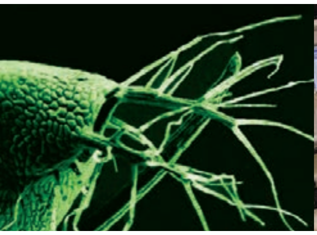
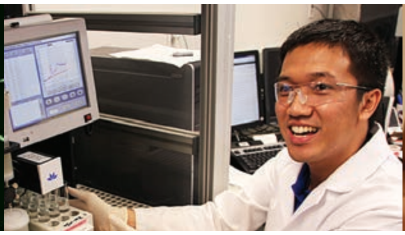
Comprehensive Annual Financial Report

Year Ended
June 30, 2013





THE UNIVERSITY OF ARIZONA®

Tucson, Arizona

Included as an Enterprise Fund of the State of Arizona

Internationally known for his work in cellular transplantation, Horacio Rilo, MD, uses the high-tech Class 10,000 clean room (a nearly contamination-free environment whose air quality must meet rigorous federal standards) in his research laboratory to isolate cells for potential treatments for diabetes, pancreatic cancer, Parkinson's disease and liver failure.
Photo: © 2013 ziembaphoto.comhuman vision.

The Solar Zone at the UA Tech Park has been designed to embed all elements of solar energy development including generation and distribution, research and development, assembly and manufacturing, product development, test and evaluation, workforce training, and public education and demonstration in a single location
Photo: UA Tech Park

Front Cover:
Health Sciences Education Building, the University of Arizona College of Medicine – Phoenix is located on the Phoenix Biomedical Campus.
Photo: AHSC BioCommunications

Front Cover small images, from left to right:
A new UA study looking at an ocean plant suggests that noncoding DNA might not be needed for complex life as previously thought.
Photo: Enrique Ibarra-Laclette and Claudia Anahí Pérez-Torres

Medical research at BIO5
Photo: Amy Randall, BIO5

Clara Curiel, MD, an associate professor of dermatology and director of the UA Cancer Center's Pigmented Lesion Clinic and Multidisciplinary Cutaneous Oncology Program, holds up a dermatoscope which takes magnified pictures of pigmented skin lesions. Dr. Curiel is engaged in research with the diagnostic device that can determine whether a suspicious mole is dangerous without doing a biopsy.
Photo: UA Cancer Center

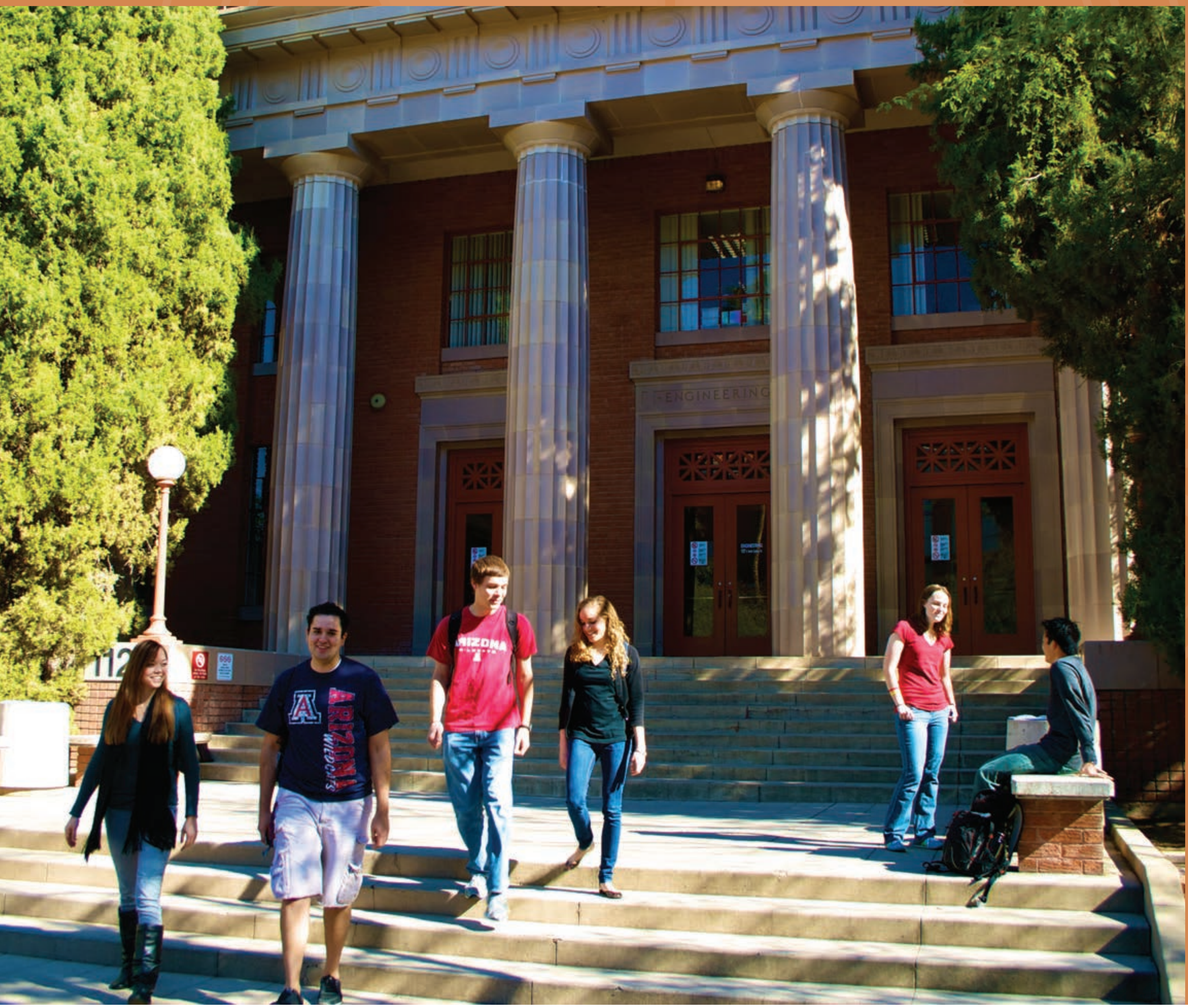
Sunrise view of the Health Sciences Education Building at the University of Arizona College of Medicine – Phoenix.
Photo: AHSC BioCommunications

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended June 30, 2013

Tucson, AZ

Prepared by the Financial Services Office



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Introductory Section

Mark “Marty” Pagel, PhD, an associate professor of biomedical engineering, chemistry and biochemistry, and medical imaging, is developing imaging contrast agents at the UA Cancer Center that are expected to lead to earlier and faster monitoring of a patient’s response to cancer treatments.
Photo: UA Cancer Center

A Message from the President

As president of the University of Arizona, I am honored to report on the University's status and progress in this Comprehensive Annual Financial Report.

Over the past year, I have often been impressed by the enthusiasm, optimism, and pride in excellence that define this institution. That passion is at the core of the University's strategic plan, Never Settle, which grew out of a year-long process of intensive and collaborative self-study. The Faculty Senate's Strategic Planning and Budget Committee (SPBAC) and other university leaders sought the opinions of over 4,000 UA community members, and implemented their ideas alongside ABOR strategic priorities to create the plan.

Never Settle responds to the need for the UA to use challenges such as decreased budgets as a platform for positive change. Through a process of disruptive transformation, the UA will be a model of innovative 21st century education, and an engine for both economic growth and community engagement.

This growth and achievement will be defined by our strategic priorities of engaging our students, partnering with our community, innovating new ways of knowing and seeing, and creating synergy between these activities and across campus. These priorities will lead to the creation of jobs for a growing population, vital infrastructure for Tucson and Arizona's future, civic well-being, and enriched quality of life.

In the meantime, the National Science Foundation ranks the UA No. 19 among all public universities, No. 3 in research expenditures for the physical sciences, and No. 1 in Astronomy. But these honors, prestigious though they are, are only one part of what this university has achieved.

Tech Launch Arizona

With the grand opening of Tech Launch Arizona in April 2013, the University of Arizona inaugurated a new era in technology transfer and commercialization. Tech Launch Arizona is central to the UA's ability to partner with industry and business, innovate new discoveries and technologies, and engage students who develop the talent necessary for success in the 21st century global economy. In the past ten years, UA researchers have created over 1,200 inventions, which have led to the issuing of 450 product licenses and 207 patents. Through programs such as Proof of Concept (POC) program, TLA is working to build on this achievement by streamlining the transfer of technology from the laboratory to the market. In January, the POC program awarded nineteen grants to UA researchers who are developing inventions with the potential to improve everyday life. The awards, ranging from $10K to 40K, will allow the researchers to vault financial obstacles and address challenges in the development of new products and technologies that will benefit Arizona and the world.

BIO5 Institute and iPlant

The iPlant Collaborative, headquartered at UA's BIO5 Institute, received a $50 million renewal grant from the National Science Foundation. The original grant, awarded in 2008, was the largest ever issued by the NSF in the field of biological sciences, and the renewal attests to the import and impact of the Collaborative's work. Conducted with the partnership of peer institutions such as University of Texas-Austin's Texas Advanced Computing Center and New York's Cold Spring Harbor Lab, the Collaborative works to create a national cyberinfrastructure for the biological sciences, which will allow scientists to manage, manipulate, and analyze extremely large biological data sets.

NASA Grant to Investigate Universal Characteristics of Life

Dr. Rick Michod, UA professor and department head of Ecology and Evolutionary Biology, received a $1.3 million grant from NASA to investigate the hierarchical organization of life. By tracing the evolution of volvocine algae from single-celled organisms to large colonies, this work will provide insights into the characteristics that define organisms as individuals and the foundational structures of life that are conceivably the same throughout the universe.

UA STEM Learning Center

The University launched the STEM Learning Center, which will create a new model for partnership between regional stakeholders in PreK-20 education. Through partnership and community coordination, improved teacher training and support systems, research and evaluation, and the formation of PreK-20 pipeline programs, the STEM Learning Center will ensure that Arizona's children have the knowledge and skills to succeed in the global economy of the 21st century. The Center will also develop strategies that can be applied to PreK-20 systems throughout the region and transferred to other settings throughout the nation.

AAU STEM Education Project

The Association of American Universities has selected the University as one of only eight U.S. institutions to take part in a nationwide initiative to improve STEM education. Funded through The Leona M. and Harry B. Helmsley Charitable trust for three years, UA faculty members are working to improve introductory classes through research into STEM teaching best practices, with a focus on five pilot courses. Through the changes made in these courses, best practices will filter throughout campus to improve learning outcomes at all levels of STEM instruction. The project will also influence the cultures of STEM disciplines so that more faculty members use evidence-based instructional methods in their courses. Project leaders have established faculty learning communities with instructors from multiple departments and weekly discussion groups that are helping to build the future of STEM education for the UA and the nation.

UA's distinguished past, dynamic present and promising future

The University of Arizona has a long and distinguished history, but we cannot be content with what we have achieved in the past. With Never Settle, the UA calls on that tradition of excellence and proclaims our intention to redefine our land-grant mission for the future.

As Arizona's land grant university, we are committed to excellence not only in research but in education and community service as well. Our students gain real-world experience working alongside world-class experts in fields from health sciences research and clinical practice to government and journalism. In doing so, they develop talent and skills that can be applied in a variety of professional settings throughout their lives. With a similar emphasis on engagement, UA faculty and staff are active members of the communities of which the University is a part, working collaboratively with political and business leaders, families, and colleagues throughout the world to enrich the lives and improve the prospects of the people of Arizona. In 2012, the UA was Pima County's largest employer, and is the source of 65,000 direct and indirect jobs across AZ. We expect these figures to only increase, in connection with our various major initiatives such as Tech Launch Arizona and the UA STEM Learning Center.

The University of Arizona is an institution proud of its regional roots and global impact. This vision has led us confidently into the 21st century, and it will lead us boldly into the 22nd. Thank you for your ongoing support of the University of Arizona.

Most cordially,

Ann Weaver Hart
President

Letter of Transmittal

James A. Hyatt

October 11, 2013

To President Ann Weaver Hart, Members of the Arizona Board of Regents and the University of Arizona community:

We are respectfully submitting the Comprehensive Annual Financial Report (CAFR) of the University of Arizona for the fiscal year ended June 30, 2013. The CAFR includes the Management's Discussion and Analysis (MD&A), the 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 provides reasonable 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 certain 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 shared with University management, the Business and Finance Committee and the Arizona Board of Regents (ABOR). 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 can be found on page 14 of the Financial Section wherein the auditors' opinion on the fair presentation of the financial statements is an unqualified 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 600 students per year for the last five years. It serves 40,223 students through 18 colleges offering 351 degree programs and is ranked among the leading research universities in the country.

Enrollment Statistics – Academic Year 2012 - 2013

Undergraduate enrollment – Fall 2012	31,565
Graduate and Professional enrollment – Fall 2012	8,658
Degrees awarded – Bachelor's	6,351
Degrees awarded – Advanced	2,424
Tuition and fees for full-time student – Resident	$10,035
Tuition and fees for full-time student – Non-resident	$26,231

The University's 2,554 full time equivalent faculty and 1,318 full time equivalent graduate teaching and research assistants and associates educate a diverse student population. The student population is 52.1% female, 19.6% Hispanic, 7.8% Asian or Pacific Islander, 3.8% Black, and 2.7% Native American. It includes students from all fifty states and 116 foreign countries. International students totaled 7.8% of the Fall 2012 enrollment, with the largest numbers of foreign students hailing from the People's Republic of China, India, Korea, Mexico and Saudi Arabia.

Component Units - The basic financial statements of the University include the operations of The University of Arizona Foundation, Inc., University of Arizona Alumni Association, the Law College Association of The University of Arizona, the 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 12 to the financial statements.

Budget - The University is responsible for planning, developing and controlling its budget and expenses in accordance with University, state and federal laws and policies. 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, the Financial Services Office, a part of 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 2013, the State of Arizona's economy continues to grow even though the progress has been slower when compared to historical standards. However, the outlook calls for the State to gain momentum in the next two years after another year of sluggish gains.

Arizona personal income growth surged in the fourth quarter of calendar year (CY) 2012, hitting 8.5% at an annual rate. That was slightly above the national growth rate of 8.1%. Much of the strong fourth quarter growth is explained by a huge increase in income from dividends, interest, and rent. Excluding income from dividends, interest, and rent, state personal income rose by 4.3% in the final quarter of this calendar year. The preliminary data suggest that state personal income rose by 3.7% in 2012, down from 4.9% growth in 2011.

Arizona's job growth continued in the first quarter of CY 2013, with seasonally adjusted state payrolls rising by 1.7% over the fourth quarter of CY 2012. On a year-over-year basis, the state added 46,100 jobs (1.9%) in the first quarter. That was faster than U.S. growth, which hit 1.5% in the first quarter on a year-over-year basis. Rising job growth means more progress in driving down the unemployment rate, which is projected to hit 6.8% in 2015, close to the expected national rate. Accelerating job growth during the next two years means rising income growth as well.

The economic forecast calls for Arizona to continue to expand in 2013, with more jobs, income, and residents. State growth is predicted to accelerate in 2014 and again in 2015 with housing recovery being a key part of the forecast.

Long-term planning – The Five Year Strategic Plan 2013-2017 for the University of Arizona, titled Never Settle, outlines the strategies and priorities that guide the University's continued growth in student enrollment and success, our research excellence, and our innovations in educational quality and access, our community impacts in workforce development and engagement, as well as our increasing productivity. All of the strategies and priorities within the University's Five Year Strategic Plan make substantial contributions toward meeting the University's goals in the Arizona Board of Regents 2020 Vision strategic plan. 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, and fostering civic engagement and improving economic competitiveness.

Additionally, the strategic plan was developed amidst a rapidly changing financial, social, political and cultural context which must be taken into account as the University continues to function and plan for a sustainable future. Parameters such as the following continue to guide the University's planning:

- Arizona's need for an educated citizenry
- The rich cultural, economic, and educational diversity of Arizona and its students
- Educational and social imperatives arising from economic and cultural globalization
- Challenges facing Arizona and the nation in areas such as health care, science, policy and natural resources

Resource assumptions are also central to effective strategic planning. The University's changing resource base challenges its decision-makers to develop innovative alternative funding sources. Although development of the programs and initiatives rest 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.

While there are parameters and resource assumptions that the University considers when developing an effective strategic plan, it is committed to advancing itself in every strategic area identified in the Five Year Strategic Plan 2013-2017. In summary, the University is committed to increasing enrollment and retention rates of students, leveraging research funding for maximum effect, using technology transfer to support the creation of new business, expanding online educational offering, enhancing community college partnerships and streamlining operations and business practices.

Major Initiatives

The University offers an unusually extensive and varied group of research, graduate and professional programs. For decades, the University has been one of the top research universities in the nation (19th among public research universities in FY 2011) according to the National Science Foundation. With its abundance of 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, enriching instructional programs and providing tremendous education and research opportunities for the students, as well as contributing to the economic engine of the City of Tucson and State of Arizona.

The following are a few notable research and educational activities reported in fiscal year 2013 that showcase some of the University's major initiatives:

- In April 2013, the University celebrated the grand opening of Tech Launch Arizona. It was created to help consolidate and amplify the University's efforts to move knowledge and inventions developed by UA researchers to market. The Tech Launch Arizona strategic plan outlines key goals for the unit, including expediting the movement of University research-derived intellectual property into the commercial sphere and promoting University engagement with private businesses. The plan sets forth a vision in which the University will serve, by the year 2020, as a nationally recognized resource for its role in integrating University-created knowledge into tangible economic and social benefits.
- The University of Arizona launched the University of Arizona STEM Learning Center to align its initiatives with regional and national priorities to meet demands for science, technology, engineering and mathematics education and workforce development. It is recognized that an expansive nationwide demand exists for individuals trained in the STEM fields. So pressing are the demands that U.S. President Barack Obama launched 100Kin10, a national initiative to prepare and

develop 100,000 new STEM teachers in 10 years. The University is a member of 100Kin10 and, at the time of the nationwide initiative launching, already had plans in the works to establish the STEM Learning Center. In addition to meeting regional and statewide demands, the unique, collaborative University STEM center will become an important part of the national initiative while also serving as a national model.

- The University of Arizona scientists finished one of the most advanced giant-telescope mirrors ever crafted. The 27 1/2-foot-diameter mirror will be one of seven eventually installed in the Giant Magellan Telescope on a mountaintop in Chile. The mirror, which at 20 tons weighs almost as much as a fully loaded Greyhound bus, was produced at the University's Steward Observatory Mirror Lab, where telescope mirrors have been manufactured for a quarter of a century. The Giant Magellan Telescope will use a series of massive mirrors to gather light from objects across the universe and reflect it into the telescope's imaging system, where the light will be analyzed to find out what the objects are made of and how far away they are.

- The University operates the most prolific ground-based system for identifying near-Earth asteroids, and it is tasked by NASA with leading a spacecraft mission to retrieve a sample from an asteroid. Expected to launch in 2016, NASA's OSIRIS-REx mission will travel to near-Earth asteroid 1999 RQ36, study it for a year with a variety of instruments, collect a sample and return it to Earth in 2023. Science operations will be performed on the University's campus; University scientists and engineers will build the camera suite for the spacecraft and will engage in education and outreach.

Integrated Strategic Planning – The goal of the University's Integrated Strategic Planning is to couple the University's academic planning with a renewed framework for campus development that will provide the physical and virtual setting needed to achieve our academic aspirations and a financial plan that maps the means for the University to achieve its goals. It is a three-pronged process designed to maximize opportunities and promote the successful future the University envisions. The process will include modeling techniques through which the University can assess the impacts of integrating the academic, development and financial plans through multiple scenarios and variables on goals and achievements.

Awards and Acknowledgments

In the most recent ranking (fiscal year 2011) The National Science Foundation (NSF) ranked the University of Arizona as America's No. 3 university for research expenditures in the physical sciences, which includes astronomy, physics and chemistry. Overall, the UA's ranking among public research universities was 19th, and it was ranked as the nation's 30th institution among all public and private universities and colleges. A persistent theme in the University's history has been developing strengths based on its unique physical and cultural environment.

In September 2012, the Arizona Daily Star reported that the University of Arizona Medical Center was honored as one of the top 10 teaching hospitals in the country for quality and accountability. The University HealthSystem Consortium ranked The University of Arizona Medical Center in Tucson ninth out of 101 non-profit academic medical centers in an annual analysis that measures mortality, effectiveness, safety, equity, patient centeredness and efficiency. The Chicago-based health consortium is an alliance of the nation's leading non-profit academic medical centers.

In September 2012, U.S. News & World Report ranked the University of Arizona No. 58 among public national universities in its America's Best Colleges 2013 issue. The University's overall national ranking, among both public and private universities, climbed this year to 120 from 124. The UA's Eller College of Management again received high marks, holding onto its No. 24 ranking among undergraduate business programs at public and private national universities. Eller's Management Information Systems program maintained its No. 3 position.

