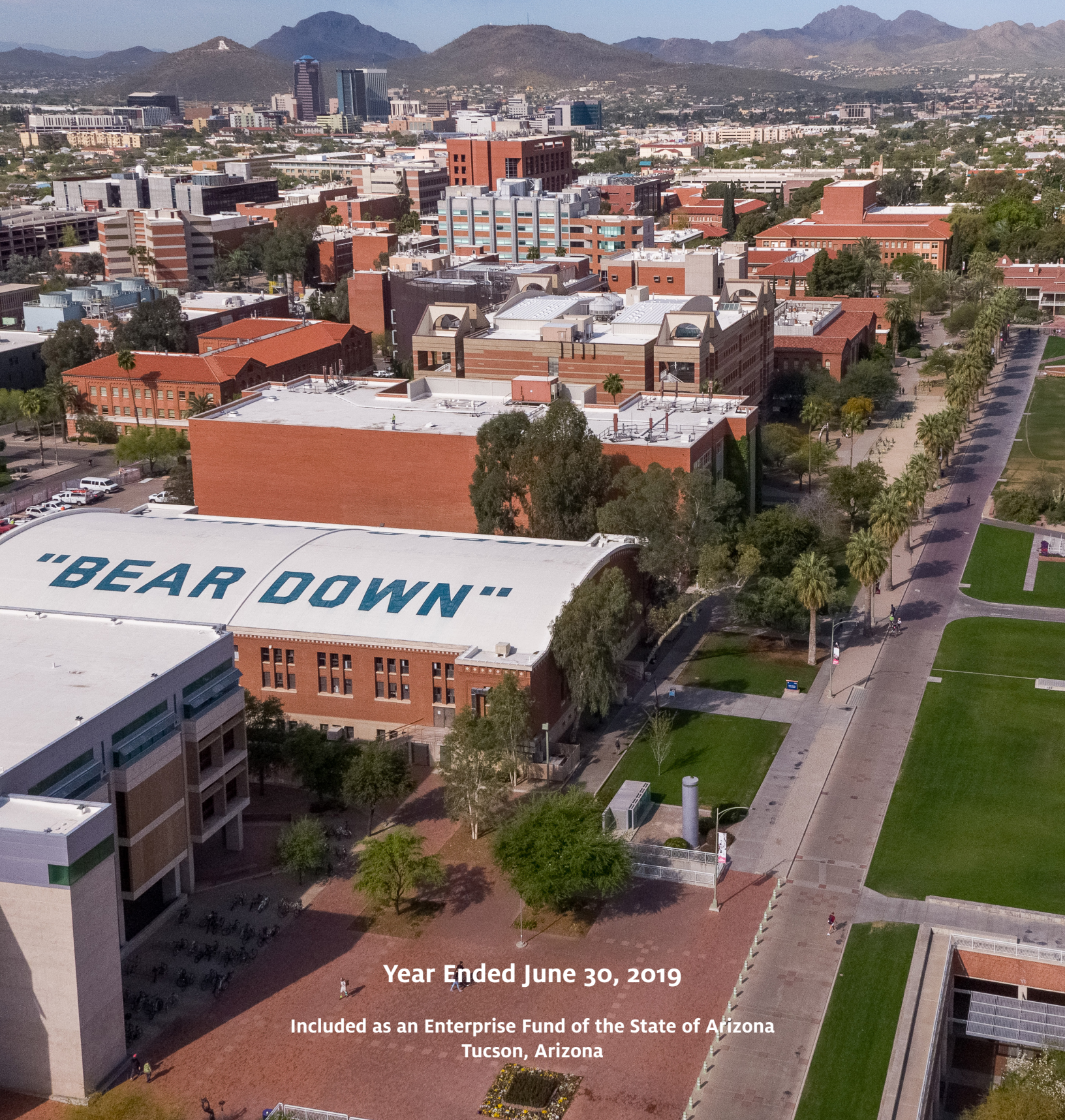




THE UNIVERSITY
OF ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Year Ended June 30, 2019

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

COVER PHOTO

Aerial view of main campus

The Arizona Board of Regents approved the University of Arizona strategic plan on November 16, 2018. With this approval, we revisited our core purpose and values — our North Star as we move forward.

Our Purpose: Working together to expand human potential, explore new horizons and enrich life for all.

Our Values: Integrity, Inclusion, Adaptation, Compassion, Exploration and Determination (Bear Down!).

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

Tucson, AZ

Prepared by Financial Services

Included as an Enterprise Fund of the State of Arizona



Photo: UA Marketing & Brand Management

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INTRODUCTORY SECTION



Photo: UA Alumni Association



A MESSAGE FROM THE PRESIDENT



The University of Arizona culture of collaboration and innovation in world-changing research and life-changing education means the UA is well positioned to be a leader in creating a vibrant and dynamic future for people everywhere. As a global land-grant university, we are here to serve our state, and preparing students for success is the most important part of that mission. This past year, we have begun implementing our new strategic plan, and our vision is to develop innovative, adaptive learners and disruptive problem-solvers who are prepared to lead meaningful lives and improve society in the Fourth Industrial Revolution (4IR) economy.

Student success is at the core of our plan, and it is integrated throughout every pillar. We have a strong foundation for excellence and we have made incredible progress toward accomplishing our goals for the future.

PILLAR 1: THE WILDCAT JOURNEY

We are doubling down on support for our students on their Wildcat Journey. This fall brought the grand opening of the Honors Village, the new home to a vibrant learning community of motivated, talented students. Honors students at Arizona can now live and study alongside one another in a newly designed area, combining a personalized learning experience with all the advantages of a large Research-1 university. The Honors Village features dorm space for over 1,000 honors students, integrated dining, collaborative learning classrooms, recreation spaces, interior courtyard, faculty and staff offices, and a brand new Student Recreation Center and Campus Health Center directly across the street.

We have also begun construction on our Student Success District that will be an outstanding resource for our students, with all the support they need for academic development, physical well-being and career preparation in one location.

Equally exciting, we have recently announced the launch of the Pell Pledge Grant, which will provide full tuition scholarships for all Pell-eligible Arizona resident students who attend the University of Arizona. This program will help make college accessible for all Arizona students, and we will build on it in future years with student success, particularly scholarships, as a top priority in philanthropic engagement.

PILLAR 2: GRAND CHALLENGES

The Fourth Industrial Revolution, the convergence of biological, digital and physical, is still in its early stages. This provides us a unique opportunity and responsibility to drive the remarkable changes we will encounter in the next several decades, allowing the UA to have a strong leadership presence in how we live, work, and relate to one another.

The University of Arizona-led CyVerse project embodies the principles of the 4IR. Recently renewed for a third round of funding from the National Science Foundation, CyVerse is a computational infrastructure housed at the university's BIO5 Institute and used by biological scientists and other researchers worldwide. Its capacity to analyze enormous data sets in a short amount of time has made new insights available when they otherwise would have been out of reach for decades. In fields like precision medicine, especially cancer diagnosis and treatment, this capability has the potential for life-changing global impact at societal levels.

We also prioritize translating research into marketable technology to ensure the work of our faculty, staff, and students, is reaching and benefitting the people in our community and around the world. Our strategic plan prioritizes building a robust innovation ecosystem, one way the UA is driving the 4IR to ensure technological innovation is human-led and human-centered, and we help shape the conditions to retain talented entrepreneurs and innovators in Arizona with facilities and programs to support companies as they launch. We recently opened the UA Center for Innovation at Oro Valley, which will serve as a new bioscience incubator that advances scientific breakthroughs as technology moves from laboratory to market.

PILLAR 3: THE ARIZONA ADVANTAGE

As Arizona's only land grant institution, we leverage the university's unique location and the dedication and resourcefulness of our people to drive social, cultural, and economic impact in the 4IR era. For instance, Arizona Arts was created in 2019 to serve as a gateway to the extraordinary arts experiences at the University of Arizona. As a new division, Arizona Arts brings together the highly-regarded academic programs of the College of Fine Arts with the world-class offerings from the Center for Creative Photography, UA Presents, the University of Arizona Museum of Art, the Hanson FilmTV Institute and Arizona Arts in Schools, our community outreach program.

We also announced the first UA Presidential Scholar, David Hume Kennerly, whose incredible photography collection now housed at the Center for Creative Photography has been a source of cultural vibrancy for our region. Along with incredible, unique Arizona-driven cultural assets like Tucson Meet Yourself, run by the UA-affiliate Southwest Folklife Alliance, and the amazing opportunities available for students and our community through the university's designation as a Hispanic-Serving Institution, the University of Arizona on-campus resources make us a regional and statewide hub for lifelong learning and exploration.

PILLAR 4: UA GLOBAL

The University of Arizona has a unique opportunity to set the standard for a global university in the Fourth Industrial Revolution. We engage communities globally through our innovative microcampuses, where we offer UA academic programs—and eventually research hubs—to students around the world in partnership with other leading universities. We have expanded our presence to China, Peru and Indonesia to reach a total of 10 microcampuses serving approximately 825 students. Our inaugural UA microcampus class at Ocean University of China graduated 77 dual-degree students in summer 2019, making them the first four-year cohort to graduate from the UA and a partner university.

In addition to building stronger connections with international institutions, we are making study abroad more accessible to UA students with the inauguration of 11 Arizona abroad locations in Europe, South America, Africa and Asia, and we have created the new UA Global Center, a one-stop location for international student services and a student gathering site that celebrates the role of international education at the university. Overall, we are making global higher education a more affordable, seamless and attractive experience for our students, whether they study in Tucson or anywhere around the world.

PILLAR 5: INSTITUTIONAL EXCELLENCE

To serve as a North Star for the guiding principles of our institution, we developed a newly articulated Purpose and Values in conversation with members of the Wildcat community from across the spectrum of students, alumni, faculty, staff, and partners. Our Purpose, *working together to expand human potential, explore new horizons and enrich life for all*, reflects the enormous potential we have to enable significant and positive change in the world. We will fulfill this purpose by continuously improving how we educate and innovate so we can lead the way in developing disruptive problem-solvers capable of tackling our greatest challenges.

The University of Arizona is strengthening our expertise in research and education, accelerating the pace of innovation, and creating meaningful ways to engage with our community globally to stay on the forefront of the Fourth Industrial Revolution. We will continue to partner with our community, region, and state in order to drive the Fourth Industrial Revolution to benefit us all. I look forward to working with our state leaders and communicating openly with stakeholders across sectors as we tackle society's biggest challenges and prepare the next generation of leaders to carry the mantle of human progress.

Most sincerely,

Robert C. Robbins
President

LETTER OF TRANSMITTAL



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

October 16, 2019

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

I respectfully submit the
University of Arizona
Comprehensive Annual
Financial Report (CAFR) for
the fiscal year ended June 30,
2019. The CAFR 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 CAFR 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 State of Arizona Office of the Auditor General. The reports resulting from the audit are public documents and are

shared with university management, the ABOR Business and Finance Committee, ABOR Audit Committee, and the Arizona Board of Regents. The audit of the university's federal financial assistance programs is performed by the Office of the Auditor General in conjunction with the statewide Single Audit. The "Independent Auditors' Report" on page 16 of the Financial Section wherein the auditors' opinion on the fair presentation of the financial statements is an unmodified opinion.

The CAFR 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 operation. 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 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 919 students per year for the last five years. It serves 45,217 students through 20 colleges offering 394 degree programs and is ranked among the leading research universities in the country.

Enrollment Statistics - Academic Year 2018-19

Undergraduate enrollment - Fall 2018	35,233
Graduate and Professional enrollment - Fall 2018	9,984
Degrees awarded - Bachelor's	7,754
Degrees awarded - Advanced	3,081
Tuition and fees for full-time student - Resident	\$ 12,467
Tuition and fees for full-time student - Non-resident	\$ 36,366

The university's 2,739 full-time equivalent faculty and 1,243 full-time equivalent graduate teaching and research assistants and associates educate a diverse student population. The university's student population is 52.5% female, 23.7% Hispanic, 5.4% Asian, 3.7% African American or Black, and 1.3% American Indian. It includes students from all fifty states, the District of Columbia, and 124 foreign countries. International students represented 9.1% of the Fall 2018 enrollment; this figure is majorly attributed to foreign students from China (42.3%), Saudi Arabia (8.4%), India (8.3%), Mexico (3.9%), and the Republic of Korea (3.1%).

Component Units - The basic financial statements of the university include the operations of the University of Arizona Foundation, Inc., University of Arizona Alumni Association, 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, prepares quarterly financial status reports to management and the Arizona Board of Regents to update them on actual revenues and expenses. The report includes a comparison of actuals to budget and highlights the changes that occur throughout the fiscal year. It also projects 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 June 2019, the State of Arizona's economy entered into 2019 with sustained forward momentum. The State continues to add jobs and residents at a faster pace than the nation, and the State's unemployment rate is consistent with 2018 numbers despite pressure from strong job growth.

State personal income gains accelerated to 5.5% in calendar year (CY) 2018, up from 4.3% growth in CY 2017. Growth in Arizona's retail sales jumped to 7.0% in 2018, up from 5.4% in 2017. According to the 2019 Index of State Economic Momentum, Arizona ranked 3rd in economic momentum, 6th in personal income growth, and 3rd for employment growth.

Employment increased 2.8% in CY 2018 for the state, close to last year's 2.4% rate, with population growth increasing from 1.5% to 1.6%. Using data through June 2018, job gains specific to the Tucson area have been noted in manufacturing, construction and information.

Long-Term Planning

The University of Arizona strategic plan was presented by President Robbins and unanimously accepted by the

Arizona Board of Regents in November 2018. A strategic plan for health sciences was developed subsequently and integrated into the overall plan. In February 2019, President Robbins established the Office of Strategic Initiatives to promote project management best practices and support implementation of the plan.

The strategic plan was developed in the context of the Fourth Industrial Revolution (4IR), which will have profound impacts on the financial, social, political and cultural settings in which the university operates. As we continue to function and plan for a sustainable future, we are focused on an era defined by high-impact teaching, research and service, mindful of the real challenges facing Arizona as a state and the university as an institution.

All of the strategies and initiatives within the plan will contribute significantly toward fulfilling our land-grant mission as part of the Arizona Board of Regents' goals for higher education in Arizona. These goals include increasing the number of citizens with the skills and understanding to contribute to economic development and improve the quality of life; advancing research that creates new knowledge, enhances education and addresses social, cultural and economic needs; fostering civic engagement and improving economic competitiveness; and streamlining operations and business practices to maximize efficiencies.

The plan, which provides a robust roadmap for our future, comprises around 90 initiatives that are organized into five pillars representing the key strategic goals for the university:

Pillar 1: The Wildcat Journey – *Preparing students with the skills and mindsets to lead in the 4IR.*

Pillar 2: Grand Challenges – *Tackling society's biggest challenges by enabling discoveries that will fundamentally shape the future.*

Pillar 3: The Arizona Advantage – *Advancing our land-grant mission to drive social, cultural and economic impact.*

Pillar 4: UA Global – *Setting the standard for a global university in the digital age.*

Pillar 5: Institutional Excellence – *Living our values and innovative culture to enable a high performing institution.*

Overall, the University of Arizona strategic plan is unique in higher education. We are evolving our strengths in research and education, accelerating the pace of innovation and creating meaningful ways to engage with our community globally to stay on the forefront of the 21st century revolution.

Resource assumptions are central to effective strategic planning. The university's changing resource base challenges management to develop innovative alternative funding sources. Although the development of the programs and initiatives rests on a multifaceted financial base, progress depends in part on the ability of the state to provide adequate funding resources for student enrollment growth while maintaining program quality and breadth. Many donors are attracted to the goals of the plan and the pathways that have been created. With the unwavering support of our campus, our students and the broader Wildcat community, the University of Arizona is positioned for unprecedented success.

Major Initiatives

As we look forward along our roadmap for the next 5-10 years, we have prioritized major initiatives to help the university overcome anticipated challenges and the ways we will seize key opportunities.

The university offers an extensive and varied group of research, graduate and professional programs. For decades, the university has been one of the leading research universities in the nation (top 25 among public research universities in fiscal year 2018 with more than \$687 million in annual research expenditures) according to the National Science Foundation. With its abundance of space, physical, biological and health sciences programs and interdisciplinary strengths, the university has tremendous potential for further research expansion.

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

The following are a few notable research and educational activities during fiscal year 2019 that showcase some of the university's major initiatives:

- As part of the strategic planning process, the university conducted an Organizational Health Index survey that provided useful insights about the climate, strengths and opportunities for improvement across the institution. These insights, and the approval of ABOR to align our university brand with the approved Strategic Plan, launched the exploration and development of the university's core Purpose, which will act as our guiding North Star, and Values we will live across the university.

Our Purpose: *Working together to expand human potential, explore new horizons and enrich life for all.*

Our Values:

INTEGRITY - Be honest, respectful and just

EXPLORATION - Be insatiably curious

INCLUSION - Harness the power of diversity

COMPASSION - Choose to care

ADAPTATION - Stay open-minded and eager for what's next

DETERMINATION - Bear Down

The Purpose and Values were subsequently shared with the brand agency 1600over90, which was hired to develop the next brand campaign (set to launch fall 2019) and capital campaign (tentative launch January 2020).

- Scientists at the University of Arizona worked with researchers around the world to help reveal the first-ever picture of a black hole and its shadow on April 10, 2019. Putting Einstein's Theory of General Relativity to the test and capturing an object 55 million light-years away involved an observatory of unprecedented size. Eight radio telescopes around the globe, including two that involve the university, were synchronized into one, Earth-sized virtual telescope: The Event Horizon Telescope, or EHT. The university also pulled the massive amounts of data together using Nvidia graphics processor-powered supercomputing (also used in high-performance video gaming). We also created time-dependent simulations of the black hole's shadow as predicted by general relativity, which are hosted in the NSF-funded CyVerse, headquartered at the university. In all, 36 university researchers, graduate students and undergraduate students were involved.
- The university was part of the Excellence in Prehospital Injury Care (EPIC) Project, a massive, NIH-funded, statewide effort also involving the Arizona Department of Health Services and over 130 fire departments, EMS agencies and emergency medical helicopter agencies. The university-led initiative involving 21,000 prehospital care patients doubled the survival rate of severe traumatic brain injury victims and tripled the survival rate among those who were intubated. "Arizona is once again leading the nation in managing groundbreaking medical research that will improve how emergency responders treat people with traumatic brain injuries," said Arizona Gov. Doug Ducey. "Thanks to the work of the University of Arizona, the Arizona Department of Health Services and our state's entire EMS system, we have made a huge step forward in protecting the lives of people in Arizona and the entire nation."
- The University of Arizona is the first four-year public university in Arizona to become a federally designated Hispanic Serving Institution (HSI). In 2019, the university was one of nine colleges and universities across the nation to receive the inaugural Seal of Excelencia, reserved for institutions excelling in three core areas known to lead to Latino student success - data, practice and leadership. In 2018, the university appointed its first Assistant Vice Provost of Hispanic Serving Institution Initiatives and invested in the development of the HSI Fellows Program, a year-long, cohort-based program designed to build institutional capacity around HSI initiatives through community building and leadership development of faculty and staff. HSI Initiatives were also prioritized in the university's strategic plan by investing significant funding to strengthen faculty development, support the hiring and retention of diverse faculty, and build capacity for HSI-related research and grant development efforts.
- The university continues to build on the success of our research prowess, startup incubation and commercialization activities with the creation of a distinct innovation ecosystem. Our partnership with the TENWEST festival as a title sponsor this year is another example of our commitment to advancing innovation, entrepreneurship and economic growth in our region and beyond.

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 CAFR for the fiscal year ended June 30, 2018. This was the sixth 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 CAFR. 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 our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In the most recent ranking (fiscal year 2017), the National Science Foundation (NSF) ranked the University of Arizona as the No. 6 university in the U.S. for research expenditures in the physical sciences, and No. 1 among all public and private U.S. institutions in astronomy science expenditures. Overall, the NSF ranked the university

23rd among public research universities, second among high-Hispanic enrollment institutions, and 38th among all public and private universities and colleges. The university has a rich history of developing strengths based on its unique physical and cultural environment. The Shanghai Academic Ranking of World Universities recognizes us as the No. 1 global institution in water resources, and as a top 50 global institution in ecology, aerospace engineering, education, communication and library and information sciences. Per U.S. News & World Report, the university ranks No. 3 among public graduate institutions in geology, as well as having the largest mineral database in the world. The same report ranks us No. 3 among U.S. public graduate programs in management information systems, and No. 12 among public undergraduate programs for entrepreneurship. Globally, the university was ranked No. 69 by the Center for World University Rankings and No. 81 by U.S. News & World Report. Additionally, The Business Journals ranked the university in the top 100 of all U.S. four-year public institutions, based on 19 indicators of academic excellence, affordability and diversity. We placed 34th among U.S. public institutions in Forbes' "Best Value Colleges" list, and also earned recognition from The Princeton Review as a "Best Value." The National Jurist

Magazine named the James E. Rogers College of Law among the Best for Diversity and Best for Practical Training.

Preparation of this CAFR required extensive time and efforts. 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, Capital Finance, UAccess Financials Support, Bursar's Office, Information Technology, Initiatives & Outreach, Investment Office, and Administration, as well as the business officers at the Office of Budget and Planning and the colleges and departments. In addition, we recognize the valuable contributions from the University Information Technology Services team and University Analytics and Institutional Research.

