



UNIVERSITY OF ARKANSAS SYSTEM  
Consolidated Financial Statements  
FY2012-13

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December 13, 2013

Board of Trustees  
President Donald R. Bobbitt

It is my pleasure to transmit to you the Consolidated Financial Report of the University of Arkansas System for the fiscal year ended June 30, 2013. The data presented, including the Management Discussion and Analysis, Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows, are exhibited on a consolidated basis and include all components of the UA System: the campuses at Fayetteville (whose statements include the Division of Agriculture, Arkansas Archeological Survey, Clinton School of Public Service and Criminal Justice Institute), Fort Smith, Little Rock, Monticello, Pine Bluff, DeQueen, Helena-West Helena, Batesville, Hope and Morrilton, the Medical Sciences campus, the Arkansas School for Mathematics, Sciences and the Arts, and System Administration.

These statements were prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements used to prepare the consolidated report, except for the Medical Sciences campus and the discretely presented component units, were audited by the Arkansas Division of Legislative Audit. The financial statements from the Medical Sciences campus were audited by PricewaterhouseCoopers LLP. All received unqualified audit opinions.

Sincerely,

A handwritten signature in blue ink that reads 'Barbara A. Goswick'.

Barbara A. Goswick, CPA  
Vice President for Finance & CFO

Sen. Bryan B. King  
Senate Chair  
Rep. Kim Hammer  
House Chair  
Sen. Linda Chesterfield  
Senate Vice Chair  
Rep. John W. Walker  
House Vice Chair

# Arkansas



Roger A. Norman, JD, CPA, CFE  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT INDEPENDENT AUDITOR'S REPORT

University of Arkansas System  
Legislative Joint Auditing Committee

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the University of Arkansas System (University), an institution of higher education of the State of Arkansas, 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 accounting principles generally accepted in the United States of America; 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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Arkansas for Medical Sciences, a unit of the System, whose statements reflect total assets and revenues constituting 35 percent and 49 percent, respectively, of the related combined totals. Additionally, we did not audit the financial statements of the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc., which represent 100% of the assets and revenues 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 University of Arkansas for Medical Sciences, the University of Arkansas Foundation, Inc., and the University of Arkansas Fayetteville Campus Foundation, Inc., is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc. were not audited 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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.

### *Opinions*

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University 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 accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 21 to the financial statements, the 2012 financial statements have been restated to correct certain misstatements. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Prior Year Comparative Information*

We have previously audited the University's 2012 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units in our report dated November 15, 2012. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and certain information pertaining to postemployment benefits other than pensions 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *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 Statement of Net Position by Campus, the Statement of Revenues, Expenses, and Changes in Net Position by Campus, and the Statement of Cash Flows - Direct Method - by Campus are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2013 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. 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.

DIVISION OF LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE  
Legislative Auditor

Little Rock, Arkansas  
November 18, 2013  
EDHE14113

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Overview of the Financial Statements and Financial Analysis**

The University of Arkansas System (“the University”) is pleased to present its financial statements for the fiscal year ended June 30, 2013, with the fiscal year 2012 prior year data presented for comparative purposes. The data presented includes the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The University, which prior to 1969 consisted of the Fayetteville and Medical Sciences campuses, was expanded in 1969 to include the Little Rock campus (formerly Little Rock University), in 1971 to include the Monticello campus (formerly Arkansas A&M College), in 1972 to include the Pine Bluff campus (formerly Arkansas AM&N College), in 1996 to include the Phillips campus (formerly Phillips County Community College), and the Hope campus (formerly Red River Technical College), and in 1998 to include the Batesville campus (formerly Gateway Technical College). On July 1, 2001, the University was expanded to include campuses in Morrilton (formerly Petit Jean College) and DeQueen (formerly Cossatot Community College). The Fort Smith campus (formerly Westark College) joined the University on January 1, 2002. Forest Echoes Technical Institute and Great Rivers Technical Institute merged with the Monticello campus on July 1, 2003. The Arkansas School for Mathematics, Sciences and the Arts joined the University on January 1, 2004. In addition to these campuses, the University of Arkansas System includes the following units: Clinton School of Public Service, Division of Agriculture, Archeological Survey, Criminal Justice Institute, and the System Administration.

All programs and activities of the University of Arkansas are governed by its Board of Trustees, which has delegated to the President the administrative authority for all aspects of the University’s operations. Administrative authority is further delegated to the Chancellors and Vice President for Agriculture, who have responsibility for the programs and activities of their respective campuses or state-wide operating division.

The University’s financial statements were prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB Statement No. 35, *Basic Financial Statements-and Management’s Discussion and Analysis-for Public Colleges and Universities*, provides a comprehensive, entity-wide perspective of the University’s assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes following this section.

The University has identified two foundations as component units subject to inclusion in the financial report: the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc. As component units, their financial information is included in this financial report in

accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Additional information regarding these foundations is provided in Note 1 of the financial statements.

## **Statement of Net Position**

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which became effective for this reporting period, provides guidance on reporting deferred outflows of resources and deferred inflows of resources. Certain items that were previously reported as assets and liabilities should now be reported as deferred outflows of resources and deferred inflows of resources. As a result of this new guidance, the statement of net assets has become the statement of net position. The statement still presents the assets and liabilities, but has two additional categories for deferred inflows and deferred outflows, and net assets (assets minus liabilities) have changed to net position (assets plus deferred outflows minus liabilities plus deferred inflows). The purpose of the statement is to present to the readers of the financial statements a fiscal snapshot of the University as of the end of the fiscal year. Because the University did not have any items in this reporting period to report as deferred outflows of resources or deferred inflows of resources, the effect of the change to the statement is in name only.

Assets and liabilities are identified as current or noncurrent. Current assets are those assets that can be realized in the next fiscal year, and current liabilities are expected to be paid within the next year. Noncurrent assets and liabilities are not expected to be realized as cash or paid in the next fiscal year.

Net position is divided into four major categories:

*Net investment in capital assets:* capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

*Restricted – non-expendable:* net position subject to externally-imposed stipulations that it be maintained permanently by the University.

*Restricted – expendable:* net position whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

*Unrestricted:* net position that is not subject to externally imposed stipulations but can be used at the discretion of the governing board to meet current expenses for any purpose if not limited by contractual agreements with outside parties.



## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

### Condensed Statement of Net Position

	June 30, 2013	June 30, 2012
<b>ASSETS</b>		
Current assets	\$ 829,163,270	\$ 782,951,509
Capital assets, net	2,511,847,964	2,367,008,456
Other assets	459,597,974	360,107,475
Total Assets	<u>\$3,800,609,208</u>	<u>\$3,510,067,440</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 281,308,465	\$ 251,174,686
Noncurrent liabilities	1,420,744,592	1,244,091,169
Total Liabilities	<u>\$1,702,053,057</u>	<u>\$1,495,265,855</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$1,327,676,472	\$1,291,051,352
Restricted		
Non-Expendable	\$ 62,673,845	\$ 60,292,554
Expendable	210,620,286	206,898,934
Unrestricted	497,585,548	456,558,745
Total Net Position	<u>\$2,098,556,151</u>	<u>\$2,014,801,585</u>

The University's total assets increased \$290.5 million, including an increase of \$33.0 million in cash and investments. Fifty percent (\$144.8 million) of the total increase was due to an increase in capital assets, primarily attributable to three campuses: UAF (\$94.2 million due to the continual investment in facilities renewal and replacement along with the addition of new facilities and improvements); UAMS (\$39.7 due to the implementation of a new integrated clinical information system); and UAM (\$6.7 million spent in renovating two residence halls). The increase of \$24.1 million in accounts receivable was due primarily to accrued contract and grant revenue at UAMS, all of which is expected to be collected. Deposits with bond trustees, representing unspent debt proceeds and reserve funds, increased \$86.1 million, or 29.6% of the increase in total assets. This increase is a result of the issuance of four new bond issues as discussed in the section "Capital Assets and Long-Term Debt Activity" below.

Total liabilities increased \$206.8 million, the majority of which is the issuance of new debt as outlined in the section below, *Capital Assets and Long-Term Debt Activity*.

The increase in assets of \$290.5 million netted against an increase of \$206.8 million in liabilities resulted in an increase of \$83.7 million in total net position for the University, \$41.0 million of which represents an increase in unrestricted net position.



### Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position are the result of activity presented in the statement of revenues, expenses and changes in net position. The statement presents operating and non-operating revenues received and expenses incurred by the University, along with any other revenues, expenses, gains and losses. The operating loss of \$629.4 million in FY13 is of little significance to the University since the GASB requires a significant portion of revenues (state appropriations, gifts, and some grants and contracts) to be reported as non-operating.

### Condensed Statement of Revenues, Expenses and Changes in Net Position

	Year Ended	
	June 30, 2013	June 30, 2012
Operating revenues	\$ 1,819,187,252	\$ 1,802,289,247
Operating expenses	2,448,547,759	2,419,890,106
Operating Loss	(629,360,507)	(617,600,859)
Non-operating revenues and expenses	689,066,186	662,988,511
Income before other revenues and expenses	59,705,679	45,387,652
Other revenues and expenses	24,048,887	59,921,882
Increase in Net Position	83,754,566	105,309,534
Net Position, beginning of year restated	2,014,801,585	1,909,492,051
Net Position, end of year	<u>\$ 2,098,556,151</u>	<u>\$ 2,014,801,585</u>

Operating revenue increased \$16.9 million, due to increases of \$24.2 million in student tuition and fees, \$10.0 million in net patient services revenue, \$2.0 million in federal appropriations, \$3.2 million in auxiliary revenues, \$1.9 million in premiums for the University's self-funded insurance plan, and \$19.7 million in various other revenue offset by a decrease of \$44.1 million in grants and contracts. Eighty percent of the increase in tuition was a reflection of continued record enrollment growth and rate revisions at the Fayetteville campus. The increase in net patient revenue was predominantly a combination of increases in hospital patient revenue (\$10.8 million) and radiation oncology (\$6.4 million) offset by a decrease in College of Medicine patient service revenue (\$5.9 million). The winding down of the BTOP (Broadband Technology Opportunities Program) at the Medical Sciences campus caused a decrease of \$42.4 million in grants and contracts. Included in other operating revenue was the recognition by UAMS of \$13.6 million in a refund from the Internal Revenue Service for Federal Insurance Contributions Act (FICA) taxes paid on wages for medical residents for calendar years 1996 through 1999, more fully described in Note 22.

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

Total operating expenses increased \$28.7 million. Compensation and benefit costs rose \$43.3 million, or 3.1%, over the previous year and includes an increase of \$4.6 million in the future liability for post-retirement health benefits, which is not expected to require a cash outlay (Note 13). Compensation and benefit expense at UAMS related to patient care accounts for 65.8% of this total increase. Compensation and benefit costs increased \$22.1 million because of necessary increases in faculty to support enrollment growth at the Fayetteville campus along with modest salary increases for faculty and staff. Similar modest salary increases were given across the System. An increase in depreciation expense of \$10.1 million is reflective of increased capital assets. Expense related to the insurance plan increased \$1.3 million. These increases in operating expenses were offset by decreases of \$2.4 million in scholarship expense and \$23.6 million in the cost of supplies and service primarily due to the winding down of the BTOP grant.

Net non-operating revenues increased by \$26.1 million. This was in large part due to increases of \$5.6 million in state appropriations, \$12.5 million in gifts (\$4.7 million for UAF, \$1.1 million for UALR, and \$6.7 million for UAMS), and \$9.4 million in investment income offset by a decrease in non-exchange grants of \$4.4 million.

Other changes in net position decreased \$35.9 million, reflecting a decrease in capital appropriations of \$3.1 million and a decrease in capital grants and gifts of \$32.1 million related to the BTOP grant.

Gifts reported reflect only a portion of the gifts available to the University. Most gifts for the benefit of the University are made to the University of Arkansas Foundation, whose financial information is presented in Note 1.

### Statement of Cash Flows

The purpose of the statement of cash flows is to provide information about the cash receipts and disbursements of the University for the year. This statement may aid in the assessment of the University's ability to meet obligations as they become due, the need for external financing, and the ability to generate future cash flow. This statement is prepared using the "direct method" as required by the GASB.

Similar to operating loss on the statement of revenues, expenses, and changes in net position, net cash provided by operating activities is of little significance to the University because the GASB requires significant sources of cash to be reported as non-operating financing. The net cash provided by the combination of operating activities and non-capital financing activities is a much more meaningful number for the University. The positive amount of \$212.6 million for fiscal year 2013 indicates that these activities contributed cash and

liquidity for the year. Cash used by capital and related financing activities reflects the University's continued use of debt to finance the acquisition of capital assets.

### Condensed Statement of Cash Flows

	Year Ended	
	June 30, 2013	June 30, 2012
Cash provided (used) by:		
Operating activities	\$(487,581,428)	\$(466,005,813)
Noncapital financing activities	700,138,020	714,798,573
Sub-Total	212,556,592	248,792,760
Capital and related financing activities	(182,660,868)	(244,655,979)
Investing activities	(26,473,227)	42,808,646
Net change in cash	3,422,497	46,945,427
Cash, beginning of year	373,096,813	326,151,386
Cash, end of year	<u>\$ 376,519,310</u>	<u>\$ 373,096,813</u>

### Capital Assets and Long-Term Debt Activity

At June 30, 2013, the University had \$2.5 billion of capitalized assets, net of accumulated depreciation of \$1.8 billion. Net capital additions in fiscal year 2013 totaled \$269.3 million which was offset by a net adjustment to accumulated depreciation of \$124.5 million, resulting in an increase over the previous year of \$144.8 million.

New debt issued for bonds, notes, and capital leases offset by payments of principal caused a net increase of \$199.4 million in debt for fiscal year 2013. The University issued a total of \$304.3 million in bonds, \$150.3 million of which represents refunding issues. Refunding bond issues include: \$13.8 million to refund Series 2004A and \$17.3 million to refund Series 2004B for the Little Rock campus, \$112.7 million to refund Series 2004A & 2004B for the Medical Sciences campus, \$2.6 million to refund Series 2008 for the Hope campus, and \$3.9 million to fund an option to purchase property under a lease/option agreement for the Cossatot campus. Three bond issues in the combined amount of \$145.3 million were issued for the Fayetteville campus to finance various construction and renovation projects including renovations to Vol Walker and Hotz Hall; construction of University Housing Administration Building, Founders Hall, Jean Tyson Child Development Study Center, Champion's Hall classroom and laboratory building, Leroy Pond Utility Plant, Jim & Joyce Faulkner Performing Arts Center, Utility Combined Heat and Power Project, Athletic Academic and Dining Facility, Baseball and Track Indoor Training Facility, and Basketball Practice Facility; purchase of the Uptown Campus facilities; and various other campus improvements and infrastructure. The Monticello campus used proceeds of \$8.7 million from a new housing bond issue to renovate Bankston Hall and Horsfall Hall. Proceeds from two notes for UAMS were used to acquire Central Arkansas Radiation Therapy Institute's assets already located on the campus (\$9.5 million) and the Epic integrated clinical information

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

system (\$60.0 million). More detailed information about debt activity is presented in Note 7.

### **Economic Outlook**

The University's financial position improved in fiscal year 2013 with an increase of \$83.7 million in net position. This compares to the increase of \$105.3 million in net position in fiscal year 2012. Moody's Investors Service last reaffirmed the University's rating of Aa2 with a stable outlook on June 5, 2013. One of the University's greatest strengths is the diverse stream of revenue which funds its operations, including tuition, patient services revenue, state appropriations, investment income, grants and contracts, and support from individuals, foundations, and corporations. Because the Fayetteville campus and the Medical Sciences campus account for 74.2% of total net assets and 86.0% of operating revenues, discussion below is centered on these two campuses.

### **UAMS**

The Medical Sciences campus faces a changing health care environment in fiscal year 2014 with the Patient Protection and Affordable Care Act (PPACA) and the challenges of converting to a new integrated clinical information system and a new student information system. UAMS is highly dependent on patient service revenue, which represents 70.7% of its total revenue.

Also on the horizon is Arkansas' plan to implement the Medicaid expansion part of PPACA by using Medicaid funds as premium assistance to purchase coverage for some or all newly eligible Medicaid beneficiaries in marketplace plans. This is expected to be a significant driver of patient service revenue in fiscal year 2014 and future years. It creates opportunities to have more patients insured, which may improve the overall payor mix for clinical programs. Challenges include the possible reduction in federal payments to safety net providers, like UAMS, who provide care to indigent patients, and the need to develop the necessary infrastructure required to comply with PPACA and participate in new opportunities, such as an Accountable Care Organization or developing a clinically integrated network. At this time, UAMS is unable to quantify the effect on payor mix or patient service revenue.

In order to generate necessary productivity gains to more closely manage clinical practice and outcomes, continue to increase patient safety, and to remain compliant with an ever-growing regulatory burden, UAMS is making a significant investment in an integrated clinical information system with approval by the Board for a loan of \$60 million and the use of reserves up to \$27 million. Additionally, UAMS entered into a license and support agreement for a student information system with a projected cost of \$7.8 million to be paid from institutional reserves.

The Performance Excellence program, initiated in the spring 2013, will apply business process improvement strategies using Lean Six Sigma principles and methodologies to improve efficiency and effectiveness. UAMS has contracted with a company which will train employees on how to evaluate work processes leading to improvements in performance. The intent is to become self-sufficient in training staff by transitioning from a contracted program to an internal-resourced program. The primary goal of this effort in the first year is to develop opportunities to increase revenues, reduce costs, and improve overall performance. The longer term strategy is to develop internal capabilities through cultural transformation of management practices in order for UAMS to thrive in a changing healthcare environment.

On the national scene, many revenue streams are at risk. Department of Health and Human Services (DHHS) funding is being threatened with budget cuts. DHHS provided \$69.5 million to UAMS in fiscal year 2013. Medicare reimbursement is at risk on many fronts. Physician payments and annual updates are being reviewed with a goal of reducing payments. All Medicare patient care reimbursements are the subject of heightened audits by contractors seeking opportunities to recoup funding from providers. Graduate Medical Education and, specifically, Indirect Medical Education, are targeted for 10% reductions. Federal health officials have released a final rule that calls for a \$1.1 billion reduction in Medicaid disproportionate share hospital (DSH) payments over the next two years. Medicaid will adopt a formula for state-specific reductions that favor hospitals that treat a large number of uninsured patients or have high Medicaid volumes. UAMS' net patient service revenue included \$61.3 million in DSH payments during fiscal year 2013. However, the potential effect of these changes to UAMS is unknown at this time.

### **Fayetteville**

Preliminary enrollment of 25,341, an increase of 804 students, for the fall semester 2013 shows enrollment growth is continuing on the Fayetteville campus. Since 2008, campus enrollment has increased 32%, or more than 6,000 students. This growth trend led the *Chronicle of Higher Education* to rank UAF as the 13<sup>th</sup> fastest growing public research university in the country.

The campus receives private gift support through the University of Arkansas Foundation that enhances all aspects of the student experience, including academic and need-based scholarships, technology enhancements, new and renovated facilities, undergraduate, graduate and faculty research, study abroad opportunities, and innovative programs.

The campus continues to implement its Facility Renewal and Stewardship Plan to modernize and expand teaching, research, and student facilities with targeted amounts of new construction, coupled with a primary focus on renewal and renovation.

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

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### All Campuses

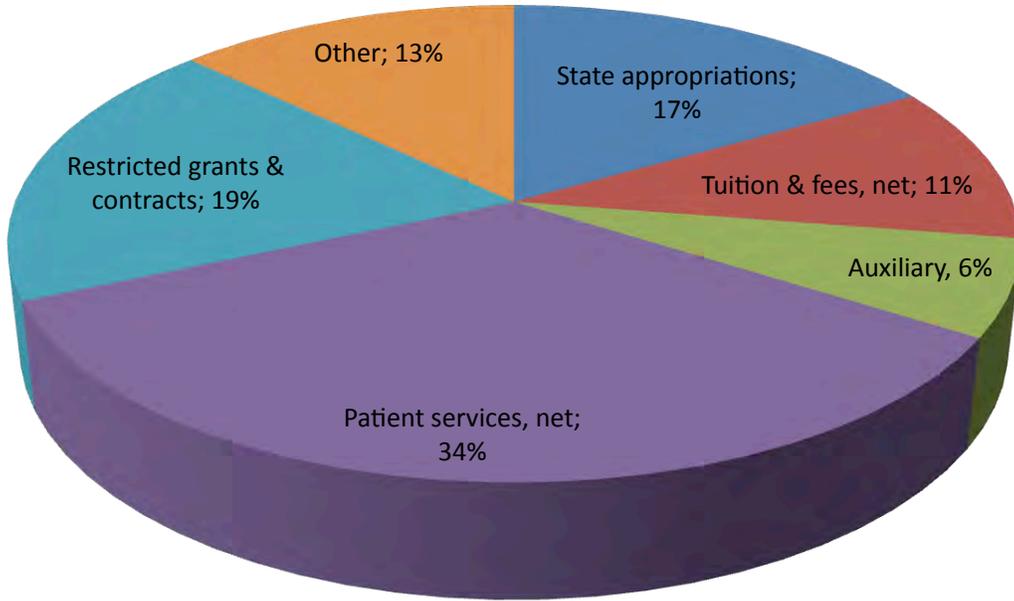
Financial support from state government for all campuses remains a critical element to the continued financial health of the University. Arkansas appears to have successfully weathered the effects of the national economic crisis, as general revenue forecasts are positive and the budget remains balanced. Fluctuations in general revenue distributions were minimal during 2013. Funding in fiscal year 2014 remains relatively flat with some, but not all, campuses receiving increases

totaling approximately \$5.6 million. Management will continue to budget conservatively and to emphasize cost containment.

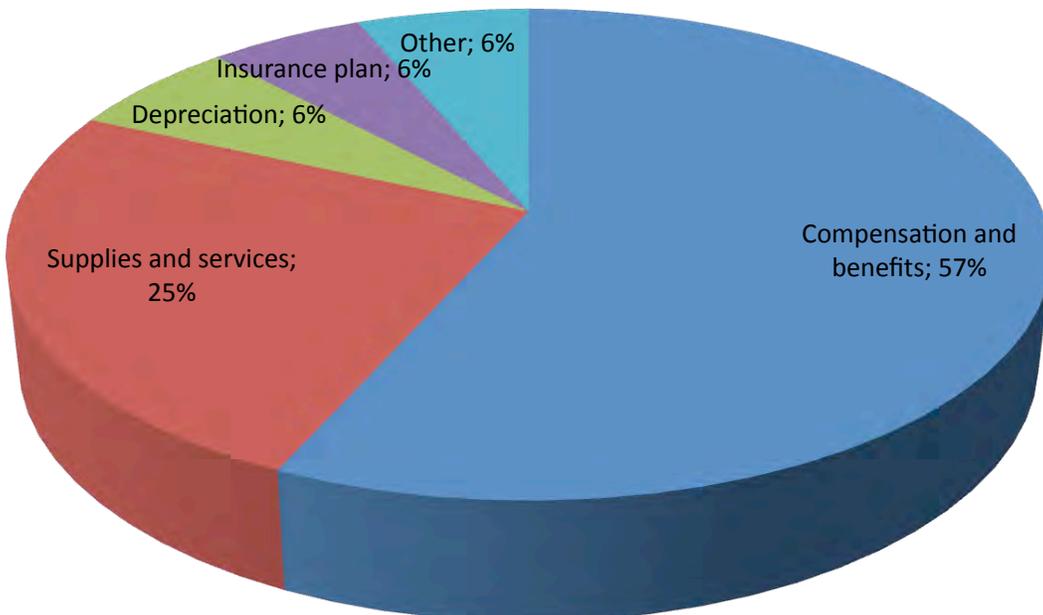
Enrollment remains strong at the University's campuses. From the fall semester of 2008 to the fall semester of 2013, the number of full-time equivalent students has increased 18% from 42,456 to 50,108, and headcount has increased 12% from 55,917 to 62,863.



## FY13 Revenues \$2.573 Billion



## FY13 Expenses \$2.489 Billion



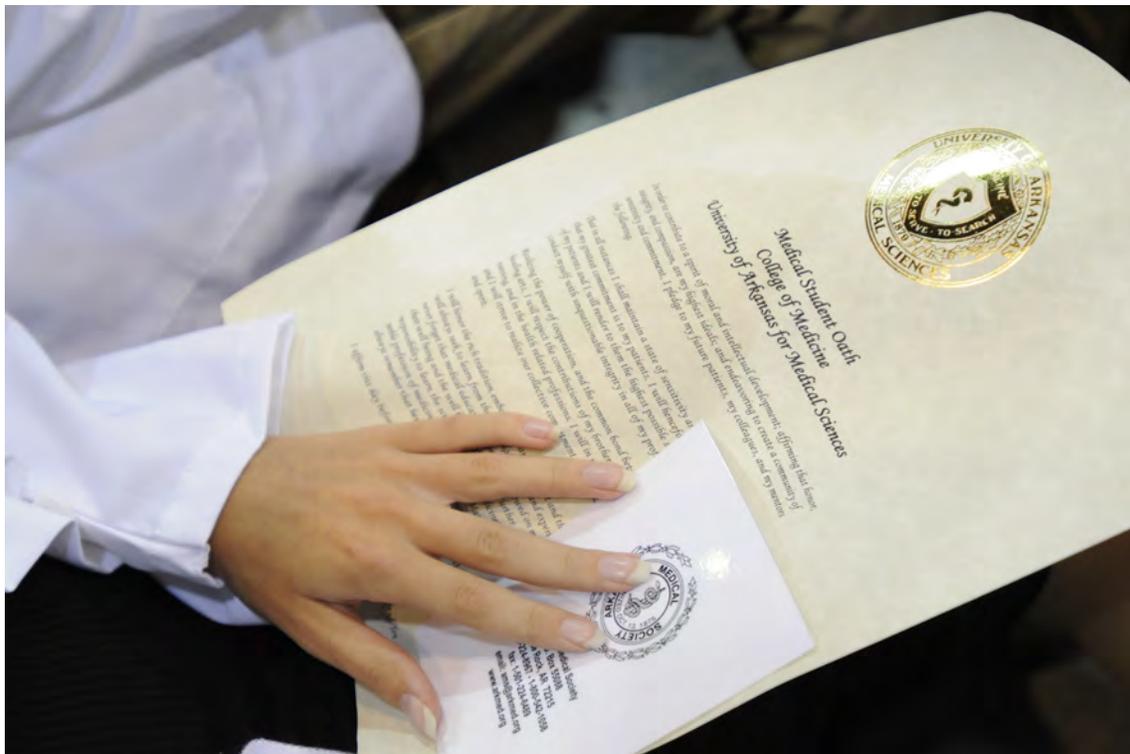
## FIVE YEAR SUMMARY OF KEY FINANCIAL DATA