Preparation of this CAFR in a timely manner would not have been possible without the professionalism and dedication from staff in the University's Financial Services Office including the Financial Management, Operations, Purchasing, Capital Finance, Bursar's Office, FSO Technology, Outreach, Budget Office, Investment Office, FSO administration, and the business officers at the Colleges and departments. In addition, we recognize the valuable contributions from the University Information Technology Services team.

James A. Hyatt

Interim Senior Vice President for Business Affairs and Chief Financial Officer

Arizona Board of Regents

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Honorable John Huppenthal
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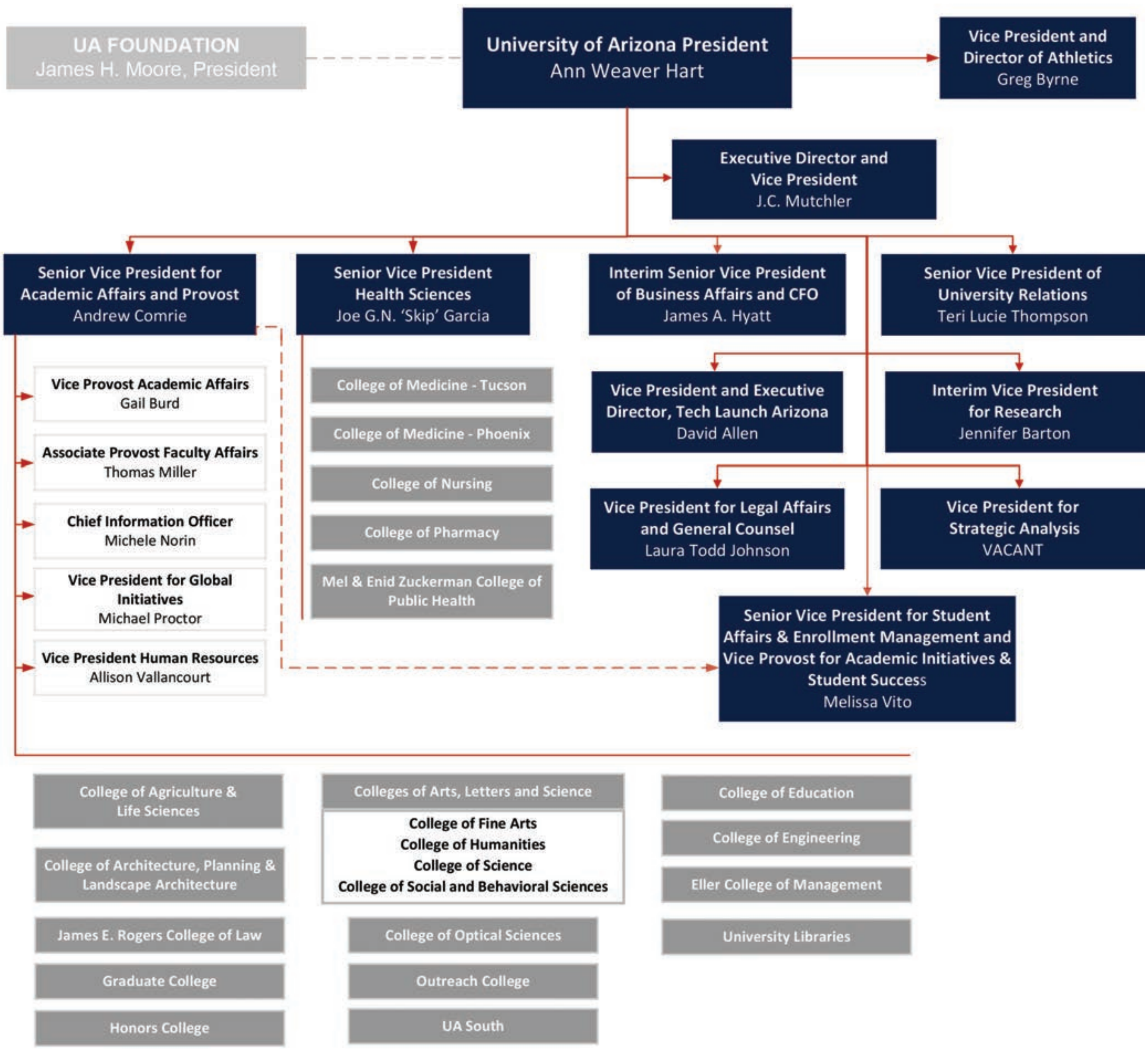
Kathryn E. Whisman
Assistant Vice President, Budget Office

Organization Chart



Financial Section

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Arizona Board of Regents

Report on the 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, 2013, 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 reports of the other auditors. 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 financial statements of the aggregate discretely presented component units were not audited by the other auditors 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.

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

2910 NORTH 44th STREET • SUITE 410 • PHOENIX, ARIZONA 85018 • (602) 553-0333 • FAX (602) 553-0051

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 of Arizona as of June 30, 2013, 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 described in Note 1, 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 transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2013, 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 listed in the table of contents 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.

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 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 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 also 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 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 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.

Debbie Davenport
Auditor General

October 11, 2013

UA Optical Sciences, photo courtesy of Gary Mackender

Management's Discussion and Analysis

The following management's discussion and analysis (MD&A) provides an overview of the University of Arizona's 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 and notes, 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 the fiscal year 2011-2012 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 2012-2013 data.

Overview of Financial Statements

Statement of Net Position

The Statement of Net Position presents the financial position of the University at fiscal year end. From the data presented, readers of this statement are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors, investors and lending institutions. Finally, the Statement of Net Position provides a picture of the net position (assets minus liabilities) and their availability for expenses of the University. The change in net position is one indicator of whether the financial condition has improved or worsened during the fiscal year when considered with nonfinancial facts, such as enrollment levels and the condition of facilities. For fiscal year 2012-2013, the net position for the University has increased by $92.6 million.

CONDENSED SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION

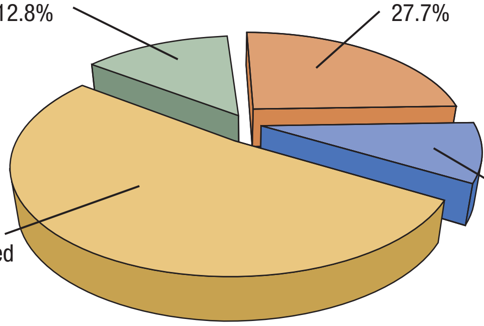
A comparison of the University's assets, liabilities and net position (in thousands of dollars) at June 30, 2013, and at June 30, 2012, is as follows:

	2013	2012	% Change
Other assets	$ 999,203	$ 868,432	15%
Capital assets	1,719,964	1,637,048	5%
Total assets	**$ 2,719,167**	**$ 2,505,480**	**9%**
Other liabilities	$ 162,587	$ 149,021	9%
Long-term liabilities	1,337,882	1,230,398	9%
Total liabilities	**$ 1,500,469**	**$ 1,379,419**	**9%**
Net position			
Net investment in capital assets	$ 610,237	$ 578,931	5%
Restricted - nonexpendable	122,635	113,968	8%
Restricted - expendable	124,582	122,904	1%
Unrestricted	361,244	310,258	16%
Total net position	**$ 1,218,698**	**$ 1,126,061**	**8%**

Total Assets

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

Cash and investments	$ 753,035	27.7%
Receivables	216,400	8.0%
Capital assets being depreciated	1,402,294	51.5%
Other assets	347,438	12.8%
Total Assets	**$ 2,719,167**	**100.0%**

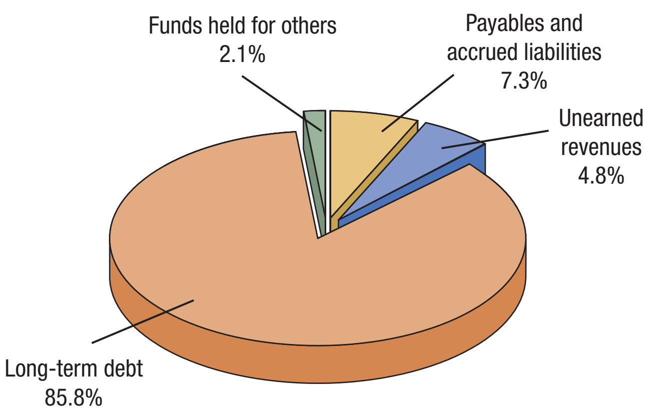


Total assets for the University increased by $213.7 million. The increase was attributable to an increase in net capital assets of $83.0 million and cash and investments of $140.0 million offset by a decrease of $6.7 million in receivables and in other assets of $2.6 million. The net increase in capital assets is primarily due to two new buildings placed in service: the Bryant Bannister Tree Ring Building and the Health Science Education Building (see Capital and Debt Analysis for more information) offset by annual accumulated depreciation. The increase in cash and investments was primarily due to the receipt of bond proceeds from the issuance of two System Revenue Bonds and one SPEED Revenue Bonds (see Capital and Debt Analysis for more information) offset by the spend down of bond proceeds for various building additions and renewal projects across the campus. The decrease in receivables stems from a reduction of $11.2 million in government grants receivable offset by increases in general accounts receivable of $4.4 million and other small increases in inventories and student loans receivable. The reduction in government grants receivable was due to improved invoicing and collection procedures.

Total Liabilities

Liabilities are what the University owes to others or what it has collected from others before it has provided the services. The following table and chart present liabilities by dollars and percent:

Payables and accrued liabilities	$ 109,175	7.3%
Unearned revenues	72,250	4.8%
Long-term debt	1,287,755	85.8%
Funds held for others	31,289	2.1%
Total Liabilities	**$ 1,500,469**	**100.0%**

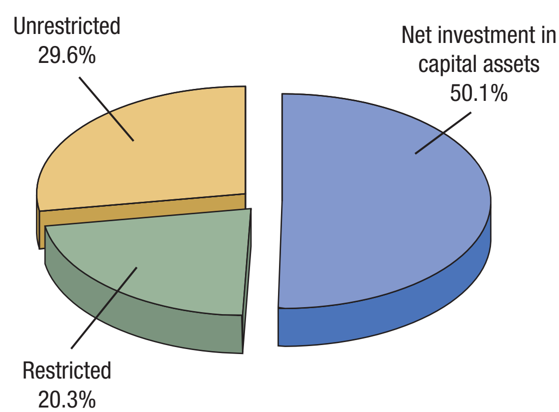


Total liabilities increased by $121.1 million, a net change due to the following: an increase in long term debt of $110.0 million and funds held for others of $19.3 million which is offset by a net $8.2 million decrease in unearned revenues, payables and accrued liabilities. The increase in long-term debt was due to new issuances of bonds to pay for acquiring or constructing capital facilities and infrastructure. The increase in funds held for others was due to the collection of FICA refunds from the Internal Revenue Service for medical residents who qualify for an exemption under Internal Revenue Code section 3121(b)(10). The FICA refunds will be distributed to the medical students at a later date when all refunds are received. The change in unearned revenues was primarily due to a decrease in health and medical contracts unearned revenue of $9.4 million, a reduction in summer session unearned revenue of $6.4, a decrease of $4.9 million for the amortization of the International Business Machine Corporation property, and other miscellaneous decreases. This was offset by an increase in accounts payable and accrued compensated absences of $14.4 million.

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 are 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 by dollars and percent:

Net investment in capital assets	610,237	50.1%
Restricted	247,217	20.3%
Unrestricted	361,244	29.6%
Total Net Position	**$ 1,218,698**	**100.0%**



Unrestricted net position increased by $50.9 million or 16% from $310.3 million in fiscal year 2012 to $361.2 million in fiscal year 2013. This was primarily from net health and medical contract activity of $83.9 million coupled with an increase in summer session revenue of $7.3 million in comparison to fiscal year 2011-2012 offset by increased costs of $39.1 million in intergovernmental agreement contributions.

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 the 2012-2013 fiscal year, regardless of when cash is received or paid. Activities are reported as either operating or nonoperating. 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 nonoperating revenues. During the fiscal year, the University incurred capital financing costs. These costs are reported as nonoperating expenses.

CONDENSED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

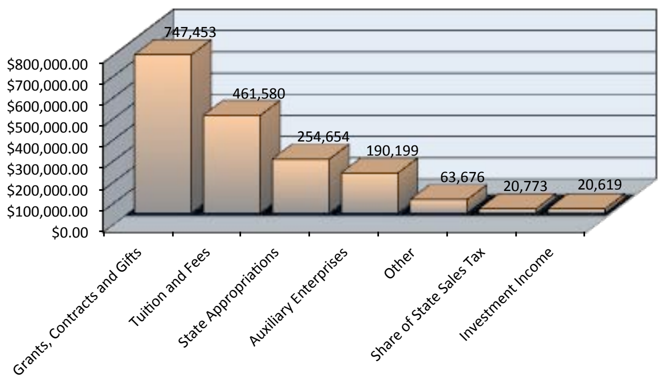
A comparison of the University's operations (in thousands of dollars) for the year ended June 30, 2013, and for the year ended June 30, 2012, is as follows:

	2013	2012	% Change
Operating revenues			
Student tuition and fees	$ 461,580	$ 410,507	12%
Grants and contracts	473,349	481,077	-2%
Auxiliary enterprises	190,199	171,017	11%
Other	50,236	61,627	-18%
Total operating revenues	**$ 1,175,364**	**$ 1,124,228**	**5%**
Operating expenses			
Instruction and academic support	$ 564,959	$ 547,144	3%
Research and public service	526,654	503,305	5%
Student services and scholarships	100,770	91,572	10%
Institutional support and operation of plant	188,643	184,951	2%
Auxiliary enterprises	156,954	148,858	5%
Depreciation	113,345	107,561	5%
Total operating expenses	**$ 1,651,325**	**$ 1,583,391**	**4%**
Operating loss	**$ (475,961)**	**$ (459,163)**	**4%**
Nonoperating revenues (expenses)			
State appropriations	$ 254,654	$ 268,533	-5%
Grants, contracts and gifts	274,104	179,581	53%
Share of State sales tax revenues	20,773	20,353	2%
Investment income	20,619	3,386	509%
Interest expense on debt	(47,643)	(44,391)	7%
Other nonoperating revenues, net	13,440	27,644	-51%
Net nonoperating revenues	**$ 535,947**	**$ 455,106**	**18%**
Income before capital and endowment additions	**$ 59,986**	**$ (4,057)**	**1579%**
Capital appropriations	14,253	14,253	0%
Other capital and endowment additions	18,398	46,778	-61%
Increase in net position	**$ 92,637**	**$ 56,974**	**63%**
Net position, beginning of year	**1,126,061**	**1,069,087**	**5%**
Net position, end of year	**$ 1,218,698**	**$ 1,126,061**	**8%**

Total Revenues

The following chart represents total revenues of $1,758,954 for fiscal year 2012-2013:

Total Revenues (in thousands)



Auxiliary Enterprises: Revenues from auxiliary enterprises increased to $190.2 million in comparison to fiscal year 2012 of $171.0 million due to increased revenues in Intercollegiate Athletics sales and services, expanding contracts from the new Medication Therapy Management (MTM) facility, and increased dormitory fee revenue when Coronado Hall came online with the highest level tier student housing.

Other capital and endowment additions: The decrease in other capital and endowment additions is primarily due to a decrease in capital gifts from fiscal year 2012. In fiscal year 2012, the University received a one-time capital gift of the Biosphere 2 Complex of $31.6 million.

Grants, contracts and gifts: Grants, contract and gift revenues increased by $86.8 million or 13.1% in comparison to the prior year. 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 unearned revenues. In fiscal year 2013, nongovernmental grants and contracts rose by $109.9 million primarily due to receipts from health and medical contracts of $98.8 million and $12.5 million in additional revenues from The University of Arizona Medical Center Clinical Teaching program. This was offset by a decline in gift revenues of $21.7 million which was primarily due to decreased transfers from the UA Foundation for gift receipts.

Student tuition and fees: Tuition and fees rose by $51.1 million or 12.4% due to approved tuition and fee increases and student enrollment increases in comparison to the prior year.

State appropriations and share of state sales tax revenues: State appropriations decreased by $13.9 million, or 5.2%, in fiscal year 2013. The decrease was mainly due to a one-time $17.7 million adjustment for an additional payperiod in fiscal year 2012 that was not received in fiscal year 2013. This was offset by a $2.7 million adjustment received in fiscal year 2013 for retirement and performance funding that was not received in fiscal year 2012. The share of sales tax revenues from the TRIF fund increased slightly in year over year comparisons.

Investment income: A summary of investment income (in thousands of dollars) for the years ended June 30, 2013 and 2012 follows:

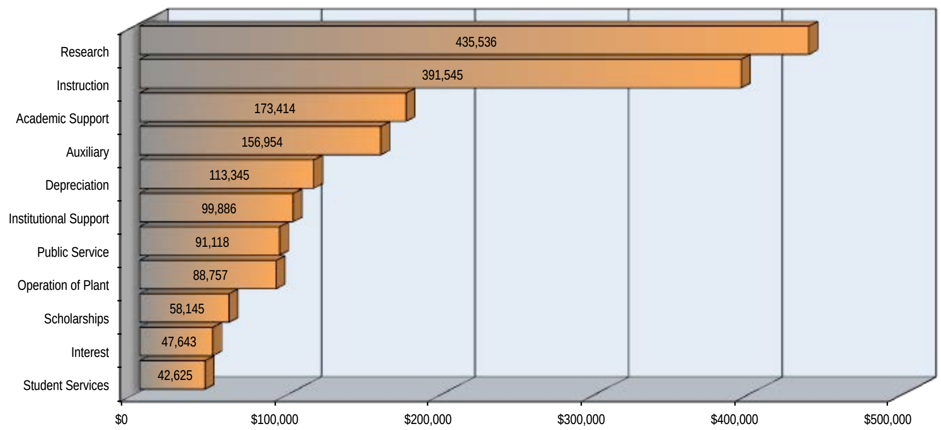
	2013	2012	% Change
Pooled operating funds	$ 10,118	$ 11,196	-9.6%
Deposits with trustees for capital projects	243	325	-25.2%
Endowments	10,258	(8,135)	226.1%
Total investment income	**$ 20,619**	**$ 3,386**	**508.9%**

Pooled operating funds are invested in short-term debt instruments. The net decrease in pooled operating funds investment income is attributable to declining market interest rates. Deposits with trustees investment income decreased in correlation with lower cash balances resulting from the spending down of bond proceeds for project construction expenses. Endowments investment income increased due to participation in public markets through externally managed funds which generated net gains in the Endowment Growth and Income Pool.

Total Expenses

The following chart represents total expenses of $1,698,968 for fiscal year 2012-2013:

Total Expenses (in thousands)

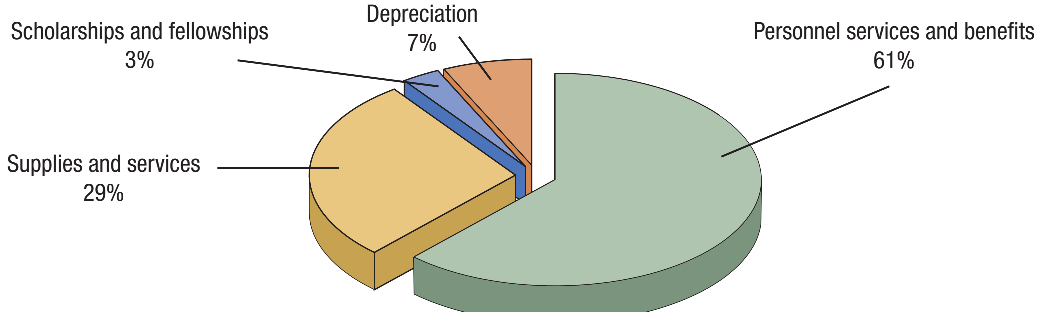


Total expenses increased by $71.2 million or 4.4% in comparison to fiscal year 2011-2012. The primary expense functions driving the increase were expenses for academic support, public service, research, and auxiliary enterprises. Academic support expenses increased by $14.6 million, public service by $13.8 million, research expenses increased by $9.5 million, and auxiliary enterprises saw an increase of $8.1 million in comparison to the prior year. Increases in expenses for academic support resulted from increased expenses for the Clinical Teaching program at The University of Arizona Medical Center of $10.6 million and Student Technology expenses of $3.2 million. Public service expenses primarily increased due to higher payments to AHCCCS for the Kidscare/Safety Net programs. Research expenses increased due to expenses related to the James Webb Space Telescope Near-Infrared project of $6.1 million, Giant Magellan Telescope project of $2.3 million and the OSIRIS-Rex Camera Suite project of $7.1 million, offset by a decrease in expenses related to the 2.5-meter Test Flat Calibration System project of $5.0 million. Auxiliary enterprise expenses increased due to higher operating costs for the UA Bookstore, Intercollegiate Athletics, Student Union, and Facilities Management correlating with increased enrollment in comparison to the prior year.

