Arizona Population	7,276,316	7,421,401	7,278,717	7,171,646	7,016,270	6,931,071	6,829,397	6,731,484	6,626,624	6,553,255
Arizona Personal Income (in millions)	\$ 395,111	\$ 363,274	\$ 336,514	\$ 313,040	\$ 292,108	\$ 278,925	\$ 266,756	\$ 261,314	\$ 249,027	\$ 235,781
Arizona Per Capita Personal Income	\$ 54,201	\$ 48,950	\$ 46,233	\$ 43,650	\$ 41,633	\$ 40,243	\$ 39,060	\$ 37,895	\$ 36,823	\$ 35,979
Arizona Unemployment Rate	3.30%	6.80%	10.00%	4.90%	4.70%	5.00%	5.60%	5.90%	6.90%	8.00%

Sources: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics

PRINCIPAL EMPLOYERS

Employer	2022			2013		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
The University of Arizona	15,550	1	3.2%	10,846	1	2.4%
Raytheon Technologies	13,201	2	2.7%	10,300	2	2.3%
Banner-University Medical Center	7,831	3	1.6%	-	-	-
Tucson Unified School District	7,703	4	1.6%	6,790	6	1.5%
Pima County Government	7,412	5	1.5%	6,076	9	1.3%
Davis Monthan Air Force Base	6,532	6	1.4%	9,100	3	2.0%
State of Arizona	5,488	7	1.1%	8,807	4	1.9%
Wal-Mart Stores, Inc.	4,676	8	1.0%	7,450	5	1.6%
Tucson Medical Center	4,530	9	0.9%	-	-	-
City of Tucson	4,453	10	0.9%	-	-	-
US Border Patrol	-	-	-	6,500	7	1.4%
UA Healthcare	-	-	-	6,099	8	1.3%
Freeport-McMoran Copper	-	-	-	5,463	10	1.2%
Total	77,376		15.9%	77,431		16.9%
Total Work Force			483,045			453,200

Sources:

The University of Arizona Interactive Fact Book and University Analytics & Institutional Research (UAIR) <https://uair.arizona.edu>

Pima Association of Governments (PAG)- 2021

Pima County Annual Comprehensive Financial Report, FY 2013

Economic and Business Research Center, Eller College of Management June 2022

FACULTY AND STAFF

Fall employment of fiscal year	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
FACULTY										
Full-time	2,458	2,395	2,414	2,447	2,320	2,281	2,363	2,343	2,297	2,246
Part-time	808	732	798	754	770	789	795	801	752	776
Total Faculty	3,266	3,127	3,212	3,201	3,090	3,070	3,158	3,144	3,049	3,022
Percentage Tenured	47.9%	51.5%	51.3%	51.4%	52.4%	51.4%	49.4%	49.6%	51.3%	51.6%
Tenured Track - Dept. Head	107	108	110	84	85	85	89	90	92	97
Tenured Track - Faculty	1,459	1,502	1,539	1,562	1,535	1,493	1,470	1,469	1,471	1,463
Total Tenured Track	1,566	1,610	1,649	1,646	1,620	1,578	1,559	1,559	1,563	1,560
STAFF										
Full-time	8,243	8,367	8,628	8,249	7,793	7,329	7,786	7,775	7,663	7,506
Part-time	4,041	4,073	4,683	4,767	4,740	4,657	4,586	4,696	4,630	4,770
Total Staff	12,284	12,440	13,311	13,016	12,533	11,986	12,372	12,471	12,293	12,276
Total Faculty and Staff	15,550	15,567	16,523	16,217	15,623	15,056	15,530	15,615	15,342	15,298

Source: The University of Arizona Interactive Fact Book <https://uair.arizona.edu>

CAPITAL ASSETS

Fiscal Year Ended June 30	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Academic/Support Facilities	620	619	622	621	646	651	651	643	647	622
Auxiliary Facilities	84	78	78	74	71	75	74	74	71	70
Total	704	697	700	695	717	726	725	717	718	692

Source: The University of Arizona Capital Improvement Plan from Planning, Design & Construction





Photo: University Marketing & Brand Management



Photo: University Marketing & Brand Management



THE UNIVERSITY OF ARIZONA
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Assistant Vice President, Treasury

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Director, Accounts Payable

Michelle Meyer

Assistant Director, Payroll Administration

Stan Park

Senior Manager, Treasury Operations

Jennifer Pfennig

Senior Accounting Manager, Financial Services

Chris Pings

Senior Manager, Treasury Accounting

Layout and Design

Joe Gallegos

Principal Designer/Developer, Financial Services

Staff Contributions

Christian Anaya, Michael Aramian, Wesley Bell, Ron Blank, Yvette Carbajal, Stacey Chiusano, Brooke Claw, Shawn Clodfelter, Michele Correia, Keith Crosby, Steven De La Vergne, Denise Dellinger, Sidney Eagleton, Elvira Fike, Janet Gurton, Steven Ivanoff, Jodi Ketchmark, Aaron Kreidl, Andrea Lewis, Lori Martzke, Juanita McCune, Amy Miller, Melissa Militscher, Najah Muzahem, Stephen Pedone, Melinda Pelusi, Alex Randall, Sergio Salazar-Castillo, Kristina Sanchez, Mark Swingle, Julie Villaverde, Matthew Watson, Todd Wheeler, Accounts Payable team, Administration team, Bursar's Office team, Payroll Operations team, Procurement & Contracting Services team, Information Technology team, Initiatives & Outreach team, University Information Technology Services, University Analytics & Institutional Research, University Marketing and Communications

Student Contributions

Raymundo Avila



THE UNIVERSITY OF ARIZONA

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