	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
<b>Operating Revenues</b>					
Net tuition and fees	\$ 275,084,672	\$ 250,856,349	\$ 221,756,700	\$ 214,828,525	\$ 208,176,798
Net patient revenue	886,577,000	876,544,000	868,685,000	834,821,000	781,472,000
Federal and county appropriations	17,028,573	14,998,255	13,975,256	13,883,529	17,428,250
Grants and Contracts	321,126,655	365,262,370	319,888,263	298,494,991	272,092,440
Sales and services of educ depts	56,376,967	57,750,494	52,760,980	53,703,089	54,379,606
Insurance plan	43,802,468	41,906,125	41,061,956	41,134,170	37,620,140
Auxiliary enterprises	167,875,096	164,638,959	148,625,941	146,470,797	136,731,110
Other	51,315,821	30,332,695	22,936,597	20,599,300	17,445,074
<b>Total operating revenues</b>	<b>\$ 1,819,187,252</b>	<b>\$ 1,802,289,247</b>	<b>\$ 1,689,690,693</b>	<b>\$ 1,623,935,401</b>	<b>\$ 1,525,345,418</b>
<b>Operating Expenses</b>					
Compensation and benefits	\$ 1,425,598,007	\$ 1,382,287,125	\$ 1,312,312,613	\$ 1,275,026,612	\$ 1,239,872,124
Supplies and services	629,189,431	652,774,990	611,242,986	597,901,714	577,621,984
Scholarships and fellowships	93,059,279	95,485,181	103,128,338	73,905,394	58,008,264
Insurance plan	142,467,947	141,182,749	133,629,624	121,438,620	117,995,316
Depreciation	158,233,095	148,160,061	142,557,108	145,899,504	135,863,367
<b>Total operating expenses</b>	<b>\$ 2,448,547,759</b>	<b>\$ 2,419,890,106</b>	<b>\$ 2,302,870,669</b>	<b>\$ 2,214,171,844</b>	<b>\$ 2,129,361,055</b>
<b>Operating loss</b>	<b>\$ (629,360,507)</b>	<b>\$ (617,600,859)</b>	<b>\$ (613,179,976)</b>	<b>\$ (590,236,443)</b>	<b>\$ (604,015,637)</b>
<b>Nonoperating Revenues and Expenses</b>					
State appropriations	\$ 431,252,786	\$ 425,672,916	\$ 426,443,808	\$ 431,109,864	\$ 422,293,281
Property and sales tax	11,674,780	12,194,886	11,648,766	10,842,771	11,548,994
Grants and contracts	157,605,951	162,026,457	177,848,289	122,756,795	83,227,580
Gifts	101,098,997	88,575,906	74,473,961	81,825,145	67,885,045
Investment income	24,228,708	14,843,356	35,355,451	36,634,335	(28,499,438)
Interest on capital-related debt	(38,636,211)	(41,530,288)	(43,686,367)	(40,602,707)	(35,578,638)
Other	1,841,175	1,205,278	229,835	670,613	2,517,575
<b>Total nonoperating revenues &amp; expens</b>	<b>\$ 689,066,186</b>	<b>\$ 662,988,511</b>	<b>\$ 682,313,743</b>	<b>\$ 643,236,816</b>	<b>\$ 523,394,399</b>
<b>Other Changes in Net Position</b>					
Capital appropriations	\$ 1,241,482	\$ 4,315,381	\$ 5,012,936	\$ 6,634,818	\$ 41,601,051
Capital grants and gifts	23,653,645	55,709,101	31,590,946	22,917,521	23,148,013
Bond proceeds from Act 1282 of 2005		-	-	25,063,768	28,220,677
Other	(846,240)	(102,600)	1,014,487	1,449,860	7,417,483
<b>Total Other Change in Net Position</b>	<b>\$ 24,048,887</b>	<b>\$ 59,921,882</b>	<b>\$ 37,618,369</b>	<b>\$ 56,065,967</b>	<b>\$ 100,387,224</b>
<b>Total Increase in Net Position</b>	<b>\$ 83,754,566</b>	<b>\$ 105,309,534</b>	<b>\$ 106,752,136</b>	<b>\$ 109,066,340</b>	<b>\$ 19,765,986</b>
<b>Net Position</b>					
Net Investment in Capital Assets	\$ 1,327,676,472	\$ 1,291,051,352	\$ 1,217,021,877	\$ 1,214,124,374	\$ 1,168,855,674
Restricted - Non-Expendable	62,673,845	60,292,554	58,052,936	52,337,549	53,094,876
Restricted - Expendable	210,620,286	206,898,934	186,430,078	178,247,610	178,563,741
Unrestricted	497,585,548	456,558,745	447,987,160	357,547,253	292,676,155
<b>Total Net Position</b>	<b>\$ 2,098,556,151</b>	<b>\$ 2,014,801,585</b>	<b>\$ 1,909,492,051</b>	<b>\$ 1,802,256,786</b>	<b>\$ 1,693,190,446</b>

## FIVE YEAR SUMMARY OF KEY STUDENT DATA

<b>Enrollment</b>					
Fall Semester	2013	2012	2011	2010	2009
Undergraduate Students (Headcount)	53,792	54,127	53,665	52,382	50,629
Graduate Students (Headcount)	9,071	8,955	9,011	9,187	9,032
<b>Total</b>	<b>62,863</b>	<b>63,082</b>	<b>62,676</b>	<b>61,569</b>	<b>59,661</b>
<hr/>					
Undergraduate Students (FTE)	43,760	43,615	42,524	41,189	39,384
Graduate Students (FTE)	6,348	6,226	5,940	5,970	5,900
<b>Total</b>	<b>50,108</b>	<b>49,841</b>	<b>48,464</b>	<b>47,159</b>	<b>45,284</b>

<b>Degrees Awarded</b>					
Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Certificates	1,928	2,027	2,362	2,113	1,806
Associate	1,863	1,907	1,957	1,831	1,789
Baccalaureate	6,281	6,165	5,682	5,140	4,930
Post-Baccalaureate	118	106	147	124	120
Master's	1,987	1,969	1,918	1,826	1,680
Post-Master's	45	28	21	16	20
Doctoral	264	235	215	208	220
First Professional	549	520	518	521	506
<b>Total</b>	<b>13,035</b>	<b>12,957</b>	<b>12,820</b>	<b>11,779</b>	<b>11,071</b>



# BASIC CONSOLIDATED FINANCIAL STATEMENTS

## UNIVERSITY OF ARKANSAS Statement of Net Position June 30, 2013 with comparative figures at June 30, 2012

	June 30, 2013	June 30, 2012
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 352,984,223	\$ 341,636,297
Investments	184,381,553	180,948,116
Accounts receivable, net of allowances of \$23,480,970 & \$20,328,406	121,247,557	97,195,689
Patient accounts receivable, net of allowances of \$425,204,000 & \$497,497,000	108,398,000	108,772,000
Inventories	26,778,253	25,922,510
Deposits and funds held in trust by others	17,930,766	12,473,489
Notes receivable, net of allowances of \$879,894 & \$884,665	5,585,735	6,213,495
Unamortized debt issuance costs	401,931	246,336
Other assets	11,455,252	9,543,577
Total current assets	829,163,270	782,951,509
<b>Non-Current</b>		
Cash and cash equivalents	23,535,087	31,460,516
Investments	212,031,516	185,911,083
Notes receivable, net of allowance of \$4,758,642 & \$4,278,823	37,658,910	38,789,172
Deposits and funds held in trust by others	177,170,529	96,545,064
Unamortized debt issuance costs	8,778,307	6,844,875
Other non-current assets	423,625	556,765
Capital assets, net of depreciation of \$1,815,112,141 & \$1,690,640,976	2,511,847,964	2,367,008,456
Total non-current assets	2,971,445,938	2,727,115,931
TOTAL ASSETS	\$ 3,800,609,208	\$ 3,510,067,440
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and other accrued liabilities	\$ 139,404,718	124,483,125
Unearned revenue	40,460,130	44,818,024
Funds held in trust for others	5,230,432	4,205,400
Liability for future insurance claims (Note 12)	14,792,000	14,919,000
Estimated third party payor settlements	267,000	4,043,000
Refundable federal advance - Perkins loans -- current portion	-	-
Compensated absences payable - current portion (Note 4)	4,990,263	4,739,127
Bonds, notes, capital leases and installment contracts payable - current portion (Note 7)	76,163,922	53,967,010
Total current liabilities	281,308,465	251,174,686
<b>Non-Current</b>		
Unearned revenues, deposits and other	776,566	893,790
Refundable federal advance - Perkins loans	16,665,969	17,089,272
Compensated absences payable (Note 4)	73,504,371	78,064,766
Liability for other postemployment benefits (Note 13)	45,808,127	41,242,267
Bonds, notes, capital leases and installment contracts payable (Note 7)	1,283,989,559	1,106,801,074
Total non-current liabilities	1,420,744,592	1,244,091,169
TOTAL LIABILITIES	\$ 1,702,053,057	\$ 1,495,265,855
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 1,327,676,472	\$ 1,291,051,352
Restricted		
Non-Expendable		
Scholarships and fellowships	10,306,262	10,194,406
Research	6,186,351	6,177,983
Other	46,181,232	43,920,165
Expendable		
Scholarships and fellowships	23,287,418	26,914,647
Research	42,643,251	51,793,495
Public service	13,470,872	12,832,040
Capital projects	101,103,339	86,829,850
Other	30,115,406	28,528,902
Unrestricted	497,585,548	456,558,745
TOTAL NET POSITION	\$ 2,098,556,151	\$ 2,014,801,585

See accompanying notes.

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

### UNIVERSITY OF ARKANSAS Statement of Revenues, Expenses and Changes in Net Position For The Year Ended June 30, 2013 with comparative figures for 2012

	Year Ended	
	June 30, 2013	June 30, 2012
Operating Revenues		
Student tuition & fees, net of scholarship allowances of \$132,345,027 & \$129,490,722	\$ 275,084,672	\$ 250,856,349
Patient services, net of contractual allowances of \$1,029,435,000 & \$1,012,931,000	886,577,000	876,544,000
Federal and county appropriations	17,028,573	14,998,255
Federal grants and contracts	174,761,749	232,436,474
State and local grants and contracts	58,385,141	55,600,760
Non-governmental grants and contracts	87,979,765	77,225,136
Sales and services of educational departments	56,376,967	57,750,494
Insurance plan	43,802,468	41,906,125
Auxiliary enterprises		
Athletics, net of scholarship allowances of \$2,317,594 & \$2,332,334	78,501,270	77,046,513
Housing/food service, net of scholarship allowances of \$13,979,018 & \$13,241,658	55,316,209	51,916,449
Bookstore, net of scholarship allowances of \$1,807,319 & \$2,706,189	16,607,883	17,810,160
Other auxiliary enterprises, net of scholarship allowances of \$287,512 & \$297,625	17,449,734	17,865,837
Other operating revenues	51,315,821	30,332,695
Total operating revenues	<u>1,819,187,252</u>	<u>1,802,289,247</u>
Operating Expenses		
Compensation and benefits	1,425,598,007	1,382,287,125
Supplies and services	629,189,431	652,774,990
Scholarships and fellowships	93,059,279	95,485,181
Insurance plan	142,467,947	141,182,749
Depreciation	158,233,095	148,160,061
Total operating expenses	<u>2,448,547,759</u>	<u>2,419,890,106</u>
Operating loss	<u>(629,360,507)</u>	<u>(617,600,859)</u>
Non-Operating Revenues (Expenses)		
State appropriations, net of Medicaid match payments of \$64,638,000 & \$72,145,000	431,252,786	425,672,916
Property and sales tax	11,674,780	12,194,886
Federal grants	97,067,548	104,542,075
State and local grants	58,783,666	55,690,634
Non-governmental grants	1,754,737	1,793,748
Gifts	101,098,997	88,575,906
Investment income (net)	24,228,708	14,843,356
Interest on capital asset-related debt	(38,636,211)	(41,530,288)
Loss on disposal of assets	(908,865)	(1,704,733)
Other	2,750,040	2,910,011
Net non-operating revenues	<u>689,066,186</u>	<u>662,988,511</u>
Income before other revenues and expenses	<u>59,705,679</u>	<u>45,387,652</u>
Other Changes in Net Position		
Capital appropriations	1,241,482	4,315,381
Capital grants and gifts	23,653,645	55,709,101
Adjustments to prior year revenues and expenses	(864,046)	444,800
Return of capital appropriations to State of Arkansas	-	(75,000)
Other	17,806	(472,400)
Total other revenues and expenses	<u>24,048,887</u>	<u>59,921,882</u>
Increase in net position	<u>83,754,566</u>	<u>105,309,534</u>
Net Position, beginning of year restated (Note 21)	<u>2,014,801,585</u>	<u>1,909,492,051</u>
Net Position, end of year	<u>\$ 2,098,556,151</u>	<u>\$ 2,014,801,585</u>

See accompanying notes.

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

### UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method For The Year Ended June 30, 2013 with comparative figures for 2012

	Year Ended	
	June 30, 2013	June 30, 2012
<b>Cash Flows from Operating Activities</b>		
Student tuition and fees (net of scholarships)	\$ 269,203,706	\$ 252,097,680
Patient and insurance payments	873,740,000	865,055,000
Federal and county appropriations	14,957,499	16,379,618
Grants and contracts	318,733,025	368,655,155
Collection of loans and interest	5,012,571	4,791,053
Insurance plan receipts	43,841,976	41,878,307
Auxiliary enterprise revenues:		
Athletics	73,111,546	80,497,052
Housing and food service	54,957,794	52,466,062
Bookstore	16,398,027	17,653,441
Other auxiliary enterprises	17,165,501	17,803,840
Payments to employees	(1,221,913,826)	(1,175,654,446)
Payment of employee benefits	(198,655,498)	(193,081,604)
Payments to suppliers	(609,637,408)	(646,495,664)
Loans issued to students	(5,514,359)	(5,641,163)
Scholarships and fellowships	(92,888,840)	(95,284,309)
Payments of insurance plan expenses	(142,738,349)	(144,227,351)
Other	96,645,207	77,101,516
Net cash used by operating activities	<u>(487,581,428)</u>	<u>(466,005,813)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	424,894,786	426,679,915
Property and sales tax	11,654,557	12,356,126
Gifts and grants for other than capital purposes	261,995,934	276,523,076
Repayment of loans	141,000	(587,000)
Direct Lending, Plus and FFEL loan receipts	264,125,896	263,667,197
Direct Lending, Plus and FFEL loan payments	(262,582,482)	(264,467,167)
Other agency funds - net	71,315	676,745
Refunds to grantors	(162,986)	(50,319)
Net cash provided by noncapital financing activities	<u>700,138,020</u>	<u>714,798,573</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Distributions from trustee of current year bond proceeds & interest earnings	167,001,159	8,341,000
Distributions from trustee of prior year bond proceeds & interest earnings	65,009,807	99,994,141
Distributions from debt holders of debt proceeds other than from bonds	75,476,735	18,707,358
Capital appropriations	1,185,482	4,520,447
Capital grants and gifts	22,237,575	29,701,730
Property taxes - capital allocation	42	3,034
Proceeds from sale of capital assets	129,291	715,445
Return of capital appropriations to State of Arkansas	-	(75,000)
Purchases of capital assets	(269,690,155)	(301,233,173)
Payments to trustee for bond principal	(162,728,014)	(40,936,100)
Payments to debt holders for principal other than for bonds	(35,114,118)	(16,507,226)
Payments to trustee for interest and fees	(42,604,234)	(43,293,161)
Payments to debt holders for interest and fees other than for bonds	(3,538,021)	(4,449,308)
Insurance proceeds	908	3,251
Payments to trustee for reserve	(27,325)	(148,417)
Net cash used by capital and related financing activities	<u>(182,660,868)</u>	<u>(244,655,979)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	105,156,094	123,677,197
Investment income (net of fees)	2,934,943	3,496,452
Purchases of investments	(134,564,264)	(84,365,003)
Net cash provided (used) by investing activities	<u>(26,473,227)</u>	<u>42,808,646</u>
Net increase in cash	3,422,497	46,945,427
Cash, beginning of year	373,096,813	326,151,386
Cash, end of year	<u>\$ 376,519,310</u>	<u>\$ 373,096,813</u>

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

### UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method - Continued For The Year Ended June 30, 2013 with comparative figures for 2012

	Year Ended	
	June 30, 2013	June 30, 2012
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	\$ (629,360,507)	\$ (617,600,859)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	158,233,095	148,160,061
Other miscellaneous operating receipts	2,874,733	3,191,017
Adjustment to cash for amounts in transit within the system	1,217,980	-
Change in assets and liabilities:		
Receivables, net	(22,671,883)	(5,520,408)
Inventories	(855,744)	1,321,171
Prepaid expenses and other assets	(1,194,101)	505,569
Accounts payable	10,947,560	(13,650,488)
Unearned revenue	(4,380,636)	4,168,150
Liability for future insurance claims	(127,000)	2,079,000
Loans to students and employees	(58,121)	(43,717)
Refundable federal advance	(276,771)	28,691
Compensated absences	(4,309,259)	9,291,322
OPEB liability	4,565,860	5,293,282
Other liabilities	(2,186,634)	(3,228,604)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (487,581,428)</b>	<b>\$ (466,005,813)</b>
Non-Cash Transactions		
Capital Gifts	5,844,897	22,638,208
Fixed assets acquired by incurring capital lease obligations	15,614,412	6,052,127
Fixed asset acquisition paid for by State of Arkansas	101,000	60,879
Payment of bond proceeds/premium/accrued interest directly into deposits with trustees/escrow	213,994,919	108,793,192
Payment of bond issuance costs and underwriter's discounts directly from bond proceeds and/or debt service reserve	1,928,094	1,036,628
Payment of principal & interest on long-term debt from deposits with trustees	1,308,759	912,061
Interest earned on deposits with trustees	32,997	16,625
Payment on long-term debt directly from University of Arkansas Foundation, Inc.	11,000	53,394
Capital outlay paid directly from proceeds of long-term debt instruments	9,751	24,263,048
Loss on disposal of assets	563,691	782,575
Valuation adjustment to capital assets	1,362,190	59,852

See accompanying notes.

## DISCREETLY PRESENTED COMPONENT UNITS

### UNIVERSITY OF ARKANSAS FOUNDATION, INC. Consolidated Statement of Financial Position June 30, 2013 and 2012

	2013	2012
<b>ASSETS</b>		
Contributions receivable, net	\$ 38,470,190	\$ 51,874,709
Interest receivable	2,375,241	1,853,869
Investments, at fair value	745,144,731	679,169,662
Cash value of life insurance	985,888	869,703
Land, buildings and equipment, net of accumulated depreciation of \$255,834 at 2013 and 2012	1,106,752	1,106,752
<b>TOTAL ASSETS</b>	<b>\$ 788,082,802</b>	<b>\$ 734,874,695</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 8,052,081	\$ 4,460,326
Annuity obligations	15,203,960	14,803,420
<b>TOTAL LIABILITIES</b>	<b>23,256,041</b>	<b>19,263,746</b>
<b>NET ASSETS</b>		
Unrestricted	81,420,607	78,209,537
Temporarily restricted	135,972,796	142,134,510
Permanently restricted	547,433,358	495,266,902
<b>TOTAL NET ASSETS</b>	<b>764,826,761</b>	<b>715,610,949</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 788,082,802</b>	<b>\$ 734,874,695</b>

### UNIVERSITY OF ARKANSAS FOUNDATION, INC. Consolidated Statement of Activities Years Ended June 30, 2013 and 2012

	Year Ended June 30, 2013				Year Ended June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
<b>Revenues, Gains and Other Support</b>								
Contributions	\$ 13,833,957	\$ 34,533,501	\$ 13,537,888	\$ 61,905,346	\$ 12,667,474	\$ 34,352,655	\$ 12,765,094	\$ 59,785,223
Interest and dividends	3,101,469	5,235,204	292,510	8,629,183	3,297,371	3,999,200	298,158	7,594,729
Net realized and unrealized gains on investments	5,156,968	17,226,689	38,352,838	60,736,495	9,975,125	14,001,076	(16,536,815)	7,439,386
Other	99,896			99,896	107,908			107,908
Net assets released from restrictions	51,747,615	(51,747,615)		-	63,188,522	(70,065,719)	6,877,197	-
<b>Total revenues, gains and other support</b>	<b>\$ 73,939,905</b>	<b>\$ 5,247,779</b>	<b>\$ 52,183,236</b>	<b>\$ 131,370,920</b>	<b>\$ 89,236,400</b>	<b>\$ (17,712,788)</b>	<b>\$ 3,403,634</b>	<b>\$ 74,927,246</b>
<b>Expenses and Losses:</b>								
<b>Program services:</b>								
Construction	9,849,918			9,849,918	27,952,863			27,952,863
Research	16,466,276			16,466,276	14,270,671			14,270,671
Faculty/staff support	14,209,298			14,209,298	11,925,587			11,925,587
Scholarships and awards	8,979,379			8,979,379	8,607,496			8,607,496
Public/staff relations	2,141,738			2,141,738	2,918,349			2,918,349
Equipment	4,382,484			4,382,484	3,424,164			3,424,164
Sponsored programs	1,087,359			1,087,359	1,479,268			1,479,268
Other	11,386,078			11,386,078	14,008,979			14,008,979
<b>Total program services</b>	<b>68,502,530</b>	<b>-</b>	<b>-</b>	<b>68,502,530</b>	<b>84,587,377</b>	<b>-</b>	<b>-</b>	<b>84,587,377</b>
<b>Supporting services:</b>								
Management and general	433,739			433,739	423,644			423,644
Fund raising	1,592,953			1,592,953	1,701,044			1,701,044
Change in value of split-interest agreements			(44,758)	(44,758)			503,313	503,313
Provision for loss on uncollectible contributions	199,613	11,409,493	61,538	11,670,644	378,888	(21,928)	26,852	383,812
<b>Total supporting services</b>	<b>2,226,305</b>	<b>11,409,493</b>	<b>16,780</b>	<b>13,652,578</b>	<b>2,503,576</b>	<b>(21,928)</b>	<b>530,165</b>	<b>3,011,813</b>
<b>Total expenses and losses</b>	<b>70,728,835</b>	<b>11,409,493</b>	<b>16,780</b>	<b>82,155,108</b>	<b>87,090,953</b>	<b>(21,928)</b>	<b>530,165</b>	<b>87,599,190</b>
<b>Change in Net Assets</b>	<b>3,211,070</b>	<b>(6,161,714)</b>	<b>52,166,456</b>	<b>49,215,812</b>	<b>2,145,447</b>	<b>(17,690,860)</b>	<b>2,873,469</b>	<b>(12,671,944)</b>
<b>Net Assets, beginning of year</b>	<b>78,209,537</b>	<b>142,134,510</b>	<b>495,266,902</b>	<b>715,610,949</b>	<b>76,064,090</b>	<b>159,825,370</b>	<b>492,393,433</b>	<b>728,282,893</b>
<b>Net Assets, end of year</b>	<b>\$ 81,420,607</b>	<b>\$ 135,972,796</b>	<b>\$ 547,433,358</b>	<b>\$ 764,826,761</b>	<b>\$ 78,209,537</b>	<b>\$ 142,134,510</b>	<b>\$ 495,266,902</b>	<b>\$ 715,610,949</b>

**UNIVERSITY OF ARKANSAS CONSOLIDATED FINANCIAL STATEMENTS FY2013**

**UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.  
Statement of Financial Position  
June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Investments	\$ 466,010,660	\$ 435,890,065
<b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable	99,193	85,612
Net Assets:		
Temporarily restricted	31,050,931	24,653,951
Permanently restricted	434,860,536	411,150,502
Total Net Assets	465,911,467	435,804,453
TOTAL LIABILITIES & NET ASSETS	466,010,660	435,890,065

**UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.  
Statement of Activities  
Years Ended June 30, 2013 and 2012**

	<u>Year Ended June 30, 2013</u>				<u>Year Ended June 30, 2012</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>TOTAL</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>TOTAL</u>
Revenues, Gains and Other Support								
Contributions	\$ -	\$ -		\$ -	\$ -	\$ 89,170	\$ (89,170)	\$ -
Interest and dividends		2,649,640	88,036	2,737,676		3,190,757	179,645	3,370,402
Net realized and unrealized gains on investments		13,265,762	32,721,998	45,987,760		12,630,542	(14,074,364)	(1,443,822)
Net assets released from restrictions	18,618,422	(9,518,422)	(9,100,000)	-	14,302,023	(14,302,023)		-
Total revenues, gains and other support	18,618,422	6,396,980	23,710,034	48,725,436	14,302,023	1,608,446	(13,983,889)	1,926,580
Expenses and Losses:				-				-
Program services:								
Construction	4,685,367			4,685,367				
Research	1,169,505			1,169,505	1,271,247			1,271,247
Faculty/staff support	2,391,441			2,391,441	2,335,058			2,335,058
Scholarships and awards	9,266,519			9,266,519	9,236,339			9,236,339
Equipment and technology	952,736			952,736	1,247,897			1,247,897
Other	152,854			152,854	211,482			211,482
Total program services	18,618,422	-	-	18,618,422	14,302,023	-	-	14,302,023
Change in Net Assets	-	6,396,980	23,710,034	30,107,014	-	1,608,446	(13,983,889)	(12,375,443)
Net Assets, beginning of year	-	24,653,951	411,150,502	435,804,453	-	23,045,505	425,134,391	448,179,896
Net Assets, end of year	\$ -	\$ 31,050,931	\$ 434,860,536	\$ 465,911,467	\$ -	\$ 24,653,951	\$ 411,150,502	\$ 435,804,453

# BASIC CAMPUS FINANCIAL STATEMENTS

## UNIVERSITY OF ARKANSAS Statement of Net Position by Campus At June 30, 2013

ASSETS	UAF	UAFS	UALR	UAM	UAMS	UAPB	SYSTEM
<b>Current</b>							
Cash and cash equivalents	194,021,026	7,803,835	27,563,817	4,160,892	63,030,000	24,070,693	13,817,567
Investments	72,282,259	1,812,536	16,463,985		67,606,000		20,428,972
Accounts receivable	39,772,699	3,602,667	9,836,609	2,913,272	52,175,000	8,191,278	13,115,854
Patient accounts receivable					108,398,000		
Inventories	5,808,597	61,376	239,194	391,168	19,602,000	40,414	
Deposits and funds held in trust by others	10,680,257		289,520	2,965,682			
Notes receivable	3,142,501			50,585	2,387,000	21,148	
Unamortized debt issuance costs	167,797	42,060	56,544	20,545			
Other assets	3,337,732	266,743	299,757	252,037	6,922,000	5,536	169,102
<b>Total current assets</b>	<b>329,212,868</b>	<b>13,589,217</b>	<b>54,749,426</b>	<b>10,754,181</b>	<b>320,120,000</b>	<b>32,329,069</b>	<b>47,531,495</b>
<b>Non-Current</b>							
Cash and cash equivalents	843,094	571,582	87,187	95,001		20,715,641	
Investments	68,715,131	12,054,936	8,775,915	4,375,296	116,267,000	1,296,034	
Notes receivable	12,418,278			549,532	14,476,000		
Deposits and funds held in trust by others	122,086,829	1,095,584	2,364,669	2,316,114	47,921,000	372,509	
Unamortized debt issuance costs	3,153,503	420,739	930,027	292,927	3,780,000		
Other non-current assets	423,625						1,050,000
Capital assets	1,072,790,009	141,485,790	244,288,026	49,169,415	831,492,000	87,034,052	3,056,173
<b>Total non-current assets</b>	<b>1,280,430,469</b>	<b>155,628,631</b>	<b>256,445,824</b>	<b>56,798,285</b>	<b>1,013,936,000</b>	<b>109,418,236</b>	<b>4,106,173</b>
<b>TOTAL ASSETS</b>	<b>1,609,643,337</b>	<b>169,217,848</b>	<b>311,195,250</b>	<b>67,552,466</b>	<b>1,334,056,000</b>	<b>141,747,305</b>	<b>51,637,668</b>
<b>LIABILITIES</b>							
<b>Current</b>							
Accounts payable and other accrued liabilities	57,953,200	2,983,180	5,575,871	4,522,459	76,500,000	1,888,703	916,786
Unearned revenue	29,976,451	389,678	76,164	344,779	8,886,000	134,835	50,000
Funds held in trust for others	1,383,526	205,868	343,518	449,493	498,000	2,117,037	
Liability for future insurance claims							14,792,000
Estimated third party payor settlements					267,000		
Compensated absences payable - current portion	1,161,585	178,530	391,180	62,526	2,881,000	215,900	10,974
Bonds, notes, capital leases, installment contracts payable	28,929,003	4,641,347	5,845,795	951,985	28,353,000	1,512,558	
<b>Total current liabilities</b>	<b>119,403,765</b>	<b>8,398,603</b>	<b>12,232,528</b>	<b>6,331,242</b>	<b>117,385,000</b>	<b>5,869,033</b>	<b>15,769,760</b>
<b>Non-Current</b>							
Unearned revenues, deposits and other	5,250		123,577		185,000	123,879	
Refundable federal advance - Perkins loans	14,066,490	3,071		554,055	1,911,000	131,353	
Compensated absences payable	17,974,453	1,597,351	3,966,345	1,277,255	44,150,000	2,018,801	467,914
Liability for other post employment benefits	11,430,713	707,279	4,149,803	1,086,278	24,809,000	1,811,534	172,424
Bonds, notes, capital leases, installment contracts payable	672,883,668	76,849,987	106,497,711	18,590,731	362,025,000	20,460,685	
<b>Total non-current liabilities</b>	<b>716,360,574</b>	<b>79,157,688</b>	<b>114,737,436</b>	<b>21,508,319</b>	<b>433,080,000</b>	<b>24,546,252</b>	<b>640,338</b>
<b>TOTAL LIABILITIES</b>	<b>835,764,339</b>	<b>87,556,291</b>	<b>126,969,964</b>	<b>27,839,561</b>	<b>550,465,000</b>	<b>30,415,285</b>	<b>16,410,098</b>
<b>NET POSITION</b>							
Net Investment in Capital Assets	480,518,668	59,742,129	135,077,542	32,246,284	488,402,000	64,915,171	3,056,173
<b>Restricted</b>							
<b>Non-Expendable</b>							
Scholarships and fellowships	7,980,968	292,506	1,505,986	56,017	394,000		
Research	5,739,659		125,133	321,559			
Other	10,021,821	8,179	4,928,506	62,590	29,474,000	1,686,136	
<b>Expendable</b>							
Scholarships and fellowships	10,422,147	169,859	466,687	198,298	10,563,000	721,072	
Research	24,378,042		645,589	1,166,315	15,968,000	485,305	
Public service	10,822,533	69,210	2,038,651			540,478	
Capital projects	15,781,459	914,478		95,001	83,970,000	1,250	
Other	16,385,877	4,956,599	3,801,818	1,002,004	498,000	3,250,027	
Unrestricted	191,827,824	15,508,597	35,635,374	4,564,837	154,322,000	39,732,581	32,171,397
<b>TOTAL NET POSITION</b>	<b>773,878,998</b>	<b>81,661,557</b>	<b>184,225,286</b>	<b>39,712,905</b>	<b>783,591,000</b>	<b>111,332,020</b>	<b>35,227,570</b>