Operating Expenses by Natural Classification (in thousands)

In addition to programmatic (functional) classification of operating expenses, a summary of the University's expenses by natural classification, as listed in Note 11, for the years ended June 30, 2013 and 2012 follows:

Natural Classification of Operating Expenses:	**2013**	**2012**	**% Change**
Personnel services and benefits	$ 1,005,283	$ 981,904	2%
Supplies and services	472,323	445,084	6%
Scholarships and fellowships	60,374	48,842	24%
Depreciation	113,345	107,561	5%
Total Operating Expenses	**$ 1,651,325**	**$ 1,583,391**	**4%**



Condensed Statement of Cash Flows

The following summarizes cash flows for the 2013 and 2012 fiscal years (in thousands):

Cash Provided By (Used For):	2013	2012
Operating Activities	$ (362,458)	$ (404,778)
Noncapital Financing Activities	583,836	500,944
Capital Financing Activities	(101,411)	(201,698)
Investing Activities	(83,556)	135,434
Net Increase (Decrease) in Cash and Cash Equivalents	**36,411**	**29,902**
Cash and Cash Equivalents, Beginning of Year	83,725	53,823
Cash and Cash Equivalents, End of Year	**$ 120,136**	**$ 83,725**

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. Cash flows from the 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. Finally cash flows from the noncapital financing activities include State appropriations, donations and other activities not covered in other sections.

Capital and Debt Analysis

The University of Arizona implemented an integrated Strategic Planning Process in fiscal year 2012-13 that encompassed an Academic Plan, Capital Plan, and Financial Plan. The Integrated Strategic Planning process allowed management to concurrently evaluate and assess operating activities and future requirements, project financial data, and set long term strategic priorities to meet the goal of the University's year 2020 Strategic Plan. The Capital Plan is developed through a formal evaluation process by internal committees, the Arizona Board of Regents (ABOR), and the State Joint Committee on Capital Review. 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 housing and support service facilities. The CIP also provides current debt information and demonstrates the University's ability to issue debt instruments to finance capital acquisitions. While preparing the CIP, a space inventory of the University is included to provide critical information to management for capital planning. The inventory identifies the occupants and allocated spaces of various programs such as instruction, research, auxiliary, student services, and institutional support.

During fiscal year 2013, the University completed and placed in service two new buildings: the Bryant Bannister Tree Ring Building and the Health Science Education Building (HSEB). These two buildings provided an additional 293,200 gross square feet to support academic and research activities. The Bryant Bannister Tree Ring Building was constructed at a total cost of $11.4 million and was 74% funded by a generous University donor and 26% with University funds. The HSEB was completed at a cost of $128.3 million and was funded by bond proceeds received through the issuance of SPEED (Stimulus Programs for Education and Economic Development) Revenue Bonds. SPEED Revenue Bonds are a financing mechanism passed by legislation for the sole purpose of financing construction projects to stimulate the State's economy. The debt service on SPEED Revenue Bonds is funded up to 80% by State lottery revenues and at least 20% by University funds. In addition to the two new buildings, the University completed several renovation and energy efficiency projects in labs, student services, student dormitory, and intercollegiate athletics facilities. The renovation and energy efficiency projects encompassed 387,297 gross square feet at a total cost of $19.7 million.

The University generally finances capital improvements and acquisitions through the issuance of System Revenue Bonds (SRBs), Certificates of Participation (COPs), or SPEED Revenue Bonds. Prior to issuing any Bonds or COPs, the University must submit a financing and funding plan to ABOR for approval. Additionally, the plan is required to be reviewed by the State Joint Committee on Capital Review (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, 2013, the University's debt ratio was 5.3%. The University's credit rating on its outstanding SRBs is Aa2 by Moody's and AA by Standard and Poor's.

During fiscal year 2012-13, the University issued two SRBs, Series 2012C and Series 2013A & B, and one SPEED Revenue Bonds Series 2013. The SRB Series 2012C was issued for $43.9 million to refund a portion of the University's outstanding bonds that generated $2.9 million in net present value interest savings. The Series 2013A & B were issued for $104.2 million to finance the Cancer Center-Phoenix project at a cost of $66 million, a portion of the Environmental & Natural Resources Phase 2 (ENR2) project at a cost of $7 million, and to fund capitalized interest. The SRB Series 2013A & B issue also refunded a portion of the University's outstanding bonds resulting in net present value interest savings of $1.9 million. The SPEED Revenue Bonds Series 2013 was issued for $70.1 million with premiums to finance the main ENR2 project at a cost of $66.5 million and the HSEB Shell Space project at a cost of $9.8 million. Detailed debt issuance and debt service information relating to these bonds is available in Note 8 of the accompanying notes to the financial statements.

Economic Outlook

The State reported the forecast of its base revenue (consisting primarily of sales, individual, and corporate taxes) growing at the rate of 4.9% for FY 2014 in comparison to 4.0% in FY 2013. Although the State base revenues have increased, the expiration of the temporary three-year one cent sales tax (enacted in calendar year 2010) adjusted revenue down. This adjustment resulted in an overall decrease in total General Fund revenues (i.e., adjusted State revenue) by 3.4% for FY 2014 in comparison to FY 2013. Highlights of the State fiscal year 2014 budget included changes to the Baseline of the following areas: $99 million in new K-12 education spending, $57 million for Department of Economic Security, $42 million for employee issues, $31 million for the three State universities, and $14 million for increased Building Renewal funding for School Facilities Board budget. A majority of the increased funding for the three State universities includes $15 million for parity funding, $8 million to expand the University of Arizona Phoenix Medical Campus, and $5 million for performance funding. The fiscal year 2014 appropriation to the University is $278.1 million, which does not include the $78.9 million deferral of its base funding in fiscal year 2013. The State has made its prior year deferral payments. 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.

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 Arizona Board of Regents voted to increase undergraduate tuition by 3.5% for in-state students for the 2013-2014 fiscal year with non-resident undergraduate students also experiencing a 3.2% increase. While the University and Arizona Board of Regents recognize the fiscal pressures the State of Arizona has been managing, it may become necessary to continue raising tuition to offset the declining State appropriations.

Since the University is ultimately subject to the same economic variables that affect other financial entities, it is not possible to predict future outcomes. Management is well aware of the challenges ahead and is working diligently to continue to provide quality instruction, research and public service to the State of Arizona and the nation.

Statement of Net Position

June 30, 2013 (in thousands of dollars)

Assets

Current assets		
Cash and cash equivalents (Note 3)	$	111,468
Short-term investments (Note 3)		42,629
Receivables:		
Accounts receivable (net of allowances of $1,211)		50,854
Receivable from the State of Arizona		78,991
Government grants receivable		59,012
Student loans (net of allowances of $288)		1,621
Inventories		9,060
Prepaid expenses		11,143
Total current assets	**$**	**364,778**
Noncurrent assets		
Restricted cash and cash equivalents (Note 3)	$	8,668
Restricted investments with bond trustees (Note 3)		176,517
Long-term investments (Notes 3 and 4)		204,720
Endowment investments (Note 3)		209,033
Student loans receivable (net of allowances of $2,840)		15,511
Long-term receivables		10,411
Prepaid expenses		9,565
Capital assets, not being depreciated (Note 5)		317,670
Capital assets, being depreciated, net (Note 5)		1,402,294
Total noncurrent assets	**$**	**2,354,389**
Total Assets	**$**	**2,719,167**

Liabilities

Current liabilities		
Accounts payable	$	43,655
Accrued payroll and benefits		21,592
Accrued compensated absences (Note 7)		8,282
Unearned revenue and deposits (Note 6)		71,780
Funds held for others		25,560
Current portion of long-term debt (Note 8)		
To be funded by University revenues		42,246
To be funded by State of Arizona appropriations and State Lottery monies		6,235
Total current liabilities	**$**	**219,350**
Noncurrent liabilities		
Accrued compensated absences (Note 7)	$	35,646
Unearned revenue and deposits (Note 6)		470
Funds held for others		5,729
Long-term debt (Note 8)		
To be funded by University revenues		877,038
To be funded by State of Arizona appropriations and State Lottery monies		362,236
Total noncurrent liabilities	**$**	**1,281,119**
Total Liabilities	**$**	**1,500,469**

Net Position

Net investment in capital assets	$	610,237
Restricted for nonexpendable:		
Endowments		101,167
Student loans		21,468
Restricted for expendable:		
Scholarships and fellowships		29,815
Academic/departmental uses		86,633
Capital projects		506
Debt service		7,628
Unrestricted		361,244
Total Net Position	**$**	**1,218,698**

See Notes to Financial Statements

Statement of Financial Position – Component Units

June 30, 2013 (in thousands of dollars)

Assets

Cash and cash equivalents	$	47,265
Pledges receivable		3,613
Other receivables		2,021
Investments in marketable securities		671,154
Other investments		174
Property and equipment, net		30,743
Other assets		12,296
Total Assets	**$**	**767,266**

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	$	4,718
Fair value of endowments managed for the University		172,292
Annuities payable and other trust liabilities		20,577
Deferred revenue and deposits		5,509
Short-term and long-term debt		8,105
Other liabilities		6,788
Total Liabilities	**$**	**217,989**

Net Assets

Unrestricted	$	33,943
Temporarily restricted		114,430
Permanently restricted		400,904
Total Net Assets	**$**	**549,277**
Total Liabilities and Net Assets	**$**	**767,266**

See Notes to Financial Statements

Roy P. Drachman Hall, home to the UA Colleges of Pharmacy and Public Health.

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2013 (in thousands of dollars)

Operating Revenues

Student tuition and fees, net of scholarship allowances of $183,176	$	461,580
Federal grants and contracts		366,363
State grants and contracts		11,697
Local grants and contracts		2,749
Nongovernment grants and contracts		92,540
Sales and services of educational departments		35,951
Auxiliary enterprises, net of scholarship allowances of $6,081		190,199
Other operating revenues		14,285
Total operating revenues	**$**	**1,175,364**

Operating Expenses

Educational and general		
Instruction	$	391,545
Research		435,536
Public service		91,118
Academic support		173,414
Student services		42,625
Institutional support		99,886
Operation and maintenance of plant		88,757
Scholarships and fellowships		58,145
Auxiliary enterprises		156,954
Depreciation (Note 5)		113,345
Total operating expenses	**$**	**1,651,325**
Operating Loss	**$**	**(475,961)**

Nonoperating Revenues (Expenses)

State appropriations	$	254,654
Share of State sales tax revenues		20,773
Federal grants and appropriations		83,064
State and other government grants		17,261
Nongovernment grants and contracts		99,249
Gifts		74,530
Investment income		20,619
Interest expense on debt		(47,643)
Other nonoperating revenues, net		13,440
Net nonoperating revenues	**$**	**535,947**
Income before Capital and Endowment Additions	**$**	**59,986**
Capital grants, gifts and conveyances	$	9,697
Capital appropriations -Research Infrastructure Capital Financing		14,253
Capital commitment - State Lottery Revenue		6,470
Additions to permanent endowments		2,231
Total capital and endowment additions	**$**	**32,651**
Increase in Net Position	**$**	**92,637**
Net Position		
Net Position - Beginning of year		1,126,061
Net Position - End of year	**$**	**1,218,698**

See Notes to Financial Statements

Statement of Activities – Component Units

Year Ended June 30, 2013 (in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Sales and services	$ 1,459			$ 1,459
Contributions	490	$ 46,129	$ 14,295	60,914
Rental revenues	12,035			12,035
Investment income	3,662	3,234	39,950	46,846
Net assets released from restriction	62,176	(41,535)	(20,641)	
Other income	9,684	2,719	90	12,493
Total revenues	**$ 89,506**	**$ 10,547**	**$ 33,694**	**$ 133,747**
Expenses				
Program services:				
Leasing related expenses	$ 8,585			$ 8,585
Payments to the University	46,067			46,067
Payments on behalf of the University	19,512			19,512
Supporting services:				
Management and general	6,519			6,519
Fund raising	6,833			6,833
Total expenses	**$ 87,516**			**$ 87,516**
Increase/(decrease) in Net Assets	**$ 1,990**	**$ 10,547**	**$ 33,694**	**$ 46,231**
Net Assets - Beginning of year	**31,686**	**105,819**	**365,541**	**503,046**
Transfers	204	(1,871)	1,667	
Reclassification of funds with deficiencies	65	(65)		
Net Assets - End of year	**$ 33,945**	**$ 114,430**	**$ 400,902**	**$ 549,277**

See Notes to Financial Statements

Statement of Cash Flows

Year Ended June 30, 2013 (in thousands of dollars)

Cash Flows from Operating Activities

Tuition and fees	$ 454,576
Grants and contracts	481,419
Payments for salaries, wages and benefits	(999,632)
Payments to suppliers	(467,510)
Payments for scholarships and fellowships	(60,374)
Loans issued to students	(2,911)
Collections on loans to students	2,846
Auxiliary enterprise receipts	186,029
Sales and services of educational departments	28,818
Other receipts	14,281
Net cash used for operating activities	**$ (362,458)**

Cash Flows from Noncapital Financing Activities

State appropriations	$ 254,654
Share of State sales tax receipts	19,525
Gifts and grants for other than capital purposes	276,294
Nonoperating receipts for other than capital purposes	10,334
Direct Loans received	206,169
Direct Loans disbursed	(211,067)
Funds held for others received	167,327
Funds held for others disbursed	(139,400)
Net cash provided by noncapital financing activities	**$ 583,836**

Cash Flows from Capital Financing Activities

Proceeds from issuance of capital debt, including premiums	$ 159,566
Capital appropriations, grants and gifts received	23,593
Build America Bonds - federal subsidy	117
Capital commitment - State Lottery Revenue	1,169
Proceeds from sale of capital assets	1,046
Purchase of capital assets	(192,263)
Principal paid on capital debt and leases	(45,955)
Interest paid on capital debt and leases	(48,684)
Net cash used for capital financing activities	**$ (101,411)**

Cash Flows from Investing Activities

Proceeds from sales and maturities of investments	$ 233,708
Interest and dividends on investments	10,522
Purchase of investments	(327,786)
Net cash used for investing activities	**$ (83,556)**
Net Increase in Cash and Cash Equivalents	**$ 36,411**

Cash and Cash Equivalents

Cash and Cash Equivalents - Beginning of year	83,725
Cash and Cash Equivalents - End of year	***$ 120,136***

See Notes to Financial Statements

Statement of Cash Flows

Year Ended June 30, 2013 (in thousands of dollars)

Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating loss	$	(475,961)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense		113,345
Changes in assets and liabilities:		
Receivables, net		8,085
Inventories		495
Prepaid expenses		1,377
Accounts payable		2,699
Accrued payroll and benefits and compensated absences		5,651
Unearned revenue and deposits		(18,149)
Net Cash Used for Operating Activities	**$**	**(362,458)**

Significant Noncash Transactions

Gifts and conveyances of capital assets	$	1,726
Change in fair value of investments		9,044
Refinancing long-term debt		71,115
Amortization of bond discount and issuance costs		(2,978)
Amortization of bond premium		3,323
Net loss on disposal of capital assets with an original cost of $23,883 accumulated depreciation of $21,116 and cash proceeds of $1,046		(1,721)
Amortization of IBM deferred rent		4,900

See Notes to Financial Statements

Steward Observatory

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 12. 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, 2013, the University implemented the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* GASB Statement No. 60 improves consistency in financial reporting for service concession arrangements. The University also implemented the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34.* GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The University also implemented the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* GASB Statement No. 62 improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The University also implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* GASB Statement No. 63 establishes criteria for reporting the consumption and acquisition of net position that is applicable to future reporting periods. The implementation of GASB Statement No. 60 had no impact on the University's fiscal year 2013 financial statements, and the implementation of GASB Statement Nos. 61-63 had an insignificant effect on the financial statement amounts and therefore no additional note disclosures were required.

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 will be consumed or acquired in 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 debt for 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. Fair value typically is the quoted market price for securities.

- 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 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 2013, the expendable rate was established at 4% of the three-year average market value ending December 31, 2011. 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 bookstore items and resale supplies. They are stated at the lower of cost (determined by the first-in, first-out or the weighted average method) or market.

Capital Assets, Special Collections and Historical Treasures

- Capital assets are reported at actual cost or, if donated, at fair market value at date received.

- The University maintains special collections and historical treasures for educational purposes and public exhibition. These special collections include Kress, Pfiefer, and Gallagher artwork, Ansel Adams, Richard Avedon, and Edward Westin 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	1	n/a
Construction in progress	100,000	n/a
Buildings and improvements	100,000	15 – 50
Infrastructure	100,000	10 – 100
Equipment		
Various equipment, machinery, vehicles and other	5,000	3 – 25
Intangible assets, computer software ≥ $10 million	10,000,000	10
Intangible assets, computer software < $10 million	1,000,000	5
Library materials	1	10

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, the Law College Association of The University of Arizona, the 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* 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, nonprofit, tax-exempt organization controlled by a separate Board of Directors. The principal goals of the Foundation are to support the University through various fund-raising activities, and to contribute funds to the University in support of various programs. 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 Comptroller at the following address: The University of Arizona, Financial Services, 1303 E. University Blvd., Box 4, Tucson, Arizona 85719-0521.

The University of Arizona Alumni Association (Alumni Association) is a legally separate, tax-exempt, nonprofit corporation governed by a separate Board of Directors and was established to serve the University and its graduates, former students, and friends by attracting, organizing and encouraging them to advance the University's missions – teaching, research, and public service. 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 and the Alumni Association agrees to provide an organizational framework for volunteer service and other activities to benefit and promote 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: Alumni Association, The University of Arizona, P.O. Box 210109, Tucson, Arizona 85721-0109.

The Law College Association of The University of Arizona (Law 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 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 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 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 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 UA Science and Technology Park (Park) and related properties. CRC currently leases from the University the remaining 67% of building space of the Park not leased to the Arizona Research Park Authority. CRC is responsible for assisting in the development of the presently undeveloped portions of the Park and for subleasing unoccupied space, newly developed space, and space now occupied by IBM or its subtenants once the current subleases expire. The University is responsible for payment of the operational expenses associated with the space occupied by University departments, offices, and programs. All income received by CRC from its activities, after payment of expenses and financial reserves, will be distributed to the University. In FY 2013, CRC distributed $200,000 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 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 Officer at the following address: The University of Arizona Science and Technology Park, 9030 South Rita Road, Suite 302, 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

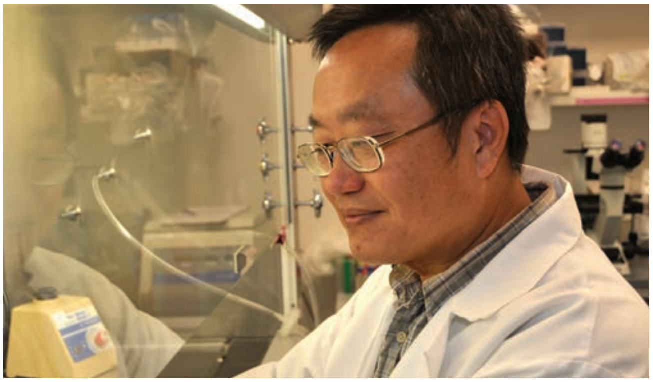


Photo: Kevin Siegert

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 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, 405 McClelland Hall, Tucson, AZ 85721.

NOTE 3. DEPOSITS AND INVESTMENTS

A. General

At year end, the University's deposits and investments had a fair value of $753,035,000. The required disclosures are included in sections B and C of this footnote.

Included in the University's deposits and investments are capital project funds totaling $176,517,000 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.

In addition, endowment funds totaling $172,292,000 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 as an investment company. The Foundation's Investment Committee is responsible for oversight of the Pool in accordance with Foundation policies. The fair value of the University's position in the Pool is based on the University's proportionate share of the Pool, which is marked-to-market monthly. 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 $26,382,000.

B. Statutory and Board of Regents' Policies

Arizona Revised Statutes require that deposits of the University not covered by federal deposit insurance be secured by government bonds or by a safekeeping receipt of the institution accepting the deposit. 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 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 controller's demand deposit account. Beyond this requirement, the University does not have a policy that specifically addresses custodial credit risk. At June 30, 2013, $17,102,000 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.

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, $172,292,000 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 below.

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.

			Moody's/Standard & Poor's Rating			
Investment Type	**Fair Value**	**Not Rated**	**Aaa/AAA**	**Aa/AA**	**A/A**	**Baa/BAA**
Fixed Income Mutual Funds	$ 14,881,000	14,881,000				
Negotiable Certificates of Deposit*	26,832,000	26,832,000				
Corporate Bonds	107,726,000	1,029,000		16,617,000	82,398,000	7,682,000
Federal Agency Securities	167,333,000	3,997,000		161,066,000	2,270,000	
Money Market Mutual Funds	95,611,000	11,831,000	83,780,000			
Municipal Bonds	5,393,000		996,000	3,647,000	750,000	
State Treasurer's Pool 3	1,927,000	1,927,000				
	$ 419,703,000	**60,497,000**	**84,776,000**	**181,330,000**	**85,418,000**	**7,682,000**

*Although all of the negotiable certificates of deposit are unrated by Moody's Investor Service or Standard & Poor's, $20,082,000 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. Except for those issuers allowed by policy, the University does not have an investment in any single issuer that exceeds 5% of the overall portfolio. At June 30, 2013, the University had investments in the Federal National Mortgage Association with a fair value of $69,966,000 or 9.3% and in the Federal Home Loan Mortgage Corporation with a fair value of $61,223,000 or 8.1% of total investments.