Respectfully Submitted,

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

Photo: UA Alumni Association





Government Finance Officers Association

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Presented to

The University of Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

ARIZONA BOARD OF REGENTS

JUNE 30, 2019

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Governor of Arizona

Honorable Kathy Hoffman
Superintendent of Public Instruction

Appointed Members

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Tucson

Ram Krishna, Secretary
Yuma

Bill Ridenour, Treasurer
Paradise Valley

Larry Penley, Regent
Phoenix

Jay Heiler, Regent
Paradise Valley

Lyndel Manson, Regent
Flagstaff

Karrin Taylor Robson, Regent
Phoenix

Fred DuVal, Regent
Phoenix

Lauren L'Ecuyer, Student Regent
Tucson

Aundrea DeGravina, Student Regent
Gilbert

EXECUTIVE ADMINISTRATION

JUNE 30, 2019

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President

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Vice President, Executive Office of the President

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President, Alumni Association and Vice President, Alumni Relations

Michael D. Dake
Senior Vice President, Health Sciences

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

Jeff Goldberg
Interim Senior Vice President for Academic Affairs and Provost

David 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

Celina Ramirez
Chief Compliance Officer

John-Paul Rocznik
President and Chief Financial Officer, UA Foundation and Vice President of Development

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

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Vice President, Equity, Inclusion, and Title IX Administrator

Nicole Salazar
Vice President, Financial Services

Kathryn E. Whisman
Senior Associate Vice President/Chief Budget Officer, Office of Budget and Planning

ORGANIZATION CHART

JUNE 30, 2019

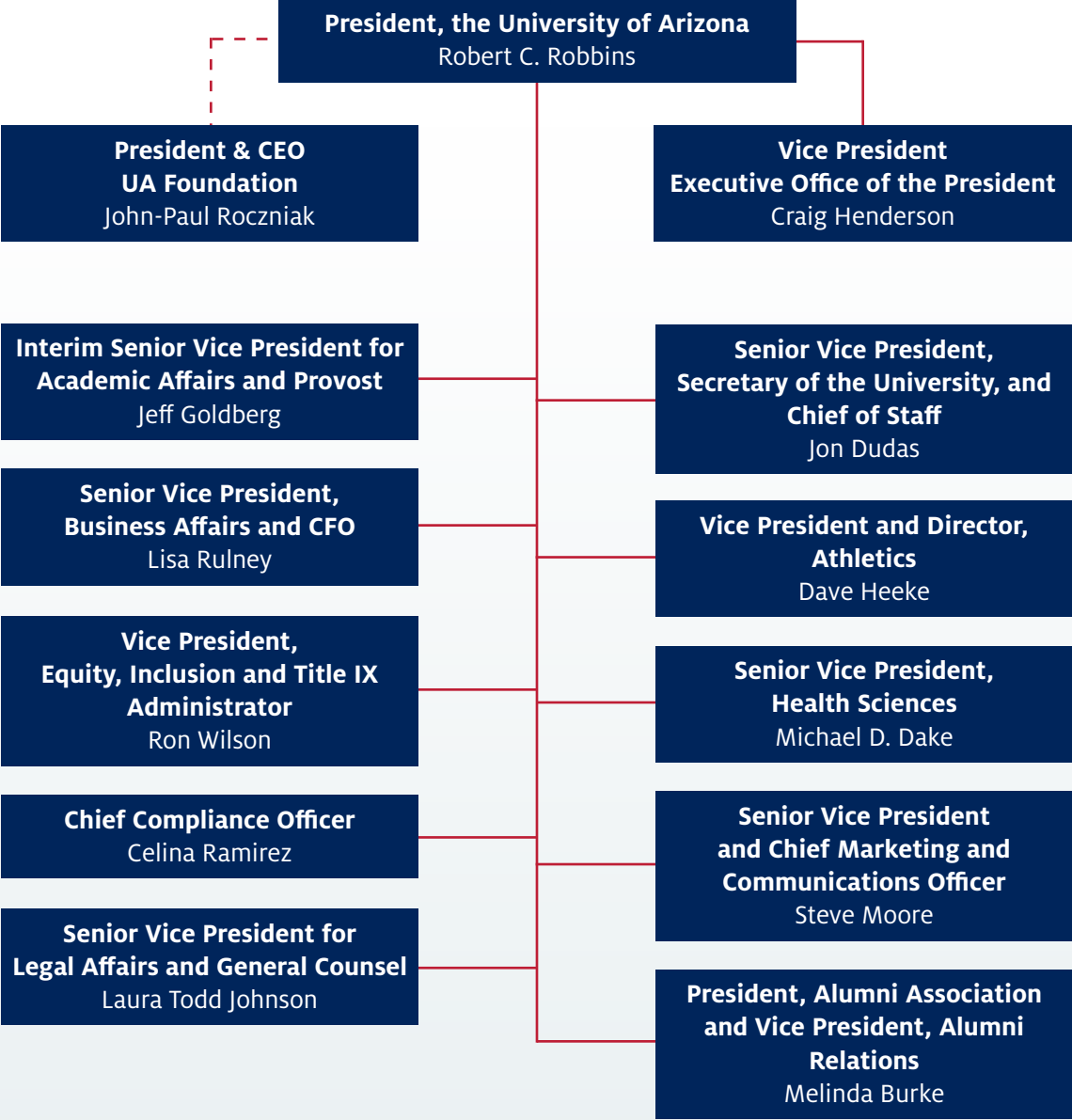




Photo: UA Alumni Association

FINANCIAL SECTION



Photo: UA Alumni Association

INDEPENDENT AUDITORS' REPORT



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Arizona Board of Regents

Report on the financial statements

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, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. 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 Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The other auditors did not audit the aggregate discretely presented component units' financial statements in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports 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, 2019, 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.

Emphasis of matter

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 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, 2019, 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.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 20 through 29, schedule of University's proportionate share of the net pension liability on page 69, schedule of University's pension contributions on page 69, and schedule of University's proportionate share of the total OPEB liability on page 69 be presented to supplement the basic financial statements. Such information, 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 and other 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 70 and 71 and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining statements are management's responsibility and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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 Perry, CPA, CFE
Auditor General

October 16, 2019



Photo: UA Alumni Association

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 2018 are not presented with this report, condensed data will be presented in the MD&A to illustrate certain increases and decreases in comparing with fiscal year 2019 data.

Key Reporting Implementations

In fiscal year 2019, the university implemented the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 requires that additional information related to debt be disclosed, including assets pledged as collateral and terms specified in debt agreements related to significant events of default. The university has included additional footnote disclosure in Note 8.

Photo: UA Alumni Association



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

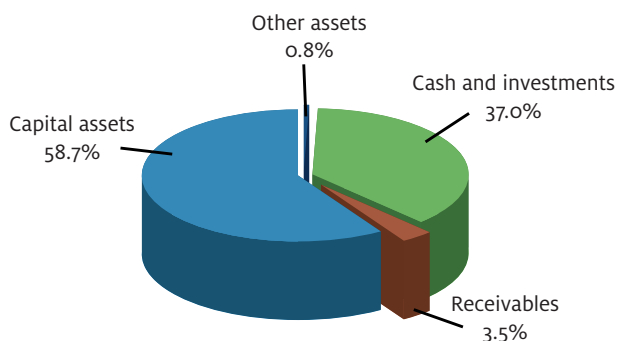
A comparison of the university's assets, deferred outflows of resources (consumption of the university's net position that is applicable to a future reporting period), liabilities, deferred inflows of resources (acquisition of net position by the university that is applicable to a future reporting period), and net position (in thousands of dollars) at June 30, 2019 and at June 30, 2018, is as follows:

	FY 2019	FY 2018	% Change
Other assets	\$ 1,612,723	\$ 1,721,775	-6.3%
Capital assets	2,293,173	2,200,593	4.2%
Total assets	\$ 3,905,896	\$ 3,922,368	-0.4%
Total deferred outflows of resources	\$ 150,429	\$ 121,208	24.1%
Other liabilities	\$ 189,528	\$ 219,059	-13.5%
Long-term liabilities	2,472,500	2,476,778	-0.2%
Total liabilities	\$ 2,662,028	\$ 2,695,837	-1.3%
Total deferred inflows of resources	\$ 328,976	\$ 308,099	6.8%
Net position			
Net investment in capital assets	\$ 801,215	\$ 776,373	3.2%
Restricted - nonexpendable	161,496	154,227	4.7%
Restricted - expendable	233,337	244,542	-4.6%
Unrestricted (deficit)	(130,727)	(135,502)	3.5%
Total net position	\$ 1,065,321	\$ 1,039,640	2.5%

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. The following table and chart present total assets, in thousands of dollars and percent:

Cash and investments	\$ 1,445,284	37.0%
Receivables	135,644	3.5%
Capital assets	2,293,173	58.7%
Other assets	31,795	0.8%
Total assets	\$ 3,905,896	100.0%



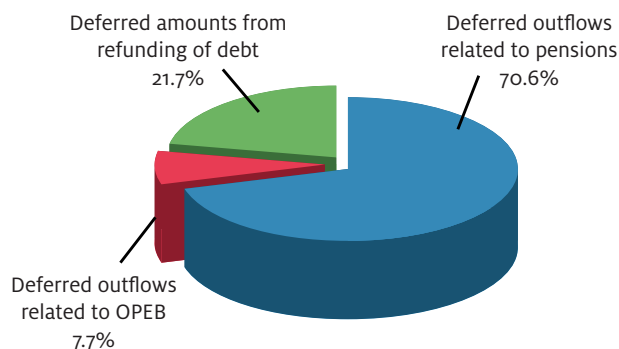
When compared to fiscal year 2018, the university's total assets decreased by \$16.5 million. This change is primarily attributable to decreases in cash and investments of \$116.1 million offset by increases in capital assets of \$92.6 million and receivables of \$8.3 million. The decrease in cash and investments is primarily due to decreases of \$66.7 million in short-term investments, \$44.1 million in restricted investments with bond trustees, and \$9.9 million related to the Academic Enhancement Fund (AEF), offset by an increase of \$6.7 million in endowment investments. Short-term investments decreased in order to meet operating needs. The decrease in restricted investments with bond trustees is due to the spend down of bond proceeds of \$50.8 million for the Intercollegiate Athletics projects, \$33.5 million for the Health Sciences Innovation Building, \$27.3 million for the Honors College Community Support and Auxiliary Services project, \$12.4 million for the deferred maintenance projects in the Animal and Comparative Biomedical Sciences Building (Building 90), and \$5.8 million for the Alvernon Way Building Renovation project, offset by the new debt issuance of the 2019A System Revenue Bonds of \$56.1 million for the Student Success District project, 2019B System Revenue Bonds of \$15.8 million and 2019 SPEED (Stimulus Plan for Economic and Educational Development) Revenue Bonds of \$15.4 million for the Biomedical Sciences Partnership Building 3rd and 4th floors Finish Shell Space project. Endowment investments increased due to \$5.4 million in new additions to permanent endowments and a \$1.3 million

increase in market value net of adjustments, payouts, withdrawals, distributions, and fees. The net increase in capital assets is primarily due to the completion of the Health Sciences Innovation Building (see "Capital and Debt Analysis" on page 28 for more information), combined with increases in construction in progress for the Honors Village project for \$30.2 million, the College of Pharmacy Skaggs Building Addition and Renovation project for \$11.5 million, the Student Success District project for \$9.3 million, and the Biomedical Sciences Partnership Building 10th floor Shell Space project in Phoenix for \$6.3 million. The increase in receivables of \$8.3 million is due to increases in government grants receivable of \$5.0 million and accounts receivable of \$4.9 million, offset by a decrease in student loans receivable of \$1.6 million. The overall increase in receivables is mainly due to timing differences and project fluctuations.

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 presents total deferred outflows of resources, in thousands of dollars and percent:

Deferred outflows related to pensions	\$ 106,265	70.6%
Deferred outflows related to OPEB	11,545	7.7%
Deferred amounts from refunding of debt	32,619	21.7%
Total deferred outflows of resources	\$ 150,429	100.0%

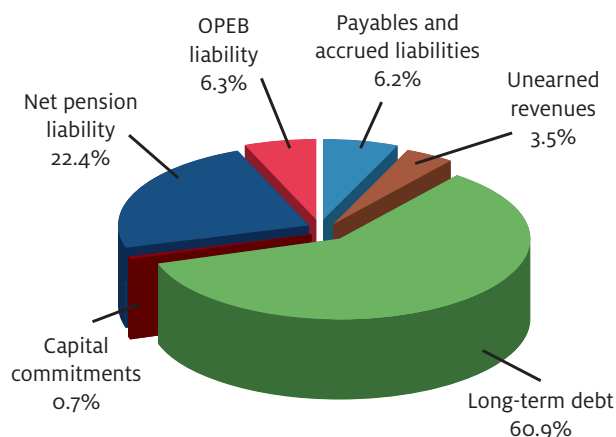


The increase in deferred outflows of \$29.2 million is primarily attributed to an increase in deferred outflows of resources related to pensions due to actuarial adjustments provided by the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS).

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	\$ 165,565	6.2%
Unearned revenues	92,971	3.5%
Long-term debt	1,621,014	60.9%
Capital commitments	19,624	0.7%
Net pension liability	595,238	22.4%
OPEB liability	167,616	6.3%
Total liabilities	\$2,662,028	100.0%

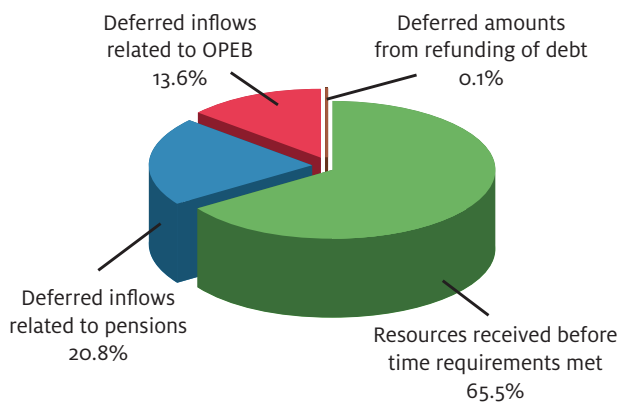


Total liabilities decreased by \$33.8 million compared to fiscal year 2018 primarily due to decreases in net pension liability of \$32.9 million, unearned revenues of \$14.3 million and payables and accrued liabilities of \$12.8 million, offset by increases in long-term debt of \$20.1 million and other postemployment benefits (OPEB) liability of \$6.1 million. The decrease in net pension liability is due to actuarial adjustments as provided by ASRS and PSPRS. The decrease in unearned revenues is primarily due to timing differences and project fluctuations. The change in payables and accrued liabilities is primarily due to decreases in miscellaneous payables of \$9.2 million due to timing differences and construction accruals of \$7.4 million, offset by increases in compensated absences of \$2.4 million and accrued payroll and benefits of \$1.3 million. The increase in long-term debt represents the new debt issuance of the 2019AB System Revenue Bonds of \$71.4 million and the 2019 SPEED Revenue Bonds of \$15.4 million, offset by the annual principal payments on long-term debt of \$67.5 million. The increase in OPEB liability is due to actuarial adjustments provided by the Arizona Department of Administration (ADOA), ASRS and PSPRS.

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	\$ 215,312	65.5%
Deferred inflows related to pensions	68,574	20.8%
Deferred inflows related to OPEB	44,900	13.6%
Deferred amounts from refunding of debt	190	0.1%
Total deferred inflows of resources	\$ 328,976	100.0%



The increase in deferred inflows of \$20.9 million is primarily attributed to a \$29.5 million increase 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 \$10.1 million for cost and market value changes of AEF investments offset by the annual \$18.7 million distribution to the university relating to the AEF Trust Agreement.

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. 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 and chart represent net position categories, in thousands of dollars and percent:

Net investment in capital assets	\$ 801,215	75.2%
Restricted	394,833	37.1%
Unrestricted (deficit)	(130,727)	-12.3%
Total net position	\$ 1,065,321	100.0%

Total net position increased by \$25.7 million in fiscal year 2019, which is primarily attributed to an increase in net investment in capital assets. Net investment in capital assets increased by \$24.8 million primarily due to an increase in capitalized construction costs for the Health Sciences Innovation Building of \$31.2 million and ongoing capitalized construction in progress for the following projects: Honors Village project for \$30.2 million, the College of Pharmacy Skaggs Building Addition and Renovation project for \$11.5 million, the Student Success District project of \$9.3 million, and the Biomedical Sciences Partnership Building 10th floor Shell Space project in Phoenix for \$6.3 million. These are offset by a net increase in long-term debt primarily attributed to the issuance of the 2019AB System Revenue Bonds of \$71.4 million.

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 2019, 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 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. During the fiscal year, the university incurred capital financing costs; these costs are reported as non-operating expenses.

Condensed Schedule of Revenues, Expenses and Changes in Net Position

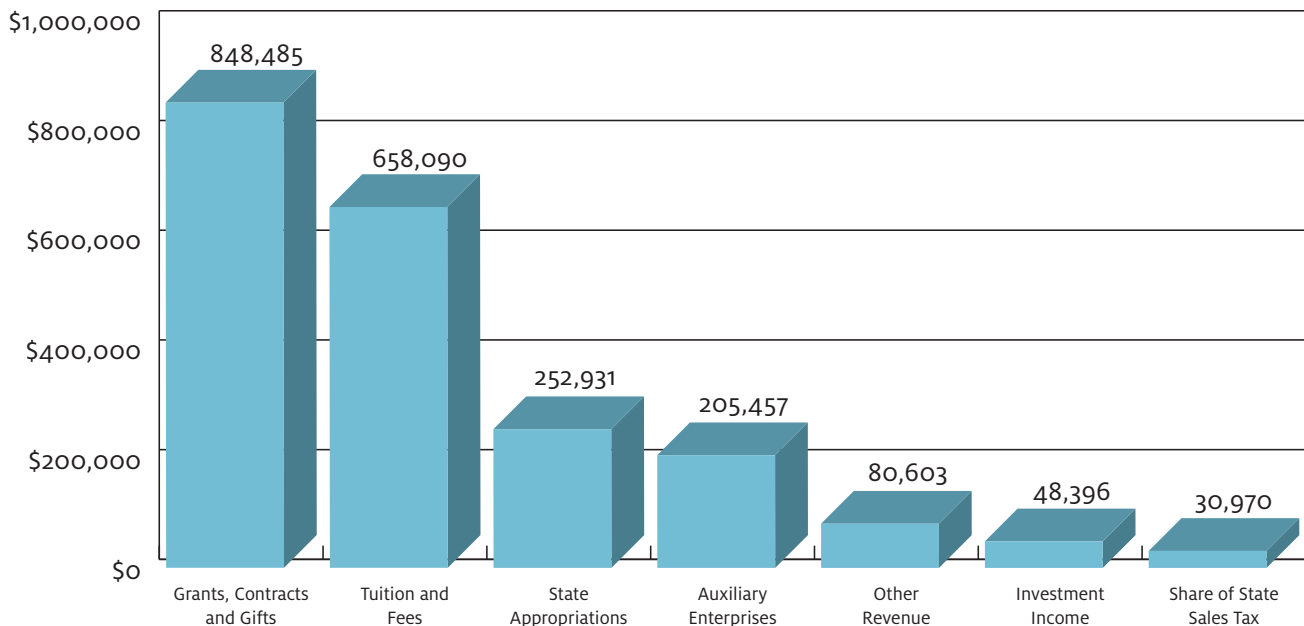
A comparison of the university's operations (in thousands of dollars) for the years ended June 30, 2019 and 2018 is as follows:

	FY 2019	FY 2018	% Change
Operating revenues			
Student tuition and fees, net	\$ 658,090	\$ 653,519	0.7%
Grants and contracts	532,129	499,866	6.5%
Auxiliary enterprises, net	205,457	205,468	0.0%
Other	72,199	72,738	-0.7%
Total operating revenues	\$ 1,467,875	\$ 1,431,591	2.5%
Operating expenses			
Instruction and academic support	\$ 822,951	\$ 808,239	1.8%
Research and public service	547,934	509,040	7.6%
Student services and scholarships	149,897	129,674	15.6%
Institutional support and operation of plant	274,487	249,309	10.1%
Auxiliary enterprises	167,387	175,576	-4.7%
Depreciation	144,250	135,565	6.4%
Total operating expenses	\$ 2,106,906	\$ 2,007,403	5.0%
Operating loss	\$ (639,031)	\$ (575,812)	11.0%
Non-operating revenues (expenses)			
State appropriations	\$ 252,931	\$ 254,789	-0.7%
Grants, contracts and gifts	316,356	316,286	0.0%
Share of state sales tax revenues	30,970	28,763	7.7%
Investment income	48,396	30,911	56.6%
Interest expense on debt	(55,072)	(53,275)	3.4%
Other non-operating revenues, net	8,404	9,040	-7.0%
Net non-operating revenues	\$ 601,985	\$ 586,514	2.6%
Income (Loss) before capital and endowment additions	\$ (37,046)	\$ 10,702	-446.2%
Capital appropriations	24,803	14,249	74.1%
Other capital and endowment additions	37,924	37,404	1.4%
Increase in net position	\$ 25,681	\$ 62,355	-58.8%
Net position, beginning of year	1,039,640	977,285	6.4%
Net position, end of year	\$ 1,065,321	\$ 1,039,640	2.5%

Total Revenues

The following chart represents total revenues of \$2,124,932 for fiscal year 2019:

Total Revenues (in thousands)



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 \$32.3 million or 4.0% in comparison to fiscal year 2018 primarily due to various sponsored research project funding within the College of Agriculture and Life Sciences, the University of Arizona Health Sciences, the College of Science, and the College of Engineering. Additionally, there was an increase of \$3.8 million in grant funding for students.

State appropriations and share of state sales tax revenues: State appropriations decreased slightly by \$1.9 million or -0.7% in comparison to fiscal year 2018. The share of state sales tax revenues increased by \$2.2 million or 7.7% due to higher sales activity in the State.

Investment income: A summary of investment income (in thousands of dollars) for the years ended June 30, 2019 and 2018 is as follows:

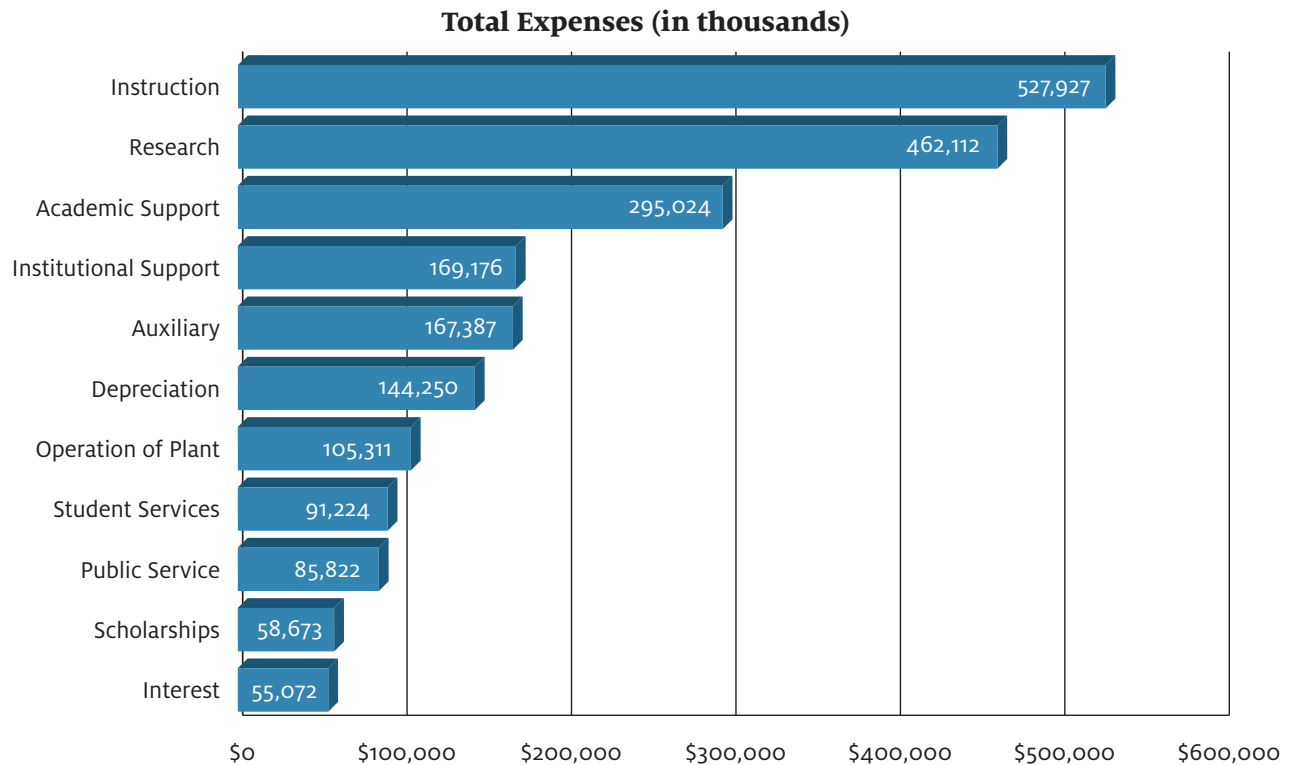
	FY 2019	FY 2018	% Change
Pooled operating funds	\$ 45,593	\$ 15,197	200.0%
Deposits with trustees for capital projects	2,847	2,305	23.5%
Endowments	(44)	13,409	-100.3%
Total investment income	\$ 48,396	\$ 30,911	56.6%

Total investment income increased by \$17.5 million or 56.6%. Pooled operating funds are invested in short and long-term debt instruments. The change in investment income is primarily due to an increase of \$27.0 million in realized and unrealized gains in the fair value for pooled operating funds. Endowment investment income decreased by \$13.5 million primarily due to a decrease of \$5.4 million in net unrealized gains in fair value and a one-time realized gain in fiscal year 2018 of \$9.4 million, offset by a 2019 increase of \$1.6 million in dividends.