KEY: UAF *University of Arkansas Fayetteville* UAMS *University of Arkansas for Medical Sciences*  
UAFS *University of Arkansas at Fort Smith* UAPB *University of Arkansas at Pine Bluff*  
UALR *University of Arkansas at Little Rock* SYSTEM *University of Arkansas System Admin*

# UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

## UNIVERSITY OF ARKANSAS Statement of Net Position by Campus At June 30, 2013

ASSETS	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	Elimination (See Note 17)	TOTAL
<b>Current</b>								
Cash and cash equivalents	1,517,328	6,856,441	3,036,022	2,180,472	1,189,402	2,518,748	1,217,980	352,984,223
Investments	1,005,483	401,813	500,000	1,106,094	2,774,411			184,381,553
Accounts receivable	692,470	2,222,141	719,382	808,348	1,240,786	76,468	(14,119,417)	121,247,557
Patient accounts receivable								108,398,000
Inventories		59,156	316,280	13,454	246,614			26,778,253
Deposits and funds held in trust by others	3,984,368		1,063	9,876				17,930,766
Notes receivable							(15,499)	5,585,735
Unamortized debt issuance costs	96,551	2,268	5,664	10,502				401,931
Other assets	51,876	10,618	96,150	103,970	18,557	71,174	(150,000)	11,455,252
Total current assets	<u>7,348,076</u>	<u>9,552,437</u>	<u>4,674,561</u>	<u>4,232,716</u>	<u>5,469,770</u>	<u>2,666,390</u>	<u>(13,066,936)</u>	<u>829,163,270</u>
<b>Non-Current</b>								
Cash and cash equivalents	1,203,603				3,983	14,996		23,535,087
Investments	47,204		500,000					212,031,516
Notes receivable						10,972,265	(757,165)	37,658,910
Deposits and funds held in trust by others		398,082	147,936	143,105	324,701			177,170,529
Unamortized debt issuance costs		55,756	25,012	120,343				8,778,307
Other non-current assets							(1,050,000)	423,625
Capital assets	13,336,430	20,924,106	14,579,690	15,626,604	13,224,558	4,841,111		2,511,847,964
Total non-current assets	<u>14,587,237</u>	<u>21,377,944</u>	<u>15,252,638</u>	<u>15,890,052</u>	<u>13,553,242</u>	<u>15,828,372</u>	<u>(1,807,165)</u>	<u>2,971,445,938</u>
TOTAL ASSETS	<u>21,935,313</u>	<u>30,930,381</u>	<u>19,927,199</u>	<u>20,122,768</u>	<u>19,023,012</u>	<u>18,494,762</u>	<u>(14,874,101)</u>	<u>3,800,609,208</u>
<b>LIABILITIES</b>								
<b>Current</b>								
Accounts payable and other accrued liabilities	275,172	860,113	185,975	76,046	245,128	473,522	(13,051,437)	139,404,718
Unearned revenue	166,814	192,183	44,622		190,399	8,205		40,460,130
Funds held in trust for others	40,869	7,373	11,525	58,965	72,971	41,287		5,230,432
Liability for future insurance claims								14,792,000
Estimated third party payor settlements								267,000
Compensated absences payable - current portion	15,885	21,843	13,937	9,085	17,905	9,913		4,990,263
Bonds, notes, capital leases, installment contracts payable	4,125,671	283,374	535,865	605,577	395,246		(15,499)	76,163,922
Total current liabilities	<u>4,624,411</u>	<u>1,364,886</u>	<u>791,924</u>	<u>749,673</u>	<u>921,649</u>	<u>532,927</u>	<u>(13,066,936)</u>	<u>281,308,465</u>
<b>Non-Current</b>								
Unearned revenues, deposits and other		260,103			78,757	1,050,000	(1,050,000)	776,566
Refundable federal advance - Perkins loans								16,665,969
Compensated absences payable	301,819	445,341	493,286	336,999	373,178	101,629		73,504,371
Liability for other post employment benefits	64,934	723,058	331,252	90,786	154,313	276,753		45,808,127
Bonds, notes, capital leases, installment contracts payable	5,329,960	11,085,957	2,214,262	6,156,071	2,652,692		(757,165)	1,283,989,559
Total non-current liabilities	<u>5,696,713</u>	<u>12,514,459</u>	<u>3,038,800</u>	<u>6,583,856</u>	<u>3,258,940</u>	<u>1,428,382</u>	<u>(1,807,165)</u>	<u>1,420,744,592</u>
TOTAL LIABILITIES	<u>10,321,124</u>	<u>13,879,345</u>	<u>3,830,724</u>	<u>7,333,529</u>	<u>4,180,589</u>	<u>1,961,309</u>	<u>(14,874,101)</u>	<u>1,702,053,057</u>
<b>NET POSITION</b>								
Net Investment in Capital Assets	7,840,723	9,612,799	12,008,176	9,137,964	10,505,468	14,613,375		1,327,676,472
<b>Restricted</b>								
<b>Non-Expendable</b>								
Scholarships and fellowships	76,785							10,306,262
Research								6,186,351
Other								46,181,232
<b>Expendable</b>								
Scholarships and fellowships		212,730			533,625			23,287,418
Research								42,643,251
Public service								13,470,872
Capital projects	25,000	316,151						101,103,339
Other	164,546	18,670	5,300			32,565		30,115,406
Unrestricted	3,507,135	6,890,686	4,082,999	3,651,275	3,803,330	1,887,513		497,585,548
TOTAL NET POSITION	<u>11,614,189</u>	<u>17,051,036</u>	<u>16,096,475</u>	<u>12,789,239</u>	<u>14,842,423</u>	<u>16,533,453</u>	<u>-</u>	<u>2,098,556,151</u>

KEY: CCCUA *Cossatot Community College of the Uofa* UACCH *UofA Community College at Hope*  
PCCUA *Phillips Community College of the Uofa* UACCM *UofA Community College at Morrilton*  
UACCB *UofA Community College at Batesville* ASMSA *Ark School for Mathematics, Sciences & Arts*

# UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

## UNIVERSITY OF ARKANSAS Statement of Revenues, Expenses and Changes in Net Position by Campus For the Year Ended June 30, 2013

	UAF	UAFS	UALR	UAM	UAMS	UAPB	SYSTEM
<b>Operating Revenues</b>							
Student tuition & fees (net of scholarship allowances)	149,979,017	13,451,693	60,959,767	8,628,223	29,701,000	5,823,980	
Net patient services					886,577,000		
Federal and county appropriations	17,028,573						
Federal grants and contracts	33,897,047	1,268,784	17,483,704	1,845,196	96,037,000	16,706,939	
State and local grants and contracts	17,631,073	1,870,642	4,402,723	1,230,305	22,363,000	5,675,374	
Non-governmental grants and contracts	24,715,454	3,504,519	2,804,391	830,405	55,203,000	102,947	
Sales and services of educational departments	21,486,061	246,615	2,101,127	155,817	30,972,000	147,758	2,950,174
Insurance plan							147,258,201
<b>Auxiliary enterprises</b>							
Athletics	71,739,926	80,337	4,913,696	499,454		1,256,999	
Housing and food service	26,936,578	2,553,302	6,245,172	1,729,525	8,559,000	9,006,985	
Bookstore	13,369,754	480,496	408,688	609,576	613,000	151,738	
Other auxiliary enterprises	11,388,178	237,541	2,239,567	444,027	2,526,000	340,878	
Other operating revenues	12,890,424	592,374	2,230,281	1,912,150	30,693,000	2,361,350	
<b>Total operating revenues</b>	<b>401,062,085</b>	<b>24,286,303</b>	<b>103,789,116</b>	<b>17,884,678</b>	<b>1,163,244,000</b>	<b>41,574,948</b>	<b>150,208,375</b>
<b>Operating Expenses</b>							
Compensation and benefits	414,557,521	46,917,220	123,558,095	26,598,022	818,921,000	40,327,356	5,837,715
Supplies and services	179,198,304	16,876,114	41,290,113	10,637,485	353,765,000	18,468,331	1,070,638
Scholarships and fellowships	27,368,387	7,437,527	31,524,496	9,668,316	242,000	4,821,605	
Insurance plan							142,467,947
Depreciation	64,325,083	6,849,579	15,193,534	3,159,663	57,047,000	5,798,511	248,640
<b>Total operating expenses</b>	<b>685,449,295</b>	<b>78,080,440</b>	<b>211,566,238</b>	<b>50,063,486</b>	<b>1,229,975,000</b>	<b>69,415,803</b>	<b>149,624,940</b>
<b>Operating gain (loss)</b>	<b>(284,387,210)</b>	<b>(53,794,137)</b>	<b>(107,777,122)</b>	<b>(32,178,808)</b>	<b>(66,731,000)</b>	<b>(27,840,855)</b>	<b>583,435</b>
<b>Non-Operating Revenues (Expenses)</b>							
State appropriations	200,939,410	23,457,702	67,049,514	18,251,937	50,000,000	27,056,360	3,677,678
Property and sales tax		5,508,889					
Federal grants	24,409,373	16,444,142	18,258,897	9,565,468		9,143,477	
State and local grants	34,615,555	9,705,981	9,914,471	3,503,032			
Non-governmental grants	802,351		951,386				
Gifts	68,337,167		4,637,949	4,436	27,370,000	512,417	
Investment income (net)	8,362,479	(51,072)	1,234,683	226,720	14,223,000	95,585	(7,236)
Interest on capital asset-related debt	(19,291,196)	(2,858,918)	(2,179,508)	(494,973)	(11,696,000)	(956,615)	
Gain (Loss) on disposal of assets	(205,515)	(240,275)	(63,854)	(3,203)	(342,000)	(35,680)	
Other	3,348,125	1,928	(65,465)	(97,662)		908	(419,241)
<b>Net non-operating revenues</b>	<b>321,317,749</b>	<b>51,968,377</b>	<b>99,738,073</b>	<b>30,955,755</b>	<b>79,555,000</b>	<b>35,816,452</b>	<b>3,251,201</b>
<b>Income (loss) before other revenues and expenses</b>	<b>36,930,539</b>	<b>(1,825,760)</b>	<b>(8,039,049)</b>	<b>(1,223,053)</b>	<b>12,824,000</b>	<b>7,975,597</b>	<b>3,834,636</b>
<b>Other Changes in Net Position</b>							
Capital appropriations	800,000				456,000	(14,518)	
Capital grants and gifts	26,868,665	468,577	237,096	266,312	5,416,000	568,038	15,620
Adjustments to prior year revenues and expenses			(843,782)	62,714			
Return of capital appropriations to State of Arkansas							
Other	(961,359)	1,361,936		71,273	(437,000)		
<b>Total other revenues and expenses</b>	<b>26,707,306</b>	<b>1,830,513</b>	<b>(606,686)</b>	<b>400,299</b>	<b>5,435,000</b>	<b>553,520</b>	<b>15,620</b>
<b>Increase (decrease) in net position</b>	<b>63,637,845</b>	<b>4,753</b>	<b>(8,645,735)</b>	<b>(822,754)</b>	<b>18,259,000</b>	<b>8,529,117</b>	<b>3,850,256</b>
<b>Net Position, beginning of year restated (Note 21)</b>	<b>710,241,153</b>	<b>81,656,804</b>	<b>192,871,021</b>	<b>40,535,659</b>	<b>765,332,000</b>	<b>102,802,903</b>	<b>31,377,314</b>
<b>Net Position, end of year</b>	<b>773,878,998</b>	<b>81,661,557</b>	<b>184,225,286</b>	<b>39,712,905</b>	<b>783,591,000</b>	<b>111,332,020</b>	<b>35,227,570</b>

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 UAFS *University of Arkansas at Fort Smith* UAPB *University of Arkansas at Pine Bluff*  
 UALR *University of Arkansas at Little Rock* SYSTEM *University of Arkansas System Admin*

# UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

## UNIVERSITY OF ARKANSAS Statement of Revenues, Expenses and Changes in Net Position by Campus For the Year Ended June 30, 2013

	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	Elimination (Note 17)	TOTAL
<b>Operating Revenues</b>								
Student tuition & fees (net of scholarship allowances)	957,679	420,137	1,097,423	1,153,516	2,912,237			275,084,672
Net patient services								886,577,000
Federal and county appropriations								17,028,573
Federal grants and contracts	1,101,110	3,003,566	1,645,289	1,207,476	761,800		(196,162)	174,761,749
State and local grants and contracts	527,897	1,361,347	186,202	743,526	1,089,437	1,303,615		58,385,141
Non-governmental grants and contracts	140,898	113,284			133,261	431,606		87,979,765
Sales and services of educational departments	46,672	23,270		12,123	75,247		(1,839,897)	56,376,967
Insurance plan							(103,455,733)	43,802,468
Auxiliary enterprises								
Athletics	10,858							78,501,270
Housing and food service		84,235			201,412			55,316,209
Bookstore		43,026	209,319		722,286			16,607,883
Other auxiliary enterprises		94,988	94,588	49,424	34,543			17,449,734
Other operating revenues	79,224	234,008	76,201	82,269	44,811	119,729		51,315,821
<b>Total operating revenues</b>	<b>2,864,338</b>	<b>5,377,861</b>	<b>3,309,022</b>	<b>3,248,334</b>	<b>5,975,034</b>	<b>1,854,950</b>	<b>(105,491,792)</b>	<b>1,819,187,252</b>
<b>Operating Expenses</b>								
Compensation and benefits	7,093,583	13,369,011	7,765,676	7,622,236	10,374,645	6,111,660	(103,455,733)	1,425,598,007
Supplies and services	2,897,111	4,461,729	2,935,320	2,634,077	3,892,080	3,517,880	(12,454,751)	629,189,431
Scholarships and fellowships	1,668,811	1,935,639	1,964,823	3,667,450	2,760,225			93,059,279
Insurance plan								142,467,947
Depreciation	716,801	1,387,677	962,838	945,088	905,519	693,162		158,233,095
<b>Total operating expenses</b>	<b>12,376,306</b>	<b>21,154,056</b>	<b>13,628,657</b>	<b>14,868,851</b>	<b>17,932,469</b>	<b>10,322,702</b>	<b>(115,910,484)</b>	<b>2,448,547,759</b>
<b>Operating gain (loss)</b>	<b>(9,511,968)</b>	<b>(15,776,195)</b>	<b>(10,319,635)</b>	<b>(11,620,517)</b>	<b>(11,957,435)</b>	<b>(8,467,752)</b>	<b>10,418,692</b>	<b>(629,360,507)</b>
<b>Non-Operating Revenues (Expenses)</b>								
State appropriations	4,706,016	10,499,364	4,920,469	6,456,823	6,082,072	8,155,441		431,252,786
Property and sales tax	1,088,211	1,944,250	1,237,699	1,162,727	733,004			11,674,780
Federal grants	2,934,402	3,517,780	3,831,946	4,073,714	4,888,349			97,067,548
State and local grants	503,994		540,633					58,783,666
Non-governmental grants			1,000					1,754,737
Gifts	129,407				10,538	97,083		101,098,997
Investment income (net)	10,339	34,850	21,625	9,971	19,847	47,917		24,228,708
Interest on capital asset-related debt	(260,590)	(529,914)	(68,822)	(199,960)	(99,715)			(38,636,211)
Gain (Loss) on disposal of assets	(27,328)			8,990				(908,865)
Other			(6,941)	(8,567)	(3,045)			2,750,040
<b>Net non-operating revenues</b>	<b>9,084,451</b>	<b>15,466,330</b>	<b>10,477,609</b>	<b>11,503,698</b>	<b>11,631,050</b>	<b>8,300,441</b>	<b>-</b>	<b>689,066,186</b>
<b>Income (loss) before other revenues and expenses</b>	<b>(427,517)</b>	<b>(309,865)</b>	<b>157,974</b>	<b>(116,819)</b>	<b>(326,385)</b>	<b>(167,311)</b>	<b>10,418,692</b>	<b>59,705,679</b>
<b>Other Changes in Net Position</b>								
Capital appropriations								1,241,482
Capital grants and gifts		104,546		118,428	9,055		(10,418,692)	23,653,645
Adjustments to prior year revenues and expenses		(62,978)						(864,046)
Return of capital appropriations to State of Arkansas								-
Other		(14,354)	(2,690)					17,806
<b>Total other revenues and expenses</b>	<b>-</b>	<b>7,214</b>	<b>(2,690)</b>	<b>118,428</b>	<b>9,055</b>	<b>-</b>	<b>(10,418,692)</b>	<b>24,048,887</b>
<b>Increase (decrease) in net position</b>	<b>(427,517)</b>	<b>(302,651)</b>	<b>155,284</b>	<b>1,609</b>	<b>(317,330)</b>	<b>(167,311)</b>	<b>-</b>	<b>83,754,566</b>
<b>Net Position, beginning of year restated (Note 21)</b>	<b>12,041,706</b>	<b>17,353,687</b>	<b>15,941,191</b>	<b>12,787,630</b>	<b>15,159,753</b>	<b>16,700,764</b>	<b>-</b>	<b>2,014,801,585</b>
<b>Net Position, end of year</b>	<b>11,614,189</b>	<b>17,051,036</b>	<b>16,096,475</b>	<b>12,789,239</b>	<b>14,842,423</b>	<b>16,533,453</b>	<b>-</b>	<b>2,098,556,151</b>

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# UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

## UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method - By Campus For the Year Ended June 30, 2013

	UAF	UAFS	UALR	UAM	UAMS	UAPB	SYSTEM
<b>Cash Flows from Operating Activities</b>							
Student tuition and fees (net of scholarships)	150,602,931	13,082,526	61,032,785	8,339,992	25,013,000	4,929,222	
Patient and insurance payments					873,740,000		
Federal and county appropriations	14,957,499						
Grants and contracts	77,607,756	7,054,126	24,880,540	4,489,246	169,514,000	21,716,203	
Collection of loans and interest	2,723,626			90,832	2,392,000	(193,887)	
Insurance plan receipts							146,824,535
Auxiliary enterprise revenues:							
Athletics	66,438,653	80,337	4,995,247	491,371		1,095,080	
Housing and food service	26,584,902	2,585,658	6,247,047	1,694,971	8,553,000	9,006,569	
Bookstore	13,254,086	483,238	408,688	593,337	613,000	151,748	
Other auxiliary enterprises	11,400,950	237,239	1,773,160	443,102	2,698,000	340,878	
Payments to employees	(326,932,572)	(36,272,855)	(95,209,660)	(20,362,497)	(668,115,000)	(31,673,940)	(4,457,736)
Payment of employee benefits	(85,050,553)	(10,354,325)	(26,316,798)	(6,026,224)	(150,686,000)	(9,188,489)	(1,331,125)
Payments to suppliers	(176,268,091)	(16,648,898)	(41,992,197)	(9,539,555)	(338,266,000)	(18,242,757)	(1,053,306)
Loans issued to students	(2,437,359)	625			(3,078,000)	375	
Scholarships and fellowships	(27,166,373)	(7,437,527)	(31,524,496)	(9,674,638)	(242,000)	(4,821,605)	
Payments of insurance plan expenses							(142,738,349)
Other receipts	35,942,465	862,687	4,251,290	1,923,121	49,818,000	2,482,551	2,512,978
Net cash used by operating activities	(218,342,080)	(46,327,169)	(91,454,394)	(27,536,942)	(28,046,000)	(24,398,052)	(243,003)
<b>Cash Flows from Noncapital Financing Activities</b>							
State appropriations	200,939,410	23,457,702	67,049,514	18,251,937	43,642,000	27,056,360	3,677,678
Property and sales tax		5,540,334					
Gifts and grants for other than capital purposes	128,520,496	26,152,059	33,762,703	13,073,047	30,194,000	9,655,894	
Repayment of loans					141,000		
Direct Lending, Plus and FFEL loan receipts	102,519,130	15,763,969	65,628,846	14,754,093	42,949,476	16,240,596	
Direct Lending, Plus and FFEL loan payments	(101,794,225)	(15,773,315)	(65,628,846)	(14,408,910)	(42,949,476)	(15,811,333)	
Other agency funds - net	121,722	145,784	(1,718)		66,300	(294,864)	
Refunds to grantors		(8)		(80,000)			
Net cash provided (used) by noncapital financing activities	330,306,533	55,286,525	100,810,499	31,656,467	74,014,000	36,846,653	3,677,678
<b>Cash Flows from Capital and Related Financing Activities</b>							
Distributions from trustee of current year bond proceeds & interest earn	41,795,159				125,206,000		
Distributions from trustee of prior year bond proceeds & interest earn	56,339,063	6,111,409	2,559,335				
Distributions from debt holders of debt proceeds other than from bonds		1,875,997	2,714,738		70,886,000		
Capital appropriations	800,000				400,000	(14,518)	
Capital grants and gifts	29,362,550	468,577		41,166	2,594,000		
Property taxes - capital allocation		42					
Proceeds from sale of capital assets				7,196	102,000		
Return of capital appropriations to State of Arkansas							
Purchases of capital assets	(150,882,255)	(10,525,382)	(14,863,408)	(3,683,024)	(81,569,000)	(4,883,676)	(53,283)
Payments to trustee for bond principal	(17,895,000)	(3,660,000)	(3,915,000)	(650,000)	(134,444,000)	(780,000)	
Payments to debt holders for principal other than for bonds	(5,715,170)	(249,062)	(1,106,820)	(99,198)	(26,733,000)	(606,365)	150,000
Payments to trustee for interest and fees	(23,068,931)	(3,135,069)	(3,971,947)	(417,294)	(10,201,000)	(919,353)	
Payments to debt holders for interest and fees other than for bonds	(537,064)	(25,308)	(96,174)	(3,608)	(2,501,000)	(84,734)	
Insurance proceeds						908	
Payments to trustee for reserve		(27,325)					
Net cash provided (used) by capital & related financing act	(69,801,648)	(9,166,121)	(18,679,276)	(4,804,762)	(56,260,000)	(7,287,738)	96,717
<b>Cash Flows from Investing Activities</b>							
Proceeds from sales and maturities of investments	5,471,319	7,037,274	402,072	762,872	76,183,000	502,035	12,648,350
Investment income (net of fees)	195,415	8,425	1,305,408	210	946,000	16,863	360,476
Purchases of investments	(3,080)	(17,833,628)	(1,591,897)	(760,921)	(98,521,000)	(349,370)	(11,704,368)
Net cash provided (used) by investing activities	5,663,654	(10,787,929)	115,583	2,161	(21,392,000)	169,528	1,304,458
Net increase in cash	47,826,459	(10,994,694)	(9,207,588)	(683,076)	(31,684,000)	5,330,391	4,835,850
Cash, beginning of year	147,037,661	19,370,111	36,858,592	4,938,969	94,714,000	39,455,943	8,981,717
Cash, end of year	194,864,120	8,375,417	27,651,004	4,255,893	63,030,000	44,786,334	13,817,567

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# UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

## UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method - By Campus For the Year Ended June 30, 2013

	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	Elimination (Note 17)	TOTAL
<b>Cash Flows from Operating Activities</b>								
Student tuition and fees (net of scholarships)	899,581	408,774	1,066,277	1,093,565	2,735,053			269,203,706
Patient and insurance payments								873,740,000
Federal and county appropriations								14,957,499
Grants and contracts	1,824,666	4,483,367	1,790,530	1,912,803	1,906,258	1,749,692	(196,162)	318,733,025
Collection of loans and interest								5,012,571
Insurance plan receipts							(102,982,559)	43,841,976
Auxiliary enterprise revenues:								
Athletics	10,858							73,111,546
Housing and food service		84,235			201,412			54,957,794
Bookstore		43,026	192,299		658,605			16,998,027
Other auxiliary enterprises		94,988	94,588	48,053	34,543			17,165,501
Payments to employees	(5,262,595)	(9,932,681)	(5,801,445)	(5,498,576)	(7,752,517)	(4,641,752)		(1,221,913,826)
Payment of employee benefits	(1,768,719)	(3,234,687)	(1,922,536)	(2,125,441)	(2,510,519)	(1,431,424)	103,291,342	(198,655,498)
Payments to suppliers	(3,114,048)	(4,152,317)	(3,008,417)	(3,042,620)	(4,006,521)	(3,544,761)	13,242,080	(609,637,408)
Loans issued to students								(5,514,359)
Scholarships and fellowships	(1,668,810)	(1,935,639)	(1,964,823)	(3,692,179)	(2,760,750)			(92,888,840)
Payments of insurance plan expenses								(142,738,349)
Other receipts	102,186	(2,420)	76,201	102,506	131,667	160,004	(1,718,029)	96,645,207
Net cash used by operating activities	(8,976,881)	(14,143,354)	(9,477,326)	(11,201,889)	(11,362,769)	(7,708,241)	11,636,672	(487,581,428)
<b>Cash Flows from Noncapital Financing Activities</b>								
State appropriations	4,706,016	10,499,364	4,920,469	6,456,823	6,082,072	8,155,441		424,894,786
Property and sales tax	1,097,975	1,936,370	1,239,860	1,084,877	755,141			11,654,557
Gifts and grants for other than capital purposes	3,570,167	3,593,365	4,404,519	4,073,714	4,898,887	97,083		261,995,934
Repayment of loans								141,000
Direct Lending, Plus and FFEL loan receipts		212,614	2,152,433	165,431	3,739,308			264,125,896
Direct Lending, Plus and FFEL loan payments		(212,614)	(2,099,024)	(165,431)	(3,739,308)			(262,582,482)
Other agency funds - net	9,029	(10,891)	(3,274)	3,748	(5,378)	3,857		71,315
Refunds to grantors		(82,978)						(162,986)
Net cash provided (used) by noncapital financing activities	9,383,187	15,935,230	10,614,983	11,619,162	11,730,722	8,256,381	-	700,138,020
<b>Cash Flows from Capital and Related Financing Activities</b>								
Distributions from trustee of current year bond proceeds & interest earnings								167,001,159
Distributions from trustee of prior year bond proceeds & interest earnings								65,009,807
Distributions from debt holders of debt proceeds other than from bonds								75,476,735
Capital appropriations								1,185,482
Capital grants and gifts		104,546		85,428			(10,418,692)	22,237,575
Property taxes - capital allocation								42
Proceeds from sale of capital assets				19,971	124			129,291
Return of capital appropriations to State of Arkansas								-
Purchases of capital assets	(268,556)	(215,767)	(252,380)	(462,748)	(702,618)	(1,328,058)		(269,690,155)
Payments to trustee for bond principal		(240,000)	(245,000)	(579,014)	(320,000)			(162,728,014)
Payments to debt holders for principal other than for bonds	(247,423)		(277,991)		(79,089)	(150,000)		(35,114,118)
Payments to trustee for interest and fees		(531,225)	(44,423)	(232,900)	(82,092)			(42,604,234)
Payments to debt holders for interest and fees other than for bonds	(261,020)		(26,597)		(2,516)			(3,538,021)
Insurance proceeds								908
Payments to trustee for reserve								(27,325)
Net cash provided (used) by capital & related financing act	(776,999)	(882,446)	(846,391)	(1,169,263)	(1,186,191)	(1,478,058)	(10,418,692)	(182,660,868)
<b>Cash Flows from Investing Activities</b>								
Proceeds from sales and maturities of investments	143,636		1,005,536		1,000,000			105,156,094
Investment income (net of fees)	7,635	13,313	20,914	1,064	11,303	47,917		2,934,943
Purchases of investments	(500,000)		(1,000,000)	(1,000,000)	(1,300,000)			(134,564,264)
Net cash provided (used) by investing activities	(348,729)	13,313	26,450	(998,936)	(288,697)	47,917	-	(26,473,227)
<b>Net increase in cash</b>	(719,422)	922,743	317,716	(1,750,926)	(1,106,935)	(882,001)	1,217,980	3,422,497
Cash, beginning of year	3,440,353	5,933,698	2,718,306	3,931,398	2,300,320	3,415,745	-	373,096,813
Cash, end of year	2,720,931	6,856,441	3,036,022	2,180,472	1,193,385	2,533,744	1,217,980	376,519,310

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# UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

## UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method - Continued - By Campus For the Year Ended June 30, 2013

Reconciliation of net operating revenue (loss) to net cash provided (used) by operating activities:	UAF	UAFS	UALR	UAM	UAMS	UAPB	SYSTEM
Operating revenue (loss)	(284,387,210)	(53,794,137)	(107,777,122)	(32,178,808)	(66,731,000)	(27,840,855)	583,435
Adjustments to reconcile net revenue (loss) to net cash provided (used) by operating activities:							
Depreciation expense	64,325,083	6,849,579	15,193,534	3,159,663	57,047,000	5,798,511	248,640
Other miscellaneous operating receipts	3,293,974						(419,241)
Adjustment to cash for amounts in transit within the system							
Change in assets and liabilities:							
Receivables, net	(6,500,050)	339,009	273,826	318,707	(14,271,000)	(1,852,871)	(497,540)
Inventories	(464,243)	6,172	(35,257)	471,265	(899,000)	56	
Prepaid expenses and other assets	904,681	108,884	17,853	37,044	(2,195,000)	48,673	4,437
Accounts payable and other accrued liabilities	3,585,102	(122,683)	249,270	243,418	8,223,000	(485,170)	(134,588)
Unearned revenue	(531,685)	56,616	(6,848)	197,035	(4,182,000)	26,040	50,000
Liability for future insurance claims							(127,000)
Loans to students and employees	(260,480)	625				201,734	
Refundable federal advance	44,057	8		75,259		(396,095)	
Compensated absences	757,132	80,503	172,263	47,182	(5,453,000)	(57,731)	35,624
OPEB Liability	891,109	148,255	458,087	92,293	2,584,000	179,835	13,230
Other liabilities	450				(2,169,000)	(20,179)	
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(218,342,080)</b>	<b>(46,327,169)</b>	<b>(91,454,394)</b>	<b>(27,536,942)</b>	<b>(28,046,000)</b>	<b>(24,398,052)</b>	<b>(243,003)</b>
Non-Cash Transactions*							
Capital Gifts	1,986,108		237,096	173,980	2,822,000	568,038	15,620
Fixed assets acquired by incurring capital lease obligations					13,218,000	2,169,106	
Fixed asset acquisition paid for by State of Arkansas				29,340	56,000		
Payment of bond proceeds/premium/accrued interest/debt svc reserve directly into deposits with trustees/escrow	164,329,985		34,185,209	8,757,350			
Payment of bond issuance costs and underwriter's discounts directly from bond proceeds and/or debt service reserve	1,260,226		362,493	131,212			
Payment of principal & interest on long-term debt from deposits with trustee	1,234,084		74,675				
Interest earned on deposits with trustees		493	443	5,106			
Payment on long-term debt directly from University of Arkansas Foundation, Inc.	11,000						
Capital outlay paid directly from proceeds of long-term debt instruments	9,751						
Loss on disposal of assets	190,626		63,854	3,203		35,680	
Valuation adjustment to capital assets		1,360,920					

KEY:   UAF    *University of Arkansas Fayetteville*                   UAMS    *University of Arkansas for Medical Sciences*  
        UAFS    *University of Arkansas at Fort Smith*                   UAPB    *University of Arkansas at Pine Bluff*  
        UALR    *University of Arkansas at Little Rock*                   SYSTEM *University of Arkansas System Admin*

# UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

## UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method - Continued - By Campus For the Year Ended June 30, 2013

Reconciliation of net operating revenue (loss) to net cash provided (used) by operating activities:	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	Elimination (Note 17)	TOTAL
Operating revenue (loss)	(9,511,968)	(15,776,195)	(10,319,635)	(11,620,517)	(11,957,435)	(8,467,752)	10,418,692	(629,360,507)
Adjustments to reconcile net revenue (loss) to net cash provided (used) by operating activities:								
Depreciation expense	716,801	1,387,677	962,838	945,088	905,519	693,162		158,233,095
Other miscellaneous operating receipts								2,874,733
Adjustment to cash for amounts in transit within the system							1,217,980	1,217,980
Change in assets and liabilities:								
Receivables, net	(36,315)	(21,833)	(82,072)	(100,925)	(296,103)	55,284		(22,671,883)
Inventories		1,514	60,724	13,473	(10,448)			(855,744)
Prepaid expenses and other assets	32,627	(1,923)	(73,819)	(52,347)	(14,508)	(10,703)		(1,194,101)
Accounts payable and other accrued liabilities	(289,727)	201,425	(57,774)	(369,520)	(72,076)	(23,117)		10,947,560
Unearned revenue	15,001	14,020	(6,880)		(11,395)	(540)		(4,380,636)
Liability for future insurance claims								(127,000)
Loans to students and employees								(58,121)
Refundable federal advance								(276,771)
Compensated absences	85,020	(19,663)	(1,344)	(9,373)	40,576	13,552		(4,309,259)
OPEB Liability	11,680	71,624	40,636	12,375	30,863	31,873		4,565,860
Other liabilities				(20,143)	22,238			(2,186,634)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(8,976,881)</b>	<b>(14,143,354)</b>	<b>(9,477,326)</b>	<b>(11,201,889)</b>	<b>(11,362,769)</b>	<b>(7,708,241)</b>	<b>11,636,672</b>	<b>(487,581,428)</b>
Non-Cash Transactions*								
Capital Gifts				33,000	9,055			5,844,897
Fixed assets acquired by incurring capital lease obligations	8,280	219,026						15,614,412
Fixed asset acquisition paid for by State of Arkansas		15,660						101,000
Payment of bond proceeds/premium/accrued interest/debt svc reserve directly into deposits with trustees/escrow	4,080,919			2,641,456				213,994,919
Payment of bond issuance costs and underwriter's discounts directly from bond proceeds and/or debt service reserve	96,551			77,612				1,928,094
Payment of principal & interest on long-term debt from deposits with trustees								1,308,759
Interest earned on deposits with trustees		22,003	531	2,092	2,329			32,997
Payment on long-term debt directly from University of Arkansas Foundation, Inc.								11,000
Capital outlay paid directly from proceeds of long-term debt instruments								9,751
Loss on disposal of assets	27,328			10,981				563,691
Valuation adjustment to capital assets		3,960	(2,690)					1,362,190

KEY:   CCCUA   *Cossatot Community College of the UofA*    UACCH   *UofA Community College at Hope*  
       PCCUA   *Phillips Community College of the UofA*    UACCM   *UofA Community College at Morrilton*  
       UACCB   *UofA Community College at Batesville*   ASMSA   *Ark School for Mathematics, Sciences & Arts*

# NOTES TO THE FINANCIAL STATEMENTS

## **Note 1: Summary of Significant Accounting Policies**

The financial statements for the University of Arkansas (“the University”) have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying notes to the financial statements are an integral part of the financial statements.

The following acronyms are used for the various campuses and divisions of the University as reported in the financial statements: UAF (University of Arkansas Fayetteville, including the Agricultural Experiment Station, the Cooperative Extension Service, the Arkansas Archeological Survey, the Criminal Justice Institute, and the Clinton School of Public Service), UAFS (University of Arkansas at Fort Smith), UALR (University of Arkansas at Little Rock), UAMS (University of Arkansas for Medical Sciences), UAM (University of Arkansas at Monticello), UAPB (University of Arkansas at Pine Bluff), CCCUA (Cossatot Community College of the University of Arkansas), PCCUA (Phillips Community College of the University of Arkansas), UACCB (University of Arkansas Community College at Batesville), UACCH (University of Arkansas Community College at Hope), UACCM (University of Arkansas Community College at Morrilton), ASMSA (Arkansas School for Mathematics, Sciences and the Arts), and SYSTEM (University of Arkansas System Administration).

### ***Basis of Presentation and Measurement Focus***

For financial reporting purposes, the University is considered a special-purpose government engaged in business-type activities. Accordingly, the University’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period in which they are incurred, if measurable, including depreciation.

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

The classification of “cash and cash equivalents” on the statement of net position includes all readily available sources of cash such as petty cash, demand deposits, cash on deposit with the State Treasurer, and highly liquid short-term investments.

### ***Investments***

Investments are stated at fair value. Changes in unrealized gain (loss) on the carrying value are reported as a component of investment income on the statement of revenues, expenses and changes in net position.

### ***Inventories***

Inventories are valued at cost with cost generally being determined on a first-in, first-out basis.

### ***Accounts Receivable***

Receivables that represent charges due the University from various student fees, room and board, student fines, patient care services, and other charges are stated at estimated net realizable values; that is, the gross amount of the receivable is reduced by allowances for estimated uncollectible accounts and contractual allowances (related to patient care revenue). Receivables can also include unreimbursed expenses relating to research contracts with federal, state, and private agencies.

### ***Patient Care Revenue***

Patient care revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Retroactive adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period in which the related services are rendered and adjusted as final settlements are determined.

### ***Charity Care***

UAMS provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because UAMS does not pursue collection of amounts

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

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determined to qualify as charity care, these amounts are accounted for as a reduction of patient services revenue at the time the services are rendered.

### **Encumbrances**

Encumbrances representing commitments and outstanding purchase orders for goods and services not received as of the last day of the fiscal year are not reported as expenses or included in liabilities in the accompanying financial statements.

### **Capital Assets**

Capital assets consisting of land, buildings, improvements, furniture, equipment, intangible assets, and construction in progress are stated at cost or fair market value at date of gift. Library holdings are generally valued using average prices for library acquisitions. Depreciation is computed using the straight-line method over the estimated useful lives of the assets -- generally 15-30 years for buildings, 15-20 years for infrastructure and land improvements, 3-10 years for equipment, 10 years for library holdings, and the applicable term for capital leases. The capitalization threshold for depreciation increased from \$2,500 to \$5,000 beginning July 1, 2011, with the exception of the Fayetteville campus that increased its capitalization threshold to \$5,000 beginning July 1, 2012. Estimated useful lives for purposes of amortization and capitalization thresholds for intangible assets are as follows: purchased software (5-10 years; \$500,000); internally developed software (10 years; \$1,000,000); easements, land use rights, trademarks, and copyrights (15 years; \$250,000); and patents (20 years; \$250,000). Livestock is maintained primarily for research purposes with any other benefits derived from the operations considered as incidental to the primary mission of the University. The inventory value placed on the animals is determined by utilizing current market prices and breeding and research intangibles. UAMS bases its estimated useful lives on guidelines established by the American Hospital Association (AHA) which may differ slightly from those shown above for the other campuses.

### **Capitalization of Interest**

The University capitalizes interest involving qualifying assets. The amount of interest cost to be capitalized is interest cost on borrowings netted against any interest earned on temporary investments of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use. The total amount of interest cost incurred (gross of amortizations of premiums and discounts) and the net amount thereof that has been capitalized was \$51,200,520 and \$11,452,476, respectively, for the fiscal year ended June 30, 2013.

### **Net Position**

The University's net position is classified as follows:

*Net investment in capital assets:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. However, unexpended debt proceeds at year-end are reported as net position restricted for capital projects.

*Restricted – non-expendable:* This consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity, and invested for the purpose of producing present and future income, which either may be expended or added to principal.

*Restricted – expendable:* This includes resources in which the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. There is no formal policy requiring restricted resources to be used either before or after unrestricted resources are used for the same purpose. Responsible officials determine at the time funds are expended to use any unrestricted resources that may be available.

*Unrestricted:* This represents resources not subject to externally imposed stipulations. These resources may be designated for specific purposes by management or the Board of Trustees or may be otherwise limited by contractual agreements with outside parties.

### **Classification of Revenues**

The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

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**Operating Revenues:** Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees (net of scholarship discounts and allowances), patient services (net of contractual agreements), most federal, state, and local grants and contracts, revenues associated with auxiliary enterprises (net of scholarship discounts and allowances), interest on institutional student loans, and the University's self-funded insurance plans.

**Non-Operating Revenues:** Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by the GASB Statement No. 34, such as state appropriations and investment income.

### **State Appropriations**

State appropriations are reported in the statement of revenues, expenses, and changes in net position as nonoperating revenue, net of the Medicaid match payments required under various contracts between UAMS and the Arkansas Department of Human Services. The match payments were \$64,638,000 and \$72,145,000 for the fiscal years 2013 and 2012, respectively.

### **Scholarship Discounts and Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the differences between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

### **Component Units**

In May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which amends Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with a primary government. Under the standard, which became effective with the fiscal year ending June 30, 2004, the financial activities of qualifying foundations are to be included in the financial statements of the primary government, through discrete presentations. In fiscal year 2013, there were two qualifying foundations for the University of Arkansas: the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc. Although the University does not control the timing or amount of receipts from either of these foundations, the majority of resources or income thereon, which the foundations hold and invest, is restricted to the activities of the University by the donors. Because these restricted resources held by the foundations can be used only by, or for the benefit of, the University, the foundations are considered component units of the University and are discretely presented in the University's financial statements.

The University of Arkansas Foundation, Inc. is a separate nonprofit organization, which operates for charitable educational purposes, including the administration and investment of gifts and other amounts received directly or indirectly for the benefit of the University of Arkansas. The Board of Directors has twenty-two members, four of which are current or previous members of the University of Arkansas Board of Trustees. During the year ended June 30, 2013, the Foundation distributed \$68,695,019 to or on behalf of the University. Complete financial statements for the Foundation can be obtained from the administrative office at 535 Research Center Boulevard, Suite 120, Fayetteville, AR 72701.

The University of Arkansas Fayetteville Campus Foundation, Inc. is a nonprofit charitable organization which was established by the Walton Family Charitable Support Foundation, Inc., for the exclusive benefit of the University of Arkansas, Fayetteville campus. The Foundation was established on March 11, 2003, and exists primarily to support the Honors College, the Graduate School, and the University's library. The Board of Trustees of the Foundation is made up of seven members, including three members who are

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

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also employees of the University. During the year ended June 30, 2013, the Foundation distributed \$18,618,422 to or on behalf of the University. Complete financial statements for the Foundation can be obtained from the administrative office at 535 Research Center Boulevard, Suite 120, Fayetteville, AR 72701.

### **New Accounting Pronouncements**

The GASB issued the following four statements which became effective for the fiscal year ending June 30, 2013: Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses partnerships with private and other public entities; Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, which modifies certain requirements for inclusion of component units; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates pre-November 30, 1989 pronouncements into the GASB's authoritative language from FASB, APB and AICPA; and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which redefines some assets and liabilities. Management has determined that the University has not entered into any service concession arrangements and does not hold derivatives in its investments that would require a classification of deferred inflows and deferred outflows per Statements No. 60 and No. 63. Management also determined that Statements No. 61 and No. 62 did not change reporting by the University.

The GASB issued the following four statements which become effective for the fiscal year ending June 30, 2014: Statement No. 65, *Items Previously Reported as Assets and Liabilities*; Statement No. 66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*; Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 27*; and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The GASB issued the following two statements which become effective for the fiscal year ending June 30, 2015: Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 and Statement No. 69, Government Combinations and Disposals of Government Operations*. Management has determined that Statement No. 66 will not have an effect on current reporting and disclosures, but has not yet determined the effects of the other statements.

### **Note 2: Reporting Entity**

The University of Arkansas System ("the University"), which prior to 1969 consisted of the Fayetteville and Medical Sciences campuses, was expanded in 1969 to include the Little Rock campus (formerly Little Rock University), in 1971 to include the Monticello campus (formerly Arkansas A&M College), in 1972 to include the Pine Bluff campus (formerly Arkansas AM&N College), in 1996 to include the Phillips campus (formerly Phillips County Community College), and the Hope campus (formerly Red River Technical College), and in 1998 to include the Batesville campus (formerly Gateway Technical College). On July 1, 2001, the University was expanded to include campuses in Morrilton (formerly Petit Jean College) and DeQueen (formerly Cossatot Community College). The Fort Smith campus (formerly Westark College) joined the University on January 1, 2002. Forest Echoes Technical Institute and Great Rivers Technical Institute merged with the Monticello campus on July 1, 2003. The Arkansas School for Mathematics, Sciences and the Arts joined the University on January 1, 2004. In addition to these campuses, the University includes the following units: Clinton School of Public Service, Division of Agriculture, Archeological Survey, Criminal Justice Institute, and the System Administration.

All programs and activities of the University of Arkansas System are governed by its Board of Trustees, which has been accorded constitutional status for the exercise of its powers and authority by Amendment 33 to the Arkansas Constitution. The Board of Trustees has delegated to the President the administrative authority for all aspects of the University's operations. Administrative authority is further delegated to the Chancellors and Vice President for Agriculture, who have responsibility for the programs and activities of their respective campuses or state-wide operating division.

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

According to the GASB Statement No. 14, the financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Under the provisions of this statement, the University is a component unit of the State of Arkansas (primary government). The GASB Statement No. 14 defines a component unit as a legally separate organization for which the elected officials of the primary government are financially accountable. Although this statement is written from the perspective of the primary government, its requirements apply to the separately issued financial statements of a component unit, and therefore, the component unit should apply its provisions as if it was a primary government.

### Note 3: Hospital Revenue

The Hospital is a division of UAMS, and the Faculty Group Practice (FGP) is the collective body of the College of Medicine faculty involved in professional practice at UAMS. FGP is an integral component of UAMS, functioning as an unincorporated division of the College of Medicine. As such, it is subject to the policies and regulations of the College of Medicine, UAMS, and the Board of Trustees of the University. Patient care operations are included in the accompanying financial statements under accounting principles generally followed by governmental colleges and universities. Patient accounts receivable at June 30, 2013 and 2012 are recorded net of an allowance for doubtful accounts of \$425,204,000 and \$497,497,000, respectively.

Net patient services revenue for the years ended June 30, 2013 and 2012 is as follows:

NET PATIENT SERVICES REVENUE	FY2013	FY2012
Gross patient revenue	\$ 2,006,148,000	\$ 1,962,329,000
Less patient services contractual allowances	1,029,435,000	1,012,931,000
Less provision for bad debt	90,136,000	72,854,000
<b>TOTAL</b>	<b>\$ 886,577,000</b>	<b>\$ 876,544,000</b>

UAMS provided approximately \$141,296,000 and \$129,258,000 in charity care, based on established rates, during the years ended June 30, 2013 and 2012, respectively. Because UAMS does not pursue collection of amounts determined to qualify as charity care, they are not included in gross patient revenue above. Net patient services revenue for the years ended June 30, 2013 and 2012, includes approximately \$71,722,000 and \$74,044,000, respectively, from the Medicaid program representing payments relating to Upper Payment Limit and Disproportionate Share reimbursements. These payments are available to state-operated teaching hospitals under Medicaid regulations. Net patient services revenue for the years ended June 30, 2013 and 2012, includes approximately \$28,906,000 and \$31,402,000, respectively, of net revenue from the Supplemental Medicaid program.

The Hospital, FGP, and Area Health Education Centers (AHECs) have agreements with governmental and other third-party payors that provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with significant third-party payors follows:

#### **Hospital:**

Medicare – Inpatient acute care services rendered to program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Some transplantation services are paid based upon a

cost reimbursement methodology. Outpatient services are paid based on a prospective payment system where services are classified into groups called Ambulatory Payment Classifications (APC). Services in each APC are similar clinically and in terms of the resources they require. The Hospital is paid for cost-reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Hospital and audit by the Medicare fiscal intermediary. As of June 30, 2013, the Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2010.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost reimbursement methodology. The Hospital is paid at a tentative rate with final settlement determined after submission of an annual cost report by the Hospital and audits by the Medicaid audit contractor. The Hospital is required to pay the federal match for the difference in reimbursement between the Tax Equity and Fiscal Responsibility Act inpatient rate and full cost. For outpatient services, the Hospital is required to pay the federal match for the difference reimbursed between the outpatient prospective rates and full cost. As of June 30, 2013, the Hospital's Medicaid cost reports have been audited by the Medicaid audit contractor through June 30, 2009.

***FGP and AHECs:***

Services rendered to both Medicare and Medicaid program beneficiaries are reimbursed on prospectively determined rates per unit of service.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net adjustments to estimated settlements resulted in a decrease to net patient services revenue of \$589,500 and an increase of \$7,461,000 for the years ended June 30, 2013 and 2012, respectively. Management believes that UAMS is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The Hospital, FGP, and AHECs have agreements with certain commercial insurance carriers and preferred provider organizations, which include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

**Note 4: Compensated Absences**

Employees accrue and accumulate annual and sick leave in accordance with policies established by the Board of Trustees. The University accrues the dollar value of leave benefits in accordance with generally accepted accounting principles which require accrual of salary-related payments directly and incrementally associated with compensated absences, such as employer's share of social security taxes, as well as applicable salary expenses. These leave benefits are payable upon retirement, termination, or death of employees, up to the maximum allowed.

Full-time, non-classified employees accrue annual leave at the rate of fifteen hours per month and full-time classified employees accrue at a variable rate (from eight to fifteen hours per month) depending upon the number of years of employment in state government. Employees who are less than full-time, but are at least 50% time, accrue annual leave at prorated amounts. Under the University's policy, an employee may carry accrued annual leave forward from one calendar year to another, up to a maximum of 240 hours (30 working days).

Classified employees who meet the conditions to be considered retirees at the time of termination of employment, are entitled to a partial payment of accumulated, unused sick leave in accordance with the provisions of Arkansas Code Annotated (A.C.A.) § 21-4-501. In accordance with A.C.A. § 21-4-505, which became effective in FY09, two-year institutions may, at their discretion, provide to non-classified

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

employees the same compensation for accumulated unused sick leave provided to classified employees. The Code was amended in 2011 to allow the four-year institutions the same option. In fiscal year ending June 30, 2013, three campuses followed the policy for non-classified employees: CCCUA, UACCB and UACCM.

Sick leave for those identified in the previous paragraph can be paid as follows: An employee who has accumulated at least fifty (50) days, but less than sixty (60) days of sick leave upon retirement shall receive an amount equal to fifty percent (50%) of the number of accrued sick leave days (rounded to the nearest day) times fifty percent (50%) of the employee's daily salary. An employee who has accumulated at least sixty (60) days, but less than seventy (70) days of sick leave upon retirement shall receive an amount equal to sixty percent (60%) of the number of accrued sick leave days (rounded to the nearest day) times 60 percent (60%) of the employee's daily salary. An employee who has accumulated at least seventy (70) days, but less than eighty (80) days of sick leave upon retirement shall receive an amount equal to seventy percent (70%) of the number of accrued sick leave days (rounded to the nearest day) times seventy percent (70%) of the employee's daily salary. An employee that has accumulated at least eighty (80) or more days of sick leave upon retirement shall receive an amount equal to eighty percent (80%) of the number of accrued sick leave days (rounded to the nearest day) times eighty percent (80%) of the employee's daily salary. In no event shall an employee receive a sick leave incentive amount that exceeds \$7,500.

Changes in compensated absences are shown below:

<b>COMPENSATED ABSENCES</b>						
<b>Campus</b>	<b>Balance 6-30-12</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6-30-13</b>	<b>Current Portion</b>	
UAF	\$ 18,378,906	\$ 921,058	\$ 163,926	\$ 19,136,038	\$ 1,161,585	
UAFS	1,695,379	216,880	136,378	1,775,881	178,530	
UALR	4,185,262	553,620	381,357	4,357,525	391,180	
UAM	1,292,598	820,767	773,584	1,339,781	62,526	
UAMS	52,484,000	3,570,000	9,023,000	47,031,000	2,881,000	
UAPB	2,292,432	2,085,857	2,143,588	2,234,701	215,900	
CCCUA	232,684	308,022	223,002	317,704	15,885	
PCCUA	486,847	375,141	394,804	467,184	21,843	
UACCB	508,567	279,007	280,351	507,223	13,937	
UACCH	355,457	259,629	269,002	346,084	9,085	
UACCM	350,507	393,202	352,626	391,083	17,905	
ASMSA	97,990	18,189	4,637	111,542	9,913	
SYSTEM	443,264	427,050	391,426	478,888	10,974	
<b>TOTAL</b>	<b>\$ 82,803,893</b>	<b>\$ 10,228,422</b>	<b>\$ 14,537,681</b>	<b>\$ 78,494,634</b>	<b>\$ 4,990,263</b>	

**Note 5: Cash, Cash Equivalents and Investments**

A.C.A. §19-4-805 authorizes institutions of higher learning the right to determine the depositories and nature of investments of any of their cash funds which are not currently needed for operating purposes.

**Cash and Cash Equivalents**

Cash deposits are carried at cost. The following schedule reconciles the amount of deposits to the statement of net position at June 30, 2013:

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

**Cash and Cash Equivalents**

+Cash deposits at year end	\$ 283,139,204
+cash held on deposit in state treasury	6,605,498
+cash equivalents	98,259,690
+cash on hand	164,610
+ adjustment for deposits in transit within the system	1,217,980
-cash/cash equiv shown as deposits held in trust on Smts	(12,867,672)
<b>TOTAL</b>	<b><u>\$ 376,519,310</u></b>

Deposits are exposed to custodial risk if they are not covered by depository insurance (FDIC) and are uncollateralized. At June 30, 2013, none of the University's bank balances were exposed to custodial credit risk.

**Investments**

Investments are reported at fair value, which, for reporting purposes, is market value. The following is a summary of the University's investments held at June 30, 2013:

<b>Investment Type</b>	<b>Fair Value</b>
Mutual & Money Market Funds	\$ 159,191,806
Corporate & Municipal Bonds	7,462,882
External Investment Pool	353,005,471
Certificate of Deposits	23,909,587
U.S. Treasury & Government Sponsored Agencies	34,148,739
Other	2,013,613
<b>Sub-Total</b>	<b><u>579,732,098</u></b>
-shown as cash/cash equiv on Statements	(1,085,406)
-shown as deposits held in trust on Statements	(182,233,623)
<b>Investments as reported on Stmt of Net Position</b>	<b><u>\$ 396,413,069</u></b>

The University is required under GASB Statement No. 40 to provide investment risk disclosures for all invested funds. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following tables show these risks for the University's funds outside the external investment pool.

<b>Investment Type</b>	<b>Fair Value</b>	<b>Interest Rate Risk</b>		
		<b>Investment Maturities (in years)</b>		
		<b>Less than 1</b>	<b>1 to 5</b>	<b>6 to 10</b>
Bonds	\$ 7,462,882	\$ 2,589,204	\$ 4,037,150	\$ 836,528
U.S. Treasury & Gov't Agencies	31,084,753	14,205,822	16,878,931	-
<b>Totals</b>	<b><u>\$ 38,547,635</u></b>	<b><u>\$ 16,795,026</u></b>	<b><u>\$ 20,916,081</u></b>	<b><u>\$ 836,528</u></b>

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

Investment Type	Fair Value	Credit Risk				
		AAA	AA	A	B & below	Not Rated
Mutual Funds	\$ 133,048,313	\$ 130,830,248	\$ -	\$ 9,040	\$ -	\$ 2,209,025
Bonds	7,462,882	500,952	2,789,737	3,015,949	847,354	308,890
U.S. Treasury & Gov't Agencies	31,084,753	31,084,753	-	-	-	-
<b>Totals</b>	<b>\$ 171,595,948</b>	<b>\$ 162,415,953</b>	<b>\$ 2,789,737</b>	<b>\$ 3,024,989</b>	<b>\$ 847,354</b>	<b>\$ 2,517,915</b>

**External Investment Pool**

Effective June 30, 1997, the University of Arkansas adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires investments be carried at fair value and all changes in fair value be reported in revenue as a component of investment income. In 1997, the University of Arkansas and the University of Arkansas Foundation established an external investment pool. This arrangement commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. During 1998, the Walton Arts Foundation joined the pool, and, during 2003, the Fayetteville Campus Foundation joined the pool. During 2007, the University of Arkansas Community College at Hope Foundation joined the pool. The Razorback Foundation joined the pool during 2012.

The governmental external investment pool is exempt from registration with the SEC. The University of Arkansas Board of Trustees and the University of Arkansas Foundation Board of Trustees are the sponsors of this investment pool and are responsible for operation and oversight for the pool. All participation in this investment pool is voluntary.

In January 2010, the University of Arkansas Investment Committee approved an agreement which delegated authority to the UA Foundation to manage University funds held in the Pool. The agreement included delegation of all responsibility for all investment guidelines and performance objectives for accounts within the Pool. The agreement also delegated to the UA Foundation authority for further delegation of portfolio implementation decisions to one or more investment managers. In January 2010, the UA Foundation entered into such an agreement with Cambridge Associates, LLC.

At June 30, 2013, five campuses, Cooperative Extension Service, and five foundations participated in the Pool, whose net assets totaled \$1,551,085,896. The pool was combined with 22.74% of the net assets owned by the University of Arkansas and external portions as follows: 45.62% by the University of Arkansas Foundation, 29.73% by the Fayetteville Campus Foundation, 0.73% by the Walton Arts Foundation, 0.09% by the University of Arkansas Community College at Hope Foundation, and 1.09% by the Razorback Foundation. The following tables contain information on the risk disclosure of the Pool.