Interest Rate Risk:

University policy for its operating funds limits the maximum maturity of any fixed-rate or variable-rate security to five years from the settlement date of purchase. The endowment fund portfolio has no such limitation. The following chart presents the interest rate risk for the University's debt investments at June 30, 2013, utilizing the segmented time distribution method:

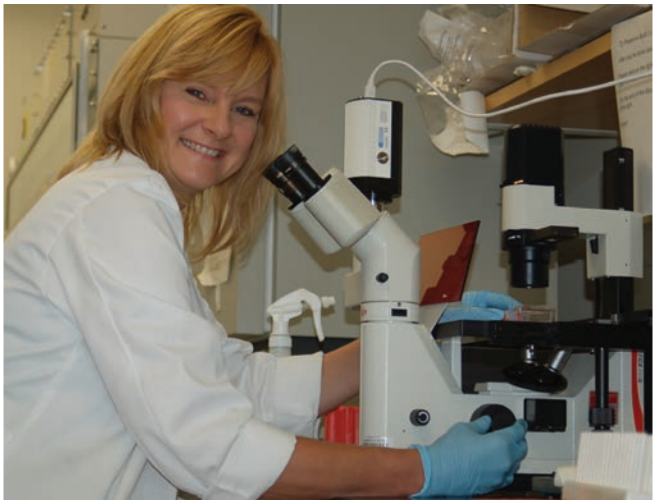
		Maturity Date			
Investment Type	**Fair Value**	**< 1 Year**	**1-5 Years**	**6-10 Years**	**> 10 Years**
Fixed Income Mutual Funds	$ 14,881,000	4,269,000	3,201,000	7,411,000	
Negotiable Certificates of Deposit	26,832,000	9,236,000	17,596,000		
Corporate Bonds	107,726,000	29,151,000	78,340,000	235,000	
Federal Agency Securities	167,333,000	56,813,000	110,454,000	66,000	
Money Market Mutual Funds	95,611,000	95,611,000			
Municipal Bonds	5,393,000	1,740,000	3,653,000		
State Treasurer's Pool 3	1,927,000		1,927,000		
U. S. Treasury	29,452,000	195,000	29,194,000	63,000	
	$ 449,155,000	**197,015,000**	**244,365,000**	**7,775,000**	

At June 30, 2013, the University held $167,333,000 or 22.2% of investments in federal agency securities, including Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association, which may be considered to be highly sensitive to interest rate fluctuations because borrower repayment terms may vary.

Foreign Currency Risk:

The University's foreign-currency denominated investments at June 30, 2013 are shown in the table below. These investments are part of the University's endowment portfolio and are invested by external trustees. 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**
Asset Allocation Mutual Funds	Various	$ 6,797,000
Equity Mutual Funds	Various	3,103,000
Bond/Mutual Funds	Various	1,251,000
Miscellaneous	Various	589,000
Total		**$ 11,740,000**



Betsy Dokken
Photo: Katie Maass

NOTE 4. JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION

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 Arcetri Astrophysical Observatory in Florence, Italy (Arcetri). 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, INAF Astrophysical Observatory, Research Corporation, 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 $18,159,000 toward the project's construction costs which were recorded as long-term investments 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; thus, depreciation of the property and equipment commenced. The University recorded its proportionate share of the use of the viewing/observation rights, $807,000 in calendar year 2012, as a reduction in its investment. At June 30, 2013, the investment totaled $13,613,000. According to the most recent audited financial statements of LBT for the year ended December 31, 2011, assets, liabilities, revenues and expenses totaled $130 million, $3 million, $14 million, and $13 million, respectively. For information regarding LBT's financial statements, contact the University of Arizona Comptroller at the following address: University of Arizona, Financial Services, 1303 E. University Blvd., Box 4, Tucson, Arizona 85719-0521.

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 eleven 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 their voluntary contributions to the project.

Although no contributions were made during the current fiscal year, the University has contributed $9,750,000 to the GMTO as of June 30, 2013, and future contributions are expected. The University will also 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, 2013, the University has received payment on 8 contracts related to the project: $24,302,000 from Observatories of the Carnegie Institution of Washington for mirror construction and process development; $10,229,000 from the GMTO for mirror construction; $6,938,000 from the GMTO for acquisition of glass and mold materials; $3,790,000 from the GMTO for acquisition of glass; $2,481,000 from the Observatories of the Carnegie Institution of Washington to develop mirror testing systems; $371,000 from the GMTO to develop mirror testing systems; $66,000 from GMTO for design study; and $37,000 from GMTO for engineering support.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

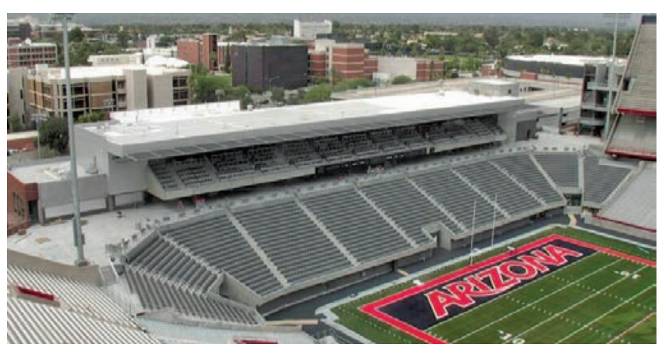
	Beginning Balance July 1, 2012	Additions	Retirements	Transfers/ Reclasses	Ending Balance June 30, 2013
Land	$ 91,331,000	$ 3,951,000	$ (8,000)		$ 95,274,000
Construction in progress	247,144,000	134,679,000	(127,000)	$ (159,300,000)	222,396,000
Total non-depreciable capital assets	$ 338,475,000	$ 138,630,000	$ (135,000)	$ (159,300,000)	$ 317,670,000
Buildings and improvements	$ 1,831,670,000	$ 1,336,000	$ (53,000)	$ 157,879,000	$ 1,990,832,000
Infrastructure	200,721,000	772,000		1,421,000	202,914,000
Equipment	507,784,000	42,771,000	(19,969,000)		530,586,000
Library materials	264,102,000	15,519,000	(3,726,000)		275,895,000
Total depreciable capital assets	$ 2,804,277,000	$ 60,398,000	$ (23,748,000)	$ 159,300,000	$ 3,000,227,000
Less: accumulated depreciation					
Buildings and improvements	$ 848,274,000	$ 61,927,000	$ (34,000)		$ 910,167,000
Infrastructure	88,768,000	7,914,000			96,682,000
Equipment	357,756,000	31,767,000	(17,356,000)		372,167,000
Library materials	210,906,000	11,737,000	(3,726,000)		218,917,00
Total accumulated depreciation	$ 1,505,704,000	$ 113,345,000	$ (21,116,000)		$ 1,597,933,000
Depreciable capital assets, net	$ 1,298,573,000	$ (52,947,000)	$ (2,632,000)	$ 159,300,000	$ 1,402,294,000
Capital assets, net	$ 1,637,048,000	$ 85,683,000	$ (2,767,000)		$ 1,719,964,000

In addition to expenditures through June 30, 2013, it is estimated that $879,670,000 will be required to complete projects under construction or planned for construction. Of that amount, $144,164,000 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, tuition and fees received in advance, and the unamortized portion of the IBM lease (see discussion below) related to the acquisition of the University of Arizona Science and Technology Park (Park). Unearned revenue also includes amounts received in advance of an event, such as advance ticket sales for sporting events.

Arizona Research Park Authority (ARPA) was established under the State's industrial development authority statute to assist in the acquisition, improvement and operation of university research parks and related properties. In August 1994, ARPA sold $98 million of transferable special revenue bonds to International Business Machines Corporation (IBM) to enable the University to acquire from IBM a 345-acre developed industrial site near Tucson, Arizona, together with 1,000 acres of adjacent unimproved land (collectively, the University of Arizona Science and Technology Park (Park)). The bonds are payable solely from lease rentals paid by IBM. If IBM defaults or cancels its lease, the bonds must be surrendered and discharged. Title to the entire Park resides with the University and neither the Park nor any payments by the University secures ARPA's bonds. Since the original transaction, IBM has reduced its leasehold to 33% of the building space for periods up to the remaining term of one year. The University has recorded the value of the Park as a capital asset and is amortizing the associated unearned revenue over a 20-year period.



Arizona Stadium, north end zone expansion.

Unearned revenue and deposits at June 30, 2013 consist of the following:

Current Unearned Revenue and Deposits		
Unexpended cash advances received for sponsored programs	$	46,554,000
Auxiliary sales and services		6,003,000
IBM lease related to the acquisition of the Park		4,900,000
Tuition and fees		6,808,000
Other unearned revenue		7,024,000
Deposits		491,000
Total current unearned revenue and deposits	$	71,780,000
Noncurrent Unearned Revenue and Deposits		
IBM lease related to the acquisition of the Park	$	470,000

NOTE 7. ACCRUED COMPENSATED ABSENCES

The University accrues vacation when earned. At fiscal year-end, the University accrued up to the maximum 22 days allowed by University policy for which an employee can be paid upon termination of employment. 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. The University pays a percentage of its payroll to RASL annually and does not have further liability.

Accrued compensated vacation for the year ended June 30, 2013, was as follows:

Beginning balance	$	41,541,000
Additions		49,513,000
Reductions		(47,126,000)
Ending balance	$	43,928,000
Current portion	$	8,282,000

NOTE 8. LONG-TERM DEBT & LEASE OBLIGATIONS

Long-term debt activity for the year ended June 30, 2013 was as follows:

	Beginning Balance July 1, 2012	Additions	Reductions	Ending Balance June 30, 2013	Due Within One Year
Bonds payable	$ 686,090,000	$ 218,205,000	$ (93,010,000)	$ 811,285,000	$ 22,600,000
Certificates of participation	425,530,000	190,000	(25,000,000)	400,720,000	22,392,000
Capitalized lease obligations	36,957,000	4,012,000	(2,426,000)	38,543,000	2,020,000
Subtotal long-term debt	$ 1,148,577,000	$ 222,407,000	$ (120,436,000)	$ 1,250,548,000	$ 47,012,000
Premium on sale of debt	51,320,000	15,684,000	(6,003,000)	61,001,000	3,296,000
Discount on sale of debt	(2,440,000)	(14,000)	140,000	(2,314,000)	(141,000)
Deferred costs of refundings	(19,684,000)	(3,615,000)	1,819,000	(21,480,000)	(1,686,000)
Total long-term debt	$ 1,177,773,000	$ 234,462,000	$ (124,480,000)	$ 1,287,755,000	$ 48,481,000

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. 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 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 December 19, 2012, the University sold System Revenue Refunding Bonds Taxable Series 2012C (2012C Bonds) for $43,920,000 dated January 17, 2013. The 2012C Bonds include $37,670,000 of serial bonds with interest rates ranging from 0.65% to 3.42% and maturity dates ranging from 2014 to 2027. The 2012C Bonds also include a term bond consisting of $6,250,000 with an interest rate of 3.912% due June 1, 2034. The 2012C 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 25 basis points. The 2012C Bonds with maturity on June 1, 2034 are subject to mandatory sinking fund redemption without premium pursuant to the debt documents. The 2012C Bonds sold at a discount of $14,000. The University realized net proceeds of $43,540,000 after payment of $366,000 for issuance costs and underwriter discounts. The net proceeds were used for the following:

- Current-refund a portion of the System Revenue Bonds Series 2003 with an outstanding principal balance of $8,165,000. The current refunding generated a net present value economic gain of $742,000 (difference between the present values of the old debt and the new debt service payments) for the University. The refunding decreases the University's debt service by $112,000 in year one and $603,000 in year two. In addition, annual debt service decreases by an average of $2,500 in years three through twelve. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $236,000. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being amortized to interest expense through the year 2024 using the straight-line method.

- Advance refund a portion of the System Revenue Bonds Series 2004B with an outstanding balance of $32,945,000. The advance refunding generated a net present value economic gain of $2,172,000 (difference between the present values of the old debt and the new debt service payments) for the University. The advance refunding decreases the University's debt service by $445,000 in year one, $653,000 in year two, and $1,021,000 in year three. In addition, annual debt service decreases by an average of $2,800 in years four through twenty-two. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,206,000. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being amortized to interest expense through the year 2034 using the straight-line method. The refunded System Revenue Bonds Series 2004B will be paid by investments held in an irrevocable trust with a combined carrying value of $34,436,000. Accordingly, the trust account assets and liability for these defeased bonds are not included in the University's financial statements.

On March 26, 2013, the University sold System Revenue Bonds Series 2013A (2013A Bonds) for $69,175,000 and System Revenue Refunding Bonds Series 2013B (2013B Bonds) for $34,985,000 dated April 10, 2013. The 2013A Bonds include $25,295,000 of serial bonds with interest rates ranging from 3.00% to 5.00% and maturity dates ranging from 2016 to 2033. The 2013A Bonds also include three term bonds consisting of $11,455,000 with an interest rate of 5.00% due June 1, 2038, $14,605,000 with an interest rate of 4.00% due on June 1, 2043 and $17,820,000 with an interest rate of 4.125% due June 1, 2048. The 2013A Bonds with maturity on or after June 1, 2024, are subject to optional redemption without premium. The 2013A Bonds with maturity on June 1, 2038, June 1, 2043 and June 1, 2048 are subject to mandatory sinking fund redemption without premium pursuant to the debt documents. The 2013A Bonds sold at a premium of $3,501,000. The University realized net proceeds of $72,216,000 after payment of $460,000 for issuance costs and underwriter discounts. The net proceeds were used to finance the Cancer Center in Phoenix.

The 2013B Bonds include $30,905,000 of serial bonds with interest rates ranging from 3.00% to 5.00% and maturity dates ranging from 2013 to 2033. The 2013B Bonds also include three term bonds consisting of $1,110,000 with an interest rate of 3.75% due June 1, 2038, $1,335,000 with an interest rate of 4.00% due on June 1, 2043 and $1,635,000 with an interest rate of 4.125% due June 1, 2048. The 2013B Bonds with maturity on or after June 1, 2024, are subject to optional redemption without premium. The 2013B Bonds with maturity on June 1, 2038, June 1, 2043 and June 1, 2048 are subject to mandatory sinking fund redemption without premium pursuant to the debt documents. The 2013B Bonds sold at a premium of $5,495,000. The University realized net proceeds of $40,244,000 after payment of $236,000 for issuance costs and underwriter discounts. The net proceeds were used to finance a portion of the Environment and Natural Resources Phase II project and to refund in advance of maturity a portion of the System Revenue Bonds Series 2004A and 2005A totaling $3,535,000 and $26,470,000, respectively. The advance refunding generated a net present value benefit of $1,912,000 (difference between the present values of the old debt and the new debt service payments) for the University. The advance refunding reduced the University's debt service by $514,000 in the first year, $38,000 in the second year and an average of $124,000 in years three through thirteen. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,682,000. This difference, reported in the accompanying financial statements as a deduction from long-term debt, is being amortized to interest expense through the year 2031 using the straight-line method. The refunded System Revenue Bonds will be paid by investments held in an irrevocable trust with a combined carrying value of $32,541,000. Accordingly, the trust account assets and liability for these defeased bonds are not included in the University's financial statements.

On May 16, 2013, the University sold SPEED Revenue Bonds Series 2013 for $70,125,000 dated May 30, 2013. The 2013 Bonds include $25,880,000 of serial bonds with interest rates of 4.00% and 5.00% and maturity dates ranging from 2016 to 2031. The 2013 Bonds also include four term bonds consisting of $4,840,000 with an interest rate of 3.75% due August 1, 2033, $10,175,000 with an interest rate of 5.00% due on August 1, 2038, $12,980,000 with an interest rate of 5.00% due on August 1, 2043 and $16,250,000 with an interest rate of 4.00% due on August 1, 2048. The serial bonds with maturity on or after August 1, 2024, are subject to optional redemption without premium. The 2013 Bonds with maturity on August 1, 2033, August 1, 2038, August 1, 2043 and August 1, 2048 are subject to mandatory sinking fund redemption without premium pursuant to the debt documents. The 2013 Bonds sold at a premium of $6,688,000. The University realized net proceeds of $76,300,000 after payment of $513,000 for issuance costs and underwriter discounts. The net proceeds will be used to finance the Environment and Natural Resources Phase II project and the Health Sciences Education Building Shell Space project.

In fiscal year 2012, the University refunded, in advance of maturity, a portion of outstanding System Revenue Bonds Series 2004A. At June 30, 2013, the outstanding principal balance of the refunded bonds was $9,335,000, which will be paid by investments held in an irrevocable trust with a fair value of $9,770,000. 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 an 8.7% reduction (totaling $140,000) in the federal interest subsidy for the August 1, 2013 debt service payment and a 7.2% reduction (totaling $232,000) in the federal interest subsidy for the February 1 and August 1, 2014 debt service payments.

The following schedule details outstanding bonds payable at June 30, 2013:

Issue		Original Amount	Year of Final Maturity	Interest Rates		Outstanding Principal
1992A – System Revenue Refunding Bonds	$	55,490,000	2016	6.20%	$	16,780,000
2004A – System Revenue Bonds		17,780,000	2014	4.25%		580,000
2004B – System Revenue Bonds		50,265,000	2029	4.50-5.00%		5,695,000
2005A – System Revenue Bonds		35,570,000	2016	3.50-5.00%		3,525,000
2006A – System Revenue Refunding Bonds		17,645,000	2020	5.00%		17,645,000
2007 – System Revenue Bonds		31,010,000	2032	4.00-5.00%		26,345,000
2008A – System Revenue Bonds		43,105,000	2040	4.00-5.00%		39,640,000
2008B – System Revenue Refunding Bonds		18,090,000	2018	3.75-4.00%		6,190,000
2009A – System Revenue Bonds		202,370,000	2039	3.00-5.00%		194,125,000
2012A – System Revenue Bonds		74,050,000	2042	2.00-5.00%		73,950,000
2012B – System Revenue Refunding Bonds		21,860,000	2022	0.87-3.29%		21,545,000
2012C – System Revenue Refunding Bonds		43,920,000	2034	0.65-3.912%		43,920,000
2013A – System Revenue Bonds		69,175,000	2048	3.00-5.00%		69,175,000
2013B – System Revenue Refunding Bonds		34,985,000	2048	3.00-5.00%		34,975,000
Subtotal – System Revenue Bonds	$	715,315,000			$	554,090,000
2010 – SPEED Revenue Bonds		147,475,000	2045	4.31-6.643%		147,475,000
2011 – SPEED Revenue Bonds		39,595,000	2030	4.25-5.00%		39,595,000
2013 – SPEED Revenue Bonds		70,125,000	2049	3.75-5.00%		70,125,000
Subtotal – SPEED Revenue Bonds	$	257,195,000			$	257,195,000
Total	$	972,510,000			$	811,285,000

The following schedule details debt service requirements to maturity for System and SPEED Revenue Bonds payable at June 30, 2013:

Year	Principal	Interest
2014	$ 22,600,000	$ 38,250,000
2015	21,090,000	38,326,000
2016	24,345,000	37,481,000
2017	28,725,000	36,376,000
2018	30,140,000	35,254,000
2019-23	142,410,000	156,740,000
2024-28	143,585,000	122,650,000
2029-33	140,525,000	85,496,000
2034-38	117,480,000	54,067,000
2039-43	87,935,000	24,073,000
2044-48	48,940,000	5,732,000
2049	3,510,000	70,000
Total	$ 811,285,000	$ 634,515,000

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, 2013. 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, 2013, pledged revenues totaled $994.1 million of which 5.7% ($56.5 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 4 percent of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2048 is $1.45 billion.

Photo: © 2013 ziembaphoto

Certificates of Participation - The University utilizes Certificates of Participation and various capital leases to acquire buildings, equipment and land. The Certificates are generally callable, and the capital leases are subject to prepayment.

In fiscal year 2012, the University refunded, in advance of maturity, a portion of outstanding Certificates of Participation Series 2004A. At June 30, 2013, the outstanding principal balance for the Certificates of Participation Series 2004A was $16,285,000, which will be paid by investments held in an irrevocable trust with a fair market value of $17,049,000. Accordingly, the trust account assets and liability for these defeased certificates are not included in the University's financial statements.