Capital appropriations and other capital and endowment additions: Total capital appropriations and other capital and endowment additions increased by \$11.1 million or 21.4% in comparison to fiscal year 2018. In fiscal year 2019, capital appropriations increased by \$10.6 million mainly due to new appropriation from the state for capital infrastructure.

Total Expenses

The following chart represents total expenses by functional classification of \$2,161,978 for fiscal year 2019:



Total expenses increased by \$101.3 million or 4.9% in comparison to fiscal year 2018. The primary functional expense classifications driving the change were research, institutional support, instruction and student services. Research expenditures increased by \$35.2 million primarily due to an increase in sponsored research projects among the College of Science, the University of Arizona Health Sciences, the College of Agriculture and Life Sciences, and the College of Engineering. Institutional support expenditures increased by \$23.0 million primarily due to increases in personal services and benefits and supplies and services. Instruction expenditures increased by \$22.0 million primarily due to personal services and benefits in strategically targeted areas within the College of Science and the University of Arizona Health Sciences. Student services expenditures increased by \$17.0 million mainly in support of Student Success and Retention initiatives, growth of UA Online programs and international micro-campus activities.

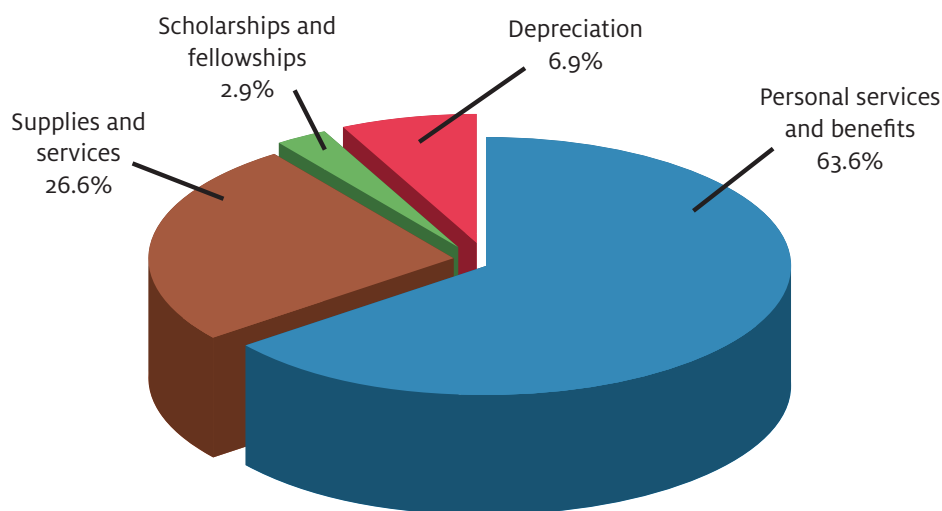


Photo: UA Alumni Association

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, 2019 and 2018 follows:

	FY 2019	FY 2018	% Change
Personal services and benefits	\$ 1,340,973	\$ 1,283,072	4.5%
Supplies and services	560,018	530,930	5.5%
Scholarships and fellowships	61,665	57,836	6.6%
Depreciation	144,250	135,565	6.4%
Total operating expenses	\$ 2,106,906	\$ 2,007,403	5.0%



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 2019 and 2018 (in thousands of dollars):

Cash Provided By (Used For):	FY 2019	FY 2018
Operating activities	\$ (551,720)	\$ (464,708)
Noncapital financing activities	620,722	619,329
Capital financing activities	(224,613)	(195,512)
Investing activities	156,360	39,093
Net increase (decrease) in cash and cash equivalents	749	(1,798)
Cash and cash equivalents, beginning of year	113,116	114,914
Cash and cash equivalents, end of year	\$ 113,865	\$ 113,116

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 7-106. 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 Capital Development Plan (CDP). The CDP 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. Projects to be financed by debt must also be reviewed by JCCR.

During fiscal year 2019, the university completed and placed in service the Health Sciences Innovation Building (HSIB) on the university's Main Campus. The Health Sciences Innovation Building was constructed at a total cost of \$165.0 million and was financed by System Revenue Bonds. The Health Sciences Innovation Building provides 247,000 gross square feet of space for state-of-the-art inter-professional education and simulated practice facilities for medical, nursing, pharmacy, and public health education. The new facility will help attract the best and the brightest health sciences students from Arizona and beyond, increase enrollment in health sciences, and bring new talented faculty to the university and support retention of our most innovative faculty. In addition, there were ongoing building projects under construction including the Student Success District (\$81.0 million). This project creates new student service spaces, enhances student experiences, and improves student recruitment, retention, and success.

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 CDP for ABOR approval. Additionally, the project is required to be reviewed by JCCR. The amount of debt the university is able to issue is limited by a debt ratio of 8% as defined by State law (Arizona Revised Statutes §15-1683) and ABOR policy 7-102(D) (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, 2019, the university's debt ratio was 5.0%. The university's credit rating on its outstanding SRBs is Aa2 by Moody's and AA- by Standard and Poor's.

During fiscal year 2019, the university issued one System Revenue Bond with two series. The System Revenue Bond Series 2019A (SRB 2019A) was issued for \$55.4 million to finance the construction of the Student Success District. The System Revenue Bond Series 2019B (SRB 2019B) was issued for \$15.9 million to finance a portion of the Biomedical Sciences Partnership Building 3rd and 4th floor Finish Shell Space project. Additionally, the university issued one SPEED Revenue Bond with one series. The SPEED Revenue Bond Series 2019 was issued for \$15.4 million to finance a portion of the Biomedical Sciences Partnership Building 3rd and 4th floor Finish Shell Space project.

On December 15, 2017 the university entered into a ground lease agreement with American Campus Communities (ACC) to develop a student housing project including student housing, academic support space, and a dining facility for enhancing services and providing better experiences to the university's Honors College students. The ground lease is for a period of 40 years with four ten-year options to renew. Additionally, the university entered into a development agreement with ACC to design and construct the dining facility, Honors College academic spaces, satellite Campus Recreation Center, and parking facilities at a total cost to the university of \$53.3 million. The Honors Village is expected to complete construction and open during the 2020 academic year. These new facilities will create the first full-service, living-learning community on the university campus, giving Honors students the unique opportunity to participate in a vibrant culture of active learners throughout their entire day.

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



Photo: UA Alumni Association

ECONOMIC OUTLOOK

The State of Arizona economy maintains a modest growth, forecasted to grow at the rate of 3.9% for fiscal year 2020 in comparison to 3.6% in fiscal year 2019. The forecasted base revenue includes adjustments for the Urban Revenue Sharing program, and previously enacted tax law changes have adjusted revenue up. These adjustments resulted in an overall estimated increase in the State's total General Fund revenues by \$489.9 million, or 4.3%, for fiscal year 2020 in comparison to fiscal year 2019.

Highlights of the State fiscal year 2020 budget included increases to the baseline for certain areas with higher priority: \$70 million for pay raises in select agencies including the Arizona Department of Corrections (ADC), Department of Public Safety (DPS), and the Department of Child Safety, \$31 million for increased inmate health care costs at ADC, \$30 million for an increase to the Arizona Department of Education's (ADE) Results-Based Funding program, \$26 million for making one-time Developmental Disabilities provider increases at the Department of Economic Security ongoing and providing additional increases, \$20 million for an increase in grants to schools for School Resource Officers and counselors, \$15 million for an Arizona Teachers Academy at the universities, \$12 million for long-term care provider rate increases at Arizona Health Care Cost Containment System (AHCCCS), \$11 million for 48 new Highway Patrol officers at DPS,

and \$8 million for an expansion of the medical school at the University of Arizona. Additionally, highlights of reductions to the State fiscal year 2020 budget included adjustments from the baseline of the following areas: \$55 million in ADE formula savings, \$24 million from fund shifts to the Highway Safety Fee in DPS, \$22 million for an increase in unspent appropriations, and \$11 million in net AHCCCS savings associated with caseload savings and a reduction in the amount of Prescription Drug Rebate Fund monies used to offset ongoing AHCCCS costs.

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.

The university experienced an increase in total appropriations of \$15.0 million or approximately 5.4% by the State for fiscal year 2020. The fiscal year 2020 total appropriation to the University of Arizona is \$292.7 million. It is anticipated that the State will continue to take a conservative approach to State spending and budgeting in the immediate fiscal periods to come.

While the university and Arizona Board of Regents recognize the fiscal pressures the State of Arizona has been managing, 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 2020 incoming students, the Arizona Board of Regents voted to increase undergraduate tuition by 4.5% for residents with non-residents experiencing a 4.8% increase.

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.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2019 (in thousands of dollars)

Asset

Current assets

Cash and cash equivalents (Note 3)	\$	87,457
Short-term investments (Note 3)		149,612
Receivables:		
Accounts receivable (net of allowances of \$2,684)		62,300
Government grants receivable		53,956
Student loans (net of allowances of \$75)		1,704
Inventories		6,030
Prepaid expenses		15,718
Total current assets	\$	376,777

Noncurrent assets

Restricted cash and cash equivalents (Note 3)	\$	26,408
Restricted investments with trustee (Note 3)		247,812
Restricted investments with bond trustees (Note 3)		136,984
Long-term investments (Note 3)		486,299
Endowment investments (Note 3)		310,712
Equity interest in joint venture (Note 4)		10,011
Student loans receivable (net of allowances of \$2,843)		17,684
Prepaid expenses		36
Capital assets, not being depreciated (Note 5)		414,451
Capital assets, being depreciated, net (Note 5)		1,878,722
Total noncurrent assets	\$	3,529,119
Total Assets	\$	3,905,896

Deferred Outflows of Resources

Deferred outflows related to pensions (Note 10)	\$	106,265
Deferred outflows related to OPEB (Note 11)		11,545
Deferred amounts from refunding of debt		32,619
Total Deferred Outflows of Resources	\$	150,429

STATEMENT OF NET POSITION (CONTINUED)

Liabilities

Current liabilities

Accounts payable	\$ 44,842
Accrued payroll and benefits	51,715
Accrued compensated absences, current portion (Note 7)	10,780
Unearned revenue and deposits (Note 6)	92,971
Pension liability, current portion (Note 10)	4,781
Current portion of long-term debt and lease obligations (Note 8)	
To be funded by university revenues	68,477
To be funded by State of Arizona appropriations and State Lottery monies	16,225
Capital commitments, current portion (Note 4)	7,700
Total current liabilities	\$ 297,491

Noncurrent liabilities

Accrued compensated absences (Note 7)	\$ 58,228
Net pension liability (Note 10)	590,457
OPEB liability (Note 11)	167,616
Long-term debt and lease obligations (Note 8)	
To be funded by university revenues	1,129,664
To be funded by State of Arizona appropriations and State Lottery monies	406,648
Capital commitments (Note 4)	11,924
Total noncurrent liabilities	\$ 2,364,537
Total Liabilities	\$ 2,662,028

Deferred Inflows of Resources

Deferred inflows related to pensions (Note 10)	\$ 68,574
Deferred inflows related to OPEB (Note 11)	44,900
Deferred amounts from refunding of debt	190
Resources received before time requirements met (Note 3)	215,312
Total Deferred Inflows of Resources	\$ 328,976

Net Position

Net investment in capital assets	\$ 801,215
Restricted for nonexpendable:	
Endowments	133,254
Student loans	28,242
Restricted for expendable:	
Scholarships and fellowships	10,154
Academic/departmental uses	175,760
Capital projects	22,802
Debt service	24,621
Unrestricted (deficit)	(130,727)
Total Net Position	\$ 1,065,321

See Notes to Financial Statements

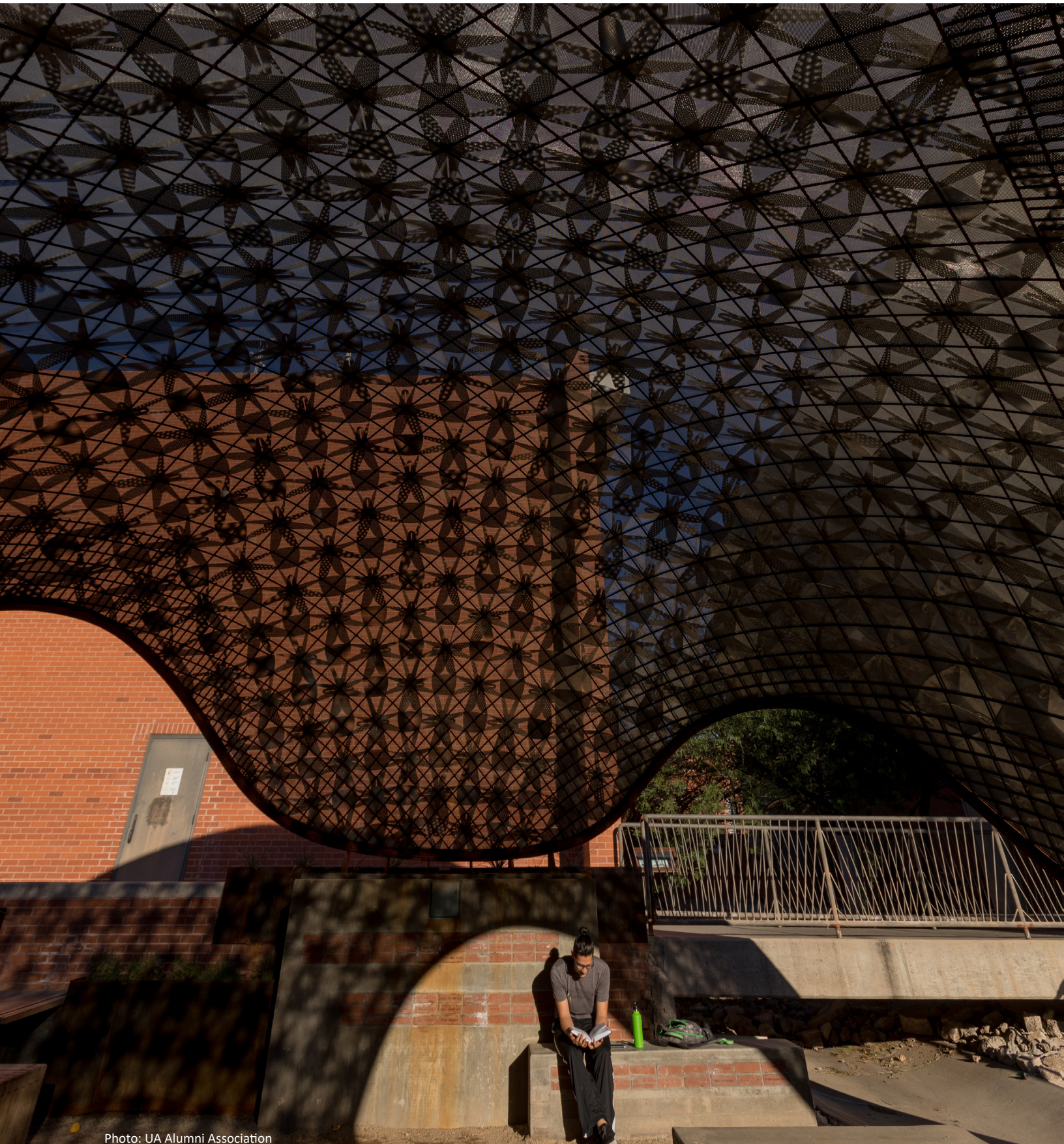


Photo: UA Alumni Association

STATEMENT OF FINANCIAL POSITION – COMPONENT UNITS

June 30, 2019 (in thousands of dollars)

	University of Arizona Foundation	Other	Total
Assets			
Cash and cash equivalents	\$ 98,472	\$ 9,209	\$ 107,681
Pledges receivable	65,735	594	66,329
Other receivables	-	3,137	3,137
Investments in marketable securities	986,281	19,454	1,005,735
Other investments	-	203	203
Property and equipment, net	2,292	28,803	31,095
Other assets	3,610	6,468	10,078
Total Assets	\$ 1,156,390	\$ 67,868	\$ 1,224,258
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	\$ 7,061	\$ 2,798	\$ 9,859
Fair value of endowments managed for the university	200,596	-	200,596
Annuities payable and other trust liabilities	23,111	-	23,111
Deferred revenue and deposits	-	6,163	6,163
Short-term and long-term debt	-	5,840	5,840
Other liabilities	-	116	116
Total Liabilities	\$ 230,768	\$ 14,917	\$ 245,685
Net Assets			
Without donor restrictions	\$ 20,517	\$ 42,302	\$ 62,819
With donor restrictions	905,105	10,649	915,754
Total Net Assets	\$ 925,622	\$ 52,951	\$ 978,573
Total Liabilities and Net Assets	\$ 1,156,390	\$ 67,868	\$ 1,224,258

See Notes to Financial Statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2019 (in thousands of dollars)

Operating Revenues

Student tuition and fees, net of scholarship allowances of \$232,468	\$ 658,090
Federal grants and contracts	339,196
State grants and contracts	12,050
Local grants and contracts	2,352
Nongovernment grants and contracts	178,531
Sales and services of educational departments	56,083
Auxiliary enterprises, net of scholarship allowances of \$7,710	205,457
Other operating revenues	16,116
Total operating revenues	\$ 1,467,875

Operating Expenses

Educational and general	
Instruction	\$ 527,927
Research	462,112
Public service	85,822
Academic support	295,024
Student services	91,224
Institutional support	169,176
Operation and maintenance of plant	105,311
Scholarships and fellowships	58,673
Auxiliary enterprises	167,387
Depreciation (Note 5)	144,250
Total operating expenses	\$ 2,106,906
Operating Loss	\$ (639,031)

Nonoperating Revenues (Expenses)

State appropriations	\$ 252,931
Share of State sales tax revenues	30,970
Federal grants and appropriations	93,817
State and other government grants	25,524
Nongovernment grants and contracts	112,437
Gifts	84,578
Investment income	48,396
Interest expense on debt	(55,072)
Other nonoperating revenues, net	8,404
Net nonoperating revenues	\$ 601,985
Income before Capital and Endowment Additions	\$ (37,046)

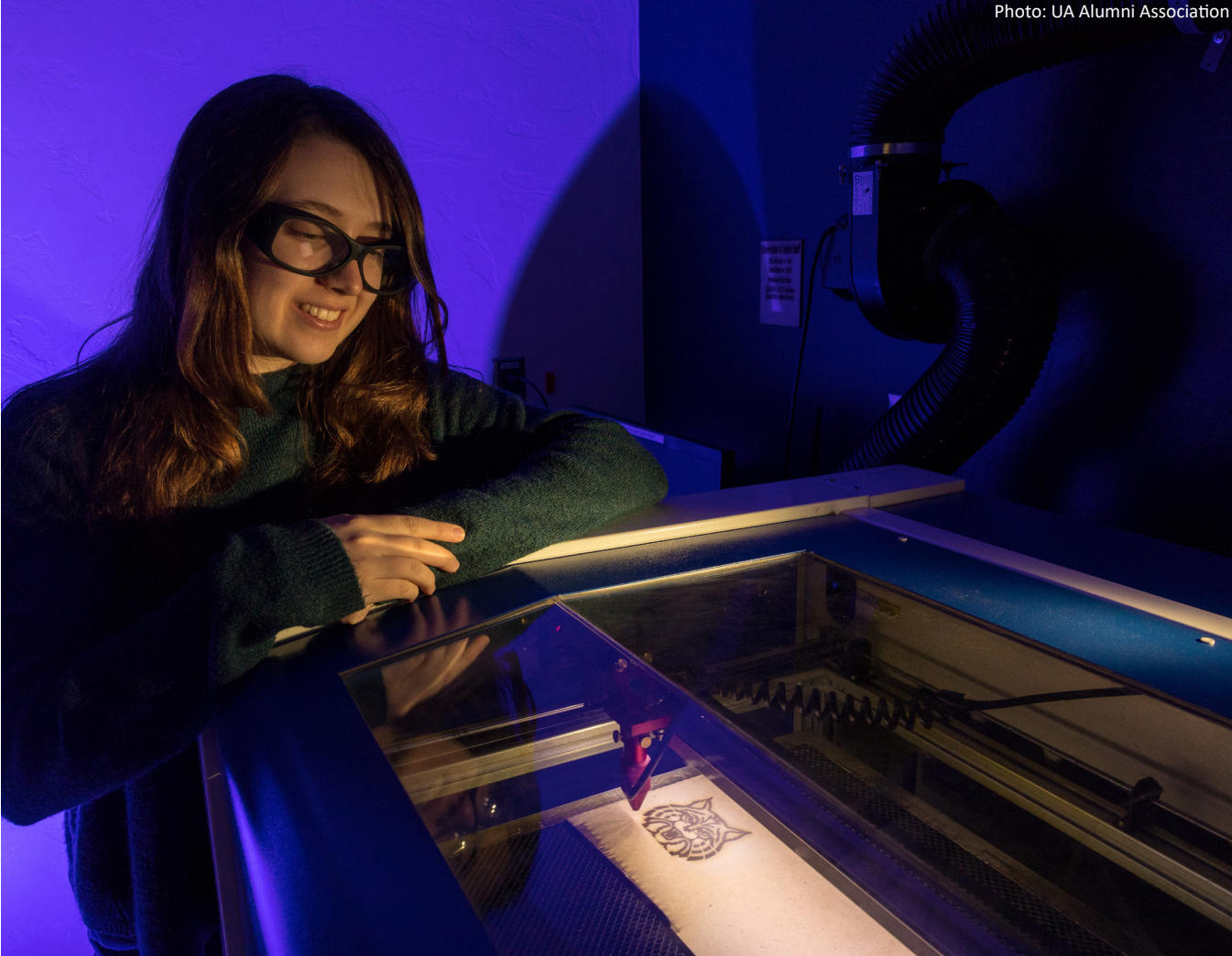
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(CONTINUED)**