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

### UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL Statement of Invested Assets June 30, 2013

Investment Type	Fair Value*
<b>Equity</b>	<b>\$393,170,798</b>
Common Stock	43,409,966
Funds - Common Stock	332,285,499
Preferred Stock	30,415
Rights/Warrants	6
Funds - Equities ETF	17,444,912
<b>Fixed Income</b>	<b>430,429,596</b>
Government Bonds	30,331,139
Corporate Bonds	83,950
Funds - Corporate Bond	28,949,425
Government Mortgage Back Securities	121
Non-Government Backed C.M.O.s	1
Funds - Other Fixed Income	340,375,596
Funds - Fixed Income ETF	30,689,364
<b>Venture Capital and Partnerships</b>	<b>577,858,492</b>
Partnerships	577,858,492
<b>Commodities</b>	<b>19,739,206</b>
Funds - Commodity Linked	19,739,206
<b>Hedge Fund</b>	<b>116,900,969</b>
Hedge Equity	92,767,694
Hedge Event Driven	24,133,275
<b>All Other</b>	<b>18,418</b>
Recoverable Taxes	18,418
<b>Cash/Cash Equivalents</b>	<b>12,968,417</b>
Funds - Short Term Investment Funds	13,482,463
Cash	(514,047)
Invested Cash	1
<b>TOTAL</b>	<b>\$1,551,085,896</b>

\*Includes accrued income

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

**UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL**  
**Credit Risk - S&P Quality Ratings**  
**June 30, 2013**

<b>Investment Type &amp; Fair Value*</b>	<b>BBB</b>	<b>NR</b>	<b>US GOVNL.</b>	
			<b>GUAR</b>	
Corporate Bonds	\$ -	\$ 83,950	\$ -	
Funds - Corporate Bond		28,807,397		
Funds - Fixed Income ETF		30,689,364		
Funds - Other Fixed Income		340,158,442		
Funds - Short Term Investment		13,482,337		
Government Bonds	7,866		30,250,953	
Govn Mortgage Backed Securities			121	
Hedge Event Driven		24,133,275		
Non-Govnl Backed C.M.O.s		1		
<b>TOTAL</b>	<b>\$ 7,866</b>	<b>\$ 437,354,766</b>	<b>\$ 30,251,074</b>	

\*Does not include accrued income

**UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL**  
**Years to Maturity**  
**June 30, 2013**

<b>Investment Type</b>	<b>Fair Value*</b>	<b>Maturity</b>		
		<b>6+ to 10</b>	<b>10+</b>	<b>not Determined</b>
Corporate Bonds	\$ 83,950	\$ -	\$ 83,950	\$ -
Funds - Corporate Bonds	28,807,397			28,807,397
Funds - Fixed Income ETF	30,689,364			30,689,364
Funds - Other Fixed Income	340,158,442			340,158,442
Funds - Short Term Investment	13,482,337			13,482,337
Government Bonds	30,258,819	30,250,953	7,866	
Govnl Mortgage Backed Securities	121		121	
Hedge Event Driven	24,133,275			24,133,275
Non-Govnl Backed C.M.O.s	1			1
<b>TOTAL</b>	<b>\$ 467,613,706</b>	<b>\$ 30,250,953</b>	<b>\$ 91,937</b>	<b>\$ 437,270,816</b>

\*Does not include accrued income

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

**UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL  
Interest Rate Sensitivity - Effective Duration  
June 30, 2013**

<b>Investment Type</b>	<b>Fair Value*</b>	<b>Effective Duration</b>
Corporate Bonds	\$ 83,950	N/A
Funds - Corporate Bonds	28,807,397	N/A
Funds - Fixed Income ETF	30,689,364	N/A
Funds - Other Fixed Income	340,158,442	N/A
Funds - Short Term Investment	13,482,337	N/A
Government Bonds	30,258,819	8.92
Govn Mortgage Backed Securities	121	3.32
Hedge Event Driven	24,133,275	N/A
Non-Govn Backed C.M.O.s	1	N/A
<b>TOTAL</b>	<b>\$ 467,613,706</b>	

\*Does not include accrued income

**UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL  
Foreign Currency Risk By Investment Type  
June 30, 2013**

<b>Currency by Investment and Fair Value</b>	<b>Cash</b>	<b>Equity</b>	<b>Other Assets</b>
SWISS FRANC	\$ -	\$ -	\$ 11,828
EURO	19,468		
BRITISH POUND STERLING		754	
HONG KONG DOLLAR		5,552	
POLISH ZLOTY			6,590
<b>TOTAL</b>	<b>\$ 19,468</b>	<b>\$ 6,306</b>	<b>\$ 18,418</b>

\*Includes accrued income

**Endowment Funds**

A.C.A. § 28-69-804 states, "Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution.

The University does not have a uniform policy addressing the authorization and spending of investment income. Such policies have been established at the applicable campuses and include spending rates averaged over a specified period and compliance with donor restrictions. The computation of net appreciation on investments of donor-restricted endowments that are available for expenditure at June 30, 2013, is as follows:

<b>Total Endowment</b>	<b>\$ 204,261,161</b>
Less: Funds treated as endowment	(112,106,487)
Non-expendable portion of endowment	(31,673,560)
<b>Available for Expenditure</b>	<b>\$ 60,481,114</b>

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

**Note 6: Income Taxes**

The University is tax exempt under the Internal Revenue Code except for tax on unrelated business income. The University had no significant unrelated business income for the year ended June 30, 2013. It is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

**Note 7: Bonds, Notes, Capital Leases and Installment Contracts Payable**

The retirement of some bond issues is secured by a specific pledge of certain gross revenues, surplus revenues and specific fees. Separate accounting is not required for these facilities under the provisions of the debt instruments; accordingly, segment reporting is not required for financial reporting purposes. A summary of long-term debt by campus is shown below. Total debt of \$1,360,926,145 shown in these schedules, which is related to bonds, notes, capital leases and installment contracts, differs from the amount of \$1,360,153,481 shown on the statement of net position. This is due to an elimination entry of \$772,664 to account for a loan between UAMS and UAF (see Note 17).

**Schedule of Debt by Campus**

<b>UNIVERSITY OF ARKANSAS FAYETTEVILLE</b>					
<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount Issued</b>	<b>Maturities to Year-End</b>	<b>Outstanding Year-End</b>
10/15/1997	11/1/2022	3.95%-5.25%	\$ 21,445,000	\$ 20,130,000	\$ 1,315,000
10/1/2004	11/1/2024	2.00%-4.75%	7,050,000	2,635,000	4,415,000
3/1/2005	11/1/2025	3.00%-4.50%	81,020,000	8,235,000	72,785,000
6/1/2006	11/1/2036	4.00%-5.00%	67,420,000	4,680,000	62,740,000
6/1/2006	9/15/2022	4.00%-4.375%	8,205,000	2,470,000	5,735,000
10/1/2007	11/1/2037	4.00%-5.00%	45,010,000	3,935,000	41,075,000
8/1/2008	11/1/2038	4.00%-5.00%	36,750,000	390,000	36,360,000
8/1/2008	11/1/2028	4.10%-6.375%	15,210,000	645,000	14,565,000
12/15/2009	11/1/2039	3.00%-5.00%	52,430,000	2,020,000	50,410,000
6/30/2010	9/15/2020	1.00%-4.82%	23,965,000	5,490,000	18,475,000
6/29/2011	11/1/2040	2.00%-5.00%	101,225,000	2,585,000	98,640,000
6/29/2011	11/1/2022	3.00%-5.00%	8,895,000	1,105,000	7,790,000
6/29/2011	9/15/2021	2.00%-4.895%	23,575,000	2,365,000	21,210,000
4/17/2012	11/1/2032	1.00%-5.00%	56,965,000	4,525,000	52,440,000
9/13/2012	11/1/2042	2%-5.00%	60,540,000	-	60,540,000
5/16/2013	11/1/2042	1.00%-5.00%	54,450,000	-	54,450,000
5/16/2013	9/15/2027	1.00%-5.00%	30,355,000	-	30,355,000
11/30/1991	5/1/2022	5.50%	3,000,000	1,557,752	1,442,248
11/29/1995	11/1/2034	4.00%-5.00%	2,071,140	1,298,476	772,664
12/20/1999	12/31/2017	Variable	1,161,952	623,950	538,002
5/11/2007	9/30/2013	Variable	6,000,000	2,873,762	3,126,238
11/30/2007	7/1/2023	4.69%	6,950,000	1,147,634	5,802,366
10/15/2008	9/13/2013	5.00%	5,000,000	4,705,789	294,211
12/19/2008	8/19/2023	4.58%	23,842,000	4,016,138	19,825,862
4/8/2010	1/8/2023	4.80%	9,694,713	1,422,409	8,272,304
Various	Various	Various	27,670	10,554	17,116
	Deferral on debt defeasance		(8,955,890)	(2,755,578)	(6,200,312)
	Net unamortized premium/discount		36,310,469	1,688,497	34,621,972
<b>TOTALS</b>			<b>\$ 779,612,054</b>	<b>\$ 77,799,383</b>	<b>\$ 701,812,671</b>

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

**UNIVERSITY OF ARKANSAS AT FORT SMITH**

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount Issued</b>	<b>Maturities to Year-End</b>	<b>Outstanding Year-End</b>
12/1/2006	12/1/2031	3.6% - 5.0%	\$ 6,160,000	\$ 825,000	\$ 5,335,000
5/1/2009	12/1/2034	2.0% - 5.0%	25,000,000	1,375,000	23,625,000
6/1/2010	12/1/2021	2.0% - 4.0%	29,895,000	5,575,000	24,320,000
12/1/2010	12/1/2035	2.0% - 4.75%	9,300,000	480,000	8,820,000
1/1/2012	12/1/2030	2.0% - 4.25%	17,540,000	285,000	17,255,000
2/29/2012	1/1/2022	0%	1,990,325	216,650	1,773,675
5/22/2012	5/4/2027	4.00%	650,000	35,014	614,986
		Deferral on debt defeasance	(2,751,156)	(533,020)	(2,218,136)
		Net unamortized premium/discount	2,347,003	381,194	1,965,809
<b>TOTALS</b>			<b>\$ 90,131,172</b>	<b>\$ 8,639,838</b>	<b>\$ 81,491,334</b>

**UNIVERSITY OF ARKANSAS AT LITTLE ROCK**

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount Issued</b>	<b>Maturities to Year-End</b>	<b>Outstanding Year-End</b>
9/15/2004	12/1/2024	3.483% - 5.0%	\$ 24,285,000	\$ 24,285,000	\$ -
10/1/2004	12/1/2029	2.0% - 5.0%	17,385,000	17,385,000	-
10/1/2009	10/1/2029	2.0% - 5.0%	32,245,000	3,340,000	28,905,000
11/1/2009	10/1/2034	3% - 5%	29,510,000	1,495,000	28,015,000
5/1/2012	6/30/2037	2.0% - 5.0%	14,880,000	325,000	14,555,000
9/1/2012	12/1/2029	1.0% - 5.0%	13,850,000	660,000	13,190,000
4/1/2013	12/1/2024	1.0% - 5.0%	10,770,000	-	10,770,000
4/1/2013	12/1/2024	1.0% - 5.0%	6,530,000	-	6,530,000
5/7/2008	10/1/2015	4.22%	2,541,873	1,643,964	897,909
8/23/2011	12/1/2020	0.00%	1,732,620	222,222	1,510,398
Various	Various	1.98% - 3.15%	4,921,269	1,130,017	3,791,252
		Deferral on debt defeasance	(1,822,564)	(127,980)	(1,694,584)
		Net unamortized premium/discount	7,156,218	1,282,687	5,873,531
<b>TOTALS</b>			<b>\$ 163,984,416</b>	<b>\$ 51,640,910</b>	<b>\$ 112,343,506</b>

**UNIVERSITY OF ARKANSAS AT MONTICELLO**

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount Issued</b>	<b>Maturities to Year-End</b>	<b>Outstanding Year-End</b>
10/1/2010	10/1/2018	2.0% - 2.35%	\$ 2,870,000	\$ 675,000	\$ 2,195,000
2/1/2012	12/1/2035	2.0% - 4.0%	8,745,000	310,000	8,435,000
12/1/2012	10/1/2037	1% - 4.0%	8,650,000	-	8,650,000
1/27/2009	2/1/2019	0.53%	1,000,000	404,601	595,399
		Deferral on debt defeasance	(721,769)	(42,605)	(679,164)
		Net unamortized premium/discount	367,677	21,196	346,481
<b>TOTALS</b>			<b>\$ 20,910,908</b>	<b>\$ 1,368,192</b>	<b>\$ 19,542,716</b>

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

**UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES**

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount Issued</b>	<b>Maturities to Year-End</b>	<b>Outstanding Year-End</b>
10/28/2004	11/1/2034	2.00% - 5.00%	\$ 95,915,000	\$ 95,915,000	\$ -
10/28/2004	11/1/2018	4.0% - 5.00%	54,085,000	54,085,000	-
3/8/2006	3/1/2036	3.4% - 5.0%	107,500,000	13,680,000	93,820,000
6/1/2010	7/1/2019	2.0% - 4.5%	7,605,000	1,475,000	6,130,000
12/21/2010	12/1/2030	2.00% - 5.00%	42,680,000	775,000	41,905,000
12/21/2010	12/1/2013	1.20%-1.93%	3,680,000	2,430,000	1,250,000
11/15/2011	7/1/2034	2.0% - 4.25%	8,985,000	405,000	8,580,000
5/14/2013	11/1/2034	1.0% - 5.0%	112,665,000	-	112,665,000
		Misc Notes	87,707,000	19,260,000	68,447,000
		Leases	78,802,000	39,798,000	39,004,000
		Deferral on debt defeasance	(4,649,000)	-	(4,649,000)
		Net unamortized premium/discount	33,368,000	10,142,000	23,226,000
<b>TOTALS</b>			<b>\$ 628,343,000</b>	<b>\$ 237,965,000</b>	<b>\$ 390,378,000</b>

**UNIVERSITY OF ARKANSAS AT PINE BLUFF**

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount Issued</b>	<b>Maturities to Year-End</b>	<b>Outstanding Year-End</b>
10/1/1963	10/1/2013	3.63%	\$ 1,822,000	\$ 1,731,000	\$ 91,000
10/12/2005	12/1/2035	3.0% - 5.0%	19,565,000	2,490,000	17,075,000
10/12/2005	12/1/2017	2.8% - 3.8%	3,330,000	2,115,000	1,215,000
9/1/1999	12/1/2015	Variable	880,000	695,000	185,000
10/12/1999	11/19/2020	4.04%	3,300,000	2,550,000	750,000
10/15/2012	10/15/2016	2.01%	2,169,106	438,865	1,730,241
		Net unamortized premium/discount	1,203,433	276,431	927,002
<b>TOTALS</b>			<b>\$ 32,269,539</b>	<b>\$ 10,296,296</b>	<b>\$ 21,973,243</b>

**COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS**

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount Issued</b>	<b>Maturities to Year-End</b>	<b>Outstanding Year-End</b>
6/13/2013	5/1/2035	1.0% - 3.625%	\$ 3,930,000	\$ -	\$ 3,930,000
5/17/2005	5/1/2035	5.18%	4,500,000	636,627	3,863,373
1/25/2008	3/30/2023	2.91%	2,000,000	678,837	1,321,163
11/16/2010	11/16/2030	5.25%	300,060	23,231	276,829
Various	Various	Various	127,322	92,980	34,342
		Deferral on debt defeasance	(111,135)		(111,135)
		Net unamortized premium/discount	141,059		141,059
<b>TOTALS</b>			<b>\$ 10,887,306</b>	<b>\$ 1,431,675</b>	<b>\$ 9,455,631</b>

**PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS**

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount Issued</b>	<b>Maturities to Year-End</b>	<b>Outstanding Year-End</b>
2/1/2009	12/1/2038	3.0 - 5.2%	\$ 12,030,000	\$ 700,000	\$ 11,330,000
6/1/2013	6/1/2018	4.30%	219,026	3,279	215,747
		Net unamortized premium/discount	(206,872)	(30,456)	(176,416)
<b>TOTALS</b>			<b>\$ 12,042,154</b>	<b>\$ 672,823</b>	<b>\$ 11,369,331</b>

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

**UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE**

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount Issued</b>	<b>Maturities to Year-End</b>	<b>Outstanding Year-End</b>
6/15/2010	12/1/2018	1.0% - 3.25%	\$ 2,295,000	\$ 695,000	\$ 1,600,000
5/7/2008	11/1/2015	4.22%	816,432	521,104	295,328
5/7/2008	11/1/2015	4.22%	451,616	300,016	151,600
2/2/2010	2/1/2020	0.45%	1,000,000	295,300	704,700
	Net unamortized premium/discount		4,032	1,437	2,595
	Deferral on debt defeasance		(6,364)	(2,268)	(4,096)
<b>TOTALS</b>			<b>\$ 4,560,716</b>	<b>\$ 1,810,589</b>	<b>\$ 2,750,127</b>

**UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE**

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount Issued</b>	<b>Maturities to Year-End</b>	<b>Outstanding Year-End</b>
6/1/2010	9/1/2020	1.00 - 4.00%	\$ 4,625,000	\$ 1,280,000	\$ 3,345,000
6/1/2013	10/1/2038	1.00 - 3.625%	2,590,000		2,590,000
3/27/2012	4/1/2022	0.20%	1,100,000	109,013	990,987
	Net unamortized premium/discount		(264,115)	(20,448)	(243,667)
	Deferral on debt defeasance		111,731	32,403	79,328
<b>TOTALS</b>			<b>\$ 8,162,616</b>	<b>\$ 1,400,968</b>	<b>\$ 6,761,648</b>

**UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON**

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Amount Issued</b>	<b>Maturities to Year-End</b>	<b>Outstanding Year-End</b>
05/18/2005	11/1/2017	4.0% - 5.25%	\$ 2,095,000	\$ 1,170,000	\$ 925,000
6/16/2010	5/1/2022	2.0% - 3.5%	2,030,000	460,000	1,570,000
7/30/2010	8/1/2020	0.38%	800,000	197,162	602,838
	Deferral on debt defeasance		(113,333)	(63,433)	(49,900)
<b>TOTALS</b>			<b>\$ 4,811,667</b>	<b>\$ 1,763,729</b>	<b>\$ 3,047,938</b>

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

**Schedule of Changes in Debt**

<b>BONDS</b>					
<b>Campus</b>	<b>Balance 6-30-12</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6-30-13</b>	<b>Current Portion</b>
UAF	\$ 505,850,000	\$ 145,345,000	\$ 17,895,000	\$ 633,300,000	\$ 21,565,000
Deferral on debt defeasance	(6,795,443)		(595,131)	(6,200,312)	(595,131)
Net unamortized prem/disc	15,946,218	19,826,997	1,151,243	34,621,972	1,721,984
UAFS	83,015,000		3,660,000	79,355,000	4,435,000
Deferral on debt defeasance	(2,423,168)		(205,032)	(2,218,136)	(205,032)
Net unamortized prem/disc	2,126,805		160,996	1,965,809	160,996
UALR	106,965,000	31,150,000	36,150,000	101,965,000	4,115,000
Deferral on debt defeasance	-	(1,822,564)	(127,980)	(1,694,584)	(127,980)
Net unamortized prem/disc	3,337,713	3,233,659	697,841	5,873,531	353,631
UAM	11,280,000	8,650,000	650,000	19,280,000	865,000
Deferral on debt defeasance	(709,238)		(30,074)	(679,164)	(30,074)
Net unamortized prem/disc	123,526	236,351	13,396	346,481	17,335
UAMS	280,975,000	112,665,000	129,290,000	264,350,000	7,255,000
Deferral on debt defeasance	(573,000)	(4,076,000)		(4,649,000)	-
Net unamortized prem/disc	11,764,000	16,567,000	5,105,000	23,226,000	-
UAPB	19,161,000		780,000	18,381,000	811,000
Net unamortized prem/disc	966,492		39,490	927,002	39,490
CCCUA	-	3,930,000		3,930,000	105,000
Deferral on debt defeasance	-	(111,135)		(111,135)	(5,090)
Net unamortized prem/disc	-	141,059		141,059	6,461
PCCUA	11,570,000		240,000	11,330,000	250,000
Net unamortized prem/disc	(183,312)		(6,896)	(176,416)	(6,896)
UACCB	1,845,000		245,000	1,600,000	250,000
Deferral on debt defeasance	(4,852)		(756)	(4,096)	(756)
Net unamortized prem/disc	3,074		479	2,595	479
UACCH	6,300,000	2,590,000	2,955,000	5,935,000	500,000
Deferral on debt defeasance	(55,663)	(194,820)	(6,816)	(243,667)	(14,532)
Net unamortized prem/disc	35,173	1,920	(42,235)	79,328	10,877
UACCM	2,815,000		320,000	2,495,000	325,000
Deferral on debt defeasance	(59,045)		(9,145)	(49,900)	(9,144)
<b>TOTAL</b>	<b>\$ 1,053,275,280</b>	<b>\$ 338,132,467</b>	<b>\$ 198,329,380</b>	<b>\$ 1,193,078,367</b>	<b>\$ 41,792,618</b>

<b>NOTES</b>					
<b>Campus</b>	<b>Balance 6-30-12</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6-30-13</b>	<b>Current Portion</b>
UAF	\$ 8,239,281		\$ 2,065,918	\$ 6,173,363	\$ 3,680,478
UAFS	115,307	1,875,018	216,650	1,773,675	216,650
UALR	2,207,348	781,788	580,829	2,408,307	596,261
UAM	694,597		99,198	595,399	99,724
UAMS	14,984,000	70,886,000	17,423,000	68,447,000	12,977,000
UAPB	1,102,500		167,500	935,000	172,500
CCCUA	1,731,745		133,753	1,597,992	137,927
UACCB	1,429,619		277,991	1,151,628	286,142
UACCH	1,100,000		109,013	990,987	109,232
UACCM	681,928		79,090	602,838	79,390
<b>TOTAL</b>	<b>\$ 32,286,325</b>	<b>\$ 73,542,806</b>	<b>\$ 21,152,942</b>	<b>\$ 84,676,189</b>	<b>\$ 18,355,304</b>

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

**CAPITAL LEASES**

Campus	Balance			Balance	
	6-30-12	Additions	Reductions	6-30-13	Current Portion
UAF	\$ 1,200,806	\$ 14,627	\$ 1,198,317	\$ 17,116	\$ 7,511
UAFS	647,398	-	32,412	614,986	33,733
UALR	479,243	3,838,000	525,991	3,791,252	908,883
UAMS	33,433,000	14,880,000	9,309,000	39,004,000	8,121,000
UAPB	-	2,169,106	438,865	1,730,241	489,568
CCCUA	4,004,062	8,280	114,627	3,897,715	3,881,373
PCCUA	-	219,026	3,279	215,747	40,270
<b>TOTAL</b>	<b>\$ 39,764,509</b>	<b>\$ 21,129,039</b>	<b>\$ 11,622,491</b>	<b>\$ 49,271,057</b>	<b>\$ 13,482,338</b>

**INSTALLMENT CONTRACTS**

Campus	Balance			Balance	
	6-30-12	Additions	Reductions	6-30-13	Current Portion
UAF	\$ 36,334,689		\$ 2,434,157	\$ 33,900,532	\$ 2,549,161
<b>TOTAL</b>	<b>\$ 36,334,689</b>	<b>\$ -</b>	<b>\$ 2,434,157</b>	<b>\$ 33,900,532</b>	<b>\$ 2,549,161</b>

The current portion shown above for bonds, notes, capital leases, and installment contracts differs from the statement of net position by \$15,499, which is the current portion of an elimination entry (see Note 17).

**Future Principal and Interest Payments**

Total long-term debt principal and interest payments are shown below. As required by GASB Statement No. 38, interest payments for variable rate debt have been calculated using the rate in effect at the financial statement date. Actual rates will vary. The total principal amount of \$1,309,768,778 differs from the amount of \$1,360,153,481 shown on the statement of net position. This is due to \$51,157,367 of amortization due to bond premiums/discounts and deferrals on debt defeasance offset by an elimination entry of \$772,664 (see Note 17).

**BONDS & NOTES**

FUTURE PRINCIPAL AND INTEREST PAYMENTS			
Year Ended June 30,	Principal	Interest	Total
2014	\$ 58,831,304	\$ 50,784,296	\$ 109,615,600
2015	55,401,585	49,611,239	105,012,824
2016	56,585,117	47,988,724	104,573,841
2017	63,769,318	46,176,574	109,945,892
2018	58,823,527	44,107,871	102,931,398
2019-2023	266,953,095	187,068,295	454,021,390
2024-2028	222,956,786	131,905,553	354,862,339
2029-2033	224,002,037	78,175,032	302,177,069
2034-2038	166,209,420	30,179,009	196,388,429
2039-2043	53,065,000	4,798,422	57,863,422
<b>TOTALS</b>	<b>\$ 1,226,597,189</b>	<b>\$ 670,795,015</b>	<b>\$ 1,897,392,204</b>

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

<b>CAPITAL LEASES</b>			
<b>FUTURE PRINCIPAL AND INTEREST PAYMENTS</b>			
<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 13,482,338	\$ 1,702,975	\$ 15,185,313
2015	8,621,031	1,279,376	9,900,407
2016	8,180,332	964,421	9,144,753
2017	6,052,023	681,358	6,733,381
2018	3,939,263	507,525	4,446,788
2019-2023	8,787,357	1,013,243	9,800,600
2024-2028	208,713	17,134	225,847
<b>TOTALS</b>	<b>\$ 49,271,057</b>	<b>\$ 6,166,032</b>	<b>\$ 55,437,089</b>

<b>INSTALLMENT CONTRACTS</b>			
<b>FUTURE PRINCIPAL AND INTEREST PAYMENTS</b>			
<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 2,549,161	\$ 1,538,840	\$ 4,088,001
2015	2,669,601	1,418,400	4,088,001
2016	2,795,733	1,292,267	4,088,000
2017	2,927,828	1,160,173	4,088,001
2018	3,066,166	1,021,834	4,088,000
2019-2023	18,070,286	2,794,053	20,864,339
2024-2028	1,821,757	64,110	1,885,867
<b>TOTALS</b>	<b>\$ 33,900,532</b>	<b>\$ 9,289,677</b>	<b>\$ 43,190,209</b>

**Capitalization of Assets held under Capital Leases**

The capitalized value of capital assets held under capital leases totaled \$42,433,606 at June 30, 2013. The present value of the net minimum lease payments is as follows:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net</b>
Land	\$ 259,264	\$ -	\$ 259,264
Improvements/Infrastructure	281,686	4,371	277,315
Buildings	5,435,164	787,692	4,647,472
Equipment	60,243,409	22,993,854	37,249,555
		<b>TOTAL</b>	<b>\$ 42,433,606</b>
Total Minimum Lease Payments			\$ 55,437,089
Less: Amount representing interest			6,166,032
<b>Total Present Value of Net Minimum Lease Payments</b>			<b>\$ 49,271,057</b>

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

***Pledged Revenues***

For purposes of extinguishing the University's long-term debt issues, certain revenues have been pledged as security. The following is a summary of the gross revenues collected during the fiscal year ended June 30, 2013, that are pledged:

Bond Issue	Maturity Date	Purpose of Debt	Remaining Principal + Interest	FY 13 Principal + Interest	Revenue Source	FY 13 Revenue	% of Revenue Pledged
<b>UAF / VARIOUS FACILITIES</b>							
Series 1997 Various Facilities	11/1/2022	Construction of Parking Facility, Alumni Center, Union Renovation and other Capital Assets	\$ 1,636,810	\$ 195,664	Various Facility Pledge	\$ 284,836,928	0.07%
Series 2004B Various Facilities Refunding	11/1/2024	Refund portion of Series 1998 Various Facilities	4,876,764	972,443	Various Facility Pledge	284,836,928	0.34%
Series 2005 Various Facilities	11/1/2025	Construction of Center for Academic Excellence, Walker Graduate School of Business, Law School Addition, and Refund Portion of Series 2001 Var. Facilities Bonds and Series 2002 Var. Facilities Bonds	89,044,875	4,445,829	Various Facility Pledge	284,836,928	1.56%
Series 2006 Various Facilities	11/1/2036	Construction of Student Housing, Law School Addition, Steam Plant Performance Contract, and Poultry Science Energy Management	108,847,983	4,027,385	Various Facility Pledge	284,836,928	1.41%
Series 2007 Various Facilities	11/1/2037	Construction of Student Housing	70,811,731	2,851,863	Various Facility Pledge	284,836,928	1.00%
Series 2008 Various Facilities	11/1/2038	Construction of Parking Garage, Bookstore, KUAF Radio, and other facilities, and purchase of parcels of land	89,431,669	3,147,288	Various Facility Pledge	284,836,928	1.10%
Series 2009 Various Facilities	11/1/2039	Construction of Nano Scale Building and Phi Delta Theta. Renovation of Davis Hall, Darby Hall, Wilson Sharp Hall, Old Health Center and Peabody Hall. Classroom and lab improvements and utility renewal.	87,297,566	3,232,758	Various Facility Pledge	284,836,928	1.13%
Series 2011 Various Facilities	11/1/2040	Renovation of and additions to Vol Walker and Ozark Halls, Hillside Auditorium, renovation to various classrooms and labs and Science Bldg, construction of Child Development Study Center, improvements to Arkansas Union, construction of hazardous waste facility, improvements to various student housing/dining facilities and various infrastructure improvements	187,039,248	7,784,031	Various Facility Pledge	284,836,928	2.73%
Series 2012A Various Facilities	11/1/2032	Refunded \$44,555,000 of Series 2002 Various Facility Bonds and \$17,080,000 of Series 2004A Various Facility Revenue Bonds	83,825,725	7,063,444	Various Facility Pledge	284,836,928	2.48%
Series 2012B Various Facilities	11/1/2042	Renovations and addition to Vol Walker Hall, renovation of Hotz Hall, John A White Engineering Hall, Science Building, Construction of Founders Hall and Brough Addition, Purchase of Uptown Campus, and various other renovations and infrastructure	115,477,200	1,785,620	Various Facility Pledge	284,836,928	0.63%
Series 2013A Various Facilities	11/1/2042	Construction of new Classroom & Lab Building, Leroy Pond Utility Plant, Jim & Joyce Faulkner Performing Arts Center, and the Combined Heat & Power facility	95,296,343	0	Various Facility Pledge	284,836,928	0.00%
<b>Total Percentage of Pledged Revenues</b>							<b>12.45%</b>

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

**UAF /ATHLETIC FACILITIES**

Series 2006 Athletic Facilities	9/15/2022	Construction of John McDonnell Outdoor Track Stadium	7,043,371	704,291	Athletics Pledge	57,484,476	1.23%
Series 2010 Athletic Refunding	9/15/2020	Refund Series 1999 and 2001 Athletic Facilities Bonds for football stadium	21,896,361	2,736,616	Athletics Pledge	57,484,476	4.76%
Series 2011 Athletic Facilities	9/15/2021	Construction of Football Center	25,160,600	3,195,250	Athletics Pledge	57,484,476	5.56%
Series 2013 Athletic Facilities	9/15/2027	Construction of Basketball Practice Facility, Track and Baseball Indoor Practice Facility, and Athletic & Academic Dining Facility	42,376,401	0	Athletics Pledge	57,484,476	0.00%
Series 2008 Athletic Facilities Revenue Prom Note	9/13/2013	Improvements to various athletic facilities	297,970	1,191,881	Athletics Pledge	57,484,476	2.07%
<b>Total Percentage of Pledged Revenues</b>							<b>13.62%</b>

**UAFS**

Series 2006 Student Fee Revenue	12/1/2031	Sebastian Commons Phase II	7,907,921	417,435	Student Fee Revenue	35,973,681	1.16%
Series 2009 Student Fee Revenue	12/1/2034	Housing construction	37,137,158	1,705,486	Student Fee Revenue	35,973,681	4.74%
Series 2010 Student Fee Revenue	12/1/2021	Refund Series 2001 Student Fee Revenue Bonds	28,365,598	3,166,370	Student Fee Revenue	35,973,681	8.80%
Series 2010B Student Fee Revenue	12/1/2035	Library Construction	14,046,824	616,623	Student Fee Revenue	35,973,681	1.71%
Series 2012 Refunding	12/1/2030	Refund Series 2003 & 2005	22,858,472	889,155	Student Fee Revenue	35,973,681	2.47%
<b>Total Percentage of Pledged Revenues</b>							<b>18.88%</b>

**UALR**

Series 2009 Capital Improvement Revenue	10/1/2029	Capital improvements	41,166,225	2,423,450	Student Fee Revenue	74,034,318	3.27%
Series 2013A Revenue Refunding	12/1/2024	Refund Series 2004B Capital Improvements Revenue	13,730,950	0	Student Fee Revenue	74,034,318	0.00%
Series 2013B Taxable Revenue Refunding	12/1/2024	Refund Series 2004B Capital Improvements Revenue	7,447,419	0	Student Fee Revenue	74,034,318	0.00%
<b>Total Percentage of Pledged Revenues</b>							<b>3.27%</b>
Series 2012B Student Housing Revenue Refunding	12/1/2029	Refund Series 2004A Revenue Refunding Bonds	18,864,050	1,063,763	Auxiliary Revenue	15,959,526	6.67%
Series 2009 Auxiliary Enterprises Revenue	10/1/2034	Housing and Athletics	44,551,197	2,025,956	Housing & Athletic Revenue	13,223,791	15.32%
Series 2012A Auxiliary Enterprises Capital Improvements	5/1/2037	Purchase of Coleman Place Apartments	23,858,250	996,396	Housing & Athletic Revenue	13,223,791	7.53%
<b>Total Percentage of Pledged Revenues</b>							<b>22.85%</b>

**UAM**

Series 2012 Various Facilities Refunding	12/1/2035	Refund Series 2005 Various Facilities Refunding and Construction	12,251,071	583,233	Student Fee Revenue & Auxiliary Revenues	21,879,313	2.67%
Series 2010 Various Facilities Refunding	10/1/2018	Refund Series 2005 Auxiliary Facilities Refunding	2,339,098	389,123	Auxiliary Revenues	5,677,860	6.85%
Series 2012 Auxiliary Facilities Revenue	10/1/2037	Renovation and Equipping of Bankston Hall and Horsfall Hall	12,803,029	88,439	Auxiliary Revenues	5,677,860	1.56%
<b>Total Percentage of Pledged Revenues</b>							<b>8.41%</b>

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

UAMS							
Series 2004 – Various Facilities & Refunding	11/1/2034	Refund Series 1998 Various Facility Bonds; Patient Bed Tower, Psychiatry Building, Residence Hall & Power Plant	0	10,432,576	Clinical Programs Revenue	576,374,499	18.1%
Series 2006 Various Facilities	3/1/2036	Hospital Patient Bed Tower, Psychiatry Building, Residence Hall & Power Plant	159,955,655	6,957,005	Clinical Programs Revenue	576,374,499	12.1%
Series 2010 Various Facilities	12/1/2030	Hospital Patient Bed Tower, Psychiatry Building, Residence Hall & Power Plant	64,692,688	3,556,182	Clinical Programs Revenue	576,374,499	0.62%
Series 2013 Various Facilities	11/1/2034	Refund Series 2004 Various Facilities (Patient Bed Tower, Psychiatry Building, Residence Hall & Power	178,259,156	0	Clinical Programs Revenue	576,374,499	0.00%
Total Percentage of Pledged Revenues							3.64%
Series 2010 Refunding Parking System	7/1/2019	Refund Series 1998 Parking System Revenue Bonds	7,119,350	1,022,375	Parking Fees	4,126,190	24.78%
Series 2011 Refunding Parking System	7/1/2034	Refund Series 2004 Parking System Revenue Bonds	11,857,460	728,120	Parking Fees	4,126,190	17.65%
Total Percentage of Pledged Revenues							42.43%

UAPB							
Series 2005A Various Facilities Revenue, Refunding and Construction	12/1/2035	Refund and capital improvements	28,684,588	1,255,563	Student Fee & Auxiliary Revenue	30,271,822	4.15%
Series 2005B Various Facilities Revenue, Refunding and Construction	12/1/2017	Refund and capital improvements	1,324,144	344,780	Student Fee & Auxiliary Revenue	30,271,822	1.14%
Total Percentage of Pledged Revenues							5.29%
Series 1963B	10/1/2013	AM&N Building Bond	92,649	94,930	Student Fee Revenue	18,564,311	0.51%

CCCUA							
Series 2013	5/1/2035	Acquire Howard County campus	5,789,997	9,860	Student Fee Revenue	2,915,388	0.34%

PCCUA							
Series 2009 Student Fee Refunding and Construction	12/1/2038	Refund Series 1997 Bonds and Construction of Grand Prairie Center	20,060,896	769,745	Student Fee Revenue	3,096,106	24.86%

UACCB							
Series 2010 Student Fee Revenue Refunding	12/1/2018	Refund Series 1998	1,738,146	288,423	Student Fee Revenue	3,313,245	8.71%

UACCH							
Series 2008 Student Fee Revenue	Refunded in FY 13	Construction of Science/Technology Building	0	137,431	Student Fee Revenue	2,513,009	5.47%
Series 2010 Student Fee Revenue	9/1/2020	Refund Series 1998 & 2004	3,755,325	529,763	Student Fee Revenue	2,513,009	21.08%
Series 2013 Student Fee Refunding Revenue	10/1/2038	Refund Series 2008	3,860,773	2,615	Student Fee Revenue	2,513,009	0.10%
Total Percentage of Pledged Revenues							26.65%

UACCM							
Series 2005 Student Fee Revenue Refunding	11/1/2017	Refund Series 1999	1,017,844	203,125	Student Fee Revenue	5,871,744	3.46%
Series 2010 Student Fee Revenue Refunding	5/1/2022	Refund Series 2002	1,830,980	204,943	Student Fee Revenue	5,871,744	3.49%
Total Percentage of Pledged Revenues							6.95%

**Refundings**

**Fayetteville Campus:** On March 1, 2005, the University issued \$21,020,000 in Various Facility Revenue Bonds, Series 2005A, and \$60,000,000 in Various Facility Revenue Refunding Bonds, Series 2005B. Series 2005A bonds were issued to provide funds to finance the construction of the Willard Walker Graduate School of Business building, the Center for Academic Excellence building, and the Chemistry building. Series 2005B bonds were issued with an average coupon rate of 4.408% in order to advance refund \$44,195,000 of Various Facility Revenue Bonds, Series 2002, and \$12,135,000 of Various Facility Revenue Bonds, Series 2001. The refunded bonds have an average interest rate of 5.472%. Proceeds in the amount of \$62,255,099, plus an additional \$779,632, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded 2002 and 2001 Series bonds. Regularly scheduled interest and principal payments on the 2002 Series and 2001 Series issues were made on June 1, 2005, and continued to December 1, 2012, for Series 2002 and to December 1, 2011 for Series 2001, from the escrow fund. All outstanding refunded Series 2002 bonds were redeemed on December 1, 2012, at a price equal to 100% of the principal amount plus interest accrued thereon. All outstanding refunded Series 2001 bonds were redeemed on December 1, 2011, at a price equal to 100% of the principal amount plus interest accrued thereon. As a result, those portions of the 2002 Series and 2001 Series bonds are considered defeased. The liability for those bonds has been removed from the statement of net position. The University advance refunded portions of the 2002 and 2001 Series bonds to reduce its total debt service payments over the next eighteen years by \$4,116,788 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,263,717. The escrow account has been closed as of June 30, 2013.

On April 17, 2012, the University issued \$56,965,000 in Various Facility Revenue Refunding Bonds, Series 2012A. The bonds, with interest rates of 1.0% to 5.0% were issued to refund \$44,555,000 of outstanding bonds dated December 1, 2002, with an interest rate of 4.75% to 5.50%, and \$17,080,000 of outstanding bonds dated October 1, 2004, with interest rates of 3.25% to 4.75%. Net bond proceeds and premium of \$65,717,794 were deposited into the advance refunding fund to retire the bonds. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,082,794. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2033 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twenty-one years by \$9,331,777 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$7,016,631. The escrow balance as of June 30, 2013, was \$16,964,963. The bonds dated December 1, 2002, were refunded on December 1, 2012. The bonds dated October 1, 2004, will continue to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of November 1, 2014, at which time the remaining balance will be refunded. At June 30, 2013, the outstanding principal balance of the 2004 bond issue was \$16,055,000.

**Ft. Smith Campus:** On January 1, 2012, the University issued refunding bonds of \$17,540,000 with interest rates of 2% to 4.25% to advance refund \$6,525,000 of outstanding bonds dated June 1, 2003, with interest rates of 1% to 3.8% and advance refund \$11,035,000 outstanding bonds dated September 1, 2005, with interest rates of 3% to 4.375%. Bond and premium proceeds of \$18,595,064 were deposited in the advance refunding fund to retire the 2003 and 2005 bonds. Premium proceeds of \$228,666 were utilized for the payment of issuance costs. Premium proceeds of \$10,165 and accrued interest of \$28,664 were deposited in the debt service fund to be applied to subsequent interest payments. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,035,064. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2031 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next nineteen years by \$767,211 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$774,640. The bonds were refunded on June 3, 2013, and the escrow account was closed at June 30, 2013.

**Little Rock Campus:** On September 1, 2012, the University issued \$13,850,000 in Auxiliary Enterprises Refunding Revenue Bonds (UALR Campus) Series 2012B, with interest rate of 1% to 5% to

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

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advance refund \$15,265,000 of the Series 2004 Housing bond, with interest rates of 2%-5%. Bond proceeds and premium of \$15,581,786 were deposited into an escrow account with the trustee for defeasance of the prior bond. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$571,772. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2030 using the straight-line method. The University completed the refunding to reduce its total debt service payments by \$2,130,014 over the next seventeen years and to obtain an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$1,709,335. The escrow account was closed as of December 1, 2012.

On April 1, 2013, the University issued \$10,770,000 in Series 2013A Student Fee Revenue Refunding Bond (UALR Project) and \$6,530,000 Taxable, with interest rates of 1% to 5% to advance refund \$15,265,000 of the Series 2004B bond, with interest rates of 3.483% to 5%. Bond proceeds and premium of \$18,417,129 were deposited into an escrow account with the trustee for defeasance of the prior bond. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,250,792. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2025 using the straight-line method. The University completed the refunding to reduce its total debt service payment by \$1,181,006 over the next twelve years and to maintain bond compliance for property purchased with the Series 2004B Bonds and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,108,967. The balance in the escrow account at June 30, 2013, was \$18,032,859. The bonds will be fully paid by December 1, 2014. At June 30, 2013, the outstanding principal balance of the 2004B bond issue was \$16,970,000.

**Medical Sciences Campus:** On November 15, 2011, the University issued \$8,985,000 in Parking System Revenue Refunding Bonds, Series 2011. The bonds were issued to provide advance refunding of the Series 2004 Parking System Revenue Construction Bonds. The bonds were fully paid on January 1, 2013, and the escrow account was closed.

On May 14, 2013, the University issued \$112,665,000 in Various Facilities Revenue Refunding Bonds, Series 2013 with interest rates of 1% to 5% to advance refund Various Facility Revenue Refunding Bonds Series 2004A and Series 2004B. The 2004A bonds mature on November 1, 2018, and the 2004B bonds mature on November 1, 2034, and are callable on November 1, 2014. The revenue refunding bonds were issued at a premium of \$16,667,015 and, after paying issuance costs of \$210,039 and underwriter's discount of \$653,457, the net proceeds were \$128,468,519, net of accrued interest of \$174,719. The net proceeds from the issuance of the bonds were used to purchase U.S. government securities and provide debt service payments until the term bonds are called on November 1, 2014. The advance refunding met the requirements of an in-substance debt defeasance, and the liability for the 2004A and 2004B Series bonds was removed from the statement of net position. As a result of the advance refunding, the University reduced its total debt service requirements by \$14,429,197, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$13,599,985. The balance in the escrow account at June 30, 2013, was \$128,468,519. At June 30, 2013, the outstanding principal balance of the 2004A and 2004B Series bonds was \$119,990,000.

**Monticello Campus:** On February 1, 2012, the University issued \$8,745,000 in Various Facilities Revenue Refunding Bonds, Series 2012, with interest rates of 2% to 4% to refund \$7,980,000 of outstanding Various Facilities Revenue Refunding and Construction Bonds, Series 2005, with interest rates of 3.1% to 5%. Bond proceeds of \$8,701,769 were deposited in the current escrow deposit fund to retire the 2005 bonds. Remaining bond proceeds of \$43,231 and premium proceeds of \$102,419 were earmarked for the payment of issuance costs. After the payment of actual issuance costs, the balance of \$1,313 was utilized for an interest payment on the new Series 2012 bonds that was paid June 1, 2012. The University completed the refunding to reduce its total debt service payments over a period of twenty-four years by \$814,388 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$556,541. The Series 2005 bonds will be refunded on December 1, 2013. The escrow balance at June 30, 2013, was \$7,968,130. At June 30, 2013, the outstanding principal balance of the 2005 bond issue was \$7,790,000.

**Cossatot Campus:** On June 13, 2013, the University issued revenue refunding bonds of \$3,930,000 with interest rates of 1% to 3.625% to refund \$3,863,373 of outstanding debt from May 2005 with an interest rate of 5.18%. Bond proceeds and premium (after payment of bond issuance costs of \$96,551) of \$3,974,508 were deposited into a project fund account to make payment on a prepayment option price for the Howard County Project under the Arkansas State Lease and Option Agreement dated May 17, 2005. Remaining bond proceeds of \$5,021 and accrued interest of \$4,840 will be applied to subsequent interest payments. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$111,135. This difference is reported in the accompanying financial statements as a deduction from bonds payable and will be amortized through fiscal year 2035 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twenty-two years by \$680,182. Because the escrow account remained in the control of the campus, the debt of the original lease and option agreement was not yet considered defeased as of June 30, 2013, and therefore both debts remained in the financial statements. On July 1, 2013, the prepayment option on the capital lease was paid in full, and the lease was considered fully defeased.

**Hope Campus:** On June 1, 2013, the University issued refunding bonds of \$2,590,000 with interest rates of 1% to 3.625% to advance refund \$2,485,000 of outstanding bonds dated October 1, 2008, with interest rates of 2.25% to 5%. Bond proceeds and premium (after payment of debt issuance costs of \$77,612) and debt service reserve funds of \$2,600,042 were deposited in the advance refunding fund to retire the 2008 bonds. Remaining debt service reserve funds of \$7,224 and accrued interest of \$2,652 were deposited in the debt service fund to be applied to subsequent interest payments. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$194,820. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through fiscal year 2038 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twenty-five years by \$494,962 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$244,080. The escrow balance at June 30, 2013, was \$2,600,235. The bonds will be refunded on April 1, 2014. At June 30, 2013, the outstanding principal balance of the 2008 bond issue was \$2,485,000.

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**Note 8: Commitments**

The University was contractually obligated under construction related contracts at June 30, 2013, for the amounts shown below.

<b>Campus</b>	<b>Project Name</b>	<b>Estimated Completion Date</b>	<b>Contract Balance</b>	
UAF	ARE-ON Fiber Optic	Substantially Complete	\$ 1,475,358	
	Athletic Academic & Dining Facility	January 2015	1,392,100	
	Basketball Practice Facility	December 2014	969,857	
	Baseball & Track Indoor Practice Facility	May 2014	406,681	
	Campus District Energy Systems	December 2013	1,562,859	
	Child Development Research Center	Substantially Complete	66,916	
	Classroom & Teaching Lab Building	January 2015	1,121,858	
	Football Center	October 2013	4,694,069	
	Founders Hall	December 2013	7,879,309	
	Hillside Auditorium	Substantially Complete	672,654	
	Hotz Hall Renovation	December 2013	5,156,037	
	Housing Administration Building	December 2013	3,853,643	
	Humphreys Renovation	January 2018	2,062,139	
	Jim & Joyce Faulkner Performing Arts	April 2015	1,522,887	
	John A White Engineering Hall Phase I	December 2013	2,929,995	
	Lambda Chi Alpha Fraternity House	June 2014	532,848	
	Leroy Pond Utility Plant	December 2014	833,780	
	Mechanical Eng Building Modifications	October 2013	898,374	
	Nano 3rd Floor - Dickson St. Utility	December 2013	1,024,582	
	Ozark Hall Renovation and Addition	October 2013	3,945,481	
	Pi Beta Phi Gate & Campus Walk Ext.	Substantially Complete	175,056	
	Pomfret Honors Quarters	December 2013	1,418,757	
	Science D Building Lab Upgrades	December 2014	2,558,561	
	Vol Walker Hall Renovation	November 2013	5,267,375	
	Yocum Hall Renovation	June 2014	3,024,437	
	Other	Various	2,907,999	
	UAFS	RLF Projects - Strategic Energy Plan	October 2014	129,413
		Other	Various	280,502
	UALR	Admin South Renovation	August 2013	541,437
		Rohwer Cemetery Restoration	October 2013	176,376
Other		Various	82,160	
UAM	Bankston Hall Renovation	August 2013	2,294,387	
UAMS	Surgical Services Renovation	June 2014	1,366,896	
	Hospital 5E	February 2014	314,599	
	NWA Walker Education Center	June 2014	370,208	
	Parking 3	June 2014	324,884	
	Campus/secure exterior doors	March 2014	244,175	
	Repave campus drive	March 2014	225,305	
	Admin West/CHRP improvements	February 2014	459,972	
	Central Building/Weight Clinic	June 2014	237,418	
	Hospital/1st Floor/Gallery Room	March 2014	253,553	
	Structural Issues	June 2014	553,940	
	Parking Technology Upgrades	June 2014	2,106,568	
	Other	Various	1,015,482	
	UAPB	Stem Academy Center	April 2014	5,806,619
Other		Various	236,114	
CCCUA	Multi-purpose Classroom/Recreation	December 2015	517,500	
UACCM	Timberwolf Crossing	September 2013	303,636	
<b>TOTAL</b>			<b>\$ 76,194,756</b>	

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The University has entered into various operating leases for buildings and equipment. It is expected that in the normal course of business such leases will continue to be required. Total operating leases paid in the fiscal year ended June 30, 2013 were \$17,708,857. Below are the scheduled payments for each of the five succeeding fiscal years and thereafter.

<b>Operating Leases</b>	
<b>Year Ended June 30,</b>	<b>Amount</b>
2014	\$ 8,639,830
2015	5,545,658
2016	3,018,811
2017	1,834,323
2018	583,777
2019-2023	2,030,927
2024-2028	39,000

### **Note 9: Short-Term Borrowing**

The GASB Statement No. 38, issued June 1, 2001, states that governments should provide details about short-term debt activity during the year, even if no short-term debt is outstanding at year-end. The University had no short-term debt activity during the fiscal year, nor is there any outstanding balance of short-term debt as of June 30, 2013.

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**Note 10: Capital Assets**

Following are changes in capital assets for the year ended June 30, 2013:

CAPITAL ASSETS	June 30, 2012				June 30, 2013	
	Balance	Additions	Transfers	Deletions	Balance	
Land	\$ 81,044,132	\$ 6,858,373	\$ (79,055)	\$ -	\$ 87,823,450	
Library Holdings	125,075,244	3,746,096	-	2,418,301	126,403,039	
Construction in progress	240,769,280	192,115,090	(195,120,256)	1,494,273	236,269,841	
Improvements and infrastructure	202,347,289	2,559,152	41,042,629	26,704	245,922,366	
Buildings	2,729,850,757	39,421,446	152,051,340	2,109,485	2,919,214,058	
Equipment	530,762,653	50,510,409	6,464,888	27,789,391	559,948,559	
Intangibles - Software	85,794,943	84,210	-	2,144,150	83,735,003	
Intangibles - Leasehold Improve	1,129,819	-	-	-	1,129,819	
Intangibles - Radio License	67,809	-	-	-	67,809	
Other	60,807,506	10,969,201	(4,359,546)	971,000	66,446,161	
<b>Total Capital Assets</b>	<b>\$ 4,057,649,432</b>	<b>\$ 306,263,977</b>	<b>\$ -</b>	<b>\$ 36,953,304</b>	<b>\$ 4,326,960,105</b>	
Less accumulated depreciation:						
Library Holdings	\$ 105,628,848	\$ 4,761,938	-	\$ 3,198,712	\$ 107,192,074	
Improvements and infrastructure	91,909,566	11,370,280	-	15,723	103,264,123	
Buildings	984,016,945	90,805,222	4,000	1,672,405	1,073,153,762	
Equipment	396,579,993	43,956,122	1,694,000	27,162,722	415,067,393	
Intangibles - Software	79,488,947	2,247,138	-	2,144,150	79,591,935	
Intangibles - Leasehold Improve	182,392	60,796	-	-	243,188	
Other	32,834,285	5,875,381	(1,698,000)	412,000	36,599,666	
<b>Total Accum Depreciation</b>	<b>\$ 1,690,640,976</b>	<b>\$ 159,076,877</b>	<b>\$ -</b>	<b>\$ 34,605,712</b>	<b>\$ 1,815,112,141</b>	
<b>Capital Assets, Net</b>	<b>\$ 2,367,008,456</b>	<b>\$ 147,187,100</b>	<b>\$ -</b>	<b>\$ 2,347,592</b>	<b>\$ 2,511,847,964</b>	

Library holdings, including old and rare books, valued at \$1,308,000 and \$1,366,000 at June 30, 2013, and June 30, 2012, respectively, held by the Medical Sciences Campus, are not included in the above chart or in the accompanying statement of net position. The difference in additions to accumulated depreciation shown above and depreciation expense shown on the statement of revenues, expenses and changes in net position is \$843,782, which is an adjustment for holdings prior to fiscal year ended June 30, 2012, by the Little Rock campus. Net capital assets, as of June 30, 2012, were originally reported as \$2,373,170,714, a difference of \$6,162,258 in the amount reported above. This difference was a prior year adjustment made by the Little Rock campus (Note 21).

**Note 11: Risk Management**

The University of Arkansas Risk Management Program provides insurance coverage for all campuses within the University of Arkansas System. The role of the System Office is to analyze and recommend insurance coverage but it is ultimately up to each campus to inform the System Office regarding their specific coverage requirements. The Medical Sciences campus (UAMS) maintains malpractice insurance for certain employees under a claims-made policy.

All campuses are currently covered under the property and auto coverage provided through the System office with the exception of the Fort Smith campus which is only included for property insurance on the residence halls. The property coverage is insured through FM Global with a \$100,000 deductible at the Fayetteville, Medical Sciences, and Little Rock campuses. All other campuses have a \$50,000

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

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deductible. It is the responsibility of each campus to confirm all building and content values to be covered. The FM Global policy also contains earthquake and flood insurance coverage. The System office has also secured domestic and foreign terrorism coverage. Campuses can also purchase interruption coverage through FM Global. Campuses with business interruption coverage are UAF, UAFS, UAMS, PCCUA, and UACCM.

Likewise with auto coverage, with the exception of UAFS which has its own policy, each campus is responsible for providing a list of vehicles to be covered under the auto coverage through Cypress Insurance. The auto coverage has a physical damage deductible of \$1,000 and provides coverage against liability losses up to \$1,000,000 per occurrence.

The University does not purchase general liability, errors and omissions, or tort immunity for claims arising from third-party losses on University property as the University of Arkansas has sovereign immunity against such claims. Claims against the University for such losses are heard before the State Claims Commission. In such cases where the University enters into a lease agreement to hold a function at a location not owned by the University or for special events both on- and off-campus, general liability coverage may be purchased for such functions.

The University maintains worker's compensation coverage through the State of Arkansas program. Premiums are paid through payroll and are based on a formula calculated by the Arkansas Department of Finance and Administration. The types of benefits and expenditures that are paid include the following: medical expenses, hospital expenses, death benefits, disability and claimant's attorney fees.

Additionally, the University participates in the State of Arkansas Fidelity Bond Program for claims of employee dishonesty. This program has a limit of \$250,000 recovery per occurrence with a \$2,500 deductible. Premiums are paid annually via a fund transfer from state appropriations to the Arkansas Department of Finance and Administration.

There have been no reductions in insurance coverage from the prior fiscal year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 12: Employee Benefits**

#### ***Insurance Plans***

The Board of Trustees of the University of Arkansas System sponsors self-funded health (including prescription coverage) and dental benefit plans for University of Arkansas System (the University) employees and their eligible dependents. The System Administration manages and administers these plans. Participation in the health and dental plans includes employees of the Fayetteville, Batesville, Little Rock, Monticello, Pine Bluff, Medical Sciences campuses, the Cooperative Extension Service of the Division of Agriculture, the Arkansas School for Mathematics, Sciences and the Arts, the Criminal Justice Institute, The University of Arkansas Foundation, Inc., the University of Arkansas Winthrop Rockefeller Institute, the state-wide operating units of Arkansas Archeological Survey, and the University of Arkansas System Administration. Employees at PCCUA participate only in the health plan.