The following schedule details outstanding Certificates of Participation payable at June 30, 2013:

Issue		Original Amount	Year of Final Maturity	Interest Rates	Outstanding Principal
1999A	Fixed Student Union Certificates	$ 21,607,000	2020	5.125-5.30%	$ 3,065,000
2003B	Medical Research Bldg., Biomedical Sciences & Biotech. Bldg., Technology Infrastructure	153,960,000	2014	5.211%	5,300,000
2004A	Chemistry Bldg. Expansion, Res. Life Phase I, Highland Pkg. Garage, Refund COPS 1994A	42,020,000	2015	5.25%	4,035,000
2005A	Refund COPS 1999A	12,660,000	2024	4.00-5.00%	12,660,000
2005B	Refund COPS 1999	14,825,000	2024	5.00%	14,825,000
2005C	Refund COPS 2001A	16,330,000	2022	4.125-5.00%	16,330,000
2005D	Refund COPS 1999A & B	6,655,000	2020	4.125-5.00%	2,125,000
2005E	Refund COPS 1999	3,555,000	2014	4.073%	1,085,000
2005F	Refund COPS 2000A & 2001A	14,915,000	2025	4.00-4.50%	10,480,000
2005G	Refund COPS 2001B, 2002A, & 2003A	2,245,000	2020	4.125-4.375%	2,245,000
2005H	Refund COPS 2002B	770,000	2020	4.125-4.375%	770,000
2005I	Refund COPS 2003B & 2004A	1,320,000	2020	4.125-4.375%	1,320,000
2006A	Refund COPS 1999A & 1999B	35,785,000	2024	4.00-5.00%	35,050,000
2006B	Refund COPS 2000A & 2001A	12,395,000	2025	4.00-4.50%	9,470,000
2006C	Refund COPS 2001B, 2002A, & 2003A	6,100,000	2020	4.25-4.375%	6,100,000
2006D	Refund COPS 2002B	1,285,000	2020	4.25-4.375%	1,285,000
2006E	Refund COPS 2003B & 2004A	3,085,000	2020	4.25-4.375%	3,085,000
2006	Arizona Biomedical Research Collaborative Building Project	18,240,000	2031	4.00-5.00%	15,230,000
2007A	Refund COPS 2001A	12,035,000	2025	4.00-4.50%	10,335,000
2007B	Refund COPS 2001B & 2002A	50,150,000	2022	4.50%	46,385,000
2007D	Refund COPS 2004B	42,895,000	2031	4.00%	42,675,000
2012A-1	Refund COPS 2001B	2,145,000	2014	3.00%	1,135,000
2012A-2	Refund COPS 2003A	10,190,000	2022	1.48-3.42%	10,190,000
2012B	Refund COPS 2002B	20,600,000	2023	2.00-5.00%	20,600,000
2012C	Refund COPS 2003B & 2004A	124,940,000	2031	3.00-5.00%	124,940,000
	Total	$ 630,707,000			$ 400,720,000

The following schedule details debt service requirements to maturity for Certificates of Participation payable at June 30, 2013:

Year	Principal	Interest
2014	$ 22,392,000	$ 18,788,000
2015	17,374,000	18,338,000
2016	24,173,000	15,345,000
2017	29,845,000	15,591,000
2018	31,475,000	14,253,000
2019-23	157,061,000	48,499,000
2024-28	77,880,000	19,296,000
2029-31	40,520,000	3,804,000
Total	$ 400,720,000	$ 153,914,000

Capital Leases – The University has entered into various long-term leases to acquire equipment and enhance fixtures and infrastructure. 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 largest lease entered into this fiscal year was a ground lease with the City of Phoenix for the land to build the Cancer Center. The University will not be making a lease payment for ten years. Lease payments per year are $51,000 for years eleven to forty and $76,000 for years forty-one to sixty. The total amount for all of the lease payments is $3,056,000 and the final payment date is February 1, 2072.

The following schedule details debt service requirements to maturity for capital leases payable at June 30, 2013:

Year	Capital Lease Payments
2014	$ 3,977,000
2015	3,602,000
2016	3,295,000
2017	2,923,000
2018	2,672,000
2019-23	13,320,000
2024-28	13,698,000
2029-33	13,446,000
2034-38	3,627,000
2039-43	255,000
2044-48	255,000
2049-53	280,000
2054-58	382,000
2059-63	382,000
2064-68	382,000
2069-72	305,000
Total minimum lease payments	$ 62,801,000
Less: interest	(24,258,000)
Present value of net minimum lease payments	$ 38,543,000

Capital Asset Financing – Following is a summary of capital assets financed by certificates of participation and capital leases at June 30, 2013:

Land	$ 10,747,000
Buildings and improvements	492,143,000
Infrastructure	34,273,000
Equipment	22,687,000
Total cost of assets	559,850,000
Less: accumulated depreciation	(189,859,000)
Carrying value of assets	$ 369,991,000

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 2013, rent expenses totaled $22,347,000.

The following schedule details future operating lease payments to maturity:

Year	Operating Lease Payments
2014	$ 3,737,000
2015	2,255,000
2016	978,000
2017	760,000
2018	209,000
Total	$ 7,939,000

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. With this exception, 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. RETIREMENT PLANS

The University participates in one cost-sharing, multiple-employer defined benefit pension plan and three defined contribution pension plans.

A. Defined Benefit Plan

Plan Description – The Arizona State Retirement System (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers employees of the state of Arizona, including University employees, and employees of participating political subdivisions and school districts. Benefits are established by State statute. The ASRS provides retirement, death and survivor benefits through its Retirement Fund; health insurance premium benefits (i.e., a monthly subsidy) through its Health Benefit Supplement Fund; and long-term disability benefits through its Long-Term Disability Fund. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2. The ASRS issues a publicly available comprehensive annual financial report that includes its financial statements and required supplementary information. That report may be obtained by writing to the ASRS, 3300 North Central Avenue, PO Box 33910, Phoenix, Arizona 85067-3910, by calling (602) 240-2000 or (800) 621-3778, or visiting www.azasrs.gov.

Funding Policy – For the year ended June 30, 2013, active ASRS members were required to contribute at the actuarially determined rate of 11.14 percent (10.9 percent retirement and .24 percent long term disability) of the members' annual covered payroll. The University was required to contribute at the actuarially determined rate of 11.14 percent (10.25 percent for retirement, .65 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll. The Arizona State Legislature establishes and may amend active plan members' and the University's contribution rates.

The University's contributions for the current and two preceding years, all of which were equal to the required contributions were as follows:

Years ended June 30,		Retirement Fund		Health Benefit Supplement Fund		Long-Term Disability Fund
2013	$	34,050,000	$	2,173,000	$	811,000
2012		33,099,000		2,113,000		826,000
2011		28,741,000		1,882,000		797,000

B. Defined Contribution Plans

Plan Description – In accordance with ARS §15-1628, University faculty, academic professionals, and administrative officers have the option to participate in defined contribution pension plans. For the year ended June 30, 2013, 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. In addition, employees hired before July 1, 1972 have the option to participate in the defined contribution plan administered by the ASRS. 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. 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 company.

Funding Policy – The Arizona State Legislature establishes the contribution rates for active plan members and the University. For the year ended June 30, 2013, plan members and the University were each required by statute to contribute an amount equal to 7.00 percent of a member's compensation, except for a 7.00 percent member contribution and a 7.65 percent University contribution for the ASRS plan. Contributions to these plans for the year ended June 30, 2013, were as follows:

Plan	University Contributions	Member Contributions	Total Contributions
TIAA/CREF	$ 13,748,000	$ 13,748,000	$ 27,476,000
Fidelity	9,819,000	9,819,000	19,638,000
ASRS	13,000	12,000	25,000

NOTE 11. OPERATING EXPENSES BY CLASSIFICATION

Operating expenses by functional and natural classification for the year ended June 30, 2013 consist of the following:

	Personal Services and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 332,292,000	$ 59,253,000			$ 391,545,000
Research	275,142,000	160,394,000			435,536,000
Public service	51,649,000	39,469,000			91,118,000
Academic support	116,846,000	56,568,000			173,414,000
Student services	32,157,000	10,052,000	$ 416,000		42,625,000
Institutional support	73,972,000	25,914,000			99,886,000
Operation and maintenance of plant	38,223,000	50,534,000			88,757,000
Scholarships and fellowships	651,000		57,494,000		58,145,000
Auxiliary enterprises	84,351,000	70,139,000	2,464,000		156,954,000
Depreciation				$ 113,345,000	113,345,000
Total Operating Expenses	**$ 1,005,283,000**	**$ 472,323,000**	**$ 60,374,000**	**$ 113,345,000**	**$ 1,651,325,000**

NOTE 12. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

A. Summary of Significant Accounting Policies:

The University of Arizona Foundation

Basis of Accounting

For financial reporting purposes, three net asset categories are utilized to reflect resources according to the existence or lack thereof of externally (donor) imposed restrictions. A description of the three net asset categories follows.

- *Unrestricted net assets* – include assets and contributions that are not restricted by donors or for which such restrictions have expired.

- *Temporarily restricted net assets* – include contributions for which donor imposed restrictions have not been met (either by the passage of time or by actions of the Foundation), charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. Donor-restricted contributions are classified as temporarily restricted even if restrictions are satisfied in the same reporting period in which the contributions are received.

- *Permanently restricted net assets* – include contributions, charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity. Included in permanently restricted net assets is the Foundation's Endowment.

Cash and Cash Equivalents

Cash and cash equivalents include monies held in certificates of deposit, overnight money market accounts, and U.S. Government or U.S. Treasury money market funds with original maturities of three months or less. 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, REIT funds, and international fixed income mutual funds are valued based on quoted market prices. Investments in real estate and timber partnerships are recorded at fair value as determined by the general partner based on the appraised value of the partnerships' assets. 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. Investments in alternative securities are highly susceptible to valuation changes. Private capital and commodity limited partnership interests are recorded at fair value as determined by the fund manager. Investment income or loss comprises the sum of realized and unrealized gains and losses on investments and interest and dividends, less an investment management fee.

Collections

The Foundation capitalizes donated collections (principally photographs, prints and negatives to benefit the University of Arizona's 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 $20,577,000 at June 30, 2013 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 ($852,000 in the year ending June 30, 2013). The fair values of such assets held in trust at June 30, 2013 total $37,273,000, of which $2,148,000 were unrestricted, $8,919,000 were temporarily restricted and $26,206,000 were permanently restricted.

Net Assets Released From Restriction

Expenses are not incurred in the temporarily restricted or permanently restricted net asset categories. As the restrictions on temporarily restricted net assets are met, the net assets are reclassified to unrestricted net assets. Payouts made from permanently restricted net assets are reported as released from restriction and transferred to unrestricted net assets. The total net assets reclassified are reported as net assets released from restriction in the accompanying statement of activities.

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. The Corporation has recorded in the financial statements a building and related debt for which ABOR on behalf of the UA holds the title to the building, under the requirements of a lease.

Solar Zone Development

The Corporation 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

The Corporation 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.

B. Investments:

The University of Arizona Foundation

Investments comprised the following amounts at June 30, 2013:

	Carrying Value	Cost
Domestic/international equity securities and mutual funds	$ 226,559,000	$ 196,920,000
Absolute return limited partnerships and funds	186,658,000	157,113,000
U.S. fixed income obligations and mutual funds	95,956,000	93,532,000
Private capital and commodity limited partnerships	59,102,000	53,732,000
International fixed income mutual funds	32,564,000	38,502,000
REIT funds, real estate and timber partnerships	56,159,000	57,523,000
Totals	$ 656,998,000	$ 597,322,000

C. Endowment:

The University of Arizona Foundation

The Foundation's endowment consists of approximately 2,150 individual funds (1,500 for the Foundation and 650 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 unrestricted and temporarily restricted assets in its endowment pool. These invested funds, which are stated at fair value, are reported as due from the permanently restricted fund. The endowment pool is subject to the Arizona Management of Charitable Funds Act, which was signed into law on April 14, 2008.

UA AgDiscovery Campers evaluate quality of grain seed at Condor Seed Production in Yuma.

Photo: Tanya Hodges/University of Arizona

As a result of explicit donor stipulations contained in its endowment agreements, the Foundation classifies as permanently restricted net assets: (1) the original value of gifts donated to the endowment, (2) subsequent gifts to the endowment, and (3) all realized and unrealized appreciation or depreciation experienced by the endowment fund.

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 charges a cost recovery fee, a percentage (1.25% in fiscal 2013) of the fair value of the Endowment as determined from time to time by the Foundation's Board, which is paid from the Endowment to defray the Foundation's costs of holding, managing and stewarding the Endowment, including costs for safeguarding, investing and accounting for such funds. Cost recovery fees of $4,684,000 were recognized in 2013; an additional $2,152,000 in such fees was collected on behalf of and transferred to the University in 2013.

D. Pledges Receivable:

The University of Arizona Foundation

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. 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. Unconditional promises at June 30, 2013 totaled $2,984,000.

A Bureau of Land Management technician sweeps wetlands near a Yuma farm for evidence of insect populations.
Photo: Tanya Hodges/University of Arizona

E. Property and Equipment:

Campus Research Corporation

Property and equipment consisted of the following as of June 30, 2013:

Building and infrastructure improvements	$ 19,831,000
Furniture, equipment and other property	5,668,000
Total	$ 25,499,000
Less accumulated depreciation	(7,580,000)
Property and equipment, net	$ 17,919,000

Solar Zone Development:

At June 30, 2013 and 2012, approximately $267,000 and $1,501,000 of the costs included in solar zone development have not been placed in service.

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.	$ 5,819,000
Non-interest-bearing note payable, Arizona Commerce and Economic Development Commission, payable in monthly principal installments of $2,000 through April 2016, unsecured.	63,000
Note payable, Wells Fargo Bank, payable in aggregate monthly installments of $55,000 including interest at various rates ranging from 4.71% to 5.84% through December 2016.	1,083,000
Note payable, Wells Fargo Bank, nonrevolving line of credit for $2,000,000 converted to a term note in March 2011, payable in monthly installments of $38,000 including interest at 30-day LIBOR plus 4.25% through March 2016. At June 30, 2013 and 2012, the 30-day LIBOR was 0.194% and 0.246%. Through March 2011, interest was payable monthly on the outstanding balance of the nonrevolving line at the prime rate with a floor of 5%.	1,133,000
Total long-term debt	$ 8,098,000

The bonds and notes payable to Wells Fargo Bank are collateralized by leasehold interests in real property and an assignment of rents and require the Corporation to be in compliance with certain financial and nonfinancial covenants.

Wells Fargo Bank Arizona issued letter of credit with an original amount of approximately $11,400,000 to enhance the sale of the bonds and the Corporation 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.

The Corporation entered into an interest rate swap agreement with Wells Fargo Bank (WF) to reduce the variability in cash flows caused by changes in interest payments on the series A bonds. Under the swap agreement, the Corporation 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, 2013. The Corporation's derivative instruments held for risk management purposes at June 30, 2013 had a notional amount of $5,819,000 and a fair value of $920,000.

G. Project Operation Agreement (POA):

Campus Research Corporation

The Corporation 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 2014. Exercise of contractual extensions contained within the IBM master lease agreement will extend the POA according to the terms of the lease agreement.

The Corporation is required to pay a monthly amount based on an annual operating budget for these services that is prepared by IBM in the process of preparing the operating budget. A quarterly analysis of the 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 the Corporation 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. The Corporation is responsible for any capital expenditures allocated to this tenant in excess of the maximum.

H. Related Party Transactions:

Eller Executive Education

EEE has an Affiliation Agreement with Arizona Board of Regents, for and on behalf of UA through July 2017. The agreement covers policies, procedures, working relationships respective rights and responsibilities between EEE and UA. UA 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 UA for all salary and employee related expenses. Expenses relating to UA during the year ended June 30, 2013 were $133,000.

Law College Association of The University of Arizona

During the year ended June 30, 2013, the Association distributed funds or paid distributions on behalf of the Law College of the University of Arizona in the amount of $1,671,000.

I. Concentrations:

Eller Executive Education

At June 30, 2013, one customer accounted for 77% of accounts receivable, and four customers comprised 67% of total revenue for the year then ended.

J. Condensed Financial Statements of Major and Other Component Units:

Component Units Statement of Financial Position June 30, 2013	The University of Arizona Foundation	Other Component Units	Total
Assets			
Cash, cash equivalents and investments	$ 695,750,000	$ 22,843,000	$ 718,593,000
Pledges receivable	2,984,000	629,000	3,613,000
Property and equipment, net	12,796,000	17,947,000	30,743,000
Other assets	5,724,000	8,593,000	14,317,000
Total Assets	**$ 717,254,000**	**$ 50,012,000**	**$ 767,266,000**
Liabilities and Net Assets			
Liabilities			
Fair value of endowments managed for the University	$ 172,292,000		$ 172,292,000
Annuities payable and other trust liabilities	20,577,000		20,577,000
Short term and long term debt		$ 8,105,000	8,105,000
Other liabilities	8,520,000	8,495,000	17,015,000
Total Liabilities	**$ 201,389,000**	**$ 16,600,000**	**$ 217,989,000**
Net Assets			
Unrestricted	$ 9,181,000	$ 24,762,000	$ 33,943,000
Temporarily restricted	110,320,000	4,110,000	114,430,000
Permanently restricted	396,364,000	4,540,000	400,904,000
Total Net Assets	**$ 515,865,000**	**$ 33,412,000**	**$ 549,277,000**
Total Liabilities and Net Assets	**$ 717,254,000**	**$ 50,012,000**	**$ 767,266,000**

K. Condensed Financial Statements of Major and Other Component Units, Continued

Component Units Statement of Activities Year Ended June 30, 2013	The University of Arizona Foundation	Other Component Units	Total
Revenues			
Contributions	$ 59,818,000	$ 1,096,000	$ 60,914,000
Rental revenues		12,035,000	12,035,000
Investment income (loss)	45,619,000	1,227,000	46,846,000
Other income	9,609,000	4,343,000	13,952,000
Total revenues	**$ 115,046,000**	**$ 18,701,000**	**$ 133,747,000**
Expenses			
Program services:			
Leasing related expenses		$ 8,585,000	$ 8,585,000
Payments to the University	$ 46,067,000		46,067,000
Payments on behalf of the University	14,548,000	4,964,000	19,512,000
Supporting services:			
Management and general	4,287,000	2,232,000	6,519,000
Fund raising	6,641,000	192,000	6,833,000
Total expenses	**$ 71,543,000**	**$ 15,973,000**	**$ 87,516,000**
Increase (decrease) in Net Assets	**43,503,000**	**2,728,000**	**46,231,000**
Net Assets – Beginning of year	472,362,000	30,684,000	503,046,000
Net Assets - End of year	**$ 515,865,000**	**$ 33,412,000**	**$ 549,277,000**

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June 30, 2013

FINANCIAL TRENDS

REVENUE CAPACITY

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DEMOGRAPHIC AND ECONOMIC INFORMATION

OPERATING INFORMATION

NET POSITION BY COMPONENT

(in thousands of dollars)

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net investment in capital assets	$ 610,237	$ 578,931	$ 522,909	$ 490,309	$ 466,674	$ 460,964	$ 410,573	$ 388,472	$ 427,054	$ 422,032
Restricted, Non-expendable	122,635	113,968	115,307	101,263	94,307	94,610	118,585	106,263	100,077	94,676
Restricted, Expendable	124,582	122,904	137,768	127,599	140,375	158,554	133,550	122,003	105,429	96,758
Unrestricted	361,244	310,258	293,103	254,432	179,821	157,234	165,775	149,522	101,265	106,895
Total Net Position	**$1,218,698**	**$ 1,126,061**	**$ 1,069,087**	**$ 973,603**	**$ 881,177**	**$ 871,362**	**$ 828,483**	**$ 766,260**	**$ 733,825**	**$ 720,361**
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	50.1	51.4	48.9	50.4	53.0	52.9	49.6	50.7	58.2	58.6
Restricted, Non-expendable	10.1	10.1	10.8	10.4	10.7	10.9	14.3	13.9	13.6	13.1
Restricted, Expendable	10.2	10.9	12.9	13.1	15.9	18.2	16.1	15.9	14.4	13.4
Unrestricted	29.6	27.6	27.4	26.1	20.4	18.0	20.0	19.5	13.8	14.8
Total Net Position	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Percentage increase (decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	5.4	10.7	6.6	5.1	1.2	12.3	5.7	(9.0)	1.2	6.3
Restricted, Non-expendable	7.6	(1.2)	13.9	7.4	(0.3)	(20.2)	11.6	6.2	5.7	9.9
Restricted, Expendable	1.4	(10.8)	8.0	(9.1)	(11.5)	18.7	9.5	15.7	9.0	(4.1)
Unrestricted	16.4	5.9	15.2	41.5	14.4	(5.2)	10.9	47.7	(5.3)	(11.9)
Total Net Position	**8.2**	**5.3**	**9.8**	**10.5**	**1.1**	**5.2**	**8.1**	**4.4**	**1.9**	**2.1**

CHANGE IN NET POSITION

(in thousands of dollars)