Capital grants, gifts and conveyances	\$ 11,068
Capital appropriations	24,803
Capital commitment - State Lottery Revenue	21,430
Additions to permanent endowments	5,426
Total capital and endowment additions	<u>\$ 62,727</u>
Increase in Net Position	<u>\$ 25,681</u>

Net Position

Net Position - Beginning of year	1,039,640
Net Position - End of year	<u><u>\$ 1,065,321</u></u>

See Notes to Financial Statements



STATEMENT OF ACTIVITIES – COMPONENT UNITS

Year Ended June 30, 2019 (in thousands of dollars)

	University of Arizona Foundation	Other	Total
Revenues			
Sales and services	\$ 5,100	\$ 2,310	\$ 7,410
Contributions	155,705	1,157	156,862
Rental revenues	-	15,521	15,521
Investment income	31,901	1,336	33,237
Other income	12,786	3,023	15,809
Total revenues	\$ 205,492	\$ 23,347	\$ 228,839
Expenses			
Program services:			
Leasing related expenses	-	\$ 12,209	\$ 12,209
Payments to the university	\$ 76,961	121	77,082
Payments on behalf of the university	14,852	5,716	20,568
Supporting services:			
Management and general	7,153	2,502	9,655
Fundraising	8,616	474	9,090
Total expenses	\$ 107,582	\$ 21,022	\$ 128,604
Increase in Net Assets	\$ 97,910	\$ 2,325	\$ 100,235
Net Assets - Beginning of year	\$ 827,712	\$ 50,626	\$ 878,338
Net Assets - End of year	\$ 925,622	\$ 52,951	\$ 978,573

See Notes to Financial Statements



Photo: UA Alumni Association

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019 (in thousands of dollars)

Cash Flows from Operating Activities

Tuition and fees	\$ 651,757
Grants and contracts	514,835
Payments for salaries, wages and benefits	(1,366,686)
Payments to suppliers	(568,028)
Payments for scholarships and fellowships	(61,665)
Loans issued to students	(1,840)
Collections on loans to students	3,444
Auxiliary enterprise receipts	208,670
Sales and services of educational departments	54,283
Other receipts	13,510
Net cash used for operating activities	\$ (551,720)

Cash Flows from Noncapital Financing Activities

State appropriations	\$ 252,931
Share of State sales tax receipts	30,968
Gifts, contracts and grants for other than capital purposes	319,178
Nonoperating receipts for other than capital purposes	15,868
Direct Loans received	254,801
Direct Loans disbursed	(253,040)
Funds held for others received	13,666
Funds held for others disbursed	(13,650)
Net cash provided by noncapital financing activities	\$ 620,722

Cash Flows from Capital Financing Activities

Proceeds from issuance of capital debt, including premiums	\$ 96,432
Capital appropriations, grants and gifts received	35,494
Capital commitment - State Lottery revenue	21,430
Build America Bonds - federal subsidy	(2,843)
Proceeds from sale of capital assets	177
Purchase of capital assets	(245,855)
Principal paid on capital debt and leases	(67,468)
Interest paid on capital debt and leases	(61,980)
Net cash used for capital financing activities	\$ (224,613)

STATEMENT OF CASH FLOWS (CONTINUED)

Cash Flows from Investing Activities

Proceeds from sales and maturities of investments	\$	816,310
Interest and dividends on investments		35,489
Purchase of investments		(695,439)
Net cash provided by investing activities	\$	156,360
Net Decrease in Cash and Cash Equivalents	\$	749

Cash and Cash Equivalents

Cash and Cash Equivalents - Beginning of year		113,116
Cash and Cash Equivalents - End of year	\$	113,865

Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating loss	\$	(639,031)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense		144,250
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Net pension liability		(32,737)
Deferred outflows of resources related to pensions		(28,211)
Deferred inflows of resources related to pensions		27,218
OPEB liability		6,148
Deferred outflows of resources related to OPEB		(4,184)
Deferred inflows of resources related to OPEB		2,302
Receivables, net		(4,386)
Equity interest in joint venture		1,447
Inventories		710
Prepaid expenses		(1,004)
Accounts payable		(9,315)
Accrued payroll and benefits and compensated absences		3,751
Unearned revenue and deposits		(18,678)
Net cash used for operating activities	\$	(551,720)

Significant Noncash Transactions

Gifts and conveyances of capital assets	\$	377
Change in fair value of investments		12,575
Change in fair value of equity interest in joint venture		(1,586)
Change in fair value of restricted investment with trustee		10,069
Amortization of bond discount, prepaid insurance, and deferred cost of refundings		(3,179)
Amortization of bond premium		8,915
Net loss on disposal of capital assets with an original cost of \$16,657, accumulated depreciation of \$13,741 and cash proceeds of \$177		(2,739)

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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 *Comprehensive Annual Financial Report*.

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).

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.

For the year ended June 30, 2019, the university implemented the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 requires that additional information related to debt be disclosed, including assets pledged as collateral and terms specified in debt agreements related to significant events of default. The university has included additional footnote disclosure in Note 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 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 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 2019, the expendable rate was established at 4% based on a twelve quarter rolling average fair market value of principal account balances as of December 31, 2018. 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.

Capital Assets, Special Collections and Historical Treasures

- Capital assets are reported at actual cost or, if donated, at acquisition value.
- 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, 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.
- Interest incurred during the construction phase of projects is capitalized, net of interest earned on the invested proceeds over the same period.
- 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. 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	I	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
Intangible assets, computer software ≥ \$10 million	10,000,000	10
Intangible assets, computer software < \$10 million	1,000,000	5
Library materials	I	10

Deferred Outflows/Inflows of Resources – The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. The separate financial statement element deferred outflows of resources represents a consumption of net position that applies to future periods; these will be recognized as an expense in future periods. The university is reporting deferred outflows for a deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition prices, and for deferred pension and OPEB amounts as detailed in Notes 10 and 11.

Deferred inflows of resources represent an acquisition of net position that will be recognized as revenue in future periods. The university is reporting deferred inflow amounts resulting from refunding of debt, pension and OPEB amounts as described in Notes 10 and 11, and resources received before time requirements were met from an affiliation agreement between the university and Banner Health which created the “Academic Enhancement Fund” for the benefit of the Arizona Health Science Center. These amounts will be recognized as an inflow of resources in future periods.

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.

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., University of Arizona Alumni Association, 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, 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 these resources, the Foundation is considered a component unit of the university and is discretely presented in the university's financial statements. 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 Alumni Association (Alumni Association) is a legally separate, tax-exempt, nonprofit corporation governed by a separate Board of Directors. The Alumni Association was established to serve the university, its graduates, former students, and friends by cultivating lifelong connections, strengthening commitment to the university and inspiring advocacy, engagement, and giving. There is an Administrative Service Agreement between the Alumni Association and the university whereby the university provides staff, facilities, and services to the Alumni Association. In turn, the Alumni Association agrees to provide an organizational framework to engage the alumni community that advances the university. As the economic resources held by the Alumni 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 Alumni Association, it is considered a component unit of the university and is discretely presented in the university's financial

statements. Complete copies of the financial statements of the aforementioned component unit can be obtained by contacting the Alumni Association at the following address: The University of Arizona Alumni Association, P.O. Box 210109, Tucson, Arizona 85721-0109.

The Law College Association of the University of Arizona (Law College Association) is a legally separate, tax-exempt, 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. Complete copies of the financial statements of the aforementioned component unit can be obtained by contacting 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, 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 entities, making CRC a component unit. 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. Complete copies of the financial statements of the aforementioned component unit can be obtained by contacting the Chief Financial Operating Officer at the following address: The University of Arizona Science and Technology Park, 9070 South Rita Road, Suite 1750, Tucson, Arizona 85747.

Eller Executive Education (EEE) is a legally separate, tax-exempt, 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 of Arizona. 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. 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. Complete copies of the financial statements of the aforementioned component unit can be obtained by contacting EEE at the following address: Eller Executive Education, P.O. Box 210108, Tucson, Arizona 85721-0108.

NOTE 3. DEPOSITS AND INVESTMENTS

A. General

At year end, the university's deposits and investments had a fair value of \$1,445,284,000. 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 \$136,984,000 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 \$200,596,000 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 \$39,521,000.

Further, the university is the sole beneficiary of the University of Arizona Academic Enhancement Fund Trust (Trust). Trust assets totaled \$247,812,000 at June 30, 2019, 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 \$215,312,000 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 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.

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, 2019, \$20,605,000 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.



Photo: UA Alumni Association

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, \$200,596,000 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 table on the following page.

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.

Investment Type	Fair Value	Not Rated	Moody's/Standard & Poor's Rating					
			Aaa/AAA	Aa/AA	A/A	Baa/BBB	Ba/BB	B /B
Certificates of Deposit*	\$ 27,344,000	\$ 27,344,000						
Corporate Bonds	495,513,000		\$ 4,874,000	\$ 49,279,000	\$ 178,341,000	\$ 258,772,000	\$ 2,100,000	\$ 2,147,000
Federal Agency Securities	58,738,000			58,738,000				
Fixed Income Mutual Funds	6,164,000	6,164,000						
Money Market Mutual Funds	193,606,000		193,606,000					
Municipal Bonds	1,652,000		1,500,000	152,000				
State Treasurer's Pool 3	1,860,000	1,860,000						
Total	\$ 784,877,000	\$ 35,368,000	\$ 199,980,000	\$ 108,169,000	\$ 178,341,000	\$ 258,772,000	\$ 2,100,000	\$ 2,147,000

* Although most of the certificates of deposit are unrated by Moody's Investor Service or Standard & Poor's, \$17,591,000 is covered by federal deposit insurance and would be returned to the university in the situation of default by the issuer.

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. 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 at June 30, 2019, 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	\$ 27,344,000	\$ 9,441,000	\$ 17,410,000	\$ 493,000	
Corporate Bonds	495,513,000	115,441,000	325,552,000	54,520,000	
Federal Agency Securities	58,738,000	10,447,000	45,241,000	3,050,000	
Fixed Income Mutual Funds	6,164,000		2,073,000	3,020,000	\$ 1,071,000
Money Market Mutual Funds	193,606,000	193,606,000			
Municipal Bonds	1,652,000	1,500,000	152,000		
State Treasurer's Pool 3	1,860,000		1,860,000		
US Treasury Securities	51,884,000		51,702,000	182,000	
Total	\$ 836,761,000	\$ 330,435,000	\$ 443,990,000	\$ 61,265,000	\$ 1,071,000

Foreign Currency Risk – The university's foreign investments at June 30, 2019 are shown in the table on the right. 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	\$ 1,071,000
Equity Mutual Funds	Various	20,377,000
Fixed Income Mutual Funds	Various	1,067,000
Mutual Funds - Asset Allocation	Various	652,000
Total		\$ 23,167,000

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.

The university has the following fair value measurements as of June 30, 2019:

	Hierarchy Fair Value			
	As of June 30, 2019	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Certificates of Deposit	\$ 27,344,000		\$ 27,344,000	
Common Stocks	5,960,000	\$ 5,465,000	495,000	
Corporate Bonds	495,513,000		495,513,000	
Equity Mutual Funds	45,934,000	12,415,000	33,519,000	
Federal Agency Securities	58,738,000		58,738,000	
Fixed Income Mutual Funds	3,350,000	1,315,000	2,035,000	
Money Market Mutual Funds	193,350,000	193,350,000		
Municipal Bonds	1,652,000		1,652,000	
Mutual Funds - Asset Allocation	652,000	652,000		
Preferred Stocks	2,158,000	2,158,000		
Private Equities	1,158,000			\$ 1,158,000
Real Estate	557,000			557,000
US Treasury Securities	51,884,000	51,884,000		
Total investments by fair value level	\$ 888,250,000	\$ 267,239,000	\$ 619,296,000	\$ 1,715,000
Other Investments at Fair Value				
Academic Enhancement Fund Trust	247,812,000			
Interest in Permanent Endowment	9,526,000			
State Treasurer's Pool 3	1,860,000			
University of Arizona Foundation	200,596,000			
Total other investments at fair value	\$ 459,794,000			
Investments at Net Asset Value (NAV)				
Equity Mutual Funds	3,264,000			
Total investments at net asset value	\$ 3,264,000			
Total investments at fair value	\$ 1,351,308,000			

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 25% of LBT's construction costs and annual operating costs. The university has made total cash contributions of \$18,448,000 and contributions of services and materials of \$3,451,000, 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, \$1,586,000 in calendar year 2019, as a reduction in its equity interest. At June 30, 2019, the equity interest totaled \$10,011,000. According to the most recent audited financial statements of LBT for the year ended December 31, 2018, assets, liabilities, revenues and expenses totaled \$119.2 million, \$3.7 million, \$16.7 million, and \$19.3 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, 1303 E. University Blvd., Box 4, Tucson, Arizona 85719-0521.

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 twelve 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. Capital commitments related to the GMTO are as follows:

GMTO Capital Commitments

Beginning balance	\$	19,574,000
Additions		10,000,000
Reductions		9,950,000
Ending balance	\$	19,624,000
Current portion	\$	7,700,000

The university has contributed a total of \$56,476,000 to the GMTO as of June 30, 2019. 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, 2019, the university has received contractual payments related to the project from the GMTO and related partners totaling \$78,277,000. 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 for the year ended June 30, 2019, was as follows:

	Beginning Balance June 30, 2018	Additions	Retirements	Transfers/ Reclasses	Ending Balance June 30, 2019
Land	\$ 124,468,000	\$ 2,115,000	\$ (102,000)		\$ 126,481,000
Construction in progress:					
Real property	296,648,000	178,548,000		\$ (263,326,000)	211,870,000
Intangible assets	66,100,000	10,000,000			76,100,000
Total non-depreciable/amortizable capital assets	\$ 487,216,000	\$ 190,663,000	\$ (102,000)	\$ (263,326,000)	\$ 414,451,000
Buildings and improvements	\$ 2,643,691,000	\$ 3,212,000	\$ (1,356,000)	\$ 262,392,000	\$ 2,907,939,000
Infrastructure	275,518,000	2,510,000		934,000	278,962,000
Equipment	523,309,000	28,622,000	(13,694,000)		538,237,000
Intangible assets	100,327,000				100,327,000
Library materials	325,691,000	14,739,000	(1,505,000)		338,925,000
Total depreciable/amortizable capital assets	\$ 3,868,536,000	\$ 49,083,000	\$ (16,555,000)	\$ 263,326,000	\$ 4,164,390,000
Less: accumulated depreciation/amortization					
Buildings and improvements	\$ 1,262,199,000	\$ 88,740,000	\$ (1,215,000)		\$ 1,349,724,000
Infrastructure	144,236,000	9,324,000			153,560,000
Equipment	396,636,000	26,410,000	(11,021,000)		412,025,000
Intangible assets	82,860,000	6,973,000			89,833,000
Library materials	269,228,000	12,803,000	(1,505,000)		280,526,000
Total accumulated depreciation/amortization	\$ 2,155,159,000	\$ 144,250,000	\$ (13,741,000)		\$ 2,285,668,000
Depreciable/amortizable capital assets, net	\$ 1,713,377,000	\$ (95,167,000)	\$ (2,814,000)	\$ 263,326,000	\$ 1,878,722,000
Capital assets, net	\$ 2,200,593,000	\$ 95,496,000	\$ (2,916,000)		\$ 2,293,173,000

In addition to expenditures through June 30, 2019, it is estimated that \$385,063,000 will be required to complete projects under construction or planned for construction. Of that amount, \$76,831,000 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 at June 30, 2019 consist of the following:

Current Unearned Revenue and Deposits	
Unexpended cash advances received for sponsored programs	\$ 66,426,000
Tuition and fees	13,948,000
Auxiliary sales and services	9,684,000
Other unearned revenue	2,035,000
Deposits	878,000
Total current unearned revenue and deposits	\$ 92,971,000

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 264 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 State Department of Administration (ASDA). The university pays a percentage of its payroll for RASL to ASDA and does not have further liability. Accrued compensated vacation for the year ended June 30, 2019, was as follows:

Beginning balance	\$ 66,597,000
Additions	56,686,000
Reductions	(54,275,000)
Ending balance	\$ 69,008,000
Current portion	\$ 10,780,000

NOTE 8. LONG-TERM DEBT & LEASE OBLIGATIONS

Long-term debt and lease activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
	June 30, 2018			June 30, 2019	
Bonds payable	\$ 1,166,915,000	\$ 86,755,000	\$ (34,925,000)	\$ 1,218,745,000	\$ 41,540,000
Certificates of participation	264,761,000	-	(31,945,000)	232,816,000	33,431,000
Capitalized lease obligations	15,514,000	-	(598,000)	14,916,000	550,000
Subtotal long-term debt	\$ 1,447,190,000	\$ 86,755,000	\$ (67,468,000)	\$ 1,466,477,000	\$ 75,521,000
Premium on sale of debt	153,870,000	9,677,000	(8,915,000)	154,632,000	9,193,000
Discount on sale of debt	(107,000)	-	12,000	(95,000)	(12,000)
Total long-term debt and lease obligations	\$ 1,600,953,000	\$ 96,432,000	\$ (76,371,000)	\$ 1,621,014,000	\$ 84,702,000

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.

On April 23, 2019, the university sold System Revenue Bonds Series 2019A (2019A Bonds) for \$55,405,000 and Taxable Series 2019B (2019B Bonds) for \$15,950,000 dated May 8, 2019 as described below.

Series	Amount	Description	Interest Rate Range	Maturity Dates
2019A	\$55,405,000	Serial Bonds	4.00% to 5.00%	2020 to 2044
2019B	\$7,435,000	Serial Bonds	2.70% to 3.65%	2022 to 2034
	\$3,860,000	Term Bonds	3.80%	June 1, 2039
	\$4,655,000	Term Bonds	3.90%	June 1, 2044

The 2019A Serial Bonds maturing on or after June 1, 2030 will be subject to optional redemption on June 1, 2029 and on any date thereafter without premium. The 2019A Bonds sold at a premium of \$9,677,000. The university realized net proceeds of \$64,700,000 after payment of \$382,000 for issuance costs and underwriter discounts. The net proceeds were used to finance the Student Success District project at the Main Campus.

The 2019B Bonds are subject to optional redemption at a redemption price equal to the greater of (1) par, or (2) the net present value of remaining debt service payments, discounted to the date of redemption at a rate based on United States Treasury Securities plus 15 basis points. The 2019B Bonds with maturity on June 1, 2039 and June 1, 2044 are subject to mandatory redemption without premium pursuant to the debt documents. The university realized net proceeds of \$15,800,000 after payment of \$150,000 for issuance costs and underwriter discounts. The net proceeds will be used to finance a portion of the Biomedical Sciences Partnership Building (BSPB) 3rd and 4th floor Finish Shell Space project at the Phoenix Biomedical Campus.

On May 1, 2019, the university sold SPEED Revenue Bonds Taxable Series 2019 (2019 SPEED) for \$15,400,000 dated May 15, 2019 as described below.

Series	Amount	Description	Interest Rate Range	Maturity Dates
2019	\$7,550,000	Serial Bonds	2.54% to 3.64%	2020 to 2034
	\$3,555,000	Term Bonds	3.84%	Aug 1, 2039
	\$4,295,000	Term Bonds	3.94%	Aug 1, 2044

The 2019 SPEED Revenue Bonds are subject to optional redemption at a redemption price equal to the greater of (1) par, or (2) the net present value of remaining debt service payments, discounted to the date of redemption at a rate based on United States Treasury Securities plus 15 basis points. The 2019 SPEED Revenue Bonds with maturity on August 1, 2039 and August 1, 2044 are subject to mandatory sinking fund redemption without premium pursuant to the debt documents. The university contributed \$192,000 for issuance costs and underwriter discounts. The net proceeds of \$15,400,000 will be used to finance a portion of the BSPB 3rd and 4th floor Finish Shell Space project at the Phoenix Biomedical Campus.

In fiscal year 2017, the university refunded, in advance of maturity, a portion of outstanding System Revenue Bonds Series 2012A. At June 30, 2019, the outstanding principal balance of the refunded bonds was \$9,650,000, which will be paid by investments held in an irrevocable trust with a fair value of \$10,717,000. Accordingly, the trust account assets and liability for these defeased bonds are not included in the university's financial statements.

The university's outstanding SPEED Revenue Bonds Series 2010 were issued as designated Build America Bonds under the provisions of the American Recovery and Reinvestment Act. As such, the university is eligible to receive direct payments from the U.S. Treasury Department equal to 35% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the university must file certain required information with the federal government between 90 and 45 days prior to the interest payment date. The amount paid to the university by the federal government may be reduced or eliminated due to such issues as failure by the university to submit the required information, any amounts owed by the university to the federal government, or changes in the law that would reduce or eliminate such payments. Due to the federal sequestration, the university will receive a 6.2% reduction (totaling \$94,000) in the federal interest subsidy for the August 1, 2019 debt service payment and a 5.9% reduction (totaling \$175,000) in the federal interest subsidy for the February 1 and August 1, 2020 debt service payments.