At June 30, 2013, a total of 16,803 active employees, former employees, and retirees were participants in the health plan. As of June 30, 2013, the University offers two different health plans: Classic (HMO) and Point of Service (POS). Participating campuses pay anywhere from 74% to 84% of the Classic Plan premium and 67% to 77% of the Point of Service Plan premium. Each campus makes its contribution determination based on budget considerations. Retirees and former employees, through COBRA, participate on a fully contributory basis. A total of 16,342 active employees, former employees, and retirees were participants in the dental plan as of June 30, 2013. The University pays 50% to 51% of the total premium for full-time active employees, while retirees and former employees, through COBRA, participate on a fully contributory basis.

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Both plans are accounted for on the accrual basis. No acquisition costs were capitalized at the onset of the plan. The System Administration estimates the medical and pharmacy claims liability to be \$14,346,000 at June 30, 2013. This liability is established for incurred but not paid (IBNP) claims, and includes a related accrual for claim adjustment expenses, which are expenses incurred in the ultimate settlement of the claim. The claims and claims adjustment accrual for health and pharmacy is based on the calculation prepared by Aon Hewitt.

The System Administration estimates the dental claims liability to be \$446,000 at June 30, 2013. This liability is established for incurred but not paid (IBNP) claims. The IBNP claims liability includes a related accrual for claim adjustment expenses, which are expenses incurred in the ultimate settlement of the claim. The claims and claims adjustment accrual for dental is based on the calculation prepared by Aon Hewitt.

The System Administration purchases specific reinsurance to reduce its exposure to large claims. Unimerica Insurance Company is the reinsurance carrier. Under specific arrangement, the reinsurance carrier pays claims for covered individuals that exceed a deductible of \$1,000,000. In fiscal year 2014 the health plan expects to receive no reimbursements for excessive claims incurred in the fiscal year ended June 30, 2013.

The plan has not purchased any annuity contracts on behalf of claimants. If needed, the University would make arrangements through its reinsurance carrier.

The funding levels for the Plan were established based upon anticipated year-end loss ratios of 95%. As of June 30, 2013, the loss ratio for the health plan was 98% and the loss ratio for the dental plan was 89%.

The System Administration retains and accounts for all of the risk financing associated with the self-insurance plan's activities as defined by GASB Statement No. 10.

**Reconciliation of Changes in the Liability for Future Insurance Claims**

	<u>FY13</u>	<u>FY12</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 14,919,000	\$ 12,840,000
<b>Incurred claims and claim adjustment expenses:</b>		
Provision for insured events of the current year	128,158,774	134,043,059
Adjustment in provision for insured events of prior years	(2,181,025)	(960,435)
Total incurred claims and claim adjustment expenses	<u>125,977,749</u>	<u>133,082,624</u>
<b>Payments:</b>		
Claims and claim adjustment expenses attributable to insured events of the current year	113,366,774	119,124,059
Claims and claim adjustment expenses attributable to insured events of prior years	12,737,975	11,879,565
Total Payments	<u>126,104,749</u>	<u>131,003,624</u>
<b>Total unpaid claims and claim adjustment expenses at end of year</b>	<b><u>\$ 14,792,000</u></b>	<b><u>\$ 14,919,000</u></b>

The liability for future insurance claims includes health, pharmacy and dental incurred but not paid (IBNP) claims/claim adjustment expenses only.

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Three of the University's campuses (Cossatot, Hope and Morrilton) participate in the Arkansas Higher Education Consortium Benefits Trust (the Consortium). The Consortium provides health and dental insurance to all employees, retirees, and eligible dependents for thirteen two-year colleges. The Consortium is managed by a Board of Trustees consisting of one member from each participating institution appointed by the president or chancellor from that institution. A bank trust, qualified pursuant to section 501(c)(9) of the Internal Revenue Code, was established by the Consortium to hold assets. The health plan is a self-funding arrangement that requires participating colleges to make monthly contributions per participant based on premium rates determined by underwriters. Each participating institution determines the contribution amounts paid by the individual participant and the institution. The dental plan is a fully insured plan. At June 30, 2013, there were a total of 1,816 active employees and retirees participating in the health plan, 363 of which are from the University's three campuses.

The University of Arkansas Fort Smith Employee Benefit Plan provides health, dental and vision benefits covering substantially all full-time employees of the Fort Smith campus. The Plan provides health, dental and wellness benefits to eligible employees and their eligible dependents. The Plan is funded by contributions made by the campus and participants. A total of 552 active employees and retirees were participants in the plan as of June 30, 2013.

### **Retirement Plans**

Substantially all employees of the University participate in either the Optional Retirement Program (ORP), which includes Teachers Insurance Annuity Association – College Retirements Equities Fund (TIAA-CREF) and Fidelity Investments, or the Arkansas Public Employee Retirement System (APERS). The Arkansas Teacher Retirement System (ATRS) is available only to employees who come to work for the University that have a previous record with ATRS. APERS and ATRS are both defined benefit plans.

The ORP is a defined contribution plan. The plan includes both a 403(b) program and a 457(b) program as defined by the Internal Revenue Service Code of 1986 as amended. The authority under which the Plan's benefit provisions are established or amended is the President of the University or his designee. Contributions to Fidelity Investments shall be applied either to individual annuities issued under a Metropolitan Life Guaranteed Account and/or one or more mutual fund custodian accounts managed by Fidelity Investments. Contributions to TIAA-CREF can be allocated among their various annuity accounts. Arkansas Code Annotated authorizes participation in the plan.

Participants in the University's plan can choose to be contributory or non-contributory. The University automatically contributes 5% of an employee's regular salary to TIAA-CREF and/or Fidelity Investments retirement account, allocated between the two companies according to the employee's choice. For any contributions an employee makes in excess of 5% regular salary, the University makes an equal contribution, with a maximum total University contribution of 10% of regular salary up to the IRS match limit, which at June 30, 2013, was \$25,500. (The plan for the Ft. Smith campus is structured differently and allows the University to contribute 10% of the employee's salary even if the employee chooses not to contribute.) Employee contributions in excess of 10% are allowed by the plans in accordance with Internal Revenue Service regulations, but the University does not match these additional contributions. All benefits attributable to plan contributions made by both the University and the participant are immediately vested in the participant for all faculty members and non-classified employees and all classified employees whose initial employment occurred prior to January 1, 1985, and who made any plan contributions prior to that date. For all employees other than those described previously, vesting of benefits attributable to plan contributions made by the University shall occur on the earlier of completion of three years of service, or attainment of age 65, or the participant's having made plan contributions of at least five percent of regular salary for six consecutive months. The University's TIAA/CREF and Fidelity contributions for the fiscal years 2013, 2012, and 2011 were \$83,679,635, \$81,473,876, and \$77,276,962, respectively. The participants' contributions for the fiscal years 2013, 2012, and 2011 were \$88,548,653, \$84,823,284, and \$79,631,585, respectively. Participants' contributions for fiscal years 2012 and 2011 were originally reported \$3,845 and \$7,200 more than these amounts, but should have been reported as contributions to American Fidelity.

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

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APERS is a cost-sharing multiple employer defined benefit pension plan administered by the State of Arkansas. The University's required contribution rate was 14.24%, in 2013, 13.47% in 2012, and 12.46% in 2011. Those employees hired after July 1, 2005, must be contributory unless they had prior service as a state employee. Employees hired before that date may be contributory. The University's contributions for the fiscal years 2013, 2012, and 2011 were \$3,121,872, \$2,542,509, and \$1,927,508, respectively. Participants' contributions for the fiscal years 2013, 2012, and 2011 were \$713,717, \$550,003, and \$371,930, respectively. The annual required contribution amounts and the percentage contributed are determined by the annual actuarial valuation as set forth in Arkansas Code. APERS issues a publicly available financial report, which may be obtained by writing: APERS, One Union National Plaza, 124 W. Capitol, 5<sup>th</sup> Floor, Little Rock, AR 72201.

ATRS is a cost-sharing multi-employer defined benefit pension plan. The University contributes 14% of all covered employees' salaries. Under certain conditions, covered employees may voluntarily contribute 6% of their salary. The University's contributions for the fiscal years 2013, 2012, and 2011 were \$1,904,468, \$2,101,611, and \$2,208,984, respectively. Participants' contributions for the fiscal years 2013, 2012, and 2011 were \$592,873, \$651,208, and \$690,191, respectively. The annual required contribution amounts and the percentage contributed are determined by the annual actuarial valuation as set forth in Arkansas Code. ATRS issues a publicly available financial report, which may be obtained by writing: ATRS, 1400 W. 3<sup>rd</sup> Street, Little Rock, AR 72201.

Cooperative Extension Service employees who hold accepted appointments with the U.S. Department of Agriculture are covered by one of the above plans depending on when employment began. Employees employed prior to January 1, 1984, are on the Civil Service Retirement System. This system requires an employee contribution of 7% and the University contributes 8.51%. Employees hired between January 1, 1984, and July 31, 1987, are either on the Civil Service Offset or the Federal Employees Retirement System, depending on their length of prior federal service. Both systems require an employee contribution of 0.80%. The Civil Service Offset requires matching of 8.51% and the Federal Employees Retirement system requires agency matching of 10.7%. Employees on Civil Service participate in TIAA-CREF and Fidelity. The Thrift Savings Plan is another retirement savings and investment plan for Federal employees at the UA Cooperative Extension Service. It is a defined contribution plan and its purpose is to provide retirement income for Federal employees similar to that provided employees covered under the Civil Service Retirement System but without employer matching. Employees covered under the Federal Employees Retirement System receive a mandatory 1% employer contribution. The University's contributions for the fiscal years 2013, 2012, and 2011 for both the Civil Service Retirement System and the Thrift Savings Plan were \$412,107, \$429,643, and \$458,678, respectively. The participants' contributions for the fiscal years 2013, 2012, and 2011 were \$311,116, \$322,556, and \$349,169, respectively.

The University of Arkansas community colleges offer APERS, ATRS, and their own ORP which is a 403(b) plan. With the exception of PCCUA who follows the standard 5% up to 10% match, contributions by the institutions range from 10% to 14% of earnings and employees have a mandatory contribution of 6% and, within the IRS guidelines, may elect to contribute more. Contributions can be made to TIAA-CREF, American Fidelity or VALIC. The University's VALIC contributions for the fiscal years 2013, 2012, and 2011 were \$1,495,630, \$1,499,414, and \$1,468,440, respectively. The participants' contributions to VALIC for fiscal years 2013, 2012, and 2011 were \$1,082,240, \$1,134,115, and \$1,138,764, respectively. The participants' contributions to American Fidelity for fiscal years 2013, 2012, and 2011 were \$3,000, \$3,845, and \$7,200. Participants' contributions to American Fidelity for fiscal years 2012 and 2011 were originally reported in error as contributions to Fidelity.

The University has, from time to time, negotiated voluntary early retirement agreements with faculty and staff which may include the provision of a stipend and healthcare or other benefits for future periods. At June 30, 2013, the amount of liability established for these type agreements was \$2,874,611.

**NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The University offers postemployment health (including prescription drugs) and dental benefits, along with life insurance (\$10,000 available coverage), to eligible retirees. Health and dental benefits are provided in the University's self-funded plan sponsored by the Board of Trustees of the University of Arkansas System for current and retired employees of the Fayetteville (UAF), Little Rock (UALR), Medical Sciences (UAMS), Monticello (UAM), Pine Bluff (UAPB), Phillips (PCCUA), and Batesville (UACCB) campuses, the Cooperative Extension Service of the Division of Agriculture (CES), the Arkansas School for Mathematics, Sciences and the Arts (ASMSA), and the University of Arkansas System Administration (SYSTEM). The plan is considered a single-employer, defined benefit plan. The System Administration manages and administers the plan. Although benefits are also provided under the University's plan for the University of Arkansas Foundation, Inc. and the University of Arkansas Winthrop Rockefeller Institute, no postemployment benefit is accrued by the University for these private entities. Financial activities of the plan are reported in the University of Arkansas consolidated financial report.

Health benefits are provided for current and retired employees of the Cossatot (CCCUA), Hope (UACCH), and Morrilton (UACCM) campuses through the Arkansas Higher Education Consortium Benefits Trust, which is considered an agent multiple-employer, defined benefit plan. Complete financial statements for the Trust can be obtained from Mr. Jerald Barber, P O Box 140, Hope, AR 71802.

The Fort Smith (UAFS) campus provides health and dental benefits for current and retired employees through the University of Arkansas at Fort Smith Benefit Plan, which is considered a single-employer, defined benefit plan. A summary of the Plan's audited financial statements is included in Note 14, *Other Organizations*.

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which became effective for the fiscal year ending June 30, 2008. This statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. The calculation reflects expected future medical costs. It includes an accrual for all active employees by valuing the benefits they are anticipated to receive in retirement based on the likelihood that they will stay employed until eligible for postretirement benefits. As a result of the implementation of this statement, the University accrued \$45,808,127 in retiree healthcare liability as of June 30, 2013.

For those campuses in the University's self-funded plan, retirees qualify for postretirement benefits as follows:

Participation: Employees who retire with a combination of age and years of service of at least 70 with at least 10 years of coverage under the plan are eligible to participate. Retirees may cover spouses and eligible dependent children. Surviving spouses can continue coverage after retiree's death. Retirees can continue coverage past Medicare eligibility age (age 65 or disabled) with the University plan paying secondary to Medicare.

Benefit Provided: Retirees participate in the plan at the same premium rate as an active employee.

Required Contribution Ratio: Retirees pay 100% of premium. Employer costs are funded on a pay-as-you-go basis.

Retirees from UAFS qualify for postretirement benefits as follows:

Participation: Employees who retire at age 55 or above and have at least 10 years of service are eligible to participate.

Benefit Provided: Retirees participate in the plan at the same premium as an active employee. Coverage ends at age 65.

Required Contribution Ratio: Retirees pay 100% of premium. Employer costs are funded on a pay-as-you-go basis.

Retirees from CCCUA qualify for postretirement benefits as follows:

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

Participation: Employees who retire at age 60 or above and have at least 5 years of service are eligible to participate.

Benefit Provided: Retirees participate in the plan at the same premium as an active employee.

Required Contribution Ratio: Retirees pay 100% of premium. Employer costs are funded on a pay-as-you-go basis.

Retirees from UACCH qualify for postretirement benefits as follows:

Participation: Employees who retire with at least 10 years of service are eligible to participate.

Benefit Provided: Retirees participate in the plan at the same premium as an active employee.

Required Contribution Ratio: Retirees pay 100% of premium. Employer costs are funded on a pay-as-you-go basis.

Retirees from UACCM qualify for postretirement benefits as follows:

Participation: Employees who retire at age 60 or above and have at least 10 years of service are eligible to participate.

Benefit Provided: Retirees participate in the plan at the same premium as an active employee.

Required Contribution Ratio: Retirees pay 100% of the same premium as an active employee. However, if an employee retires on or after age 62, with at least 20 years of service, the campus will pay their coverage until age 65. Employer costs are funded on a pay-as-you-go basis.

### **Summary of Key Actuarial Methods and Assumptions**

#### **University Self-Funded Plan:**

Valuation date	July 1, 2012
Valuation year	Census data was collected as of November 1, 2012.
Actuarial cost method	Projected unit credit
Amortization method	30 years open, level % of payroll
Asset valuation method	N/A
Discount rate	4.50%
Projected payroll growth rate	4.00%
Medical inflation rate	Immediate rate of 8.0%, with a 0.5% decrease each year starting in year 4 to an ultimate rate of 5%

#### **UAFS, CCCUA, UACCH, UACCM:**

Valuation date	July 1, 2011
Valuation year	July 1, 2010 – July 1, 2011
Actuarial cost method	Projected unit credit
Amortization method	30 years open, level dollar amortization
Asset valuation method	N/A
Discount rate	5.25%
Medical inflation rate	Immediate rate of 10%, 9% the second year, 8% the third year, with a 0.5% decrease each year thereafter to an ultimate rate of 5%

### **General Overview of the Valuation Methodology**

The process of determining the liability for retiree medical benefits is based on many assumptions about future events. Future increases in health care costs are affected by many factors, including: medical inflation; change in utilization patterns; technological advances; cost shifting; cost leveraging; and changes to government medical programs, such as Medicare.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual



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Withdrawal Rates:                      Select rates by location are based on length of service for the first five years and age thereafter:

<u>Year</u>	<u>UAF</u>	<u>UAMS</u>	<u>Other</u>
0	25%	30%	20%
1	25%	20%	20%
2	20%	18%	20%
3	16%	18%	15%
4	16%	15%	15%

Ultimate rates are from Sarason turnover table T-6 for UAF, table T-7 for UAMS, and table T-4 for all other locations.

<u>Retirement Rates:</u>	<u>Age</u>	<u>Rate</u>
	50-59	5%
	60-61	10%
	62	15%
	63-66	10%
	67-69	50%
	70 +	100%

Future Retiree Coverage:                      For medical insurance, retiring employees are assumed to elect medical and Rx coverage as follows:

	<u>UAF</u>	<u>UALR</u>	<u>UAMS</u>	<u>Other</u>
Pre-Medicare	55%	55%	55%	55%
Medicare eligible	60%	60%	50%	45%

Retirees were assumed to remain in their current plan indefinitely.

75% of retiring employees are assumed to continue life insurance at retirement.

Future Dependent Coverage                      50% of employees electing medical and Rx coverage at retirement are assumed to be married and elect spouse coverage.

Spouse Age Differential:                      Males are assumed to be 4 years older than females.

**UAFS, CCCUA, UACCH, UACCM:**

Healthy Mortality                      1994 Uninsured Pensioners Mortality Table

Disability Rates:                      Various rates based on age. Selected rates are:

<u>Age</u>	<u>Rate per 100</u>
20	.10
25	.10
30	.08
35	.08

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

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40	.14
45	.24
50	.53
55	.88
60	1.0

Voluntary terminations: Termination rates at some sample ages are:

<u>Age</u>	<u>Rate per 100</u>
20	4.60
25	4.84
30	4.40
35	3.10
40	2.20
45	2.00
50	2.00
55	5.00

For those with less than five years of service, the following multiples of the above rates were used:

1 <sup>st</sup> year of service	4.0
2 <sup>nd</sup> year of service	2.5
3 <sup>rd</sup> year of service	2.0
4 <sup>th</sup> year of service	1.5

Retirement Rates:

<u>Age</u>	<u>Rate per 100</u>
55-59	5.0
60	15.0
61	14.0
62	25.0
63-64	15.0
65	35.0
66-68	30.0
69	100.0

Future Retiree Coverage

The assumption is that 80% of eligible retirees at CCCUA, UACCH, and UACCM, and 100% of eligible retirees at UAFS would select the coverage when they initially retire and that 0% of them would continue it past age 65.

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

**Determination of FY13 Accrual**

<b>Unfunded actuarial accrued liability at 7-1-12</b>	<b>\$ 60,220,957</b>
<b>Annual Required Contribution (ARC)</b>	
Normal cost	\$ 3,844,165
Amortization of the unfunded actuarial accrued liability over 30 years	2,187,639
Interest	273,115
Annual Required Contribution for FY13	<u>6,304,919</u>
Interest on Net OPEB Obligation	1,861,999
ARC Amortization Adjustment	<u>(1,562,838)</u>
<b>Annual OPEB Cost for FY13</b>	<b><u>\$ 6,604,080</u></b>
Net OPEB Obligation, 7-1-12	\$ 41,242,267
Annual OPEB Cost for FY13	6,604,080
Less: Expected Employer Contributions	<u>(2,038,220)</u>
<b>Net OPEB Obligation, 6-30-13</b>	<b><u>\$ 45,808,127</u></b>

**Schedule of Employer Contributions**

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Expected Contribution</b>	<b>Percentage Contributed</b>	<b>Net Obligation at Year-End</b>
6-30-09	\$ 9,440,819	\$ 2,075,012	21.98%	\$ 25,984,585
6-30-10	7,273,621	2,000,674	27.51%	31,257,532
6-30-11	6,407,408	1,715,955	26.78%	35,948,985
6-30-12	6,959,921	1,666,639	23.95%	41,242,267
6-30-13	6,604,080	2,038,220	30.86%	45,808,127

Since there is no funding, the expected contributions are any retiree premiums actually paid by the University plus expected implicit subsidy payments. The implicit rate subsidy is the difference between the true cost of medical benefits and the cost sharing premiums paid by the retiree.

**Schedule of Funding Progress**

<b>Fiscal Year Ending</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Funded Covered Payroll</b>	<b>UAAL as Percentage of Covered Payroll</b>
6-30-09	-	\$ 82,955,662	\$ 82,955,662	-%	\$ 982,002,008	8.45%
6-30-10	-	67,830,737	67,830,737	-%	952,169,503	7.12%
6-30-11	-	59,649,743	59,649,743	-%	977,592,138	6.10%
6-30-12	-	64,638,969	64,638,969	-%	1,042,067,018	6.20%
6-30-13	-	60,220,957	60,220,957	-%	1,072,221,612	5.62%

**Note 14: Other Organizations**

There are in existence several entities, in addition to those identified as component units in Note 1, which are related to the University. The purposes of these organizations are varied, but all were established to benefit the University, or its students, faculty and staff in some manner.

*The Razorback Foundation, Inc.* was incorporated on October 17, 1980, for the sole purpose of supporting intercollegiate athletics at the Fayetteville campus. Audited financial statements for the year ended June 30, 2013, are presented below in summary form and include the accounts of its wholly owned for-profit subsidiary, Sports Shows, Inc.

**THE RAZORBACK FOUNDATION, INC.  
CONDENSED STATEMENT OF FINANCIAL POSITION  
As of June 30, 2013**

Assets	
Cash and investments	\$ 30,556,395
Other assets	13,460,874
Total Assets	<u>\$ 44,017,269</u>
Liabilities and Net Assets	
Liabilities	\$ 4,756,815
Net Assets	39,260,454
Total Liabilities and Net Assets	<u>\$ 44,017,269</u>

**CONDENSED STATEMENT OF ACTIVITIES  
FY Ended June 30, 2013**

Income and Other Additions	\$ 30,563,227
Expenditures and Other Deductions	(38,390,618)
Total Increase (Decrease) in Net Assets	<u>\$ (7,827,391)</u>

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

**Arkansas Alumni Association, Inc.** was incorporated in 1960 for the purpose of providing various services to the members, consisting of graduates, former students and friends, in connection with the promotion and furtherance of the Fayetteville campus. Audited financial statements for the year ended June 30, 2013, are presented below in summary form. Net assets at July 1, 2012, were restated, resulting in a decrease of \$116,733.

**ARKANSAS ALUMNI ASSOCIATION, INC.  
CONDENSED STATEMENT OF FINANCIAL POSITION  
As of June 30, 2013**

Assets	
Cash and investments	\$ 1,706,348
Other assets	6,490,711
Total Assets	<u>\$ 8,197,059</u>
Liabilities and Net Assets	
Liabilities	\$ 283,823
Net Assets	7,913,236
Total Liabilities and Net Assets	<u>\$ 8,197,059</u>

**CONDENSED STATEMENT OF ACTIVITIES  
FY Ended June 30, 2013**

Income and Other Additions	\$ 3,331,331
Expenditures and Other Deductions	(2,928,194)
Total Increase (Decrease) in Net Assets	<u>\$ 403,137</u>

**Arkansas 4-H Foundation, Inc.** was incorporated in 1951. The purposes and objectives of the Foundation are exclusively educational. The Foundation was formed to encourage and support such purposes that will meet the needs and advance the interests of 4-H youth programs throughout the State of Arkansas. Audited financial statements for the year ended June 30, 2013, are presented below in summary form.

**ARKANSAS 4-H FOUNDATION, INC.  
CONDENSED STATEMENT OF FINANCIAL POSITION  
As of June 30, 2013**

Assets	
Cash and investments	\$ 4,536,912
Other assets	5,749,197
Total Assets	<u>\$ 10,286,109</u>
Liabilities and Net Assets	
Liabilities	\$ 182,620
Net Assets	10,103,489
Total Liabilities and Net Assets	<u>\$ 10,286,109</u>

**CONDENSED STATEMENT OF ACTIVITIES  
FY Ended June 30, 2013**

Income and Other Additions	\$ 1,866,287
Expenditures and Other Deductions	(2,201,472)
Total Increase (Decrease) in Net Assets	<u>\$ (335,185)</u>

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

**University of Arkansas Technology Development Foundation** was incorporated in May 2003, and is considered a supporting organization of the Fayetteville campus. Its mission is to stimulate a knowledge-based economy in the state of Arkansas through partnerships that lead to new opportunities for learning and discovery, build and retain a knowledge-based workforce, and spawn the development of new technologies that enrich the economic base of Arkansas. Audited financial statements for the year ended June 30, 2013, are presented below in summary form.

**UNIVERSITY OF ARKANSAS TECHNOLOGY DEVELOPMENT  
FOUNDATION  
CONDENSED STATEMENT OF FINANCIAL POSITION  
As of June 30, 2013**

Assets	
Cash	\$ 1,091,643
Other assets	40,435
Total Assets	<u>\$ 1,132,078</u>
Liabilities and Net Assets	
Liabilities	\$ 108,558
Net Assets	1,023,520
Total Liabilities and Net Assets	<u>\$ 1,132,078</u>

**CONDENSED STATEMENT OF ACTIVITIES  
FY Ended June 30, 2013**

Income and Other Additions	\$ 1,587,958
Expenditures and Other Deductions	(1,464,628)
Total Increase (Decrease) in Net Assets	<u>\$ 123,330</u>

**University of Arkansas Fort Smith Foundation, Inc.** operates as a nonprofit corporation whose primary activity is providing support to the Fort Smith campus. Audited financial statements for the year ended June 30, 2013, are presented below in summary form.

**UNIVERSITY OF ARKANSAS FORT SMITH FOUNDATION, INC.  
CONDENSED STATEMENT OF FINANCIAL POSITION  
As of June 30, 2013**

Assets	
Cash and investments	\$ 71,293,947
Other assets	12,643,851
Total Assets	<u>\$ 83,937,798</u>
Liabilities and Net Assets	
Liabilities	\$ 1,383,366
Net Assets	82,554,432
Total Liabilities and Net Assets	<u>\$ 83,937,798</u>

**CONDENSED STATEMENT OF ACTIVITIES  
FY Ended June 30, 2013**

Income and Other Additions	\$ 23,594,140
Expenditures and Other Deductions	(3,646,027)
Total Increase (Decrease) in Net Assets	<u>\$ 19,948,113</u>

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

**University of Arkansas Fort Smith Benefit Plan** was established on January 1, 1993, as an employee welfare benefit plan which provides health, dental and vision benefits to eligible employees and eligible dependents of the Fort Smith campus. Audited financial statements for the year ended December 31, 2012, are presented below in summary form.

### UNIVERSITY OF ARKANSAS FORT SMITH BENEFIT PLAN CONDENSED STATEMENT OF FINANCIAL POSITION As of December 31, 2012

Assets	
Cash	\$ 589,643
Other Assets	153,367
Total Assets	<u>\$ 743,010</u>
Liabilities and Net Assets	
Liabilities	\$ 520,562
Net Assets	222,448
Total Liabilities and Net Assets	<u>\$ 743,010</u>

### CONDENSED STATEMENT OF ACTIVITIES FY Ended December 31, 2012

Income and Other Additions	\$ 4,357,919
Expenditures and Other Deductions	(5,317,578)
Total Increase (Decrease) in Net Assets	<u>\$ (959,659)</u>

**The University of Arkansas at Little Rock Alumni Association** is utilized to receive and disburse funds obtained from gifts, activity fees and receipts from special projects. The Association operates as a nonprofit benevolent corporation for charitable educational purposes. The assets of the Association are held by the University of Arkansas Foundation, Inc.

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

*Trojan Athletic Foundation, Inc.* is a non-profit entity established to support the athletic department at the Little Rock campus. Contributions are received from the University of Arkansas Foundation and used for the benefit of the athletic foundation. Audited financial statements for the year ended June 30, 2013, are presented below in summary form.

**TROJAN ATHLETIC FOUNDATION, INC.  
CONDENSED STATEMENT OF FINANCIAL POSITION  
As of June 30, 2013**

Assets	
Cash	\$ 63,937
Other Assets	83,833
Total Assets	<u>\$ 147,770</u>
Liabilities and Net Assets	
Liabilities	\$ 4,635
Net Assets	143,135
Total Liabilities and Net Assets	<u>\$ 147,770</u>

**CONDENSED STATEMENT OF ACTIVITIES  
FY Ended June 30, 2013**

Income and Other Additions	\$ 486,233
Expenditures and Other Deductions	(476,239)
Total Increase (Decrease) in Net Assets	<u>\$ 9,994</u>

*University of Arkansas at Pine Bluff/AM&N Alumni Association, Inc.* was organized to foster and promote the general welfare and growth of the University of Arkansas at Pine Bluff. Unaudited financial statements for the year ended December 31, 2012, are presented below in summary form. Net assets at January 1, 2012, were restated, resulting in a decrease of \$109,982.