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Operating Revenues										
Student tuition and fees, net	$ 461,580	$ 410,507	$ 379,199	$ 329,586	$ 269,447	$ 231,536	$ 209,521	$ 193,498	$ 181,776	$ 172,529
Federal grants and contracts	366,363	362,478	352,835	324,919	303,115	296,338	339,722	346,275	359,881	346,282
State grants and contracts	11,697	14,117	43,272	28,737	24,868	20,370	15,625	12,523	11,495	11,919
Local grants and contracts	2,749	26,820					3,041	2,577	1,994	2,383
Nongovernment grants and contracts	92,540	77,662	64,539	74,447	67,629	64,750	63,761	63,814	64,448	58,823
Sales & services of educational departments	35,951	50,721	36,731	28,873	29,936	25,789	24,490	23,614	22,104	19,311
Auxiliary enterprises, net	190,199	171,017	171,372	165,594	154,698	154,112	143,910	132,183	120,994	112,087
Other operating revenues	14,285	10,906	10,674	9,804	10,356	13,906	12,215	10,209	7,261	6,536
Total operating revenues	**$ 1,175,364**	**$ 1,124,228**	**$ 1,058,622**	**$ 961,960**	**$ 860,049**	**$ 806,801**	**$ 812,285**	**$ 784,693**	**$ 769,953**	**$ 729,870**
Expenses										
Operating Expenses										
Educational and general										
Instruction	$ 391,545	$ 388,313	$ 369,734	$ 357,916	$ 357,515	$ 345,242	$ 324,752	$ 308,792	$ 277,190	$ 298,792
Research	435,536	425,993	405,271	395,008	385,467	373,943	351,199	352,409	357,209	326,369
Public Service	91,118	77,312	74,209	70,370	69,843	71,512	65,274	63,725	57,994	55,104
Academic support	173,414	158,831	123,854	100,415	105,426	103,430	95,610	89,725	78,846	66,855
Student services	42,625	39,097	32,396	27,608	28,223	29,146	27,351	25,015	25,848	23,724
Institutional support	99,886	97,558	90,525	83,080	85,264	85,657	78,293	78,252	68,972	65,786
Operation and maintenance of plant	88,757	87,393	87,119	86,342	83,111	85,401	79,369	67,628	61,182	59,050
Scholarships and fellowships	58,145	52,475	55,510	55,316	46,673	41,860	38,373	38,498	45,561	36,152
Auxiliary enterprises	156,954	148,858	158,914	144,096	144,707	140,785	130,567	122,042	113,629	103,894
Depreciation	113,345	107,561	107,770	101,226	99,657	98,084	93,999	84,871	76,979	74,205
Total Operating Expenses	**$ 1,651,325**	**$ 1,583,391**	**$ 1,505,302**	**$ 1,421,377**	**$ 1,405,886**	**$ 1,375,060**	**$ 1,284,787**	**$ 1,230,957**	**$ 1,163,410**	**$ 1,109,931**
Operating loss	**$ (475,961)**	**$ (459,163)**	**$ (446,680)**	**$ (459,417)**	**$ (545,837)**	**$ (568,259)**	**$ (472,502)**	**$ (446,264)**	**$ (393,457)**	**$ (380,061)**
Nonoperating Revenues (Expenses)										
State appropriations	$ 254,654	$ 268,533	$ 330,297	$ 330,297	$ 348,941	$ 416,658	$ 389,897	$ 358,046	$ 333,692	$ 317,250
Share of State sales tax revenues	20,773	20,353	19,954	20,102	22,547	28,360	30,744	20,576	21,500	18,924
Federal grants and appropriations	83,064	77,276	80,955	74,308	63,172	58,667				
Federal fiscal stabilization funds			755	28,313	60,824					
State and other government grants	17,261	1,865	3,506	3,415	4,681	3,589				
Nongovernment grants and contracts	99,249	4,239	2,996	3,942	2,676	2,805				
Gifts	74,530	96,201	87,355	79,164	78,156	71,348	58,083	51,111	42,156	41,717
Investment income	20,619	3,386	28,686	18,133	(19,749)	4,176	42,163	25,742	23,301	20,711
Interest expense on debt	(47,643)	(44,391)	(50,447)	(45,077)	(40,887)	(41,121)	(38,426)	(31,407)	(26,769)	(23,984)
Other nonoperating revenues, net	13,440	27,644	13,849	16,063	10,175	24,688	25,123	28,958	3,233	7,119
Net nonoperating revenues	**$ 535,947**	**$ 455,106**	**$ 517,906**	**$ 528,660**	**$ 530,536**	**$ 569,170**	**$ 507,584**	**$ 453,026**	**$ 397,113**	**$ 381,737**
Income before Capital and Endowment Additions	**$ 59,986**	**$ (4,057)**	**$ 71,226**	**$ 69,243**	**$ (15,301)**	**$ 911**	**$ 35,082**	**$ 6,762**	**$ 3,656**	**$ 1,676**
Capital grants, gifts and conveyances	$ 9,697	$ 44,363	$ 7,279	$ 7,080	$ 7,548	$ 25,173	$ 12,315	$ 24,012	$ 7,921	$ 11,469
Capital appropriations	14,253	14,253	14,253	14,253	14,253	14,253	10,901			
Capital commitment - State Lottery Revenue	6,470									
Additions to permanent endowments	2,231	2,415	2,726	1,850	3,315	2,542	3,925	1,661	1,887	1,649
Increase (Decrease) in Net Position	**$ 92,637**	**$ 56,974**	**$ 95,484**	**$ 92,426**	**$ 9,815**	**$ 42,879**	**$ 62,223**	**$ 32,435**	**$ 13,464**	**$ 14,794**
Total Revenues	$ 1,791,605	$ 1,684,756	$ 1,651,233	$ 1,558,880	$ 1,456,588	$ 1,459,060	$ 1,385,436	$ 1,294,799	$ 1,203,643	$ 1,148,709
Total Expenses	1,698,968	1,627,782	1,555,749	1,466,454	1,446,773	1,416,181	1,323,213	1,262,364	1,190,179	1,133,915
Increase (Decrease) in Net Position	**$ 92,637**	**$ 56,974**	**$ 95,484**	**$ 92,426**	**$ 9,815**	**$ 42,879**	**$ 62,223**	**$ 32,435**	**$ 13,464**	**$ 14,794**

CHANGE IN NET POSITION

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

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees, net	25.8	24.4	23.0	21.1	18.5	15.9	15.1	14.9	15.1	15.0
Federal grants and contracts	20.4	21.5	21.4	20.8	20.8	20.3	24.5	26.7	29.9	30.1
State grants and contracts	0.7	0.8	2.6	1.8	1.7	1.4	1.1	1.0	1.0	1.0
Local grants and contracts	0.2	1.6	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2
Nongovernment grants and contracts	5.2	4.6	3.9	4.8	4.6	4.4	4.6	4.9	5.4	5.1
Sales and services of educational departments	2.0	3.0	2.2	1.9	2.1	1.8	1.8	1.8	1.8	1.7
Auxiliary enterprises, net	10.6	10.2	10.4	10.6	10.6	10.6	10.4	10.2	10.1	9.8
Other operating revenues	0.8	0.6	0.6	0.6	0.7	1.0	0.9	0.8	0.6	0.6
Total operating revenues	***65.6***	***66.7***	***64.1***	***61.7***	***59.0***	***55.3***	***58.6***	***60.6***	***64.0***	***63.5***
Expenses										
Operating Expenses										
Educational and general										
Instruction	23.0	23.9	23.8	24.4	24.7	24.4	24.5	24.5	23.3	26.4
Research	25.6	26.2	26.0	26.9	26.6	26.4	26.5	27.9	30.0	28.8
Public Service	5.4	4.7	4.8	4.8	4.8	5.0	4.9	5.0	4.9	4.9
Academic support	10.2	9.8	8.0	6.8	7.3	7.3	7.2	7.1	6.6	5.9
Student services	2.5	2.4	2.1	1.9	2.0	2.1	2.1	2.0	2.2	2.1
Institutional support	5.9	6.0	5.8	5.7	5.9	6.0	5.9	6.2	5.8	5.8
Operation and maintenance of plant	5.2	5.4	5.6	5.9	5.7	6.0	6.0	5.4	5.1	5.2
Scholarships and fellowships	3.4	3.2	3.6	3.8	3.2	3.0	2.9	3.0	3.8	3.2
Auxiliary enterprises	9.2	9.1	10.2	9.8	10.0	9.9	9.9	9.7	9.5	9.2
Depreciation	6.7	6.6	6.9	6.9	6.9	6.9	7.1	6.7	6.5	6.5
Total Operating Expenses	**97.2**	**97.3**	**96.8**	**96.9**	**97.2**	**97.1**	**97.1**	**97.5**	**97.8**	**97.9**
Operating loss	**(26.6)**	**(27.3)**	**(27.1)**	**(29.5)**	**(37.5)**	**(38.9)**	**(34.1)**	**(34.5)**	**(32.7)**	**(33.1)**
Nonoperating Revenues (Expenses)										
State appropriations	14.2	15.9	20.0	21.2	24.0	28.6	28.1	27.7	27.7	27.6
Share of State sales tax revenues	1.2	1.2	1.2	1.3	1.5	1.9	2.2	1.6	1.8	1.6
Federal grants and appropriations	4.6	4.6	4.9	4.8	4.3	4.0	0.0	0.0	0.0	0.0
Federal fiscal stabilization funds	0.0	0.0	0.0	1.8	4.2	0.0	0.0	0.0	0.0	0.0
State and other government grants	1.0	0.1	0.2	0.2	0.3	0.2	0.0	0.0	0.0	0.0
Nongovernment grants and contracts	5.5	0.3	0.2	0.3	0.2	0.2	0.0	0.0	0.0	0.0
Gifts	4.2	5.7	5.3	5.1	5.4	4.9	4.2	3.9	3.5	3.6
Investment income	1.2	0.2	1.7	1.2	(1.4)	0.3	3.0	2.0	1.9	1.8
Interest expense on debt	(2.7)	(2.6)	(3.1)	(2.9)	(2.8)	(2.8)	(2.8)	(2.4)	(2.2)	(2.1)
Other nonoperating revenues, net	0.8	1.6	0.8	1.0	0.7	1.7	1.8	2.2	0.3	0.6
Net nonoperating revenues	**29.9**	**27.0**	**31.4**	**33.9**	**36.4**	**39.0**	**36.6**	**35.0**	**33.0**	**33.2**
Income before Capital and Endowment Additions	**3.3**	**(0.2)**	**4.3**	**4.4**	**(1.1)**	**0.1**	**2.5**	**0.5**	**0.3**	**0.1**
Capital grants, gifts and conveyances	0.5	2.6	0.4	0.5	0.5	1.7	0.9	1.9	0.7	1.0
Capital appropriations	0.8	0.8	0.9	0.9	1.0	1.0	0.8	0.0	0.0	0.0
Capital commitment - State Lottery Revenue	0.4									
Additions to permanent endowments	0.1	0.1	0.2	0.1	0.2	0.2	0.3	0.1	0.2	0.1
Increase (Decrease) in Net Position	**5.2**	**3.4**	**5.8**	**5.9**	**0.7**	**2.9**	**4.5**	**2.5**	**1.1**	**1.3**

CHANGE IN NET POSITION

(Percentage increase (decrease) from prior year)

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	%	%	%	%	%	%	%	%	%	%
Revenues										
Operating Revenues										
Student tuition and fees, net	12.4	8.3	15.1	22.3	16.4	10.5	8.3	6.4	5.4	N/A
Federal grants and contracts	1.1	2.7	8.6	7.2	2.3	(12.8)	(1.9)	(3.8)	3.9	N/A
State grants and contracts	(17.1)	(67.4)	50.6	15.6	22.1	30.4	24.8	8.9	(3.6)	N/A
Local grants and contracts	(89.8)	100.0	N/A	N/A	N/A	(100.0)	18.0	29.2	(16.3)	N/A
Nongovernment grants and contracts	19.2	20.3	(13.3)	10.1	4.4	1.6	(0.1)	(1.0)	9.6	N/A
Sales and services of educational departments	(29.1)	38.1	27.2	(3.6)	16.1	5.3	3.7	6.8	14.5	N/A
Auxiliary enterprises, net	11.2	(0.2)	3.5	7.0	0.4	7.1	8.9	9.2	7.9	N/A
Other operating revenues	31.0	2.2	8.9	(5.3)	(25.5)	13.8	19.6	40.6	11.1	N/A
Total operating revenues	**4.5**	**6.2**	**10.0**	**11.8**	**6.6**	**(0.7)**	**3.5**	**1.9**	**5.5**	N/A
Expenses										
Operating Expenses										
Educational and general										
Instruction	0.8	5.0	3.3	0.1	3.6	6.3	5.2	11.4	(7.2)	N/A
Research	2.2	5.1	2.6	2.5	3.1	6.5	(0.3)	(1.3)	9.4	N/A
Public Service	17.9	4.2	5.5	0.8	(2.3)	9.6	2.4	9.9	5.2	N/A
Academic support	9.2	28.2	23.3	(4.8)	1.9	8.2	6.6	13.8	17.9	N/A
Student services	9.0	20.7	17.3	(2.2)	(3.2)	6.6	9.3	(3.2)	9.0	N/A
Institutional support	2.4	7.8	9.0	(2.6)	(0.5)	9.4	0.1	13.5	4.8	N/A
Operation and maintenance of plant	1.6	0.3	0.9	3.9	(2.7)	7.6	17.4	10.5	3.6	N/A
Scholarships and fellowships	10.8	(5.5)	0.4	18.5	11.5	9.1	(0.3)	(15.5)	26.0	N/A
Auxiliary enterprises	5.4	(6.3)	10.3	(0.4)	2.8	7.8	7.0	7.4	9.4	N/A
Depreciation	5.4	(0.2)	6.5	1.6	1.6	4.3	10.8	10.3	3.7	N/A
Total Operating Expenses	**4.3**	**5.2**	**5.9**	**1.1**	**2.2**	**7.0**	**4.4**	**5.8**	**4.8**	N/A
Operating loss	**3.7**	**2.8**	**(2.8)**	**(15.8)**	**(3.9)**	**20.3**	**5.9**	**13.4**	**3.5**	N/A
Nonoperating Revenues (Expenses)										
State appropriations	(5.2)	(18.7)	0.0	(5.3)	(16.3)	6.9	8.9	7.3	5.2	N/A
Share of State sales tax revenues	2.1	2.0	(0.7)	(10.8)	(20.5)	(7.8)	49.4	(4.3)	13.6	N/A
Federal grants and appropriations	7.5	(4.5)	8.9	17.6	7.7	N/A	N/A	N/A	N/A	N/A
Federal fiscal stabilization funds	N/A	(100.0)	(97.3)	(53.5)	N/A	N/A	N/A	N/A	N/A	N/A
State and other government grants	825.5	(46.8)	2.7	(27.0)	30.4	N/A	N/A	N/A	N/A	N/A
Nongovernment grants and contracts	2,241.3	41.5	(24.0)	47.3	(4.6)	N/A	N/A	N/A	N/A	N/A
Gifts	(22.5)	10.1	10.3	1.3	9.5	22.8	13.6	21.2	1.1	N/A
Investment income	508.9	(88.2)	58.2	(191.8)	(572.9)	(90.1)	63.8	10.5	12.5	N/A
Interest expense on debt	7.3	(12.0)	11.9	10.2	(0.6)	7.0	22.3	17.3	11.6	N/A
Other nonoperating revenues, net	(51.4)	99.6	(13.8)	57.9	(58.8)	(1.7)	(13.2)	795.7	(54.6)	N/A
Net nonoperating revenues	**17.8**	**(12.1)**	**(2.0)**	**(0.4)**	**(6.8)**	**12.1**	**12.0**	**14.1**	**4.0**	N/A
Income before Capital and Endowment Additions	**1,578.6**	**(105.7)**	**2.9**	**552.5**	**(1,779.6)**	**(97.4)**	**418.8**	**85.0**	**118.1**	N/A
Capital grants, gifts and conveyances	(78.1)	509.5	2.8	(6.2)	(70.0)	104.4	(48.7)	203.1	(30.9)	N/A
Capital appropriations	0.0	0.0	0.0	0.0	0.0	30.7	N/A	N/A	N/A	N/A
Capital commitment - State Lottery Revenue	100.0									
Additions to permanent endowments	(7.6)	(11.4)	47.4	(44.2)	30.4	(35.2)	136.3	(12.0)	14.4	N/A
Increase (Decrease) in Net Position	**62.6**	**(40.3)**	**3.3**	**841.7**	**(77.1)**	**(31.1)**	**91.8**	**140.9**	**(9.0)**	N/A

OPERATING EXPENSES BY NATURAL CLASSIFICATION
(in thousands of dollars)

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Personal Services and Benefits	$1,005,283	$ 981,904	$ 953,033	$ 912,762	$ 921,236	$ 898,364	$ 838,739	$ 806,375	$ 747,311	$ 714,854
Supplies and Services	472,323	445,084	393,371	355,586	342,581	339,824	316,452	302,311	298,899	282,982
Scholarships and Fellowships	60,374	48,842	51,128	51,803	42,412	38,788	35,597	37,400	40,221	37,890
Depreciation	113,345	107,561	107,770	101,226	99,657	98,084	93,999	84,871	76,979	74,205
Total Operating Expenses by Natural Classification	**$1,651,325**	**$1,583,391**	**$1,505,302**	**$1,421,377**	**$1,405,886**	**$1,375,060**	**$1,284,787**	**$1,230,957**	**$1,163,410**	**$1,109,931**
expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	60.9	62.0	63.3	64.2	65.5	65.3	65.3	65.5	64.2	64.4
Supplies and Services	28.5	28.1	26.1	25.0	24.4	24.7	24.6	24.6	25.7	25.5
Scholarships and Fellowships	3.7	3.1	3.4	3.6	3.0	2.8	2.8	3.0	3.5	3.4
Depreciation	6.9	6.8	7.2	7.1	7.1	7.1	7.3	6.9	6.6	6.7
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**
Percentage increase (decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	2.4	3.0	4.4	(0.9)	2.5	7.1	4.0	7.9	4.5	7.9
Supplies and Services	6.1	13.1	10.6	3.8	0.8	7.4	4.7	1.1	5.6	8.1
Scholarships and Fellowships	23.6	(4.5)	(1.3)	22.1	9.3	9.0	(4.8)	(7.0)	6.2	8.6
Depreciation	5.4	(0.2)	6.5	1.6	1.6	4.3	10.8	10.3	3.7	4.6
Total Operating Expenses by Natural Classification	**4.3**	**5.2**	**5.9**	**1.1**	**2.2**	**7.0**	**4.4**	**5.8**	**4.8**	**7.8**

ACADEMIC YEAR TUITION AND REQUIRED FEES

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Resident Undergraduate										
University of Arizona	$ 10,035	$ 10,035	$ 8,237	$ 6,842	$ 5,542	$ 5,048	$ 4,766	$ 4,498	$ 4,098	$ 3,603
percent increase from prior year	0.0%	21.8%	20.4%	23.5%	9.8%	5.9%	6.0%	9.8%	13.7%	39.0%
PAC12 Public Average	$ 10,294	$ 9,831	$ 8,990	$ 7,803	$ 6,811	$ 6,322	$ 5,809	$ 5,539	$ 5,238	$ 4,742
percent increase from prior year	4.7%	9.4%	15.2%	14.6%	7.7%	8.8%	4.9%	5.7%	10.5%	22.7%
ABOR Peers Average	$ 11,012	$ 10,659	$ 9,855	$ 8,928	$ 8,435	$ 7,917	$ 7,489	$ 7,021	$ 6,517	$ 5,775
percent increase from prior year	3.3%	8.2%	10.4%	5.9%	6.5%	5.7%	6.7%	7.7%	12.8%	15.5%
Non-Resident Undergraduate										
University of Arizona	$ 26,231	$ 25,494	$ 24,597	$ 22,251	$ 18,676	$ 16,282	$ 14,972	$ 13,682	$ 13,078	$ 12,373
percent increase from prior year	2.9%	3.6%	10.5%	19.1%	14.7%	8.7%	9.4%	4.6%	5.7%	11.3%
PAC12 Public Average	$ 28,062	$ 27,510	$ 26,753	$ 25,123	$ 22,812	$ 21,357	$ 20,100	$ 19,008	$ 18,019	$ 16,229
percent increase from prior year	2.0%	2.8%	6.5%	10.1%	6.8%	6.3%	5.7%	5.5%	11.0%	12.8%
ABOR Peers Average	$ 28,756	$ 27,918	$ 26,512	$ 24,960	$ 23,500	$ 22,256	$ 21,046	$ 19,826	$ 18,416	$ 16,692
percent increase from prior year	3.0%	5.3%	6.2%	6.2%	5.6%	5.8%	6.2%	7.7%	10.3%	12.0%
Resident Graduate										
University of Arizona	$ 11,122	$ 10,825	$ 9,027	$ 7,632	$ 6,332	$ 5,768	$ 5,452	$ 4,952	$ 4,348	$ 3,853
percent increase from prior year	2.7%	19.9%	18.3%	20.5%	9.8%	5.8%	10.1%	13.9%	12.8%	48.6%
PAC12 Public Average	$ 11,810	$ 11,494	$ 10,321	$ 9,824	$ 9,093	$ 8,516	$ 7,725	$ 7,255	$ 6,869	$ 6,233
percent increase from prior year	2.8%	11.4%	5.1%	8.0%	6.8%	10.2%	6.5%	5.6%	10.2%	18.6%
ABOR Peers Average	$ 12,770	$ 12,339	$ 11,515	$ 10,853	$ 10,183	$ 9,440	$ 8,891	$ 8,277	$ 7,737	$ 6,909
percent increase from prior year	3.5%	7.2%	6.1%	6.6%	7.9%	6.2%	7.4%	7.0%	12.0%	12.9%
Non-Resident Graduate										
University of Arizona	$ 26,533	$ 25,787	$ 24,889	$ 22,544	$ 18,969	$ 16,574	$ 11,476	$ 13,932	$ 13,328	$ 12,623
percent increase from prior year	2.9%	3.6%	10.4%	18.8%	14.5%	44.4%	-17.6%	4.5%	5.6%	13.6%
PAC12 Public Average	$ 24,558	$ 24,051	$ 22,722	$ 21,823	$ 20,513	$ 19,002	$ 17,936	$ 17,625	$ 17,019	$ 15,584
percent increase from prior year	2.1%	5.8%	4.1%	6.4%	8.0%	5.9%	1.8%	3.6%	9.2%	10.5%
ABOR Peers Average	$ 26,456	$ 25,682	$ 24,507	$ 23,465	$ 22,504	$ 21,484	$ 20,797	$ 19,821	$ 18,752	$ 16,873
percent increase from prior year	3.0%	4.8%	4.4%	4.3%	4.7%	3.3%	4.9%	5.7%	11.1%	11.0%

Source: UA Fact Book

A complete list of the University of Arizona's fifteen ABOR peers can be found at http://factbook.arizona.edu .