The following schedule details outstanding bonds payable at June 30, 2019:

Issue	Original Amount	Year of Final Maturity	Interest Rates	Outstanding Principal
2009A – System Revenue Bonds	\$ 202,370,000	2020	4.00-5.00%	\$ 5,685,000
2012A – System Revenue Bonds	74,050,000	2042	4.00-5.00%	56,845,000
2012B – System Revenue Refunding Bonds	21,860,000	2022	2.94-3.29%	7,495,000
2012C – System Revenue Refunding Bonds	43,920,000	2034	2.386-3.912%	27,315,000
2013A – System Revenue Bonds	69,175,000	2048	3.25-5.00%	65,015,000
2013B – System Revenue Refunding Bonds	34,985,000	2048	3.375-5.00%	27,855,000
2014 – System Revenue Refunding Bonds	16,025,000	2029	4.00-5.00%	10,505,000
2015A – System Revenue Refunding Bonds	103,950,000	2045	4.00-5.00%	103,950,000
2015B – System Revenue Refunding Bonds	14,660,000	2020	1.925%	3,675,000
2016 – System Revenue Refunding Bonds	175,385,000	2039	3.00-5.00%	174,455,000
2016A – System Revenue Refunding Bonds	44,175,000	2040	3.00-5.00%	39,340,000
2016B – System Revenue Bonds	142,390,000	2046	4.00-5.00%	142,390,000
2018A – System Revenue Bonds	93,995,000	2043	3.25-5.00%	93,240,000
2018B – System Revenue Bonds	16,840,000	2043	3.00-5.00%	16,665,000
2019A – System Revenue Bonds	55,405,000	2044	4.00-5.00%	55,405,000
2019B – System Revenue Bonds	15,950,000	2044	2.70-3.90%	15,950,000
Subtotal - System Revenue Bonds	\$ 1,125,135,000			\$ 845,785,000
2010 – SPEED Revenue Bonds	\$ 147,475,000	2045	5.208-6.643%	\$ 135,805,000
2011 – SPEED Revenue Bonds	39,595,000	2030	4.25-5.00%	33,230,000
2013 – SPEED Revenue Bonds	70,125,000	2049	3.75-5.00%	66,665,000
2014 – SPEED Revenue Bonds	129,185,000	2045	3.00-5.00%	121,860,000
2019 – SPEED Revenue Bonds	15,400,000	2045	2.54-3.94%	15,400,000
Subtotal – SPEED Revenue Bonds	\$ 401,780,000			\$ 372,960,000
Total	\$ 1,526,915,000			\$ 1,218,745,000

The following schedule details debt service requirements to maturity for System and SPEED Revenue Bonds payable at June 30, 2019:

Year	Principal	Interest
2020	\$ 41,540,000	\$ 58,149,000
2021	39,695,000	56,327,000
2022	42,030,000	54,494,000
2023	43,980,000	52,485,000
2024	46,085,000	50,338,000
2025-29	238,200,000	218,079,000
2030-34	237,275,000	157,743,000
2035-39	241,185,000	102,990,000
2040-44	219,015,000	44,271,000
2045-49	69,740,000	5,156,000
Total	\$ 1,218,745,000	\$ 800,032,000

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, 2019. 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, 2019, pledged revenues totaled \$1.31 billion of which 7.0% (\$92.2 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 5.1% 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 at June 30, 2019:

Issue	Original Amount	Year of Final Maturity	Interest Rates	Outstanding Principal
1999A Fixed Student Union Certificates	\$ 21,607,000	2020	5.125%	\$ 266,000
2006 Arizona Biomedical Research Collaborative Building Project	18,240,000	2031	4.30-5.00%	11,415,000
2012A-2 Refund COPS 2003A	10,190,000	2022	3.02-3.42%	3,740,000
2012B Refund COPS 2002B	20,600,000	2023	4.00-5.00%	10,095,000
2012C Refund COPS 2003B & 2004A	124,940,000	2031	3.00-5.00%	100,470,000
2015A Refund COPS 2005A-2005D, 2005F-2005I, 2006A-2006C, & 2006E	89,470,000	2025	5.00%	52,305,000
2015B Refund COPS 2006C, 2006D, & 2007A	13,810,000	2025	1.92-3.09%	9,230,000
2018A Refund COPS 2007B	27,135,000	2022	5.00%	16,740,000
2018B Refund COPS 2007D	32,430,000	2031	5.00%	28,555,000
Total	\$ 358,422,000			\$ 232,816,000



Photo: UA Alumni Association

The following schedule details debt service requirements to maturity for Certificates of Participation payable at June 30, 2019:

Year	Principal	Interest
2020	\$ 33,431,000	\$ 11,167,000
2021	30,560,000	9,548,000
2022	30,040,000	8,046,000
2023	24,065,000	6,572,000
2024	22,430,000	5,430,000
2025-29	66,340,000	16,077,000
2030-31	25,950,000	1,944,000
Total	\$ 232,816,000	\$ 58,784,000

Capital Leases – The university has entered into various long-term leases to acquire real estate and equipment. These leases are classified as capital leases since they provide a bargain purchase option, a transfer of ownership by the end of the lease term, or comply with other accounting criteria.

The following schedule details minimum lease payments to maturity for capital leases payable at June 30, 2019:

Year	Capital Lease Payments
2020	\$ 989,000
2021	985,000
2022	889,000
2023	939,000
2024	943,000
2025-29	4,925,000
2030-34	3,609,000
2035-39	503,000
2040-44	528,000
2045-49	555,000
2050-54	636,000
2055-59	744,000
2060-64	780,000
2065-69	820,000
2070-72	512,000
Total minimum lease payments	\$ 18,357,000
Less: interest	(3,441,000)
Present value of net minimum lease payments	\$ 14,916,000

Capital Asset Financing – Following is a summary of capital assets financed by certificates of participation and capital leases at June 30, 2019:

Land	\$ 13,925,000
Buildings and improvements	487,502,000
Infrastructure	34,273,000
Equipment	22,013,000
Total cost of assets	\$ 557,713,000
Less: accumulated depreciation	(311,155,000)
Carrying value of assets	\$ 246,558,000

Operating Leases – The university has entered into certain operating leases, generally with options for annual renewal, and other rental agreements for real property and equipment. For fiscal year 2019, rent expenses totaled \$32,854,000.

The following schedule details future operating lease payments to maturity for property leases greater than \$100,000:

Year	Operating Lease Payments
2020	\$ 2,380,000
2021	1,758,000
2022	1,563,000
2023	1,164,000
2024	651,000
2025	227,000
Total	\$ 7,743,000



Photo: UA Alumni Association



Photo: UA Alumni Association

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 Division. 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 implemented an Enterprise Risk Management initiative 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 the Risk Management Division 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 Comprehensive Annual Financial Report.

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, 2019, PSPRS has not been further disclosed due to its relative insignificance to the university's financial statements.

Changes in the university's net pension liability during the fiscal year ended June 30, 2019, were as follows:

Beginning balance	\$	628,186,000
Increases		25,059,000
Decreases		(58,007,000)
Ending balance	\$	595,238,000
Current portion*	\$	4,781,000

*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 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 10 years age 62 5 years age 50 * any years age 65	30 years age 55 25 years age 60 10 years age 62 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 earning. 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, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.64 percent of the members' annual covered payroll for retirement benefits, and statute required the university to contribute at the actuarially determined rate of 11.18 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 10.41 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, 2019, were \$50,496,000.

Pension Liability – At June 30, 2019, the university reported a liability of \$565,000,000 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2018. 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, 2017, to the measurement date of June 30, 2018. The total liability as of June 30, 2018, reflects changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3-6.75 percent to 2.7-7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates. 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, 2018. The university's proportion measured as of June 30, 2018 was 4.05 percent which was an increase of 0.21 from its proportion measured as of June 30, 2017.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2019, the university recognized pension expense for ASRS of \$15,599,000. At June 30, 2019, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,565,000	\$ 3,115,000
Changes of assumptions or other inputs	14,951,000	50,095,000
Net difference between projected and actual earnings on pension plan investments	-	13,587,000
Changes in proportion and differences between university contributions and proportionate share of contributions	21,895,000	1,174,000
University contributions subsequent to the measurement date	50,496,000	-
Total	\$ 102,907,000	\$ 67,971,000

The \$50,496,000 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized as an increase or (decrease) in pension expense as follows:

Year ending June 30	
2020	\$ 14,352,000
2021	\$ (3,208,000)
2022	\$ (20,610,000)
2023	\$ (6,094,000)
2024	-

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

Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5 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%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
Total	100%	

Discount Rate – At June 30, 2018, the discount rate used to measure the ASRS total pension liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. 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 calculated using the discount rate of 7.5 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 (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
University’s proportionate share of the net pension liability	\$805,420,000	\$565,000,000	\$364,132,000

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 faculty, academic professionals, and administrative officers have the option to participate in defined contribution pension plans. For the year ended June 30, 2019, 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, 2019, 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, 2019, the university reported a liability of \$13,078,000 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, 2019, the university recognized pension expense for Defined Contribution Plans of \$27,033,000. The university’s recognized pension expense includes forfeitures totaling \$1,351,000 for the year ended June 30, 2019.

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 liability has been recorded at June 30, 2019, these plans have not been further disclosed due to the relative insignificance to the university’s financial statements.

Changes in the university's OPEB liability during the fiscal year ended June 30, 2019, were as follows:

Beginning balance	\$	161,468,000
Increases		6,148,000
Decreases		-
Ending balance	\$	167,616,000

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, 2019, the university reported a liability of \$166,725,000 for its proportionate share of the ADOA's total OPEB liability. The total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability as of June 30, 2018, reflects an increase in the discount rate due to changes in the bond index.

The university's proportion measured as of June 30, 2018 was 19.13 percent, which was a decrease of .07 from its proportion measured as of June 30, 2017.

OPEB Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2019, the university recognized an OPEB expense for ADOA of \$10,091,000. At June 30, 2019, the university reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	-	\$37,044,000
Difference between expected and actual experience	-	3,238,000
University benefit payments subsequent to the measurement date	\$ 5,306,000	-
Total	\$ 5,306,000	\$40,282,000

The \$5,306,000 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, 2020. 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:

Year Ended June 30	
2020	\$ (7,244,000)
2021	\$ (7,244,000)
2022	\$ (7,244,000)
2023	\$ (7,244,000)
2024	\$ (7,244,000)
Thereafter	\$ (4,062,000)

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Salary increases	2.70 to 7.20% varying by years of service
Discount rate	3.87%
Healthcare cost trend rates:	
Medical (pre-65)	6% graded to 4.50% over 4 years
Medical (post-65)	4.50%
Prescription drug	8.50% graded to 4.50% over 4 years
Administrative costs	3%
Contribution trend rates	6.50% graded to 4.50% over 4 years
Mortality rates:	
Employees	RP-2014 Employee Mortality Tables projected generationally from 2014 with 1% improvement per year
Healthy Retirees and Spouses	2017 State Retirees of Arizona Mortality Tables projected generationally from 2017 with 1% improvement per year
Disabled Retirees	RP-2014 Disabled Retiree Mortality Tables projected generationally from 2014 with 1% improvement per year

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, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

Discount Rate – The discount rate was based on the Bond Buyer 20-Bond General Obligation Municipal Bond 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 calculated using the discount rate of 3.87 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 (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
University’s proportionate share of the total OPEB liability	\$195,104,000	\$166,725,000	\$144,234,000

The following table presents the university’s proportionate share of the total OPEB liability 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	\$141,103,000	\$166,725,000	\$199,800,000

NOTE 12. OPERATING EXPENSES BY CLASSIFICATION

Operating expenses by functional and natural classification for the year ended June 30, 2019 consist of the following:

	Personal Services and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 442,885,000	\$ 85,042,000			\$ 527,927,000
Research	318,929,000	143,183,000			462,112,000
Public service	57,207,000	28,615,000			85,822,000
Academic support	205,760,000	89,264,000			295,024,000
Student services	61,630,000	28,761,000	\$ 833,000		91,224,000
Institutional support	119,438,000	49,738,000			169,176,000
Operation and maintenance of plant	38,051,000	67,260,000			105,311,000
Scholarships and fellowships	131,000		58,542,000		58,673,000
Auxiliary enterprises	96,942,000	68,155,000	2,290,000		167,387,000
Depreciation				\$ 144,250,000	144,250,000
Total operating expenses	\$1,340,973,000	\$560,018,000	\$ 61,665,000	\$ 144,250,000	\$2,106,906,000

NOTE 13. SUBSEQUENT EVENT

On August 17, 2019, the university entered into a master sublease with American Campus Communities (ACC) which allows the university to operate the Honors Village student housing facility, including leasing the beds, managing residence life programming and staffing of the facility. The master sublease continues for five academic years from this date and ends June 30, 2024, during which the university is required to pay \$9.3 million in fiscal year 2020, with minimum annual increases of 2.4%. The master sublease may be extended for successive one-year terms, subject to the continuation of the ground lease. As noted in the ground lease, the university will also obtain title of the facilities upon completion. Additional information on the project can be found in the "Capital and Debt Analysis" on page 28.

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. A description of the two net asset categories follows.

- *Without donor restrictions* - includes assets and contributions that are not restricted by donors or for which such restrictions have expired.
- *With donor restrictions* - includes temporarily and permanently restricted assets and contributions for which donor-imposed restrictions have not been met (either 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. Included in net assets with donor restrictions is the Foundation's endowment.

Cash and Cash Equivalents

Cash and cash equivalents include monies held in overnight money market accounts and U.S. Government or U.S. Treasury money market funds. Cash equivalents are stated at cost, which approximates fair value.

Investments

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, private credit, and natural resource limited partnership interests are recorded at fair value as determined by the fund manager. Investments in alternative securities are highly susceptible to valuation changes.

Investment income or loss 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 \$23,111,000 at June 30, 2019, 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 (\$448,000 in the year ended June 30, 2019). The fair values of assets held in trust at June 30, 2019 total \$35,093,000, of which \$1,357,000 were without donor restrictions and \$33,736,000 were with donor restrictions.

Net Assets Released From Restriction

Expenses are not incurred in the with donor restrictions net asset category. 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, 2019 was \$90,097,000.

Fair Value of Financial Instruments

The Foundation's cash and cash equivalents, pledges receivable, investments in securities, financing leases and annuities payable and other trust liabilities represent financial instruments. The carrying value of cash and cash equivalents, pledges receivable, financing leases and annuities payable and other trust liabilities approximates fair value.

Campus Research Corporation

Property, Equipment and Depreciation

Property and equipment are stated at cost and depreciation is provided for using the straight-line method over the estimated useful lives of the assets. Expenditures for major improvements to property are capitalized and expenditures for repairs and maintenance are expensed as incurred. 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. 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. Once the water project is complete, title will pass to ABOR and ultimately 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.



B. Investments:

The University of Arizona Foundation

Investments in securities are comprised of the following amounts at June 30, 2019:

	Carrying Value	Cost
Absolute return and private credit limited partnerships and funds	\$ 299,501,000	\$ 246,758,000
Domestic/international equity securities and mutual funds	253,648,000	198,512,000
Private capital limited partnerships	126,064,000	98,988,000
U.S. fixed income obligations and mutual funds	121,680,000	119,749,000
Natural resources limited partnerships	109,077,000	94,463,000
REIT funds and real estate limited partnerships	73,467,000	65,827,000
International fixed income mutual funds	2,844,000	2,650,000
Totals	\$ 986,281,000	\$ 826,947,000

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 judgement or estimation of

assumptions that market participants would use in pricing the investments. The fair values are determined using factors involving considerable judgement.

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 funds). 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 fund 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 at June 30, 2019, by valuation hierarchy:

	Quoted Prices In Active Markets for Identical Securities (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2019
Domestic/international equity securities and mutual funds	\$ 150,502,000			\$ 150,502,000
U.S. fixed income obligations and mutual funds	121,680,000			121,680,000
Absolute return funds	50,334,000			50,334,000
REIT funds	33,887,000			33,887,000
Natural resources limited partnerships	12,724,000			12,724,000
International fixed income mutual funds	2,844,000			2,844,000
Totals	\$ 371,971,000			371,971,000
Investments measured at NAV				614,310,000
				\$ 986,281,000

In accordance with Accounting Standards Codification (ASC) 820-10, investments that were measured at NAV per share 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 line items presented in the statement of financial position.

Additional information on investments that are measured at NAV per share as a practical expedient:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private capital limited partnerships	\$ 126,064,000	\$ 110,940,000	Not Applicable	N/A
Multi-strategy hedge funds	111,014,000	7,500,000	Monthly, quarterly, annually	14-90 days
Equity long-only hedge funds	103,147,000	-	Monthly, quarterly, semi-annually, triennially	30-90 days
Natural resources limited partnerships	96,353,000	37,493,000	Not Applicable	N/A
Fixed income hedge funds	57,979,000	-	Quarterly	45-90 days
Equity long/short hedge funds	47,811,000	-	Annually, triennially, quinquennially	60-120 days
Private real estate limited partnerships	39,579,000	42,172,000	Not Applicable	N/A
Private credit limited partnerships	32,363,000	28,385,000	Not Applicable	N/A
	\$ 614,310,000	\$ 226,490,000		

C. Endowment

The University of Arizona Foundation

The Foundation's endowment pool, included in assets with donor restrictions, consists of approximately 2,645 individual funds (1,960 for the Foundation and 685 for the university) established for a variety of purposes. In accordance with accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. The Foundation has also invested certain assets (a) without donor restrictions and (b) assets with donor restrictions that are temporary in its endowment pool. These invested funds, which are stated at fair value, are reported as due from the fund with donor restrictions. The endowment pool is subject to the Arizona Management of Charitable Funds Act which was signed into law on April 14, 2008.

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% of the average fair value at 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, is made available to support the purposes of the individual accounts comprising each endowment account as specified by the donors. 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), a percentage (1.25% in fiscal 2019) of the fair value of the endowment pool as determined from time to time by the Foundation's Board. 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. Endowment fees of \$7,917,000 were recognized by the Foundation in 2019; an additional \$2,429,000 in such fees were collected on behalf of the university in 2019. The Foundation considers the following factors in setting the Endowment Fee:

- The external costs of managing the endowment pool;
- The internal costs to manage and provide stewardship for the endowment pool;
- Recommendations from staff and independent investment consultants; 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 7.9% with a standard deviation of 14.8% 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 equity, private credit, absolute return, and real asset strategies.

The following shows the composition of the endowment pool by net asset type at June 30, 2019 (the university endowment assets are classified as donor-restricted endowment funds for financial reporting purposes):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds		\$ 901,588,000	\$ 901,588,000
Board-designated endowment funds	\$ 3,667,000	22,762,000	26,429,000
Totals	\$ 3,667,000	\$ 924,350,000	\$ 928,017,000

The following shows the changes in endowment net assets for the fiscal year ending June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of fiscal year	\$ 3,710,000	\$ 862,128,000	\$ 865,838,000
Investment return:			
Investment income		15,852,000	15,852,000
Less endowment fee		(10,346,000)	(10,346,000)
Net appreciation	(43,000)	20,756,000	20,713,000
Total investment return	(43,000)	26,262,000	26,219,000
Contributions/transfers		61,971,000	61,971,000
Appropriation for payout		(26,011,000)	(26,011,000)
Endowment net assets, end of fiscal year	\$ 3,667,000	\$ 924,350,000	\$ 928,017,000

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. These amounts are recorded at their net realizable value using yields on U.S. Treasury obligations of equivalent maturity dates in the fiscal year in which they were received. Pledges receivable at June 30, 2019 totaled \$65,735,000.

E. Property and Equipment

Campus Research Corporation

Property and equipment consisted of the following as of June 30, 2019:

Building, infrastructure and improvements	\$ 35,599,000
Furniture, equipment and other property	11,470,000
Total	\$ 47,069,000
Less accumulated depreciation	(18,409,000)
Property and equipment, net	\$ 28,660,000

F. Long-Term Debt

Campus Research Corporation

Bonds payable, Series A, payable in scheduled monthly installments of principal plus interest at the floating taxable bond rate (remarketed weekly) through June 2022.	\$ 2,190,000
Note payable, Wells Fargo Bank, payable in monthly installments of \$28,000 including interest at 4.15% through December 2023.	1,356,000
Note payable, Wells Fargo Bank, payable in monthly installments of \$15,000 including interest at 3.75% through December 2023.	619,000
Note payable, Wells Fargo Bank, payable in monthly installments of \$22,000 including interest at 3.99% through December 2026.	1,715,000
	5,880,000
Less unamortized deferred financing fees	(57,000)
Total long-term debt	\$ 5,823,000

The bonds and notes payable to Wells Fargo 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.

Wells Fargo Bank Arizona issued a letter of credit with an original amount of approximately \$11,400,000 to enhance the sale of the bonds and CRC entered into a reimbursement agreement with the bank, which provides real property as collateral to the bank. The letter of credit is renewed annually in July at the outstanding bond amount plus 45 days of interest.

G. Interest Rate Swap Agreement

Campus Research Corporation

CRC has an interest rate swap agreement with Wells Fargo Bank to reduce the variability in cash flows caused by changes in interest payments on the Series A bonds. Under the swap agreement, CRC pays interest at the fixed rate and receives interest at the variable rate. The agreement was not designated as a cash flow hedge.

The swap was issued at market terms so that it had no value at inception. The notional amount under the agreement decreases as principal payments on the note are made. The duration of the swap agreement is structured to coincide with the maturity of the note. As required by GAAP, the carrying amount of the swap has been adjusted to fair value at June 30, 2019. CRC's derivative instrument held for risk management purposes at June 30, 2019 had a notional amount of \$2,190,000 and a fair value of \$116,000.

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. Exercise of contractual extensions contained within the IBM master lease agreement will extend the POA according to the terms of the lease agreement.

CRC is required to pay a monthly amount based on an annual operating budget for these services that is prepared by IBM. 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 \$5,100,000 for services rendered for the year ended June 30, 2019.

The University of Arizona Alumni Association

Under the Administrative Services Agreement between the Alumni Association and the Arizona Board of Regents, for and on behalf of the university, the university provided the Alumni Association with allocated support of \$1,742,000 and in-kind rent of \$103,000 for the year ended June 30, 2019.

Eller Executive Education

EEE has an Affiliation Agreement with the Arizona Board of Regents, for and on behalf of the university through June 2022. The agreement covers policies, procedures, working relationships, respective rights and responsibilities between EEE and the university. The university provides

the services of certain 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, 2019 were \$537,000.

EEE also contributed \$121,000 to the university or to specific colleges within the university during the year ended June 30, 2019.

Law College Association of the University of Arizona

During the year ended June 30, 2019, the Law College Association distributed funds or paid distributions on behalf of the Law College of the University of Arizona in the amount of \$821,000.

J. Concentrations

Eller Executive Education

At June 30, 2019, one customer accounted for 94% of accounts receivable, and three customers comprised 48% of total revenue for the year then ended.