Tuition rates are approved by the Arizona Board of Regents.

PRINCIPAL REVENUE SOURCES

(in thousands of dollars)

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tuition and Fees, net	**$ 461,580**	**$ 410,507**	**$ 379,199**	**$ 329,586**	**$ 269,447**	**$ 231,536**	**$ 209,521**	**$ 193,498**	**$ 181,776**	**$ 172,529**
percent of total revenue	26%	24%	23%	21%	18%	16%	15%	15%	15%	15%
percent increase (decrease) from prior year	12%	8%	15%	22%	16%	11%	8%	6%	5%	15%
State of Arizona Government										
State and local grants and contracts	$ 17,639	$ 43,979	$ 46,244	$ 31,569	$ 27,860	$ 23,483	$ 20,886	$ 15,792	$ 14,181	$ 14,302
State appropriations	254,654	268,533	330,297	330,297	348,941	416,658	389,897	358,046	333,692	317,250
Technology and research initiatives funding	20,773	20,353	19,954	20,102	22,547	28,360	30,744	20,576	21,500	18,924
Capital appropriations (1)	14,253	14,253	14,253	14,253	14,253	14,253	10,901			
State of Arizona Government	**$ 307,319**	**$ 347,118**	**$ 410,748**	**$ 396,221**	**$ 413,601**	**$ 482,754**	**$ 452,428**	**$ 394,414**	**$ 369,373**	**$ 350,476**
percent of total revenue	17%	21%	25%	25%	28%	33%	33%	30%	31%	31%
percent increase (decrease) from prior year	(11%)	(15%)	4%	(4%)	(14%)	7%	15%	7%	5%	-2%
Federal Government										
Federal grants and contracts	$ 366,363	$ 362,478	$ 352,835	$ 324,919	$ 303,115	$ 296,338	$ 319,497	$ 326,083	$ 338,603	$ 324,734
Federal fiscal stabilization funds			755	28,313	60,824					
Financial aid grants	83,064	77,276	80,955	74,308	63,172	58,667	20,225	20,192	21,278	21,548
Federal Government	**$ 449,427**	**$ 439,754**	**$ 434,545**	**$ 427,540**	**$ 427,111**	**$ 355,005**	**$ 339,722**	**$ 346,275**	**$ 359,881**	**$ 346,282**
percent of total revenue	25%	26%	26%	27%	29%	24%	25%	27%	30%	30%
percent increase (decrease) from prior year	2%	1%	2%	0%	20%	4%	(2%)	(4%)	4%	10%
Total from principal revenue payers	**$1,218,326**	**$ 1,197,379**	**$ 1,224,492**	**$ 1,153,347**	**$ 1,110,159**	**$ 1,069,295**	**$ 1,001,671**	**$ 934,187**	**$ 911,030**	**$ 869,287**
percent of total revenue	68%	71%	74%	74%	76%	73%	72%	72%	76%	76%
percent increase (decrease) from prior year	2%	(2%)	6%	4%	4%	7%	7%	3%	5%	6%

(1) Includes Arizona Lottery capital commitment received in FY 2011 and FY 2012.

LONG-TERM DEBT

(in thousands of dollars)

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
System Revenue Bonds										
and SPEED Revenue Bonds	$ 811,285	$ 686,090	$ 637,140	$ 622,265	$ 498,650	$ 319,005	$ 297,015	$ 283,445	$ 242,585	$ 232,420
Plus Unamortized Premium/(Discount)	37,823	26,002	17,787	15,128	16,288	8,866	8,057	8,925	7,298	5,227
Less Deferred amount on Refundings	(8,179)	(5,109)	(3,225)	(3,880)	(4,563)	(5,246)	(5,500)	(6,237)	(6,992)	(4,424)
Net System Revenue Bonds										
and SPEED Revenue Bonds	**$ 840,929**	**$ 706,983**	**$ 651,702**	**$ 633,513**	**$ 510,375**	**$ 322,625**	**$ 299,572**	**$ 286,133**	**$ 242,891**	**$ 233,223**
Certificates of Participation	$ 400,720	$ 425,530	$ 459,951	$ 475,439	$ 489,859	$ 503,723	$ 517,007	$ 520,886	$ 493,419	$ 497,750
Plus Unamortized Premium/(Discount)	20,864	22,878	5,313	5,737	6,161	6,585	7,009	9,938	9,315	6,934
Less Deferred amount on Refundings	(13,301)	(14,575)	(8,678)	(9,493)	(10,307)	(11,121)	(11,957)	(8,731)	(7,842)	(3,712)
Net Certificates of Participation	**$ 408,283**	**$ 433,833**	**$ 456,586**	**$ 471,683**	**$ 485,713**	**$ 499,187**	**$ 512,059**	**$ 522,093**	**$ 494,892**	**$ 500,972**
Total Bonds Payable	$ 840,929	$ 706,983	$ 651,702	$ 633,513	$ 510,375	$ 322,625	$ 299,572	$ 286,133	$ 242,891	$ 233,223
COPs Payable	408,283	433,833	456,586	471,683	485,713	499,187	512,059	522,093	494,892	500,972
Capital and Operating Leases Payable	38,543	36,957	38,605	39,877	51,621	54,527	55,609	34,162	40,665	42,868
Total	**$ 1,287,755**	**$ 1,177,773**	**$ 1,146,893**	**$ 1,145,073**	**$ 1,047,709**	**$ 876,339**	**$ 867,240**	**$ 842,388**	**$ 778,448**	**$ 777,063**
Long Term Debt (whole dollars)										
per student FTE	$ 31,943	$ 30,058	$ 30,121	$ 30,860	$ 29,312	$ 25,218	$ 25,144	$ 24,285	$ 22,598	$ 22,702
per Dollar of State Appropriations										
and State Capital Appropriations	$ 4.79	$ 4.16	$ 3.33	$ 3.32	$ 2.88	$ 2.03	$ 2.16	$ 2.35	$ 2.33	$ 2.45
per Dollar of Total Grants										
and Contracts	$ 1.89	$ 2.08	$ 2.09	$ 2.24	$ 2.24	$ 1.92	$ 2.04	$ 1.98	$ 1.78	$ 1.85
Data Used in Above Calculations										
Total Student FTE	40,314	39,183	38,076	37,106	35,743	34,751	34,491	34,688	34,447	34,229
State appropriations										
and State Capital Appropriations	$ 268,908	$ 282,786	$ 344,550	$ 344,550	$ 363,194	$ 430,911	$ 400,798	$ 358,046	$ 333,692	$ 317,250
Grants and Contracts	$ 682,620	$ 566,607	$ 548,103	$ 510,868	$ 468,766	$ 455,794	$ 424,882	$ 425,389	$ 437,818	$ 419,407

SUMMARY OF RATIOS – Summary of Composite Financial Index Ratios

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	**0.34**	**0.31**	**0.35**	**0.34**	**0.31**	**0.32**	**0.33**	**0.32**	**0.30**	**0.28**
/ 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	2.56	2.33	2.63	2.56	2.33	2.41	2.48	2.41	2.26	2.11
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.89	0.82	0.92	0.89	0.82	0.84	0.87	0.84	0.79	0.74
= Ratio 10.00 Cap Subtotal	0.89	0.82	0.92	0.89	0.82	0.84	0.87	0.84	0.79	0.74
+ Return on Net Assets Ratio	**8.5%**	**1.4%**	**10.4%**	**9.2%**	**(3.6%)**	**4.6%**	**10.3%**	**5.5%**	**6.1%**	**4.7%**
/ 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	4.25	0.70	5.20	4.60	(1.00)	2.30	5.15	2.75	3.05	2.35
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.85	0.14	1.04	0.92	(0.20)	0.46	1.03	0.55	0.61	0.47
= Ratio 10.00 Cap Subtotal	0.85	0.14	1.04	0.92	(0.20)	0.46	1.03	0.55	0.61	0.47
+ Net Operating Revenues Ratio	**3.8%**	**(0.3%)**	**4.6%**	**4.8%**	**(1.5%)**	**0.2%**	**2.7%**	**0.9%**	**0.3%**	**0.3%**
/ 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	2.92	(0.23)	3.54	3.69	(1.00)	0.15	2.08	0.69	0.23	0.23
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.29	(0.02)	0.35	0.37	(0.10)	0.02	0.21	0.07	0.02	0.02
= Ratio 10.00 Cap Subtotal	0.29	(0.02)	0.35	0.37	(0.10)	0.02	0.21	0.07	0.02	0.02
+ Viability Ratio	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.6**	**0.5**	**0.5**	**0.5**	**0.4**
/ 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	1.20	1.20	1.20	1.20	1.20	1.44	1.20	1.20	1.20	0.96
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.42	0.42	0.42	0.42	0.42	0.50	0.42	0.42	0.42	0.34
= Ratio 10.00 Cap Subtotal	0.42	0.42	0.42	0.42	0.42	0.50	0.42	0.42	0.42	0.34
Composite Financial Index	**2.46**	**1.35**	**2.73**	**2.60**	**0.94**	**1.82**	**2.53**	**1.88**	**1.84**	**1.57**
Composite Financial Index with 10.00 Cap	**2.46**	**1.35**	**2.73**	**2.60**	**0.94**	**1.82**	**2.53**	**1.88**	**1.84**	**1.57**

(in thousands of dollars)

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
PRIMARY RESERVE RATIO										
Unrestricted Net Assets	$ 361,244	$ 310,258	$ 293,103	$ 254,432	$ 179,821	$ 157,234	$ 165,775	$ 149,522	$ 101,265	$ 106,895
Unrestricted Net Assets										
- Component Units	33,943	31,686	31,848	28,178	25,095	30,371	27,784	24,484	19,498	19,264
Expendable Restricted Net Assets	124,582	122,904	137,768	127,599	140,375	158,554	133,550	122,003	105,429	96,758
Temporarily Restricted Net Assets										
- Component Units	114,430	105,820	138,951	138,133	141,096	147,555	153,653	148,316	155,679	137,253
Investment in Plant										
- Component Units	(30,743)	(29,792)	(29,720)	(26,616)	(14,841)	(15,033)	(15,572)	(14,667)	(12,345)	(29,576)
Expendable Net Assets	**$ 603,456**	**$ 540,876**	**$ 571,950**	**$ 521,726**	**$ 471,546**	**$ 478,681**	**$ 465,190**	**$ 429,658**	**$ 369,526**	**$ 330,594**
Operating Expenses	$ 1,651,325	$ 1,583,391	$ 1,505,302	$ 1,421,377	$ 1,405,886	$ 1,375,060	$ 1,284,787	$ 1,230,957	$ 1,163,410	$ 1,109,931
Nonoperating Expenses	47,643	44,391	50,447	45,077	40,887	41,121	38,426	31,407	26,769	23,984
Component Unit Total Expenses	87,516	129,492	85,761	80,778	74,779	87,471	70,816	72,635	54,688	60,684
Total Expenses	**$ 1,786,484**	**$ 1,757,274**	**$ 1,641,510**	**$ 1,547,232**	**$ 1,521,552**	**$ 1,503,652**	**$ 1,394,029**	**$ 1,334,999**	**$ 1,244,867**	**$ 1,194,599**
Expendable Net Assets	$ 603,456	$ 540,876	$ 571,950	$ 521,726	$ 471,546	$ 478,681	$ 465,190	$ 429,658	$ 369,526	$ 330,594
Total Expenses	$ 1,786,484	$ 1,757,274	$ 1,641,510	$ 1,547,232	$ 1,521,552	$ 1,503,652	$ 1,394,029	$ 1,334,999	$ 1,244,867	$ 1,194,599
Ratio	**0.34**	**0.31**	**0.35**	**0.34**	**0.31**	**0.32**	**0.33**	**0.32**	**0.30**	**0.28**

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 increase amount over time denotes strength.

RETURN ON NET ASSETS RATIO										
Change in Net Assets	$ 138,868	$ 21,734	$ 151,930	$ 122,890	$ (50,153)	$ 60,623	$ 124,132	$ 63,125	$ 66,208	$ 48,767
Total Net Assets (Beginning of Year)	$ 1,629,107	$ 1,607,373	$ 1,455,443	$ 1,332,553	$ 1,382,711	$ 1,322,088	$ 1,209,185	$ 1,146,062	$ 1,079,854	$ 1,030,344
Ratio	**8.5%**	**1.4%**	**10.4%**	**9.2%**	**(3.6%)**	**4.6%**	**10.3%**	**5.5%**	**6.1%**	**4.7%**

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.

SUMMARY OF RATIOS – Continued

(in thousands of dollars)

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
NET OPERATING REVENUES RATIO										
Income/(Loss) before Capital and Endowment Additions	$ 59,986	$ (4,057)	$ 71,226	$ 69,243	$ (15,301)	$ 911	$ 35,082	$ 6,762	$ 3,656	$ 1,676
Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	2,257	(162)	3,670	3,083	(5,276)	2,587	3,300	4,986	234	1,581
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	$ 62,243	$ (4,219)	$ 74,896	$ 72,326	$ (20,577)	$ 3,498	$ 38,382	$ 11,748	$ 3,890	$ 3,257
Total Operating Revenues	$1,175,364	$ 1,124,228	$ 1,058,622	$ 961,960	$ 860,049	$ 806,801	$ 812,285	$ 784,693	$ 769,953	$ 729,870
State Appropriation and State related revenues	275,427	288,886	350,251	350,399	371,488	445,018	420,641	378,622	355,192	336,174
Non-capital Gifts and Grants, net	74,530	96,201	87,355	79,164	78,156	71,348	58,083	51,111	42,156	41,717
Financial aid trust	3,193	3,042	2,972	2,832	2,992	3,113	2,220	692	692	-
Investment Income/(Loss), net	20,619	3,386	28,686	18,133	(19,749)	4,176	42,163	25,742	23,301	20,711
Component Units Total Unrestricted Revenue	89,506	107,967	83,484	83,422	69,899	89,924	74,253	77,039	54,241	61,816
Adjusted Net Operating Revenues	$1,638,639	$ 1,623,710	$ 1,611,370	$ 1,495,910	$ 1,362,835	$ 1,420,380	$ 1,409,645	$ 1,317,899	$1,245,535	$ 1,190,288
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Units Change in Unrestricted Net Assets Before Extraordinary or Special Items	$ 62,243	$ (4,219)	$ 74,896	$ 72,326	$ (20,577)	$ 3,498	$ 38,382	$ 11,748	$ 3,890	$ 3,257
Adjusted Net Operating Revenues	$1,638,639	$ 1,623,710	$ 1,611,370	$ 1,495,910	$ 1,362,835	$ 1,420,380	$ 1,409,645	$ 1,317,899	$1,245,535	$ 1,190,288
Ratio	**3.8%**	**(0.3%)**	**4.6%**	**4.8%**	**(1.5%)**	**0.2%**	**2.7%**	**0.9%**	**0.3%**	**0.3%**

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

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
VIABILITY RATIO										
Unrestricted Net Assets	$ 361,244	$ 310,258	$ 293,103	$ 254,432	$ 179,821	$ 157,234	$ 165,775	$ 149,522	$ 101,265	$ 106,895
Unrestricted Net Assets - Component Units	33,943	31,686	31,848	28,178	25,095	30,371	27,784	24,484	19,498	19,264
Expendable Restricted Net Assets	124,582	122,904	137,768	127,599	140,375	158,554	133,550	122,003	105,429	96,758
Temporarily Restricted Net Assets - Component Units	114,430	105,820	138,951	138,133	141,096	147,555	153,653	148,316	155,679	137,253
Expendable Net Assets	$ 634,199	$ 570,668	$ 601,670	$ 548,342	$ 486,387	$ 493,714	$ 480,762	$ 444,325	$ 381,871	$ 360,170
University Long Term Debt, net capital leases with CUs	$1,287,755	$ 1,177,773	$ 1,146,893	$ 1,145,073	$ 1,047,709	$ 876,339	$ 867,240	$ 842,388	$ 778,448	$ 777,063
Component Units Long Term Debt	8,105	9,344	10,487	9,374	9,109	9,829	10,559	11,265	10,476	30,669
Total Adjusted University Debt	$1,295,860	$ 1,187,117	$ 1,157,380	$ 1,154,447	$ 1,056,818	$ 886,168	$ 877,799	$ 853,653	$ 788,924	$ 807,732
Expendable Net Assets	$ 634,199	$ 570,668	$ 601,670	$ 548,342	$ 486,387	$ 493,714	$ 480,762	$ 444,325	$ 381,871	$ 360,170
Total Adjusted University Debt	$1,295,860	$ 1,187,117	$ 1,157,380	$ 1,154,447	$ 1,056,818	$ 886,168	$ 877,799	$ 853,653	$ 788,924	$ 807,732
Ratio	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.6**	**0.5**	**0.5**	**0.5**	**0.4**

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

SUMMARY OF RATIOS – Other Ratios

(in thousands of dollars)

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
OPERATING MARGIN EXCLUDING GIFTS										
Income (Loss) before Capital and Endowment Additions	$ 59,986	$ (4,057)	$ 71,226	$ 69,243	$ (15,301)	$ 911	$ 35,082	$ 6,762	$ 3,656	$ 1,676
Capital appropriations	14,253	14,253	14,253	14,253	14,253	14,253	10,901			
Less: Non-capital Gifts	(74,530)	(96,201)	(87,355)	(79,164)	(78,156)	(71,348)	(58,083)	(51,111)	(42,156)	(41,717)
Less: Net investment return	(20,619)	(3,386)	(28,686)	(18,133)	19,749	(4,176)	(42,163)	(25,742)	(23,301)	(20,711)
Less: Other nonoperating revenue, net	(13,440)	(27,644)	(13,849)	(16,063)	(10,175)	(24,688)	(25,123)	(28,958)	(3,233)	(7,119)
Adjusted Income (Loss) before Capital and Endowment Additions	**$ (34,350)**	**$ (117,035)**	**$ (44,411)**	**$ (29,864)**	**$ (69,630)**	**$ (85,048)**	**$ (79,386)**	**$ (99,049)**	**$ (65,034)**	**$ (67,871)**
Total Operating Revenues	$ 1,175,364	$ 1,124,228	$ 1,058,622	$ 961,960	$ 860,049	$ 806,801	$ 812,285	$ 784,693	$ 769,953	$ 729,870
Less: Scholarships and Fellowships	(58,145)	(52,475)	(55,510)	(55,316)	(46,673)	(41,860)	(38,373)	(38,498)	(45,561)	(36,152)
State Appropriation and share of sales tax	275,427	288,886	350,251	350,399	371,488	445,018	420,641	378,622	355,192	336,174
Federal fiscal stabilization funds			755	28,313	60,824					
Financial aid grants	83,064	77,276	80,955	74,308	63,172	58,667	20,225	20,192	21,278	21,548
Grants and contracts (Nonoperating)	116,510	6,104	6,502	7,357	7,357	6,394				
Financial Aid Trust Funds	3,193	3,042	2,972	2,832	2,992	3,113	2,220	692	692	
Capital appropriations	14,253	14,253	14,253	14,253	14,253	14,253	10,901			
Adjust Net Operating Revenues less Non-capital Gifts and Grants	**$ 1,609,666**	**$ 1,461,314**	**$ 1,458,800**	**$ 1,384,106**	**$ 1,333,462**	**$ 1,292,386**	**$ 1,227,899**	**$ 1,145,701**	**$ 1,101,554**	**$ 1,051,440**
Adjusted Income (Loss) before Capital and Endowment Additions	$ (34,350)	$ (117,035)	$ (44,411)	$ (29,864)	$ (69,630)	$ (85,048)	$ (79,386)	$ (99,049)	$ (65,034)	$ (67,871)
Adjust Net Operating Revenues less Non-capital Gifts and Grants	$ 1,609,666	$ 1,461,314	$ 1,458,800	$ 1,384,106	$ 1,333,462	$ 1,292,386	$ 1,227,899	$ 1,145,701	$ 1,101,554	$ 1,051,440
Ratio	**(2.1%)**	**(8.0%)**	**(3.0%)**	**(2.2%)**	**(5.2%)**	**(6.6%)**	**(6.5%)**	**(8.6%)**	**(5.9%)**	**(6.5%)**

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.

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES										
Operating Expenses	$ 1,651,325	$ 1,583,391	$ 1,505,302	$ 1,421,377	$ 1,405,886	$ 1,375,060	$ 1,284,787	$ 1,230,957	$ 1,163,410	$ 1,109,931
Less: Scholarships and Fellowships	(58,145)	(52,475)	(55,510)	(55,316)	(46,673)	(41,860)	(38,373)	(38,498)	(45,561)	(36,152)
Interest on Debt	47,643	44,391	50,447	45,077	40,887	41,121	38,426	31,407	26,769	23,984
Total Adjusted Operating Expenses	**$ 1,640,823**	**$ 1,575,307**	**$ 1,500,239**	**$ 1,411,138**	**$ 1,400,100**	**$ 1,374,321**	**$ 1,284,840**	**$ 1,223,866**	**$ 1,144,618**	**$ 1,097,763**
Research Expenses	$ 435,536	$ 425,993	$ 405,271	$ 395,008	$ 385,467	$ 373,943	$ 351,199	$ 352,409	$ 357,209	$ 326,369
Total Adjusted Operating Expenses	$ 1,640,823	$ 1,575,307	$ 1,500,239	$ 1,411,138	$ 1,400,100	$ 1,374,321	$ 1,284,840	$ 1,223,866	$ 1,144,618	$ 1,097,763
Ratio	**27%**	**27%**	**27%**	**28%**	**28%**	**27%**	**27%**	**29%**	**31%**	**30%**

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

SUMMARY OF RATIOS – Other Ratios

(in thousands of dollars)

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
NET TUITION PER STUDENT										
Student Tuition and Fees, net	$ 461,580	$ 410,507	$ 379,199	$ 329,586	$ 269,447	$ 231,536	$ 209,521	$ 193,498	$ 181,776	$ 172,529
Financial Aid Grants	86,257	80,318	83,927	77,140	66,164	61,780	22,445	20,884	21,970	21,548
Less Scholarships and Fellowships	(58,145)	(52,475)	(55,510)	(55,316)	(46,673)	(41,860)	(38,373)	(38,498)	(45,561)	(36,152)
Net Tuition and Fees	**$ 489,692**	**$ 438,350**	**$ 407,616**	**$ 351,410**	**$ 288,938**	**$ 251,456**	**$ 193,593**	**$ 175,884**	**$ 158,185**	**$ 157,925**
Net Tuition and Fees	$ 489,692	$ 438,350	$ 407,616	$ 351,410	$ 288,938	$ 251,456	$ 193,593	$ 175,884	$ 158,185	$ 157,925
Undergraduate, Graduate, and Professional FTE	$ 40,314	$ 39,183	$ 38,076	$ 37,106	$ 35,743	$ 34,751	$ 34,491	$ 34,688	$ 34,447	$ 34,229
Net Tuition per Student (whole dollars)	**$ 12,147**	**$ 11,187**	**$ 10,705**	**$ 9,470**	**$ 8,084**	**$ 7,236**	**$ 5,613**	**$ 5,070**	**$ 4,592**	**$ 4,614**

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

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
STATE APPROPRIATIONS PER STUDENT										
State Appropriations	$ 254,654	$ 268,533	$ 330,297	$ 330,297	$ 348,941	$ 416,658	$ 389,897	$ 358,046	$ 333,692	$ 317,250
Capital appropriations	14,253	14,253	14,253	14,253	14,253	14,253	10,901			
Adjusted State Appropriations	**$ 268,907**	**$ 282,786**	**$ 344,550**	**$ 344,550**	**$ 363,194**	**$ 430,911**	**$ 400,798**	**$ 358,046**	**$ 333,692**	**$ 317,250**
State Appropriations	$ 268,907	$ 282,786	$ 344,550	$ 344,550	$ 363,194	$ 430,911	$ 400,798	$ 358,046	$ 333,692	$ 317,250
Undergraduate, Graduate, and Professional FTE	$ 40,314	$ 39,183	$ 38,076	$ 37,106	$ 35,743	$ 34,751	$ 34,491	$ 34,688	$ 34,447	$ 34,229
State Appropriation per Student (whole dollars)	**$ 6,670**	**$ 7,217**	**$ 9,049**	**$ 9,286**	**$ 10,161**	**$ 12,400**	**$ 11,620**	**$ 10,322**	**$ 9,687**	**$ 9,268**

Measures the institution's dependency on state appropriations.

SUMMARY OF RATIOS – Debt Related Ratios

(in thousands of dollars)

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
EXPENDABLE RESOURCES TO DEBT										
Unrestricted Net Assets	$ 361,244	$ 310,258	$ 293,103	$ 254,432	$ 179,821	$ 157,234	$ 165,775	$ 149,522	$ 101,265	$ 106,895
Expendable Restricted Net Assets	124,582	122,904	137,768	127,599	140,375	158,554	133,550	122,003	105,429	96,758
Expendable Net Assets	$ 485,826	$ 433,162	$ 430,871	$ 382,031	$ 320,196	$ 315,788	$ 299,325	$ 271,525	$ 206,694	$ 203,653
Expendable Net Assets	$ 485,826	$ 433,162	$ 430,871	$ 382,031	$ 320,196	$ 315,788	$ 299,325	$ 271,525	$ 206,694	$ 203,653
Total Adjusted University Debt	$ 1,287,755	$ 1,177,773	$ 1,146,893	$ 1,145,073	$ 1,047,709	$ 876,339	$ 867,240	$ 842,388	$ 778,448	$ 777,063
Ratio	**0.4**	**0.4**	**0.4**	**0.3**	**0.3**	**0.4**	**0.3**	**0.3**	**0.3**	**0.3**
Measures the ability of the institution to cover its debt using expendable resources as of the balance sheet date.										
TOTAL FINANCIAL RESOURCES TO DIRECT DEBT										
Unrestricted Net Assets	$ 361,244	$ 310,258	$ 293,103	$ 254,432	$ 179,821	$ 157,234	$ 165,775	$ 149,522	$ 101,265	$ 106,895
Expendable Restricted Net Assets	124,582	122,904	137,768	127,599	140,375	158,554	133,550	122,003	105,429	96,758
Non-expendable Restricted Net Assets	122,635	113,968	115,307	101,263	94,307	94,610	118,585	106,263	100,077	94,676
Total Financial Resources	$ 608,461	$ 547,130	$ 546,178	$ 483,294	$ 414,503	$ 410,398	$ 417,910	$ 377,788	$ 306,771	$ 298,329
Total Financial Resources	$ 608,461	$ 547,130	$ 546,178	$ 483,294	$ 414,503	$ 410,398	$ 417,910	$ 377,788	$ 306,771	$ 298,329
Total Bonds, COPs and Capital Leases	$ 1,287,755	$ 1,177,773	$ 1,146,893	$ 1,145,073	$ 1,047,709	$ 876,339	$ 867,240	$ 842,388	$ 778,448	$ 777,063
Ratio	**0.5**	**0.5**	**0.5**	**0.4**	**0.4**	**0.5**	**0.5**	**0.4**	**0.4**	**0.4**
A broader measure of the ability of the institution to cover its debt as of the balance sheet date.										
DIRECT DEBT TO ADJUSTED CASH FLOW										
Net Cash Used by Operating Activities	$ (362,458)	$ (404,778)	$ (319,362)	$ (385,905)	$ (414,248)	$ (470,716)	$ (385,799)	$ (338,509)	$ (318,074)	$ (302,403)
State Appropriations and Federal Stabilization Funds	254,654	268,533	331,052	358,610	409,765	416,658	389,897	358,046	333,692	317,250
Share of State Sales Tax - TRIF	20,773	20,353	19,954	20,102	22,547	28,360	30,744	20,576	21,500	18,924
Non-capital Grants and Contracts, Gifts, Other (1)	274,104	179,581	175,567	189,142	209,509	136,409	58,083	51,111	42,156	41,717
Adjusted Cash Flow from Operations	$ 187,073	$ 63,689	$ 207,211	$ 181,949	$ 227,573	$ 110,711	$ 92,925	$ 91,224	$ 79,274	$ 75,488
Total Adjusted University Debt Outstanding	1,287,755	1,177,773	1,146,893	1,145,073	1,047,709	876,339	867,240	842,388	778,448	777,063
Adjusted Cash Flow from Operations	187,073	63,689	207,211	181,949	227,573	110,711	92,925	91,224	79,274	75,488
Ratio	**6.88**	**18.49**	**5.53**	**6.29**	**4.60**	**7.92**	**9.33**	**9.23**	**9.82**	**10.29**
(1) Includes: Financial aid grants, grants and contracts, private gifts, and financial aid trust funds										
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	47,643	44,391	50,447	45,077	40,887	41,121	38,426	31,407	26,769	23,984
Principal Paid on Debt and Leases	120,436	241,680	42,572	52,272	41,241	59,645	131,674	97,908	97,994	36,742
Less: Principal Paid from Refinancing Activities	(71,115)	(199,835)				(17,970)	(100,595)	(71,585)	(70,595)	(11,185)
Debt Service	96,964	86,236	93,019	97,349	82,128	82,796	69,505	57,730	54,168	49,541
Debt Service	96,964	86,236	93,019	97,349	82,128	82,796	69,505	57,730	54,168	49,541
Operating Expenses	1,651,325	1,583,391	1,505,302	1,421,377	1,405,886	1,375,060	1,284,787	1,230,957	1,163,410	1,109,931
Ratio	**5.9%**	**5.4%**	**6.2%**	**6.8%**	**5.8%**	**6.0%**	**5.4%**	**4.7%**	**4.7%**	**4.5%**

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 AND SUBORDINATE LIEN SYSTEM REVENUE BONDS

(in thousands of dollars)

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tuition and Fees, net of scholarship allowance	$ 461,580	$ 410,507	$ 379,199	$ 329,586	$ 269,447	$ 231,536	$ 209,521	$ 193,498	$ 181,776	$ 172,529
Receipts from Other Major Revenue Sources (Facilities Revenues)	351,162	339,498	339,520	315,907	305,137	305,881	290,812	271,651	248,632	229,621
Net Revenues Available for Debt Service	$ 812,742	$ 750,005	$ 718,719	$ 645,493	$ 574,584	$ 537,417	$ 500,333	$ 465,149	$ 430,408	$ 402,150
Senior Lien Bonds Debt Service										
Interest on Debt	$ 23,379	$ 21,030	$ 22,984	$ 24,593	$ 15,437	$ 14,978	$ 14,166	$ 13,433	$ 11,817	$ 11,693
Principal Paid on Debt	21,895	17,375	24,720	23,860	22,725	21,235	17,440	12,355	11,815	10,970
Senior Lien Bonds Debt Service Requirements	$ 45,274	$ 38,405	$ 47,704	$ 48,453	$ 38,162	$ 36,213	$ 31,606	$ 25,788	$ 23,632	$ 22,663
Coverage	17.95	19.53	15.07	13.32	15.06	14.84	15.83	18.04	18.21	17.75

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

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Subordinate Lien Bonds Debt Service										
Interest on Debt	$ 11,176	$ 10,450	$ 5,586							
Principal Paid on Debt										
Subordinate Lien Bonds Debt Service Requirements	$ 11,176	$ 10,450	$ 5,586							
Combined Senior/Subordinate Lien Debt Service	$ 56,450	$ 48,855	$ 53,291	$ 48,453	$ 38,162	$ 36,213	$ 31,606	$ 25,788	$ 23,632	$ 22,663
Coverage	14.40	15.35	13.49	13.32	15.06	14.84	15.83	18.04	18.21	17.75

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)

Fall enrollment of fiscal year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
ADMISSIONS - FRESHMEN										
Applications	26,329	26,871	26,626	24,625	22,544	21,199	16,609	17,903	20,316	21,185
Accepted	20,251	19,175	20,065	19,207	18,158	16,853	14,293	15,700	17,304	18,021
Enrolled	7,401	7,300	7,025	6,966	6,709	6,569	6,009	5,974	5,725	5,958
Accepted as Percentage of Application	77%	71%	75%	78%	81%	79%	86%	88%	85%	85%
Enrolled as Percentage of Accepted	37%	38%	35%	36%	37%	39%	42%	38%	33%	33%
Average SAT scores - Total	1116	1109	1100	1104	1103	1107	1109	1124	1120	1120
Verbal	550	547	543	547	526	547	547	557	555	556
Math	566	561	557	561	543	561	563	567	565	567
ENROLLMENT										
Undergraduate, Graduate and Professional FTE	40,314	39,183	38,076	37,106	35,743	34,751	34,491	34,688	34,447	34,229
Undergraduate, Graduate and Professional Headcount	40,223	39,236	39,086	38,767	38,057	37,217	36,805	37,036	36,932	37,083
Men (Headcount)	19,264	18,729	18,734	18,440	18,084	17,535	17,455	17,355	17,373	17,547
Percentage of Total	47.9%	47.7%	47.9%	47.6%	47.5%	47.1%	47.4%	46.9%	47.0%	47.3%
Women (Headcount)	20,959	20,507	20,352	20,327	19,973	19,682	19,350	19,681	19,559	19,536
Percentage of Total	52.1%	52.3%	52.1%	52.4%	52.5%	52.9%	52.6%	53.1%	53.0%	52.7%
African American (Headcount)	1,540	1,487	1,438	1,341	1,221	1,142	1,041	1,020	1,002	995
Percentage of Total	3.8%	3.8%	3.7%	3.5%	3.2%	3.1%	2.8%	2.8%	2.7%	2.7%
White (Headcount)	22,303	22,485	23,099	23,599	23,476	23,193	23,032	23,662	23,589	24,021
Percentage of Total	55.4%	57.3%	59.1%	60.9%	61.7%	62.3%	62.6%	63.9%	63.9%	64.8%
Other (Headcount)	16,380	15,264	14,549	13,827	13,360	12,882	12,732	12,354	12,341	12,067
Percentage of Total	40.7%	38.9%	37.2%	35.7%	35.1%	34.6%	34.6%	33.4%	33.4%	32.5%
DEGREES EARNED										
Bachelor's	6,351	6,195	5,827	5,914	5,612	5,568	5,613	5,749	5,303	5,352
Master's	1,574	1,569	1,337	1,502	1,418	1,399	1,446	1,479	1,478	1,353
Doctoral	455	445	471	479	451	461	395	388	398	378
Professional	395	368	353	345	326	354	303	310	312	303
Total Degrees	**8,775**	**8,577**	**7,988**	**8,240**	**7,807**	**7,782**	**7,757**	**7,926**	**7,491**	**7,386**

Source: University of Arizona Fact Book, Office of Institutional Research

DEMOGRAPHIC DATA

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Arizona Population	6,553,255	6,482,505	6,413,158	6,343,154	6,280,362	6,167,681	6,029,141	5,839,077	5,652,404	5,510,364
Arizona Personal Income (in millions)	235,781	227,287	216,590	212,873	226,465	218,588	206,958	188,152	170,026	155,607
Arizona Per Capita Personal Income	35,979	35,062	33,773	33,560	36,059	35,441	34,326	32,223	30,080	28,239
Arizona Unemployment Rate	8.00%	9.50%	10.50%	9.90%	6.00%	3.70%	4.10%	4.70%	5.00%	5.70%

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

PRINCIPAL EMPLOYERS

	Calendar Year Ended December 31, 2013			Calendar Year Ended December 31, 2004		
Employer	Full-Time Equivalent Employees	Rank	Percentage of Total County Employment	Full-Time Equivalent Employees	Rank	Percentage of Total County Employment
University of Arizona	10,846	1	2.40%	10,078	3	2.30%
Raytheon Missile Systems	10,300	2	2.30%	10,171	2	2.40%
Davis Monthan AFB	9,100	3	2.00%	7,692	5	1.80%
State of Arizona	8,807	4	1.90%	9,753	4	2.30%
Wal-Mart Stores, Inc.	7,450	5	1.60%	4,420	9	1.00%
Tucson Unified School District	6,790	6	1.50%	7,690	6	1.80%
US Border Patrol	6,500	7	1.40%			
UA Healthcare	6,099	8	1.30%			
Pima County Government	6,076	9	1.30%	6,987	7	1.60%
Freeport-McMoran Copper	5,463	10	1.20%			
City of Tucson				5,495	8	1.30%
Tohono O'odam Nation				3,515	10	0.80%
Fort Huachuca				11,939	1	2.80%
Total	**77,431**		**16.90%**	**77,740**		**18.10%**

Source:
Pima County CAFR FY 2004
Arizona Daily Star 200 FY 2013

FACULTY AND STAFF

Fall employment of fiscal year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
FACULTY										
Full-time	2,246	2,229	2,160	2,165	2,088	2,055	2,031	1,955	1,947	1,934
Part-time	776	693	642	591	657	644	588	606	576	447
Total Faculty	**3,022**	**2,922**	**2,802**	**2,756**	**2,745**	**2,699**	**2,619**	**2,561**	**2,523**	**2,381**
Percentage Tenured	50.0%	51.6%	54.1%	55.8%	56.8%	57.4%	59.1%	59.2%	59.5%	62.9%
STAFF										
Full-time	7,506	7,407	7,260	7,168	7,495	7,515	7,378	7,430	7,429	7,284
Part-time	4,770	4,832	4,772	4,472	4,423	4,362	4,469	4,412	4,532	4,390
Total Staff	**12,276**	**12,239**	**12,032**	**11,640**	**11,918**	**11,877**	**11,847**	**11,842**	**11,961**	**11,674**
Total Faculty and Staff	**15,298**	**15,161**	**14,834**	**14,396**	**14,663**	**14,576**	**14,466**	**14,403**	**14,484**	**14,055**

Source: University of Arizona Fact Book

CAPITAL ASSETS

Fiscal Year Ended June 30	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Academic/Support Facilities	622	621	593	584	580	590	587	583	579	570
Auxiliary Facilities	70	71	68	69	63	67	65	61	61	59
Total	**692**	**692**	**661**	**653**	**643**	**657**	**652**	**644**	**640**	**629**

Source: UA Capital Improvement Plan from Real Estate Administration

The UA Tech Park plays a significant role in technology commercialization by advancing new technology into the market place which increases the quality of life. The UA Tech Park is one of the nation's premier research and development facilities. A unique environment dedicated to the transfer of technology from the laboratory to the marketplace.
Photo: UA Tech Park

Credits

Content

Mark A. McGurk
Associate Vice President/ Comptroller, Financial Services

Duc Ma
Assistant Vice President, Financial Services Office

Ryan Claw
Assistant Comptroller, Financial Services Office

Nicole Hinze
Assistant Comptroller, Financial Services Office

Cindy Robison
Assistant Comptroller, Financial Services Office

Susan Richmond
Assistant Director of Capital Finance

Design

Steve Tkachyk
AHSC BioCommunications

Contributions to this publication by the Financial Services Office staff are greatly appreciated: Emiliano Amaro, Will Ames, Michael Aramian, Trevor Behan, Patrick Copeland, Denise Dellinger, Hanh Do, Kari Duling, Elvira G. Fike, Jani Fisk, Ryan Graves, Janet Gurton, Kelsey Haight, Matthew Hohl, Norma Izabal-Cardenas, Steven Kelly, Jodi Ketchmark, Andrea Lee, Anna M. Midkiff, Michael Mitchell, Marlene Moldenhauer, Sarah Ortega, Melinda Pelusi, Jennifer Pfennig, Brian Pierson, Chris Pings, Marian Smith, Nick Smith, Sneha Somani, Tammy Strom, Derek Tengler, Johanna Valdez, Julie Villaverde, Tianshu Xie, Xuemei Yang, Beth Zimner, Purchase Order team, Disbursement Voucher team, Travel team, Payroll team, Customer Service and Scanning team, Check Control team, University Information Technology Services team including the Enterprise Information & Analytics team, and the Bursar's Office.

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