REQUIRED SUPPLEMENTARY INFORMATION

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

Year Ended June 30

Reporting Fiscal Year (Measurement Date)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 - 2010
University's proportion of the net pension liability	4.05%	3.84%	3.85%	3.91%	3.94%	Information Not Available
University's proportionate share of the net pension liability	\$ 565,000,000	\$ 598,493,000	\$ 621,697,000	\$ 608,338,000	\$ 582,754,000	
University's covered payroll	\$ 403,949,000	\$ 375,912,000	\$ 362,043,000	\$ 362,516,000	\$ 365,347,000	
University's proportionate share of the net pension liability as a percentage of its covered payroll	139.87%	159.21%	171.72%	167.81%	159.51%	
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%	

SCHEDULE OF UNIVERSITY PENSION CONTRIBUTIONS – ARIZONA STATE RETIREMENT SYSTEM

Fiscal Year Ended June 30	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 50,496,000	43,892,000	40,395,000	39,128,000	39,376,000	38,172,000	34,946,000	33,099,000	28,741,000	26,043,000
University's contribution in relation to the statutorily required contribution	\$ 50,496,000	43,892,000	40,395,000	39,128,000	39,376,000	38,172,000	34,946,000	33,099,000	28,741,000	26,043,000
University's contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
University's covered payroll	\$ 452,293,000	403,949,000	375,912,000	362,043,000	362,516,000	365,347,000	351,279,000	335,350,000	318,990,000	312,266,000
University's contributions as a percentage of covered payroll	11.16%	10.87%	10.75%	10.81%	10.86%	10.45%	9.95%	9.87%	9.01%	8.34%

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

Year Ended June 30

Reporting Fiscal Year (Measurement Date)	2019 (2018)	2018 (2017)	2017 - 2010
University's proportion of the total OPEB liability	19.13%	19.20%	Information Not Available
University's proportionate share of the total OPEB liability	\$166,725,000	\$161,905,000	
University's covered-employee payroll	\$738,315,000	\$718,904,000	
University's proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	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, 2019 (in thousands of dollars)

	Other				Total Nonmajor Component Units
	Campus Research Corporation	Law College Association	UA Alumni Association	Eller Executive Education	
Assets					
Cash and cash equivalents	\$ 7,509	\$ 846	\$ 631	\$ 223	\$ 9,209
Pledges receivable	-	338	256	-	594
Other receivables	757	36	2,284	60	3,137
Investments in marketable securities	-	11,563	7,891	-	19,454
Other investments	-	167	36	-	203
Property and equipment, net	28,660	-	143	-	28,803
Other assets	6,364	7	97	-	6,468
Total Assets	\$ 43,290	\$ 12,957	\$ 11,338	\$ 283	\$ 67,868
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses	\$ 2,382	\$ 57	\$ 205	\$ 154	\$ 2,798
Deferred revenue and deposits	2,644	-	3,466	53	6,163
Short-term and long-term debt	5,823	-	17	-	5,840
Other liabilities	116	-	-	-	116
Total Liabilities	\$ 10,965	\$ 57	\$ 3,688	\$ 207	\$ 14,917
Net Assets					
Without donor restrictions	\$ 32,325	\$ 2,516	\$ 7,385	\$ 76	\$ 42,302
With donor restrictions	-	10,384	265	-	10,649
Total Net Assets	\$ 32,325	\$ 12,900	\$ 7,650	\$ 76	\$ 52,951
Total Liabilities and Net Assets	\$ 43,290	\$ 12,957	\$ 11,338	\$ 283	\$ 67,868

COMBINING STATEMENT OF ACTIVITIES – OTHER COMPONENT UNITS

Year Ended June 30, 2019 (in thousands of dollars)

	Other				Total Nonmajor Component Units
	Campus Research Corporation	Law College Association	UA Alumni Association	Eller Executive Education	
Revenues					
Sales and services	-	-	\$ 963	\$ 1,347	\$ 2,310
Contributions	-	\$ 819	338	-	1,157
Rental revenues	\$ 15,521	-	-	-	15,521
Investment income	79	739	518	-	1,336
Other income	285	164	2,574	-	3,023
Total revenues	\$ 15,885	\$ 1,722	\$ 4,393	\$ 1,347	\$ 23,347
Expenses					
Program services:					
Leasing related expenses	\$ 12,209	-	-	-	\$ 12,209
Payments to the university	-	-	-	\$ 121	121
Payments on behalf of the university	-	\$ 1,410	\$ 3,435	871	5,716
Supporting services:					
Management and general	1,394	161	422	525	2,502
Fundraising	-	97	377	-	474
Total expenses	\$ 13,603	\$ 1,668	\$ 4,234	\$ 1,517	\$ 21,022
Increase (Decrease) in Net Assets	\$ 2,282	\$ 54	\$ 159	\$ (170)	\$ 2,325
Net Assets - Beginning of year	\$ 30,043	\$ 12,846	\$ 7,491	\$ 246	\$ 50,626
Net Assets - End of year	\$ 32,325	\$ 12,900	\$ 7,650	\$ 76	\$ 52,951



Photo: UA Alumni Association

STATISTICAL SECTION



Photo: UA Alumni Association

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June 30, 2019

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NET POSITION BY COMPONENT

As of June 30 (in thousands of dollars)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net investment in capital assets	\$ 801,215	\$ 776,373	\$ 730,135	\$ 687,149	\$ 637,380	\$ 612,081	\$ 610,237	\$ 578,931	\$ 522,909	\$ 490,309
Restricted, Non-expendable	161,496	154,227	142,774	134,356	138,464	138,512	122,635	113,968	115,307	101,263
Restricted, Expendable	233,337	244,542	241,080	238,522	218,805	161,894	124,582	122,904	137,768	127,599
Unrestricted	(130,727)	(135,502)	20,756	(80,965)	(124,204)	373,103	361,244	310,258	293,103	254,432
Total Net Position	\$ 1,065,321	\$ 1,039,640	\$ 1,134,745	\$ 979,062	\$ 870,445	\$ 1,285,590	\$ 1,218,698	\$ 1,126,061	\$ 1,069,087	\$ 973,603
<i>Expressed as a percent of the total</i>	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	75.2	74.6	64.3	70.2	73.2	47.6	50.1	51.4	48.9	50.4
Restricted, Non-expendable	15.2	14.8	12.6	13.7	16.0	10.8	10.1	10.1	10.8	10.4
Restricted, Expendable	21.9	23.6	21.3	24.4	25.1	12.6	10.2	10.9	12.9	13.1
Unrestricted	(12.3)	(13.0)	1.8	(8.3)	(14.3)	29.0	29.6	27.6	27.4	26.1
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	3.2	6.3	6.3	7.8	4.1	0.3	5.4	10.7	6.6	5.1
Restricted, Non-expendable	4.7	8.0	6.3	(3.0)	-	12.9	7.6	(1.2)	13.9	7.4
Restricted, Expendable	(4.6)	1.4	1.1	9.0	35.2	29.9	1.4	(10.8)	8.0	(9.1)
Unrestricted	3.5	(752.8)	125.6	34.8	(133.3)	3.3	16.4	5.9	15.2	41.5
Total Net Position	2.5	(8.4)	15.9	12.5	(32.3)	5.5	8.2	5.3	9.8	10.5

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)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
<i>Operating Revenues</i>										
Student tuition and fees, net of scholarship allowance	\$ 658,090	\$ 653,519	\$ 653,725	\$ 608,679	\$ 554,768	\$ 484,809	\$ 461,580	\$ 410,507	\$ 379,199	\$ 329,586
Federal grants and contracts	339,196	304,183	297,409	283,083	290,967	308,291	366,363	362,478	352,835	324,919
State grants and contracts	12,050	13,592	14,201	14,191	8,121	11,286	11,697	14,117	43,272	28,737
Local grants and contracts	2,352	2,424	2,082	1,533	1,754	1,614	2,749	26,820	-	-
Nongovernment grants and contracts	178,531	179,667	200,291	243,468	174,556	96,096	92,540	77,662	64,539	74,447
Sales and services of educational departments	56,083	54,180	51,753	52,934	51,436	44,321	35,951	50,721	36,731	28,873
Auxiliary enterprises	205,457	205,468	210,496	206,710	203,740	191,163	190,199	171,017	171,372	165,594
Other operating revenues *	16,116	18,558	18,485	14,172	29,749	16,387	14,285	10,906	10,674	9,804
Total Operating Revenues	\$ 1,467,875	\$ 1,431,591	\$ 1,448,442	\$ 1,424,770	\$ 1,315,091	\$ 1,153,967	\$ 1,175,364	\$ 1,124,228	\$ 1,058,622	\$ 961,960
Expenses										
<i>Operating Expenses</i>										
Educational and general										
Instruction	\$ 527,927	\$ 505,879	\$ 459,357	\$ 460,005	\$ 417,300	\$ 425,722	\$ 391,545	\$ 388,313	\$ 369,734	\$ 357,916
Research	462,112	426,873	397,512	391,122	421,973	396,680	435,536	425,993	405,271	395,008
Public Service	85,822	82,167	89,221	78,604	78,231	84,572	91,118	77,312	74,209	70,370
Academic support	295,024	302,360	314,480	344,380	264,336	203,545	173,414	158,831	123,854	100,415
Student services	91,224	74,253	56,022	53,033	47,187	46,380	42,625	39,097	32,396	27,608
Institutional support	169,176	146,222	146,185	129,501	136,347	117,956	99,886	97,558	90,525	83,080
Operation and maintenance of plant	105,311	103,087	87,925	84,418	87,079	86,097	88,757	87,393	87,119	86,342
Scholarships and fellowships	58,673	55,421	54,884	51,808	57,158	64,070	58,145	52,475	55,510	55,316
Auxiliary enterprises	167,387	175,576	164,539	164,187	167,150	160,938	156,954	148,858	158,914	144,096
Depreciation	144,250	135,565	132,726	125,455	124,870	116,781	113,345	107,561	107,770	101,226
Total Operating Expenses	\$ 2,106,906	\$ 2,007,403	\$ 1,902,851	\$ 1,882,513	\$ 1,801,631	\$ 1,702,741	\$ 1,651,325	\$ 1,583,391	\$ 1,505,302	\$ 1,421,377
Operating loss	\$ (639,031)	\$ (575,812)	\$ (454,409)	\$ (457,743)	\$ (486,540)	\$ (548,774)	\$ (475,961)	\$ (459,163)	\$ (446,680)	\$ (459,417)
Nonoperating Revenues (Expenses)										
State appropriations	\$ 252,931	\$ 254,789	\$ 245,146	\$ 241,257	\$ 270,538	\$ 265,038	\$ 254,654	\$ 268,533	\$ 330,297	\$ 330,297
Share of State sales tax revenues	30,970	28,763	27,618	25,025	24,964	23,576	20,773	20,353	19,954	20,102
Federal grants and appropriations	93,817	78,951	65,128	77,423	79,316	79,287	83,064	77,276	80,955	74,308
Federal fiscal stabilization funds	-	-	-	-	-	-	-	-	755	28,313
State and other government grants	25,524	25,968	21,722	5,609	14,138	16,353	17,261	1,865	3,506	3,415
Nongovernment grants and contracts	112,437	129,621	123,478	128,111	114,408	91,890	99,249	4,239	2,996	3,942
Gifts	84,578	81,746	80,060	80,890	89,975	78,287	74,530	96,201	87,355	79,164
Investment income	48,396	30,911	31,962	10,046	6,638	43,229	20,619	3,386	28,686	18,133
Interest expense on debt	(55,072)	(53,275)	(51,253)	(49,748)	(46,293)	(50,596)	(47,643)	(44,391)	(50,447)	(45,077)
Gain on Sale of Capital Assets	-	-	-	-	46,874	-	-	-	-	-
Other nonoperating revenues, net	8,404	9,040	11,072	9,480	18,103	20,009	13,440	27,644	13,849	16,063
Net Nonoperating Revenues	\$ 601,985	\$ 586,514	\$ 554,933	\$ 528,093	\$ 618,661	\$ 567,073	\$ 535,947	\$ 455,106	\$ 517,906	\$ 528,660
Income/(Loss) before Capital and Endowment Additions	\$ (37,046)	\$ 10,702	\$ 100,524	\$ 70,350	\$ 132,121	\$ 18,299	\$ 59,986	\$ (4,057)	\$ 71,226	\$ 69,243
Capital grants, gifts and conveyances	\$ 11,068	\$ 11,447	\$ 9,304	\$ 3,472	\$ 36,489	\$ 31,985	\$ 9,697	\$ 44,363	\$ 7,279	\$ 7,080
Capital appropriations	24,803	14,249	21,978	9,594	11,204	14,253	14,253	14,253	14,253	14,253
Capital commitment - State Lottery Revenue	21,430	21,211	21,520	22,169	11,604	9,599	6,470	-	-	-
Additions to permanent endowments	5,426	4,746	2,357	3,032	2,793	4,831	2,231	2,415	2,726	1,850
Increase in Net Position	\$ 25,681	\$ 62,355	\$ 155,683	\$ 108,617	\$ 194,211	\$ 78,967	\$ 92,637	\$ 56,974	\$ 95,484	\$ 92,426
Total Revenues	\$ 2,187,659	\$ 2,123,033	\$ 2,109,787	\$ 2,040,878	\$ 2,042,135	\$ 1,832,304	\$ 1,791,605	\$ 1,684,756	\$ 1,651,233	\$ 1,558,880
Total Expenses	2,161,978	2,060,678	1,954,104	1,932,261	1,847,924	1,753,337	1,698,968	1,627,782	1,555,749	1,466,454
Increase in Net Position	\$ 25,681	\$ 62,355	\$ 155,683	\$ 108,617	\$ 194,211	\$ 78,967	\$ 92,637	\$ 56,974	\$ 95,484	\$ 92,426

* In compliance with Arizona Revised Statutes 35-391, the University of Arizona discloses the following: For fiscal year 2019, the university received a rebate in the amount of \$2.2 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	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues	%	%	%	%	%	%	%	%	%	%
<i>Operating Revenues</i>										
Student tuition and fees, net of scholarship allowance	30.1	30.8	31.0	29.8	27.2	26.5	25.8	24.4	23.0	21.1
Federal grants and contracts	15.4	14.3	14.1	13.9	14.2	16.8	20.4	21.5	21.4	20.8
State grants and contracts	0.6	0.6	0.7	0.7	0.4	0.6	0.7	0.8	2.6	1.8
Local grants and contracts	0.1	0.1	0.1	0.1	0.1	0.1	0.2	1.6	-	-
Nongovernment grants and contracts	8.2	8.5	9.5	11.9	8.5	5.2	5.2	4.6	3.9	4.8
Sales and services of educational departments	2.6	2.6	2.5	2.6	2.5	2.4	2.0	3.0	2.2	1.9
Auxiliary enterprises	9.4	9.7	10.0	10.1	10.0	10.4	10.6	10.2	10.4	10.6
Other operating revenues	0.7	0.9	0.9	0.7	1.5	0.9	0.8	0.6	0.6	0.6
Total Operating Revenues	67.1	67.4	68.7	69.8	64.4	63.0	65.6	66.7	64.1	61.7
Expenses										
<i>Operating Expenses</i>										
Educational and general										
Instruction	24.5	24.5	23.5	23.8	22.6	24.3	23.0	23.9	23.8	24.4
Research	21.4	20.7	20.3	20.2	22.8	22.6	25.6	26.2	26.0	26.9
Public Service	4.0	4.0	4.6	4.1	4.2	4.8	5.4	4.7	4.8	4.8
Academic support	13.6	14.7	16.1	17.8	14.3	11.6	10.2	9.8	8.0	6.8
Student services	4.2	3.6	2.9	2.7	2.6	2.6	2.5	2.4	2.1	1.9
Institutional support	7.8	7.1	7.5	6.7	7.4	6.7	5.9	6.0	5.8	5.7
Operation and maintenance of plant	4.9	5.0	4.5	4.4	4.7	4.9	5.2	5.4	5.6	5.9
Scholarships and fellowships	2.7	2.7	2.8	2.7	3.1	3.7	3.4	3.2	3.6	3.8
Auxiliary enterprises	7.7	8.5	8.4	8.5	9.0	9.2	9.2	9.1	10.2	9.8
Depreciation	6.7	6.6	6.8	6.5	6.8	6.7	6.7	6.6	6.9	6.9
Total Operating Expenses	97.5	97.4	97.4	97.4	97.5	97.1	97.2	97.3	96.8	96.9
Operating loss	(29.6)	(27.9)	(23.3)	(22.4)	(23.8)	(29.9)	(26.6)	(27.3)	(27.1)	(29.5)
Nonoperating Revenues (Expenses)										
State operating appropriations	11.6	12.0	11.6	11.8	13.2	14.5	14.2	15.9	20.0	21.2
Share of State sales tax revenues	1.4	1.4	1.3	1.2	1.2	1.3	1.2	1.2	1.2	1.3
Federal grants and appropriations	4.3	3.7	3.1	3.8	3.9	4.3	4.6	4.6	4.9	4.8
Federal fiscal stabilization funds	-	-	-	-	-	-	-	-	-	1.8
State and other government grants	1.2	1.2	1.0	0.3	0.7	0.9	1.0	0.1	0.2	0.2
Nongovernment grants and contracts	5.1	6.1	5.9	6.3	5.6	5.0	5.5	0.3	0.2	0.3
Gifts	3.9	3.9	3.8	4.0	4.4	4.3	4.2	5.7	5.3	5.1
Investment income	2.2	1.5	1.5	0.5	0.3	2.4	1.2	0.2	1.7	1.2
Interest expense on debt	(2.6)	(2.6)	(2.6)	(2.6)	(2.5)	(2.9)	(2.8)	(2.7)	(3.2)	(3.1)
Gain on Sale of Capital Assets	-	-	-	-	2.3	-	-	-	-	-
Other nonoperating revenues, net	0.4	0.4	0.5	0.5	0.9	1.1	0.8	1.6	0.8	1.0
Net Nonoperating Revenues	27.5	27.6	26.3	25.9	30.3	30.9	29.9	27.0	31.4	33.9
Income/(Loss) before Capital and Endowment Additions	(1.7)	0.5	4.8	3.4	6.5	1.0	3.3	(0.2)	4.3	4.4
Capital grants, gifts and conveyances	0.5	0.5	0.5	0.2	1.8	1.7	0.6	2.6	0.4	0.5
Capital appropriations	1.1	0.7	1.0	0.5	0.5	0.8	0.8	0.8	0.9	0.9
Capital commitment - State Lottery Revenue	1.0	1.0	1.0	1.1	0.6	0.5	0.4	-	-	-
Additions to permanent endowments	0.3	0.2	0.1	0.1	0.1	0.3	0.1	0.2	0.2	0.1
Increase in Net Position	1.2	2.9	7.4	5.3	9.5	4.3	5.2	3.4	5.8	5.9

CHANGE IN NET POSITION (CONTINUED)

(Percentage increase (decrease) from prior year)

Fiscal Year Ended June 30	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues	%	%	%	%	%	%	%	%	%	%
<i>Operating Revenues</i>										
Student tuition and fees, net of scholarship allowance	0.7	-	7.4	9.7	14.4	5.0	12.4	8.3	15.1	22.3
Federal grants and contracts	11.5	2.3	5.1	(2.7)	(5.6)	(15.9)	1.1	2.7	8.6	7.2
State grants and contracts	(11.3)	(4.3)	0.1	74.7	(28.0)	(3.5)	(17.1)	(67.4)	50.6	15.6
Local grants and contracts	(3.0)	16.4	35.8	(12.6)	8.7	(41.3)	(89.8)	100.0	-	-
Nongovernment grants and contracts	(0.6)	(10.3)	(17.7)	39.5	81.6	3.8	19.2	20.3	(13.3)	10.1
Sales and services of educational departments	3.5	4.7	(2.2)	2.9	16.1	23.3	(29.1)	38.1	27.2	(3.6)
Auxiliary enterprises	-	(2.4)	1.8	1.5	6.6	0.5	11.2	(0.2)	3.5	7.0
Other operating revenues	(13.2)	0.4	30.4	(52.4)	81.5	14.7	31.0	2.2	8.9	(5.3)
Total Operating Revenues	2.5	(1.2)	1.7	8.3	14.0	(1.8)	4.5	6.2	10.0	11.8
Expenses										
<i>Operating Expenses</i>										
Educational and general										
Instruction	4.4	10.1	(0.1)	10.2	(2.0)	8.7	0.8	5.0	3.3	0.1
Research	8.3	7.4	1.6	(7.3)	6.4	(8.9)	2.2	5.1	2.6	2.5
Public Service	4.4	(7.9)	13.5	0.5	(7.5)	(7.2)	17.9	4.2	5.5	0.8
Academic support	(2.4)	(3.9)	(8.7)	30.3	29.9	17.4	9.2	28.2	23.3	(4.8)
Student services	22.9	32.5	5.6	12.4	1.7	8.8	9.0	20.7	17.3	(2.2)
Institutional support	15.7	-	12.9	(5.0)	15.6	18.1	2.4	7.8	9.0	(2.6)
Operation and maintenance of plant	2.2	17.2	4.2	(3.1)	1.1	(3.0)	1.6	0.3	0.9	3.9
Scholarships and fellowships	5.9	1.0	5.9	(9.4)	(10.8)	10.2	10.8	(5.5)	0.4	18.5
Auxiliary enterprises	(4.7)	6.7	0.2	(1.8)	3.9	2.5	5.4	(6.3)	10.3	(0.4)
Depreciation	6.4	2.1	5.8	0.5	6.9	3.0	5.4	(0.2)	6.5	1.6
Total Operating Expenses	5.0	5.5	1.1	4.5	5.8	3.1	4.3	5.2	5.9	1.1
Operating loss	11.0	26.7	(0.7)	(5.9)	(11.3)	15.3	3.7	2.8	(2.8)	(15.8)
Nonoperating Revenues (Expenses)										
State operating appropriations	(0.7)	3.9	1.6	(10.8)	2.1	4.1	(5.2)	(18.7)	-	(5.3)
Share of State sales tax revenues	7.7	4.1	10.4	0.2	5.9	13.5	2.1	2.0	(0.7)	(10.8)
Federal grants and appropriations	18.8	21.2	(15.9)	(2.4)	-	(4.5)	7.5	(4.5)	8.9	17.6
Federal fiscal stabilization funds	-	-	-	-	-	-	-	(100.0)	(97.3)	(53.5)
State and other government grants	(1.7)	19.5	287.3	(60.3)	(13.5)	(5.3)	825.5	(46.8)	2.7	(27.0)
Nongovernment grants and contracts	(13.3)	5.0	(3.6)	12.0	24.5	(7.4)	2,241.3	41.5	(24.0)	47.3
Gifts	3.5	2.1	(1.0)	(10.1)	14.9	5.0	(22.5)	10.1	10.3	1.3
Investment income	56.6	(3.3)	218.2	51.3	(84.6)	109.7	508.9	(88.2)	58.2	(191.8)
Interest expense on debt	3.4	3.9	3.0	7.5	(8.5)	6.2	7.3	(12.0)	11.9	10.2
Gain on Sale of Capital Assets	-	-	-	(100.0)	100.0	-	-	-	-	-
Other nonoperating revenues, net	(7.0)	(18.4)	16.8	(47.6)	(9.5)	48.9	(51.4)	99.6	(13.8)	57.9
Net Nonoperating Revenues	2.6	5.7	5.1	(14.6)	9.1	5.8	17.8	(12.1)	(2.0)	(0.4)
Income/(Loss) before Capital and Endowment Additions	(446.2)	(89.4)	42.9	(46.8)	622.0	(69.5)	(1,578.6)	(105.7)	2.9	(552.5)
Capital grants, gifts and conveyances	(3.3)	23.0	168.0	(90.5)	14.1	229.8	(78.1)	509.5	2.8	(6.2)
Capital appropriations	74.1	(35.2)	129.1	(14.4)	(21.4)	-	-	-	-	-
Capital commitment - State Lottery Revenue	1.0	(1.4)	(2.9)	91.0	20.9	48.4	100.0	-	-	-
Additions to permanent endowments	14.3	101.4	(22.3)	8.6	(42.2)	116.5	(7.6)	(11.4)	47.4	(44.2)
Increase/(Decrease) in Net Position	(58.8)	(59.9)	43.3	(44.1)	145.9	(14.8)	62.6	(40.3)	3.3	841.7

OPERATING EXPENSES BY NATURAL CLASSIFICATION

Fiscal Year Ended June 30 (in thousands of dollars)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Personal Services and Benefits	\$ 1,340,973	\$ 1,283,072	\$ 1,229,939	\$ 1,248,749	\$ 1,138,615	\$ 1,048,926	\$ 1,005,283	\$ 981,904	\$ 953,033	\$ 912,762
Supplies and Services	560,018	530,930	482,530	454,215	479,021	470,546	472,323	445,084	393,371	355,586
Scholarships and Fellowships	61,665	57,836	57,656	54,094	59,125	66,488	60,374	48,842	51,128	51,803
Depreciation	144,250	135,565	132,726	125,455	124,870	116,781	113,345	107,561	107,770	101,226
Total Operating Expenses by Natural Classification	\$ 2,106,906	\$ 2,007,403	\$ 1,902,851	\$ 1,882,513	\$ 1,801,631	\$ 1,702,741	\$ 1,651,325	\$ 1,583,391	\$ 1,505,302	\$ 1,421,377
<i>Expressed as a percent of the total</i>	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	63.6	63.9	64.6	66.3	63.2	61.6	60.9	62.0	63.3	64.2
Supplies and Services	26.6	26.4	25.4	24.1	26.6	27.6	28.5	28.1	26.1	25.0
Scholarships and Fellowships	2.9	2.9	3.0	2.9	3.3	3.9	3.7	3.1	3.4	3.6
Depreciation	6.9	6.8	7.0	6.7	6.9	6.9	6.9	6.8	7.2	7.1
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	4.5	4.3	(1.5)	9.7	8.6	4.3	2.4	3.0	4.4	(0.9)
Supplies and Services	5.5	10.0	6.2	(5.2)	1.8	(0.4)	6.1	13.1	10.6	3.8
Scholarships and Fellowships	6.6	0.3	6.6	(8.5)	(11.1)	10.1	23.6	(4.5)	(1.3)	22.1
Depreciation	6.4	2.1	5.8	0.5	6.9	3.0	5.4	(0.2)	6.5	1.6
Total Operating Expenses by Natural Classification	5.0	5.5	1.1	4.5	5.8	3.1	4.3	5.2	5.9	1.1

ACADEMIC YEAR TUITION AND REQUIRED FEES

Fiscal Year Ended June 30	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Resident Undergraduate										
University of Arizona	\$ 12,467	\$ 12,248	\$ 11,789	\$ 11,424	\$ 10,957	\$ 10,391	\$ 10,035	\$ 10,035	\$ 8,237	\$ 6,842
percent increase from prior year	1.8%	3.9%	3.2%	4.3%	5.4%	3.5%	0.0%	21.8%	20.4%	23.5%
Pac-12 Public Average	\$ 11,823	\$ 11,586	\$ 10,885	\$ 10,866	\$ 10,217	\$ 10,150	\$ 10,294	\$ 9,831	\$ 8,990	\$ 7,803
percent increase/(decrease) from prior year	2.0%	6.4%	0.2%	6.4%	0.7%	(1.4)%	4.7%	9.4%	15.2%	14.6%
ABOR Peers Average	\$ 12,034	\$ 11,904	\$ 11,613	\$ 11,454	\$ 11,289	\$ 11,130	\$ 11,012	\$ 10,659	\$ 9,855	\$ 8,928
percent increase from prior year	1.1%	2.5%	1.4%	1.5%	1.4%	1.1%	3.3%	8.2%	10.4%	5.9%
Non-Resident Undergraduate										
University of Arizona	\$ 36,366	\$ 35,678	\$ 34,987	\$ 32,652	\$ 29,421	\$ 27,073	\$ 26,231	\$ 25,494	\$ 24,597	\$ 22,251
percent increase from prior year	1.9%	2.0%	7.2%	11.0%	8.7%	3.2%	2.9%	3.6%	10.5%	19.1%
Pac-12 Public Average	\$ 34,447	\$ 33,561	\$ 31,640	\$ 30,492	\$ 28,088	\$ 27,698	\$ 28,062	\$ 27,510	\$ 26,753	\$ 25,123
percent increase/(decrease) from prior year	2.6%	6.1%	3.8%	8.6%	1.4%	(1.3)%	2.0%	2.8%	6.5%	10.1%
ABOR Peers Average	\$ 35,452	\$ 34,457	\$ 32,728	\$ 31,480	\$ 30,159	\$ 29,315	\$ 28,756	\$ 27,918	\$ 26,512	\$ 24,960
percent increase from prior year	2.9%	5.3%	4.0%	4.4%	2.9%	1.9%	3.0%	5.3%	6.2%	6.2%
Resident Graduate										
University of Arizona	\$ 13,044	\$ 12,812	\$ 12,397	\$ 12,062	\$ 11,723	\$ 11,511	\$ 11,122	\$ 10,825	\$ 9,027	\$ 7,632
percent increase from prior year	1.8%	3.3%	2.8%	2.9%	1.8%	3.5%	2.7%	19.9%	18.3%	20.5%
Pac-12 Public Average	\$ 13,427	\$ 13,246	\$ 13,057	\$ 12,897	\$ 12,007	\$ 11,710	\$ 11,810	\$ 11,494	\$ 10,321	\$ 9,824
percent increase/(decrease) from prior year	1.4%	1.4%	1.2%	7.4%	2.5%	(0.9)%	2.8%	11.4%	5.1%	8.0%
ABOR Peers Average	\$ 14,680	\$ 14,358	\$ 13,994	\$ 13,760	\$ 13,247	\$ 13,031	\$ 12,770	\$ 12,339	\$ 11,515	\$ 10,853
percent increase from prior year	2.2%	2.6%	1.7%	3.9%	1.7%	2.0%	3.5%	7.2%	6.1%	6.6%
Non-Resident Graduate										
University of Arizona	\$ 33,393	\$ 32,762	\$ 32,149	\$ 30,384	\$ 28,705	\$ 27,383	\$ 26,533	\$ 25,787	\$ 24,889	\$ 22,544
percent increase from prior year	1.9%	1.9%	5.8%	5.8%	4.8%	3.2%	2.9%	3.6%	10.4%	18.8%
Pac-12 Public Average	\$ 28,860	\$ 28,223	\$ 27,978	\$ 27,336	\$ 25,622	\$ 24,918	\$ 24,558	\$ 24,051	\$ 22,722	\$ 21,823
percent increase from prior year	2.3%	0.9%	2.3%	6.7%	2.8%	1.5%	2.1%	5.8%	4.1%	6.4%
ABOR Peers Average	\$ 30,079	\$ 29,413	\$ 28,673	\$ 28,077	\$ 27,474	\$ 26,995	\$ 26,456	\$ 25,682	\$ 24,507	\$ 23,465
percent increase from prior year	2.3%	2.6%	2.1%	2.2%	1.8%	2.0%	3.0%	4.8%	4.4%	4.3%

Sources:

University Analytics & Institutional Research (UAIR) <https://uair.arizona.edu> and the University of Arizona Tuition Calculator <https://tuitioncalculator.fso.arizona.edu>.

Western Interstate Commission for Higher Education (WICHE) <https://wiche.edu/pub/tf>

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 universities' websites.

PRINCIPAL REVENUE SOURCES

Fiscal Year Ended June 30 (in thousands of dollars)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Tuition and Fees, net of scholarship allowance	\$658,090	\$653,519	\$653,725	\$608,679	\$554,768	\$484,809	\$461,580	\$410,507	\$379,199	\$329,586
percent of total revenue	30%	31%	31%	30%	27%	26%	26%	24%	23%	21%
percent increase/(decrease) from prior year	1%	0%	7%	10%	14%	5%	12%	8%	15%	22%
State of Arizona Government										
State and local grants and contracts	\$39,926	\$41,984	\$38,005	\$21,333	\$24,013	\$29,253	\$31,707	\$42,802	\$46,778	\$32,152
State appropriations	252,931	254,789	245,146	241,257	270,538	265,038	254,654	268,533	330,297	330,297
Technology and research initiatives funding	30,970	28,763	27,618	25,025	24,964	23,576	20,773	20,353	19,954	20,102
Capital appropriations and capital commitments (1)	46,233	35,460	43,498	31,763	22,808	23,852	20,723	14,253	14,253	14,253
AZ State Government	\$370,060	\$360,996	\$354,267	\$319,378	\$342,323	\$341,719	\$327,857	\$345,951	\$411,282	\$396,804
percent of total revenue	17%	17%	17%	16%	17%	19%	18%	21%	25%	25%
percent increase/(decrease) from prior year	3%	2%	11%	(7)%	0%	4%	(5)%	(16)%	4%	(3)%
Federal Government										
Federal grants and contracts	\$373,717	\$329,388	\$312,547	\$308,469	\$318,118	\$336,288	\$399,958	\$390,515	\$385,608	\$356,952
Federal fiscal stabilization funds	-	-	-	-	-	-	-	-	755	28,313
Financial aid grants	59,296	53,746	49,990	52,037	52,165	51,290	49,469	49,239	48,182	42,275
Federal Government	\$433,013	\$383,134	\$362,537	\$360,506	\$370,283	\$387,578	\$449,427	\$439,754	\$434,545	\$427,540
percent of total revenue	20%	18%	17%	18%	18%	21%	25%	26%	26%	27%
percent increase/(decrease) from prior year	13%	6%	1%	(3)%	(4)%	(14)%	2%	1%	2%	1%
Total from principal revenue payers	\$1,461,163	\$1,397,649	\$1,370,529	\$1,288,563	\$1,267,374	\$1,214,106	\$1,238,864	\$1,196,202	\$1,225,026	\$1,153,930
percent of total revenue	67%	66%	65%	63%	62%	66%	69%	71%	74%	74%
percent increase/(decrease) from prior year	5%	2%	6%	2%	4%	(2)%	4%	(2)%	6%	5%

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

LONG-TERM DEBT

Fiscal Year Ended June 30 (in thousands of dollars)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
System Revenue Bonds and SPEED Revenue Bonds	\$ 1,218,745	\$ 1,166,915	\$ 1,090,805	\$ 953,005	\$ 984,265	\$ 788,685	\$ 811,285	\$ 686,090	\$ 637,140	\$ 622,265
Plus Unamortized Premium/(Discount)	128,207	124,003	115,487	91,269	68,835	36,311	37,823	26,002	17,787	15,128
Less Deferred amount on Refundings *	-	-	-	-	-	-	(8,179)	(5,109)	(3,225)	(3,880)
Net System Revenue Bonds and SPEED Revenue Bonds	\$ 1,346,952	\$ 1,290,918	\$ 1,206,292	\$ 1,044,274	\$ 1,053,100	\$ 824,996	\$ 840,929	\$ 706,983	\$ 651,702	\$ 633,513
Certificates of Participation	\$ 232,816	\$ 264,761	\$ 302,176	\$ 331,861	\$ 354,736	\$ 377,990	\$ 400,720	\$ 425,530	\$ 459,951	\$ 475,439
Plus Unamortized Premium/(Discount)	26,330	29,760	23,959	26,478	29,001	19,145	20,864	22,878	5,313	5,737
Less Deferred amount on Refundings *	-	-	-	-	-	-	(13,301)	(14,575)	(8,678)	(9,493)
Net Certificates of Participation	\$ 259,146	\$ 294,521	\$ 326,135	\$ 358,339	\$ 383,737	\$ 397,135	\$ 408,283	\$ 433,833	\$ 456,586	\$ 471,683
Total Bonds Payable	\$ 1,346,952	\$ 1,290,918	\$ 1,206,292	\$ 1,044,274	\$ 1,053,100	\$ 824,996	\$ 840,929	\$ 706,983	\$ 651,702	\$ 633,513
COPs Payable	259,146	294,521	326,135	358,339	383,737	397,135	408,283	433,833	456,586	471,683
Capital and Operating Leases Payable	14,916	15,514	16,308	17,134	41,699	37,555	38,543	36,957	38,605	39,877
Total	\$ 1,621,014	\$ 1,600,953	\$ 1,548,735	\$ 1,419,747	\$ 1,478,536	\$ 1,259,686	\$ 1,287,755	\$ 1,177,773	\$ 1,146,893	\$ 1,145,073
Long Term Debt (whole dollars)										
per student FTE	\$ 36,529	\$ 36,279	\$ 35,546	\$ 32,771	\$ 34,881	\$ 30,881	\$ 31,943	\$ 30,058	\$ 30,121	\$ 30,860
per Dollar of State Appropriations and State Capital Appropriations	\$ 5.84	\$ 5.95	\$ 5.80	\$ 5.66	\$ 5.25	\$ 4.51	\$ 4.79	\$ 4.16	\$ 3.33	\$ 3.32
per Dollar of Total Grants and Contracts	\$ 2.12	\$ 2.17	\$ 2.13	\$ 1.91	\$ 2.16	\$ 2.07	\$ 1.89	\$ 2.08	\$ 2.09	\$ 2.24
Data Used in Above Calculations										
Total Student FTE	44,376	44,129	43,570	43,323	42,388	40,791	40,314	39,183	38,076	37,106
State appropriations and State Capital Appropriations	\$ 277,734	\$ 269,038	\$ 267,124	\$ 250,851	\$ 281,742	\$ 279,291	\$ 268,908	\$ 282,786	\$ 344,550	\$ 344,550
Grants and Contracts	\$ 764,429	\$ 738,688	\$ 726,420	\$ 743,216	\$ 685,400	\$ 609,596	\$ 682,620	\$ 566,607	\$ 548,103	\$ 510,868

* 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	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	0.13	0.13	0.20	0.14	0.12	0.36	0.34	0.31	0.35	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	0.98	0.98	1.50	1.05	0.90	2.71	2.56	2.33	2.63	2.56
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.34	0.34	0.53	0.37	0.32	0.95	0.89	0.82	0.92	0.89
= Ratio 10.00 Cap Subtotal	0.34	0.34	0.53	0.37	0.32	0.95	0.89	0.82	0.92	0.89
+ Return on Net Assets Ratio	6.6%	12.7%	13.7%	6.2%	17.5%	9.3%	8.5%	1.4%	10.4%	9.2%
/ 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	3.30	6.35	6.85	3.10	8.75	4.65	4.25	0.70	5.20	4.60
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.66	1.27	1.37	0.62	1.75	0.93	0.85	0.14	1.04	0.92
= Ratio 10.00 Cap Subtotal	0.66	1.27	1.37	0.62	1.75	0.93	0.85	0.14	1.04	0.92
+ Net Operating Revenues Ratio	(1.5)%	0.7%	5.5%	3.7%	7.3%	1.4%	3.8%	(0.3)%	4.6%	4.8%
/ 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	(1.00)	0.54	4.23	2.85	5.62	1.08	2.92	(0.23)	3.54	3.69
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	(0.10)	0.05	0.42	0.28	0.56	0.11	0.29	(0.02)	0.35	0.37
= Ratio 10.00 Cap Subtotal	(0.10)	0.05	0.42	0.28	0.56	0.11	0.29	(0.02)	0.35	0.37
+ Viability Ratio	0.2	0.2	0.3	0.2	0.2	0.6	0.5	0.5	0.5	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	0.72	0.48	0.48	1.44	1.20	1.20	1.20	1.20
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.17	0.17	0.25	0.17	0.17	0.50	0.42	0.42	0.42	0.42
= Ratio 10.00 Cap Subtotal	0.17	0.17	0.25	0.17	0.17	0.50	0.42	0.42	0.42	0.42
Composite Financial Index	1.07	1.83	2.57	1.44	2.80	2.49	2.46	1.35	2.73	2.60
Composite Financial Index with 10.00 Cap	1.07	1.83	2.57	1.44	2.80	2.49	2.46	1.35	2.73	2.60

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)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
PRIMARY RESERVE RATIO										
Unrestricted Net Assets	\$ (130,727)	\$ (135,502)	\$ 20,756	\$ (80,965)	\$ (124,204)	\$ 373,103	\$ 361,244	\$ 310,258	\$ 293,103	\$ 254,432
Net Assets Without Donor Restrictions – Component Units	62,819	56,189	52,612	44,154	43,592	39,419	33,945	31,686	31,848	28,178
Expendable Restricted Net Assets	233,337	244,542	241,080	238,522	218,805	161,894	124,582	122,904	137,768	127,599
Expendable Restricted Net Assets – Component Units*	152,068	143,895	128,288	122,486	126,134	125,534	114,430	105,820	138,951	138,133
Investment in Plant - Component Units	(31,095)	(27,696)	(26,777)	(33,163)	(32,712)	(31,088)	(30,743)	(29,792)	(29,720)	(26,616)
Expendable Net Assets	\$ 286,402	\$ 281,428	\$ 415,959	\$ 291,034	\$ 231,615	\$ 668,862	\$ 603,458	\$ 540,876	\$ 571,950	\$ 521,726
Operating Expenses	\$ 2,106,906	\$ 2,007,403	\$ 1,902,851	\$ 1,882,513	\$ 1,801,631	\$ 1,702,741	\$ 1,651,325	\$ 1,583,391	\$ 1,505,302	\$ 1,421,377
Nonoperating Expenses	55,072	53,275	51,253	49,748	46,293	50,596	47,643	44,391	50,447	45,077
Component Unit Total Expenses	128,604	108,606	103,419	110,428	130,081	119,033	87,516	129,492	85,761	80,778
Total Expenses	\$ 2,290,582	\$ 2,169,284	\$ 2,057,523	\$ 2,042,689	\$ 1,978,005	\$ 1,872,370	\$ 1,786,484	\$ 1,757,274	\$ 1,641,510	\$ 1,547,232
Expendable Net Assets	\$ 286,402	\$ 281,428	\$ 415,959	\$ 291,034	\$ 231,615	\$ 668,862	\$ 603,458	\$ 540,876	\$ 571,950	\$ 521,726
Total Expenses	\$ 2,290,582	\$ 2,169,284	\$ 2,057,523	\$ 2,042,689	\$ 1,978,005	\$ 1,872,370	\$ 1,786,484	\$ 1,757,274	\$ 1,641,510	\$ 1,547,232
Ratio	0.13	0.13	0.20	0.14	0.12	0.36	0.34	0.31	0.35	0.34
<i>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.</i>										
<i>* 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.</i>										
RETURN ON NET ASSETS RATIO										
Change in Net assets	\$ 125,916	\$ 215,540	\$ 224,673	\$ 96,154	\$ 229,469	\$ 163,058	\$ 138,868	\$ 21,734	\$ 151,930	\$ 122,890
Total Net Assets (Beginning of Year)	\$ 1,917,978	\$ 1,702,438	\$ 1,635,225	\$ 1,539,071	\$ 1,309,602	\$ 1,755,900	\$ 1,629,107	\$ 1,607,373	\$ 1,455,443	\$ 1,332,553
Ratio	6.6%	12.7%	13.7%	6.2%	17.5%	9.3%	8.5%	1.4%	10.4%	9.2%
<i>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.</i>										
NET OPERATING REVENUES RATIO										
Income/(Loss) before Capital and Endowment Additions	\$ (37,046)	\$ 10,702	\$ 100,524	\$ 70,350	\$ 132,121	\$ 18,299	\$ 59,986	\$ (4,057)	\$ 71,226	\$ 69,243
Component Units Change in Net Assets Without Donor Restrictions Before Extraordinary or Special Items	6,630	3,577	8,458	562	4,173	5,474	2,259	(162)	3,670	3,083
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Units Change in Net Assets Without Donor Restrictions Before Extraordinary or Special Items	\$ (30,416)	\$ 14,279	\$ 108,982	\$ 70,912	\$ 136,294	\$ 23,773	\$ 62,245	\$ (4,219)	\$ 74,896	\$ 72,326
Total Operating Revenues	\$ 1,467,875	\$ 1,431,591	\$ 1,448,442	\$ 1,424,770	\$ 1,315,091	\$ 1,153,967	\$ 1,175,364	\$ 1,124,228	\$ 1,058,622	\$ 961,960
State Appropriation and State related revenues	306,696	306,791	294,486	271,891	309,640	304,967	292,688	290,751	353,757	353,814
Non-capital Gifts and Grants, net	84,578	81,746	80,060	80,890	89,975	78,287	74,530	96,201	87,355	79,164
Financial Aid Trust Funds*	2,729	2,729	2,761	2,880	3,030	3,154	3,193	3,042	2,972	2,832
Investment Income/(Loss), net	48,396	30,911	31,962	10,046	6,638	43,229	20,619	3,386	28,686	18,133
Component Units Total Revenue Without Donor Restrictions	135,079	112,932	111,633	110,779	134,054	124,081	89,506	107,967	83,484	83,422
Adjusted Net Operating Revenues	\$ 2,045,353	\$ 1,966,700	\$ 1,969,344	\$ 1,901,256	\$ 1,858,428	\$ 1,707,685	\$ 1,655,900	\$ 1,625,575	\$ 1,614,876	\$ 1,499,325
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Units Change in Net Assets Without Donor Restrictions Before Extraordinary or Special Items	\$ (30,416)	\$ 14,279	\$ 108,982	\$ 70,912	\$ 136,294	\$ 23,773	\$ 62,245	\$ (4,219)	\$ 74,896	\$ 72,326
Adjusted Net Operating Revenues	\$ 2,045,353	\$ 1,966,700	\$ 1,969,344	\$ 1,901,256	\$ 1,858,428	\$ 1,707,685	\$ 1,655,900	\$ 1,625,575	\$ 1,614,876	\$ 1,499,325
Ratio	(1.5)%	0.7%	5.5%	3.7%	7.3%	1.4%	3.8%	(0.3)%	4.6%	4.8%
<i>Measures whether the institution is living within available resources. A positive ratio and an increasing amount over time, generally reflects strength.</i>										
<i>* 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.</i>										

SUMMARY OF RATIOS (CONTINUED)

Fiscal Year Ended June 30 (in thousands of dollars)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
VIABILITY RATIO										
Unrestricted Net Assets	\$ (130,727)	\$ (135,502)	\$ 20,756	\$ (80,965)	\$ (124,204)	\$ 373,103	\$ 361,244	\$ 310,258	\$ 293,103	\$ 254,432
Net Assets Without Donor Restriction – Component Units	62,819	56,189	52,612	44,154	43,592	39,419	33,945	31,686	31,848	28,178
Expendable Restricted Net Assets	233,337	244,542	241,080	238,522	218,805	161,894	124,582	122,904	137,768	127,599
Expendable Restricted Net Assets – Component Units*	152,068	143,895	128,288	122,486	126,134	125,534	114,430	105,820	138,951	138,133
Expendable Net Assets	\$ 317,497	\$ 309,124	\$ 442,736	\$ 324,197	\$ 264,327	\$ 699,950	\$ 634,201	\$ 570,668	\$ 601,670	\$ 548,342
University Long Term Debt	\$ 1,621,014	\$ 1,600,953	\$ 1,548,735	\$ 1,419,747	\$ 1,478,536	\$ 1,259,686	\$ 1,287,755	\$ 1,177,773	\$ 1,146,893	\$ 1,145,073
Component Units Long Term Debt	5,840	5,553	6,024	4,255	5,279	6,682	8,105	9,344	10,487	9,374
Total Adjusted University Debt	\$ 1,626,854	\$ 1,606,506	\$ 1,554,759	\$ 1,424,002	\$ 1,483,815	\$ 1,266,368	\$ 1,295,860	\$ 1,187,117	\$ 1,157,380	\$ 1,154,447
Expendable Net Assets	\$ 317,497	\$ 309,124	\$ 442,736	\$ 324,197	\$ 264,327	\$ 699,950	\$ 634,201	\$ 570,668	\$ 601,670	\$ 548,342
Total Adjusted University Debt	\$ 1,626,854	\$ 1,606,506	\$ 1,554,759	\$ 1,424,002	\$ 1,483,815	\$ 1,266,368	\$ 1,295,860	\$ 1,187,117	\$ 1,157,380	\$ 1,154,447
Ratio	0.2	0.2	0.3	0.2	0.2	0.6	0.5	0.5	0.5	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)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
OPERATING MARGIN EXCLUDING GIFTS										
Income/(Loss) before Capital and Endowment Additions	\$ (37,046)	\$ 10,702	\$ 100,524	\$ 70,350	\$ 132,121	\$ 18,299	\$ 59,986	\$ (4,057)	\$ 71,226	\$ 69,243
Capital appropriations	24,803	14,249	21,978	9,594	11,204	14,253	14,253	14,253	14,253	14,253
Less: Non-capital Gifts	(84,578)	(81,746)	(80,060)	(80,890)	(89,975)	(78,287)	(74,530)	(96,201)	(87,355)	(79,164)
Less: Net investment return	(48,396)	(30,911)	(31,962)	(10,046)	(6,638)	(43,229)	(20,619)	(3,386)	(28,686)	(18,133)
Less: Other nonoperating revenue, net	(8,404)	(9,040)	(11,072)	(9,480)	(18,103)	(20,009)	(13,440)	(27,644)	(13,849)	(16,063)
Adjusted Income/(Loss) before Capital and Endowment Additions	\$ (153,621)	\$ (96,746)	\$ (592)	\$ (20,472)	\$ 28,609	\$ (108,973)	\$ (34,350)	\$ (117,035)	\$ (44,411)	\$ (29,864)
Total Operating Revenues	\$ 1,467,875	\$ 1,431,591	\$ 1,448,442	\$ 1,424,770	\$ 1,315,091	\$ 1,153,967	\$ 1,175,364	\$ 1,124,228	\$ 1,058,622	\$ 961,960
Less: Scholarships and Fellowships	(58,673)	(55,421)	(54,884)	(51,808)	(57,158)	(64,070)	(58,145)	(52,475)	(55,510)	(55,316)
State Appropriation and share of sales tax	281,172	280,823	272,764	266,282	295,502	288,614	275,427	288,886	350,251	350,399
Federal fiscal stabilization funds	-	-	-	-	-	-	-	-	755	28,313
Financial aid grants	59,296	53,746	49,990	52,037	52,165	51,290	49,469	49,239	48,182	42,275
Grants and contracts (Nonoperating)	137,961	155,589	145,200	133,720	128,546	108,243	116,510	6,104	6,502	7,357
Financial Aid Trust Funds*	2,729	2,729	2,761	2,880	3,030	3,154	3,193	3,042	2,972	2,832
Capital appropriations	24,803	14,249	21,978	9,594	11,204	14,253	14,253	14,253	14,253	14,253
Adjust Net Operating Revenues less Non-capital Gifts and Grants	\$ 1,915,163	\$ 1,883,306	\$ 1,886,251	\$ 1,837,475	\$ 1,748,380	\$ 1,555,452	\$ 1,576,071	\$ 1,433,277	\$ 1,426,027	\$ 1,352,073
Adjusted Income/(Loss) before Capital and Endowment Additions	\$ (153,621)	\$ (96,746)	\$ (592)	\$ (20,472)	\$ 28,609	\$ (108,973)	\$ (34,350)	\$ (117,035)	\$ (44,411)	\$ (29,864)
Adjust Net Operating Revenues less Non-capital Gifts and Grants	\$ 1,915,163	\$ 1,883,306	\$ 1,886,251	\$ 1,837,475	\$ 1,748,380	\$ 1,555,452	\$ 1,576,071	\$ 1,433,277	\$ 1,426,027	\$ 1,352,073
Ratio	(8.0)%	(5.1)%	0.0%	(1.1)%	1.6%	(7.0)%	(2.2)%	(8.2)%	(3.1)%	(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)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES										
Operating Expenses	\$ 2,106,906	\$ 2,007,403	\$ 1,902,851	\$ 1,882,513	\$ 1,801,631	\$ 1,702,741	\$ 1,651,325	\$ 1,583,391	\$ 1,505,302	\$ 1,421,377
Less: Scholarships and Fellowships	(58,673)	(55,421)	(54,884)	(51,808)	(57,158)	(64,070)	(58,145)	(52,475)	(55,510)	(55,316)
Interest on Debt	55,072	53,275	51,253	49,748	46,293	50,596	47,643	44,391	50,447	45,077
Total Adjusted Operating Expenses	\$ 2,103,305	\$ 2,005,257	\$ 1,899,220	\$ 1,880,453	\$ 1,790,766	\$ 1,689,267	\$ 1,640,823	\$ 1,575,307	\$ 1,500,239	\$ 1,411,138
Research Expenses	\$ 462,112	\$ 426,873	\$ 397,512	\$ 391,122	\$ 421,973	\$ 396,680	\$ 435,536	\$ 425,993	\$ 405,271	\$ 395,008
Total Adjusted Operating Expenses	\$ 2,103,305	\$ 2,005,257	\$ 1,899,220	\$ 1,880,453	\$ 1,790,766	\$ 1,689,267	\$ 1,640,823	\$ 1,575,307	\$ 1,500,239	\$ 1,411,138
Ratio	22%	21%	21%	21%	24%	23%	27%	27%	27%	28%

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

NET TUITION PER STUDENT										
Student Tuition and Fees, net	\$ 658,090	\$ 653,519	\$ 653,725	\$ 608,679	\$ 554,768	\$ 484,809	\$ 461,580	\$ 410,507	\$ 379,199	\$ 329,586
Financial Aid Grants	62,025	56,475	52,751	54,917	55,195	54,444	52,662	52,281	51,154	45,107
Less Scholarships and Fellowships	(58,673)	(55,421)	(54,884)	(51,808)	(57,158)	(64,070)	(58,145)	(52,475)	(55,510)	(55,316)
Net Tuition and Fees	\$ 661,442	\$ 654,573	\$ 651,592	\$ 611,788	\$ 552,805	\$ 475,183	\$ 456,097	\$ 410,313	\$ 374,843	\$ 319,377
Net Tuition and Fees	\$ 661,442	\$ 654,573	\$ 651,592	\$ 611,788	\$ 552,805	\$ 475,183	\$ 456,097	\$ 410,313	\$ 374,843	\$ 319,377
Undergraduate, Graduate, and Professional FTE	44,376	44,129	43,570	43,323	42,388	40,791	40,314	39,183	38,076	37,106
Net Tuition per Student (whole dollars)	\$ 14,905	\$ 14,833	\$ 14,955	\$ 14,122	\$ 13,042	\$ 11,649	\$ 11,314	\$ 10,472	\$ 9,845	\$ 8,607

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

STATE APPROPRIATIONS PER STUDENT										
State Appropriations	\$ 252,931	\$ 254,789	\$ 245,146	\$ 241,257	\$ 270,538	\$ 265,038	\$ 254,654	\$ 268,533	\$ 330,297	\$ 330,297
Capital Appropriations	24,803	14,249	21,978	9,594	11,204	14,253	14,253	14,253	14,253	14,253
Adjusted State Appropriations	\$ 277,734	\$ 269,038	\$ 267,124	\$ 250,851	\$ 281,742	\$ 279,291	\$ 268,907	\$ 282,786	\$ 344,550	\$ 344,550
State Appropriations	\$ 277,734	\$ 269,038	\$ 267,124	\$ 250,851	\$ 281,742	\$ 279,291	\$ 268,907	\$ 282,786	\$ 344,550	\$ 344,550
Undergraduate, Graduate, and Professional FTE	44,376	44,129	43,570	43,323	42,388	40,791	40,314	39,183	38,076	37,106
State Appropriation per Student (whole dollars)	\$ 6,259	\$ 6,097	\$ 6,131	\$ 5,790	\$ 6,647	\$ 6,847	\$ 6,670	\$ 7,217	\$ 9,049	\$ 9,286

Measures the institution's dependency on state appropriations.

SUMMARY OF RATIOS – DEBT RELATED RATIOS

Fiscal Year Ended June 30 (in thousands of dollars)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
EXPENDABLE RESOURCES TO DEBT										
Unrestricted Net Assets	\$ (130,727)	\$ (135,502)	\$ 20,756	\$ (80,965)	\$ (124,204)	\$ 373,103	\$ 361,244	\$ 310,258	\$ 293,103	\$ 254,432
Expendable Restricted Net Assets	233,337	244,542	241,080	238,522	218,805	161,894	124,582	122,904	137,768	127,599
Expendable Net Assets	\$ 102,610	\$ 109,040	\$ 261,836	\$ 157,557	\$ 94,601	\$ 534,997	\$ 485,826	\$ 433,162	\$ 430,871	\$ 382,031
Expendable Net Assets	\$ 102,610	\$ 109,040	\$ 261,836	\$ 157,557	\$ 94,601	\$ 534,997	\$ 485,826	\$ 433,162	\$ 430,871	\$ 382,031
Total Adjusted University Debt	\$ 1,621,014	\$ 1,600,953	\$ 1,548,735	\$ 1,419,747	\$ 1,478,536	\$ 1,259,686	\$ 1,287,755	\$ 1,177,773	\$ 1,146,893	\$ 1,145,073
Ratio	0.06	0.07	0.17	0.11	0.06	0.40	0.40	0.40	0.40	0.30

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	\$ (130,727)	\$ (135,502)	\$ 20,756	\$ (80,965)	\$ (124,204)	\$ 373,103	\$ 361,244	\$ 310,258	\$ 293,103	\$ 254,432
Expendable Restricted Net Assets	233,337	244,542	241,080	238,522	218,805	161,894	124,582	122,904	137,768	127,599
Non-expendable Restricted Net Assets	161,496	154,227	142,774	134,356	138,464	138,512	122,635	113,968	115,307	101,263
Total Financial Resources	\$ 264,106	\$ 263,267	\$ 404,610	\$ 291,913	\$ 233,065	\$ 673,509	\$ 608,461	\$ 547,130	\$ 546,178	\$ 483,294
Total Financial Resources	\$ 264,106	\$ 263,267	\$ 404,610	\$ 291,913	\$ 233,065	\$ 673,509	\$ 608,461	\$ 547,130	\$ 546,178	\$ 483,294
Total Bonds, COPs and Capital Leases	\$ 1,621,014	\$ 1,600,953	\$ 1,548,735	\$ 1,419,747	\$ 1,478,536	\$ 1,259,686	\$ 1,287,755	\$ 1,177,773	\$ 1,146,893	\$ 1,145,073
Ratio	0.16	0.16	0.26	0.21	0.16	0.50	0.50	0.50	0.50	0.40

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	\$ (551,720)	\$ (464,708)	\$ (295,594)	\$ (287,171)	\$ (336,897)	\$ (402,380)	\$ (362,458)	\$ (404,778)	\$ (319,362)	\$ (385,905)
State Appropriations and Federal Stabilization Funds	252,931	254,789	245,146	241,257	270,538	265,038	254,654	268,533	331,052	358,610
Share of State Sales Tax - TRIF	30,970	28,763	27,618	25,025	24,964	23,576	20,773	20,353	19,954	20,102
Non-capital Grants and Contracts and Gifts (1)	316,356	316,286	290,388	292,033	297,837	265,817	274,104	179,581	175,567	189,142
Adjusted Cash Flow from Operations	\$ 48,537	\$ 135,130	\$ 267,558	\$ 271,144	\$ 256,442	\$ 152,051	\$ 187,073	\$ 63,689	\$ 207,211	\$ 181,949
Total Adjusted University Debt Outstanding	\$ 1,621,014	\$ 1,600,953	\$ 1,548,735	\$ 1,419,747	\$ 1,478,536	\$ 1,259,686	\$ 1,287,755	\$ 1,177,773	\$ 1,146,893	\$ 1,145,073
Adjusted Cash Flow from Operations	\$ 48,537	\$ 135,130	\$ 267,558	\$ 271,144	\$ 256,442	\$ 152,051	\$ 187,073	\$ 63,689	\$ 207,211	\$ 181,949
Ratio	33.40	11.85	5.79	5.24	5.77	8.28	6.88	18.49	5.53	6.29

(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 Leases	\$ 55,072	\$ 53,275	\$ 51,253	\$ 49,748	\$ 46,293	\$ 50,596	\$ 47,643	\$ 44,391	\$ 50,447	\$ 45,077
Principal Paid on Debt and Leases	67,468	132,499	79,838	254,284	197,381	47,605	120,436	241,680	42,572	52,272
Less: Principal Paid from Refinancing Activities	-	(65,950)	(15,685)	(181,440)	(157,050)	-	(71,115)	(199,835)	-	-
Debt Service	\$ 122,540	\$ 119,824	\$ 115,406	\$ 122,592	\$ 86,624	\$ 98,201	\$ 96,964	\$ 86,236	\$ 93,019	\$ 97,349
Debt Service	\$ 122,540	\$ 119,824	\$ 115,406	\$ 122,592	\$ 86,624	\$ 98,201	\$ 96,964	\$ 86,236	\$ 93,019	\$ 97,349
Operating Expenses	\$ 2,106,906	\$ 2,007,403	\$ 1,902,851	\$ 1,882,513	\$ 1,801,631	\$ 1,702,741	\$ 1,651,325	\$ 1,583,391	\$ 1,505,302	\$ 1,421,377
Ratio	5.8%	6.0%	6.1%	6.5%	4.8%	5.8%	5.9%	5.4%	6.2%	6.8%

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)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Tuition and Fees, net of scholarship allowance	\$ 658,090	\$ 653,519	\$ 653,725	\$ 608,679	\$ 554,768	\$ 484,809	\$ 461,580	\$ 410,507	\$ 379,199	\$ 329,586
Receipts from Other Major Revenue Sources (Facilities Revenues)	425,920	416,819	410,659	402,760	397,917	374,153	351,162	339,498	339,520	315,907
Net Revenues Available for Debt Service	\$ 1,084,010	\$ 1,070,338	\$ 1,064,384	\$ 1,011,439	\$ 952,685	\$ 858,962	\$ 812,742	\$ 750,005	\$ 718,719	\$ 645,493
Senior Lien Bonds Debt Service										
Interest on Debt	\$ 37,730	\$ 31,849	\$ 28,936	\$ 24,121	\$ 23,290	\$ 24,887	\$ 23,379	\$ 21,030	\$ 22,984	\$ 24,593
Principal Paid on Debt	24,955	25,135	23,820	25,205	21,575	22,600	21,895	17,375	24,720	23,860
Senior Lien Bonds Debt Service Requirements	\$ 62,685	\$ 56,984	\$ 52,756	\$ 49,326	\$ 44,865	\$ 47,487	\$ 45,274	\$ 38,405	\$ 47,704	\$ 48,453
Coverage	17.29	18.78	20.18	20.51	21.23	18.09	17.95	19.53	15.07	13.32

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.

Subordinate Lien Bonds Debt Service										
Interest on Debt	\$ 19,575	\$ 20,044	\$ 20,458	\$ 21,412	\$ 14,442	\$ 13,362	\$ 11,176	\$ 10,450	\$ 5,586	-
Principal Paid on Debt	9,970	9,590	9,260	-	-	-	-	-	-	-
Subordinate Lien Bonds Debt Service Requirements	\$ 29,545	\$ 29,634	\$ 29,718	\$ 21,412	\$ 14,442	\$ 13,362	\$ 11,176	\$ 10,450	\$ 5,586	-
Combined Senior/Subordinate Lien Debt Service	\$ 92,230	\$ 86,618	\$ 82,474	\$ 70,738	\$ 59,307	\$ 60,849	\$ 56,450	\$ 48,855	\$ 53,291	\$ 48,453
Coverage	11.75	12.36	12.91	14.30	16.06	14.12	14.40	15.35	13.49	13.32

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.

ADMISSIONS, ENROLLMENT AND DEGREES EARNED

Fall enrollment of fiscal year	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
ADMISSIONS - FRESHMEN										
Applications	39,941	33,608	36,166	35,383	32,723	26,480	26,328	26,871	26,620	24,757
Accepted	33,717	28,089	28,433	27,042	24,417	20,546	20,332	19,175	20,059	19,308
Enrolled	7,750	7,360	7,753	8,037	7,744	6,881	7,401	7,300	7,025	6,966
Accepted as Percentage of Application	84%	84%	79%	76%	75%	78%	77%	71%	75%	78%
Enrolled as Percentage of Accepted	23%	26%	27%	30%	32%	33%	36%	38%	35%	36%
Average SAT scores - Total	1229	1136	1123	1121	1114	1114	1116	1109	1100	1105
Verbal	611	563	555	540	549	548	550	547	543	545
Math	618	575	568	567	565	565	566	562	557	560
ENROLLMENT										
Undergraduate, Graduate and Professional FTE	44,376	44,129	43,570	43,323	42,388	40,791	40,314	39,183	38,076	37,106
Undergraduate, Graduate and Professional Headcount	45,217	44,831	43,625	43,088	42,236	40,621	40,223	39,236	39,086	38,767
Men (Headcount)	21,456	21,673	21,011	20,833	20,345	19,518	19,258	18,726	18,732	18,413
Percentage of Total	47.5%	48.3%	48.2%	48.3%	48.2%	48.0%	47.9%	47.7%	47.9%	47.5%
Women (Headcount)	23,761	23,158	22,614	22,255	21,891	21,103	20,965	20,510	20,354	20,354
Percentage of Total	52.5%	51.7%	51.8%	51.7%	51.8%	52.0%	52.1%	52.3%	52.1%	52.5%
African American (Headcount)	1,657	1,679	1,601	1,510	1,402	1,266	1,222	1,182	1,170	1,112
Percentage of Total	3.7%	3.7%	3.7%	3.5%	3.3%	3.1%	3.0%	3.0%	3.0%	2.9%
Hispanic (Headcount)	10,729	10,753	10,161	9,790	9,405	8,676	8,106	7,504	6,957	6,461
Percentage of Total	23.7%	24.0%	23.3%	22.7%	22.3%	21.4%	20.2%	19.1%	17.8%	16.7%
White (Headcount)	21,869	22,040	22,069	22,198	22,050	21,825	22,303	22,522	23,177	23,787
Percentage of Total	48.4%	49.2%	50.6%	51.5%	52.2%	53.7%	55.4%	57.4%	59.3%	61.4%
Other (Headcount)	10,962	10,359	9,794	9,590	9,379	8,854	8,592	8,028	7,782	7,407
Percentage of Total	24.2%	23.1%	22.4%	22.3%	22.2%	21.8%	21.4%	20.5%	19.9%	19.0%
DEGREES EARNED										
Bachelor's	7,754	7,248	6,949	7,039	6,743	6,370	6,494	6,351	6,195	5,827
Master's	2,100	1,987	1,987	1,960	1,735	1,702	1,663	1,568	1,565	1,327
Doctoral	448	435	442	524	528	460	441	446	445	471
Professional	533	513	494	383	411	410	413	404	368	353

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	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Arizona Population	7,171,646	7,016,270	6,931,071	6,829,397	6,731,484	6,626,624	6,553,255	6,482,505	6,413,158	6,343,154
Arizona Personal Income (in millions)	\$ 313,040	\$ 292,108	\$ 278,925	\$ 266,756	\$ 261,314	\$ 249,027	\$ 235,781	\$ 227,287	\$ 216,590	\$ 212,873
Arizona Per Capita Personal Income	\$ 43,650	\$ 41,633	\$ 40,243	\$ 39,060	\$ 37,895	\$ 36,823	\$ 35,979	\$ 35,062	\$ 33,773	\$ 33,560
Arizona Unemployment Rate	4.90%	4.70%	5.00%	5.60%	5.90%	6.90%	8.00%	9.50%	10.50%	9.90%

Sources: U.S. Bureau of Economic Analysis & Arizona Department of Administration and Bureau of Labor Statistics

PRINCIPAL EMPLOYERS

Employer	2019			2010		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
The University of Arizona	16,217	1	3.2%	10,363	2	2.1%
Raytheon Missile Systems	11,295	2	2.3%	12,140	1	2.5%
Pima County Government	7,697	3	1.5%	6,511	7	1.3%
Davis Monthan AFB	7,211	4	1.5%	7,755	4	1.6%
Tucson Unified School District	6,872	5	1.4%	7,012	6	1.4%
State of Arizona	6,654	6	1.3%	8,708	3	1.8%
Banner – University Medicine	6,499	7	1.3%			
Wal-Mart Stores, Inc.	4,414	8	0.9%	7,192	5	1.5%
City of Tucson	4,093	9	0.8%	5,399	9	1.1%
Tucson Medical Center	3,987	10	0.8%			
Fort Huachuca				6,236	8	1.3%
Carondelet Health Network				4,566	10	0.9%
Total	74,939		15.0%	75,882		15.5%
Total Work Force			500,018			488,500

Sources:

The University of Arizona Interactive Fact Book and University Analytics & Institutional Research (UAIR)

Pima Association of Governments (PAG)

Pima County CAFR FY 2010

Economic and Business Research Center, Eller College of Management FY 2019

FACULTY AND STAFF

Fall employment of fiscal year	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
FACULTY										
Full-time	2,447	2,320	2,281	2,363	2,343	2,297	2,246	2,229	2,160	2,165
Part-time	754	770	789	795	801	752	776	693	642	591
Total Faculty	3,201	3,090	3,070	3,158	3,144	3,049	3,022	2,922	2,802	2,756
Percentage Tenured	51.4%	52.4%	51.4%	49.4%	49.6%	51.3%	51.6%	53.1%	55.8%	55.8%
Tenured Track - Dept. Head	84	85	85	89	90	92	97	98	96	94
Tenured Track - Faculty	1,562	1,535	1,493	1,470	1,469	1,471	1,463	1,454	1,467	1,445
Total Tenured Track	1,646	1,620	1,578	1,559	1,559	1,563	1,560	1,552	1,563	1,539
STAFF										
Full-time	8,249	7,793	7,329	7,786	7,775	7,663	7,506	7,407	7,260	7,168
Part-time	4,767	4,740	4,657	4,586	4,696	4,630	4,770	4,832	4,772	4,472
Total Staff	13,016	12,533	11,986	12,372	12,471	12,293	12,276	12,239	12,032	11,640
Total Faculty and Staff	16,217	15,623	15,056	15,530	15,615	15,342	15,298	15,161	14,834	14,396

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

CAPITAL ASSETS

Fiscal Year Ended June 30	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Academic/Support Facilities	621	646	651	651	643	647	622	621	593	584
Auxiliary Facilities	74	71	75	74	74	71	70	71	68	69
Total	695	717	726	725	717	718	692	692	661	653

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



Photo: UA Alumni Association

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