**UAPB/AM&N ALUMNI ASSOCIATION, INC.  
CONDENSED STATEMENT OF FINANCIAL POSITION  
As of December 31, 2012**

Assets	
Cash & investments	\$ 112,643
Other assets	13,100
Total Assets	<u>\$ 125,743</u>
Liabilities and Net Assets	
Liabilities	\$ 1,995
Net Assets	123,748
Total Liabilities and Net Assets	<u>\$ 125,743</u>

**CONDENSED STATEMENT OF ACTIVITIES  
FY Ended December 31, 2012**

Income and Other Additions	\$ 183,390
Expenditures and Prior Year Adjustment	(151,911)
Total Increase (Decrease) in Net Assets	<u>\$ 31,479</u>

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

**Cossatot Community College of the University of Arkansas Foundation, Inc.** assists in developing and increasing the programs and facilities for the Cossatot Community College campus. Audited financial statements for the year ended June 30, 2013, are presented below in summary form.

**COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF  
ARKANSAS FOUNDATION, INC.  
CONDENSED STATEMENT OF FINANCIAL POSITION  
As of June 30, 2013**

Assets	
Cash and investments	\$ 518,934
Other	-
Total Assets	<u>\$ 518,934</u>
Liabilities and Net Assets	
Liabilities	\$ -
Net Assets	518,934
Total Liabilities and Net Assets	<u>\$ 518,934</u>

**CONDENSED STATEMENT OF ACTIVITIES  
FY Ended June 30, 2013**

Income and Other Additions	\$ 55,575
Expenditures and Other Deductions	(27,897)
Total Increase (Decrease) in Net Assets	<u>\$ 27,678</u>

**Phillips Community College Foundation** is dedicated to raising funds to support the Phillips Community College campus and to provide scholarships for its students. Audited financial statements for the year ended December 31, 2012, are presented below in summary form.

**PHILLIPS COMMUNITY COLLEGE FOUNDATION  
CONDENSED STATEMENT OF FINANCIAL POSITION  
As of December 31, 2012**

Assets	
Cash and investments	\$ 3,511,595
Other Assets	212,490
Total Assets	<u>\$ 3,724,085</u>
Liabilities and Net Assets	
Liabilities	\$ 594,358
Net Assets	3,129,727
Total Liabilities and Net Assets	<u>\$ 3,724,085</u>

**CONDENSED STATEMENT OF ACTIVITIES  
FY Ended December 31, 2012**

Income and Other Additions	\$ 1,046,193
Expenditures and Other Deductions	(732,388)
Total Increase (Decrease) in Net Assets	<u>\$ 313,805</u>

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

*University of Arkansas Community College at Hope Foundation, Inc.* operates for the sole benefit of the Hope campus. Audited financial statements for the year ended June 30, 2013, are presented below in summary form.

**UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE  
FOUNDATION, INC.  
CONDENSED STATEMENT OF FINANCIAL POSITION  
As of June 30, 2013**

Assets	
Cash and investments	\$ 2,091,048
Other Assets	95,631
Total Assets	<u>\$ 2,186,679</u>
Liabilities and Net Assets	
Liabilities	\$ 31,320
Net Assets	2,155,359
Total Liabilities and Net Assets	<u>\$ 2,186,679</u>

**CONDENSED STATEMENT OF ACTIVITIES  
FY Ended June 30, 2013**

Income and Other Additions	\$ 712,007
Expenditures and Prior Year Adjustment	(539,093)
Total Increase (Decrease) in Net Assets	<u>\$ 172,914</u>

*University of Arkansas Community College at Morrilton Foundation, Inc.* was established to assist the students and programs of the Morrilton campus. Audited financial statements for the year ended December 31, 2012, are presented below in summary form.

**UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT  
MORRILTON FOUNDATION, INC.  
CONDENSED STATEMENT OF FINANCIAL POSITION  
As of December 31, 2012**

Assets	
Cash and investments	\$ 87,287
Other Assets	1,265
Total Assets	<u>\$ 88,552</u>
Liabilities and Net Assets	
Liabilities	\$ 2,500
Net Assets	86,052
Total Liabilities and Net Assets	<u>\$ 88,552</u>

**CONDENSED STATEMENT OF ACTIVITIES  
FY Ended December 31, 2012**

Income and Other Additions	\$ 77,288
Expenditures and Other Deductions	(80,002)
Total Increase (Decrease) in Net Assets	<u>\$ (2,714)</u>

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

**University of Arkansas Winthrop Rockefeller Institute** (prior to June 11, 2012, known as the University of Arkansas Winthrop Rockefeller Center d/b/a/ Winthrop Rockefeller Institute) is an educational conference center incorporated in January 2005. The Institute's mission is to provide extended learning for youth and adults, internship opportunities for students, professional development for faculty and staff of the University, as well as for the general public, and conferences focused on enriching and informing Arkansas leaders. Audited financial statements for the year ended June 30, 2013, are presented below in summary form.

### UNIVERSITY OF ARKANSAS WINTHROP ROCKEFELLER CENTER, INC. CONDENSED STATEMENT OF FINANCIAL POSITION As of June 30, 2013

Assets	
Cash & Investments	\$ 973,643
Grant Receivable	8,490,022
Other	232,359
Property and Equipment, Net	17,031,076
Total Assets	<u>\$ 26,727,100</u>
Liabilities and Net Assets	
Liabilities	\$ 515,992
Net Assets	26,211,108
Total Liabilities and Net Assets	<u>\$ 26,727,100</u>

### CONDENSED STATEMENT OF ACTIVITIES FY Ended June 30, 2013

Income and Other Additions	\$ 1,891,170
Expenditures and Prior Year Adjustment	(6,539,029)
Total Increase (Decrease) in Net Assets	<u>\$ (4,647,859)</u>

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

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**Delta Student Housing, Inc.** (Delta) is a nonprofit corporation organized and operated under the Arkansas Nonprofit Corporation Act of 1993. Delta was created for the purpose of facilitating the financing for construction of student housing facilities on the various campuses of the University. In the fiscal year ended June 30, 2010, the School for Mathematics, Sciences and the Arts (ASMSA) received \$6,000,000 in American Recovery & Reinvestment Act funds through the State of Arkansas and \$1,000,000 from state general improvement funds to be used toward the construction of a new residence/student life facility. In addition, ASMSA had almost \$4,000,000 of reserve funds to be used for the project. By leveraging these available funds, a financing structure was developed using federal New Market Tax Credits (NMTC) which made available almost \$15,000,000 to construct the facility. Construction of the facility was completed in the summer of 2012. The facility will be owned and managed by Delta until the completion of the NMTC compliance period of seven years, at which time the facility will be donated to ASMSA. A complete transcript of the NMTC transaction can be obtained in the office of the University's Vice President of Finance. Audited financial statements for the year ended June 30, 2013, are presented below in summary form.

**DELTA STUDENT HOUSING, INC.  
CONDENSED STATEMENT OF FINANCIAL POSITION  
As of June 30, 2013**

Assets	
Cash	\$ 148,741
Other	63,806
Property and equipment	14,306,041
Total Assets	<u>\$ 14,518,588</u>
Liabilities and Net Assets	
Liabilities	\$ 14,819,760
Net Assets	(301,172)
Total Liabilities and Net Assets	<u>\$ 14,518,588</u>

**CONDENSED STATEMENT OF ACTIVITIES  
FY Ended June 30, 2013**

Income and Other Additions	\$ 239,249
Expenditures and Other Deductions	(780,057)
Total Increase (Decrease) in Net Assets	<u>\$ (540,808)</u>

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

### Note 15: Natural & Functional Classifications of Operating Expenses

Following is a reconciliation of the natural classifications as presented in the statement of revenues, expenses and changes in net position to the functional classifications:

Functional Classifications	Natural Classifications					TOTAL
	Compensation & Benefits	Supplies & Services	Scholarships & Fellowships	Insurance	Depreciation	
Instruction	\$ 359,825,625	\$ 45,981,762	\$ -	\$ -	\$ -	\$ 405,807,387
Research	161,271,949	76,659,150	-	-	-	237,931,099
Public Service	84,598,543	50,972,620	-	-	-	135,571,163
Academic Support	74,098,915	34,421,725	-	-	-	108,520,640
Student Services	40,293,787	16,633,071	-	-	-	56,926,858
Institutional Support	160,377,176	31,206,359	-	-	-	191,583,535
Scholarships/Fellowships	131,147	154,506	91,122,566	-	-	91,408,219
Plant Operations	60,566,311	55,817,661	-	-	-	116,383,972
Auxiliary Enterprises	62,386,206	87,428,329	1,936,713	-	-	151,751,248
Depreciation	-	-	-	-	158,233,095	158,233,095
Patient Care	420,823,348	231,183,000	-	-	-	652,006,348
Other	1,225,000	(1,268,752)	-	-	-	(43,752)
Insurance expenses	-	-	-	142,467,947	-	142,467,947
<b>TOTAL</b>	<b>\$ 1,425,598,007</b>	<b>\$ 629,189,431</b>	<b>\$ 93,059,279</b>	<b>\$ 142,467,947</b>	<b>\$ 158,233,095</b>	<b>\$ 2,448,547,759</b>

### Note 16: Contingencies

The University has been named as defendant in several lawsuits. It is the opinion of management and its legal counsel that these matters will be resolved without material adverse effect on the future operations or financial position of the University.

In the fiscal year ended June 30, 2006, the Arkansas Development Finance Authority (the Authority) issued \$36,775,000 in Tobacco Settlement Revenue Bonds. The Authority made the proceeds of the bonds available to the University of Arkansas Board of Trustees (UA Board) to fund an expansion to the Arkansas Cancer Research Center (ACRC) on the campus of the University of Arkansas for Medical Sciences (UAMS). The bonds have an approximate yield to maturity of 4.77% to 5.10% and principal and accumulated interest are payable beginning in 2021 through 2031 for \$22,158,000 of serial bonds and beginning in 2036 through 2046 for \$14,617,000 of term bonds. Funds received from the Arkansas Tobacco Settlement Funds Act of 2000 are pledged for debt service and are the primary source of payment for the bonds. In accordance with a Loan Agreement dated June 1, 2006, between the UA Board and the Authority, the UA Board will be required to make debt service payments on the Series 2006 bond issue in the event of a shortfall in tobacco settlement revenues. However, no such payments will be made unless the debt service revenues are insufficient to make such payments. Management believes the debt service revenues will be sufficient to service the entire principal and interest due. The *Global Insights USA, Inc.* report, prepared in August 2006, on the *Forecast of U.S. Cigarette Consumption (2004-2046)* indicates that tobacco consumption in 2046 is expected to decline by 54% from the 2003 level. For fiscal year 2003, Arkansas received \$60,067,457 from the Tobacco Settlement Fund. Using the 54% decline from above, Arkansas should receive approximately \$27.6 million in 2046 with the first \$5 million dedicated to pay the debt service on this bond issue. If debt service revenues had been considered insufficient at June 30, 2013, the University would have incurred a liability of \$51,942,000 related to issue. This amount includes draw down of funds related to the project, issuance costs, discounts, accreted interest, and other expenses related to the issue. The revenues pledged by UAMS to secure the Loan Agreement consist of inpatient service fees and fees collected from other ancillary, therapeutic, and diagnostic services provided within the walls of the hospital but exclude (a) physician-generated revenues, (b) state appropriations, and (c) revenues restricted for other purposes.

**Note 17: Elimination of Inter-Company Transactions**

The consolidated financial statements were prepared from financial statements prepared by each campus and the System Administration of the University. The inclusion of inter-company transactions in the consolidated financial statements is not considered materially significant to distort the amounts presented in the consolidated financial statements with the following exceptions, which were eliminated.

***Statement of Net Position***

An elimination entry was made to the statement of net position to reduce accounts receivable by \$14,119,417 and \$12,455,236 for fiscal years ended June 30, 2013, and June 30, 2012, respectively, which represent amounts owed by the campuses to the System Administration for insurance premiums and campus billings for services rendered for both years, as well as amounts owed between campuses for the fiscal year ended June 30, 2013. Accounts payable was reduced by \$12,901,437 and \$12,455,236 for fiscal years ended June 30, 2013, and June 30, 2012, respectively. Cash was increased by \$1,217,980 in fiscal year ending June 30, 2013, to account for payments in-transit within the system.

Two loans between University entities were eliminated in the statement of net position to reduce assets and liabilities as follows: (1) \$1,200,000 (current portion is \$150,000) and \$1,350,000 (current portion is \$150,000) for the years ended June 30, 2013, and June 30, 2012, respectively, to reflect a loan to ASMSA by the System Administration; and (2) \$772,664 (current portion is \$15,499) and \$892,719 (current portion is \$120,055) to reflect a loan from UAMS to UAF for the years ended June 30, 2013, and June 30, 2012, respectively.

***Statement of Revenues, Expenses and Changes in Net Position***

As explained in Note 12, the System Administration administers the self-funded insurance programs for the University. Insurance premiums remitted to the System Administration by the campuses are shown as insurance revenues in the System Administration's financial statements. The insurance claims paid are shown as insurance expenditures on the System Administration's financial statements. The premiums expensed by the campuses are recorded as part of compensation benefits. An elimination adjustment was made to the statement of revenues, expenses and changes in net position to reduce the insurance revenue amount and the compensation and benefits expenditure category in the amounts of \$103,455,733 and \$99,346,779 for fiscal years ended June 30, 2013, and June 30, 2012, respectively.

An elimination entry was made on the statement of revenues, expenses and changes in net position for billings by System Administration to the campuses for services rendered to reduce sales and services revenue and supplies/services expense in the amounts of \$1,839,897 and \$1,905,984 for the fiscal years ended June 30, 2013, and June 30, 2012, respectively.

An elimination entry was made to the statement of revenues, expenses and changes in net position for a federal grant received by UAMS and then sub-granted to UAF in the amount of \$196,162 used for operating expenses and \$10,418,692 capitalized for construction/equipment for the fiscal year ending June 30, 2013, and in the amount of \$178,576 used for operating expenses and \$26,921,009 capitalized for construction/equipment for the fiscal year ended June 30, 2012.

***Statement of Cash Flows***

The effects of the elimination entries described above to the statement of net position and the statement of revenues, expenses and changes in net position are also reflected in the statement of cash flows.

**Note 18: Disaggregation of Accounts Receivable and Accounts Payable**

Accounts Receivable balance of \$121,247,557, as shown on the statement of net position, consists of the following at year-end:

<u>ACCOUNTS RECEIVABLE</u>	<u>June 30, 2013</u>
Student accounts	\$16,532,887
Non-student accounts	65,251,517
Grants and contracts	35,864,628
Property and sales taxes	2,243,667
Other	1,354,858
<b>Total</b>	<b><u><u>\$121,247,557</u></u></b>

Accounts Payable balance of \$139,404,718, as shown on the statement of net position, consists of the following at year-end:

<u>ACCOUNTS PAYABLE</u>	<u>June 30, 2013</u>
Trade related	\$53,859,902
Payroll related	63,912,565
Interest	9,675,055
Other	11,957,196
<b>Total</b>	<b><u><u>\$139,404,718</u></u></b>

**Note 19: Joint Endeavor**

The University of Arkansas and the City of Fayetteville engaged in a joint endeavor to operate the Walton Arts Center. Funds were pooled from each entity to provide for the construction and operation of the center. To administer this project and its funds, the University and the City of Fayetteville established a nonprofit organization called the University of Arkansas/City of Fayetteville Arts Foundation, Inc., now called the Walton Arts Center Foundation, Inc., which was incorporated on January 19, 1987. There are nine directors, of whom three are appointed by the University, three by the City of Fayetteville, and three are recommended by the Foundation who must be approved by the mayor and chancellor.

The Walton Arts Center Council, Inc. was formed to construct, operate, manage, and maintain the Arts Center in Fayetteville, Arkansas, in accordance with the Interlocal Cooperation Agreement between the City of Fayetteville and the University of Arkansas. The ownership of the Arts Center facilities, including land, is held equally by the City and the University. The Arts Center Council must submit an annual budget to both the City and the University for approval. The Board of Trustees of The Arts Center Council is comprised of five members appointed by the University, five members appointed by the City, and ten members appointed at large, all of whom serve as volunteers.

On July 16, 2010, the Arts Center Council filed articles of incorporation for NWA Entertainment, LLC ("NWA") for the purpose of acquiring certain assets of the Arkansas Music Pavilion, Inc. and for the purpose of operating, managing, and maintaining assets related to the promotion and presentation of the arts in Northwest Arkansas. NWA is a 100% wholly-owned subsidiary of the Council and has a fiscal year end of March 31. The results of the operations of NWA have been included in the combined financial statements of the Walton Arts Center.

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

The combined audited financial statements of the Walton Arts Center Council, Inc., the Walton Arts Center Foundation, Inc., and NWA Entertainment, LLC as of and for the year ended June 30, 2013, which have been audited by an independent certified public accountant, are presented below in summary form. Complete financial statements for the Walton Arts Center can be obtained from the administrative office at 229 N. School Avenue, Fayetteville, AR 72701.

**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**As of June 30, 2013**

Assets	
Cash and cash equivalents	\$ 2,522,500
Investments	13,999,069
Other assets	10,373,215
Total Assets	<u>\$ 26,894,784</u>
Liabilities and Net Assets	
Liabilities	\$ 2,540,116
Net Assets	24,354,668
Total Liabilities and Net Assets	<u>\$ 26,894,784</u>

**CONDENSED STATEMENT OF ACTIVITIES**  
**FY Ended June 30, 2013**

Income and Other Additions	
Ticket sales	\$ 5,529,334
Contributions and sponsorships	3,231,935
Other revenues and additions	4,414,043
Total Income and Other Additions	<u>13,175,312</u>
Total Expenditures and Other Deductions	<u>(13,336,490)</u>
Total Increase (Decrease) in Net Assets	<u>\$ (161,178)</u>

**Note 20: Related Parties**

There were five significant related party transactions other than those with component units discussed in Note 1.

The spouse of a member of the Board of Trustees owns a sports apparel store in Little Rock, Arkansas that has been used for several years by various campuses. In FY13, three campuses bought merchandise from the store with a cost of \$99,148. Purchases of these types are not reviewed and approved by the Board.

Another member of the Board of Trustees is the Bank Chairman of the privately-held First Security Bancorp based in Searcy, Arkansas. At June 30, 2013, bank balances held at First Security Bank for UAF and UAMS total \$101,156,140 (book balances shown on the Statement of Net Position total \$84,635,028). The University has conducted business with the bank for several years. In addition, Crews and Associates, Inc. (Crews) is a wholly owned, non-bank affiliate of First Security Bancorp and has served as one of the University's bond underwriters for several years. After a Request for Proposal

## UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013

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was issued in February, 2011, the Board selected two firms as underwriters, one of which was Crews, who, in FY13, was co-underwriter for three bond issues for the Fayetteville campus in the amount of \$145,345,000. The underwriter was chosen and bond issues were approved by the Board before this member was appointed by the Governor in March, 2013.

The Provost and Vice Chancellor for Academic Affairs on the Fayetteville campus is a member of the Board of Directors of Simmons First National Corporation based in Pine Bluff, Arkansas. At June 30, 2013, bank balances held at Simmons First National Bank for the Fayetteville campus total \$97,975,867 (book balances shown on the statement of net position for the campus total \$97,999,035). Simmons First National Bank has served as trustee for bond proceeds for several years, and amounts on deposit represent funds held in that capacity, primarily for three bond issues.

The Vice Chancellor and Director of Athletics on the Fayetteville campus is a member of the Board of Directors of Arvest Bank Fayetteville, one of sixteen autonomous community-oriented banks which comprise Arvest Bank Group, Inc., based in Bentonville, Arkansas. At June 30, 2013, bank balances held for the Fayetteville campus at Arvest Bank Group, Inc. banks total \$151,799 (book balances shown on the statement of net position for the campus total \$135,581).

The Associate Vice Chancellor for Business Affairs on the Fayetteville campus is a member of the Board of Directors of the Educational and Institutional Cooperative Service, Inc., a not-for-profit corporation chartered in the State of New York in 1934. The principle role of the Cooperative is to secure group discounts and favorable terms of sale for member institutions by aggregating buying power through large volume contracts. The Fayetteville campus has been a member institution of the E&I Cooperative since 1952. All contracts negotiated by E&I are competitively bid and approved for the campus' use by the Arkansas Office of State Procurement. Purchases totaling \$4,266,929 were made during the fiscal year ended June 30, 2013, by the Fayetteville campus.

### **Note 21: Prior Year Restatements**

#### ***Statement of Net Position***

The Fayetteville campus reduced accounts receivable by \$2,451,360 to account for gift revenue that should not have been recognized in fiscal year ended June 30, 2012. This also decreased unrestricted net position.

The Little Rock campus reduced capital assets by \$6,162,258 (net of depreciation of \$267,926) to account for library holdings that should not have been capitalized in fiscal year ended June 30, 2012. This also decreased net investment in capital assets by the same amount.

System Administration reduced accounts payable by \$6,119,345 after determining that the accrual of medical claims in the fiscal year ended June 30, 2012, were already reflected in the actuarial firm's determination of future insurance claims (see Note 12). This also increased unrestricted net position.

The net effect of these restatements was a decrease to total net position of \$2,494,273.

#### ***Statement of Revenues, Expenses and Changes in Net Position***

Changes made on the statement of net position as discussed above were also reflected in the statement of revenues, expenses and changes in net position. Gift revenue was reduced \$2,451,360. Depreciation expense was reduced by \$267,926, insurance expense decreased by \$6,119,345, and supplies and services expense was increased by \$6,430,184.

The net effect of these restatements was a decrease to total net position of \$2,494,273.

**Statement of Cash Flows**

Changes in the statement of cash flows reflect the above described changes to account for the library holdings by increasing payments to suppliers by \$6,430,184 and reducing purchases of capital assets by the same amount. The restatements of accounts receivable and accounts payable did not affect this statement with the exception of the reconciliation section.

Non-cash transactions for capital gifts were increased by \$59,847 for the Pine Bluff campus.

**Note 22: Out-of-Period Adjustments**

During the fiscal year ended June 30, 2013, UAMS recorded an out-of-period adjustment which increased other operating revenue by \$13,551,000. The adjustment related to the realization in 2013 of a refund from the Internal Revenue Service (IRS) of Federal Insurance Contribution Act (FICA) taxes paid by UAMS on wages earned for services performed by medical residents for calendar years 1996 through 1999. The wages of medical residents during this period were deemed by the IRS to be exempt from FICA taxes based on the student exception. On April 1, 2005, new IRS regulations went into effect whereby the earnings of medical residents became subject to FICA taxes. Appropriately, UAMS did not pay FICA taxes on medical resident earnings after calendar 1999 until the new regulations went into effect. The majority of the refund and related interest should have been recognized prior to fiscal year 2012 when the IRS announced they would honor the appropriate claims for refund of FICA taxes. UAMS evaluated the out-of-period adjustment in relation to the current period, as well as the period in which it originated, and concluded the adjustment is not material to the impacted periods.

During the fiscal year ended June 30, 2013, UAMS recorded an out-of-period adjustment to capitalize interest on capital projects previously expensed in the amount of \$1,061,000 and \$1,410,000 in fiscal years 2011 and 2012, respectively. UAMS evaluated the out-of-period adjustment in relation to the current period, as well as the periods in which it originated, and concluded the adjustment is not material to the impacted periods.

During the fiscal year ended June 30, 2013, the Fort Smith campus recorded two entries related to the fiscal year ended June 30, 2012: (1) library volumes and related accumulated depreciation were added for a net increase of \$789,302 and (2) construction in progress was increased by \$571,617 to account for capitalized interest on the 2010B bond issue. The campus evaluated the out-of-period adjustment in relation to the current period, as well as the previous period in which it originated, and concluded the adjustment is not material to the impacted period.

During the fiscal year ended June 30, 2013, the Little Rock campus increased accumulated depreciation by \$843,782 related to an adjustment for holdings prior to fiscal year ended June 30, 2012. The campus evaluated the out-of-period adjustment in relation to the current period, as well as the previous period in which it originated, and concluded the adjustment is not material to the impacted period.

**Note 23: Subsequent Events**

Dr. Laurence Alexander became the new chancellor at the Pine Bluff campus on July 1, 2013.

On August 1, 2013, the University issued \$28,740,000 in Student Fee Revenue Capital Improvement Bonds, Series 2013C for the Little Rock campus. The purpose of the bonds is to acquire, construct and equip certain energy conservation capital improvements for the campus.

Refinancing bond issues, in amounts up to \$19,500,000 and \$5,850,000, authorized by the Board of Trustees at its April 5, 2013, meeting for the Pine Bluff and Fort Smith campuses, respectively, were not sold during the fiscal year ended June 30, 2013, due to unfavorable bond rates. However, the University

## **UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

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and its underwriter continue to monitor the market and will offer the bonds for sale at the earliest possible date that will be advantageous to the campuses.

A claim of wrongful death, pain and suffering, and negligence against the Medical Sciences campus was filed in April, 2011, with the Arkansas State Claims Commission. In a hearing on September 12, 2013, the Commission awarded the claim in the amount of \$1,200,000, which will be included in a claims bill to be submitted to the 89th General Assembly of the Arkansas State Legislature 2014 Fiscal Session for subsequent approval and payment.

## REQUIRED SUPPLEMENTARY INFORMATION

### Other Postemployment Benefits

#### *General Overview of the Valuation Methodology*

The process of determining the liability for retiree medical benefits is based on many assumptions about future events. Future increases in health care costs are affected by many factors, including: medical inflation; change in utilization patterns; technological advances; cost shifting; cost leveraging; and changes to government medical programs, such as Medicare.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Calculations are based on the types of benefits provided under the terms of each plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

Changes in Actuarial Assumptions and Methods since the Prior Valuation: Effective January 1, 2013, UMR, a subsidiary of United Healthcare, replaced QualChoice as the University's medical plan administrator. The effect of this change on network discounts was estimated based on the United Healthcare book-of-business discount information contained in the Aon Hewitt Discount Analysis Database compared to the specific claims and discount data reported by QualChoice. In the aggregate, this change is estimated to reduce health care costs by 11.4%. Also, the healthcare trend rate assumption was changed to better reflect anticipated future experience. This change decreased the Actuarial Accrued Liability by \$646,792 as of July 1, 2012.

Medical Coverage – Retirees not Eligible for Medicare: Claim experience for the period January 1, 2011, through December 31, 2012, was used to develop the claims cost for non-Medicare-eligible retirees. The paid claims data was converted to an incurred basis using a completion factor approach. This experience includes 612 life years of exposure and was deemed to be 80% credible. The experience was combined with the active claims experience adjusted for demographic differences to produce the per capita claims costs used in the valuation. Adjustment factors were then applied to develop expected claims by age to be used in the valuation. Expected retiree premiums were developed to represent the expected cost sharing level anticipated by the University. Retiree premiums were also age-adjusted for use in the valuation.

Medical Coverage – Retirees Eligible for Medicare: Medical and prescription drug claims experience for the period January 1, 2011, through December 31, 2012, was used to develop per capita claims cost for Medicare-eligible retirees. This experience includes 3,000 life years of exposure and was deemed to be fully credible. This analysis indicates that retiree contributions have become inadequate to fully cover the expected health care costs for the current period as intended. However, the University plans to implement a fully insured Medicare Advantage program with costs fully paid by retirees effective January 1, 2014. The cost associated with the temporary mismatch between costs and retiree contributions for Medicare eligible retirees was excluded from this valuation.

Dental Coverage: Dental claims coverage for the period January 1, 2011, through December 31, 2012, was used to develop per capita claims cost for dental coverage. The claims experience includes over 32,000 life years of exposure and was deemed to be fully credible. Based on this analysis, it was concluded that the retiree contributions are sufficient to fully cover the expected dental claims costs as intended. As such, the cost for dental coverage is excluded from this valuation.

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2013**

**Determination of FY13 Accrual**

<b>Unfunded actuarial accrued liability at 7-1-12</b>	<b>\$ 60,220,957</b>
<b>Annual Required Contribution (ARC)</b>	
Normal cost	\$ 3,844,165
Amortization of the unfunded actuarial accrued liability over 30 years	2,187,639
Interest	273,115
Annual Required Contribution for FY13	<u>6,304,919</u>
Interest on Net OPEB Obligation	1,861,999
ARC Amortization Adjustment	<u>(1,562,838)</u>
<b>Annual OPEB Cost for FY13</b>	<b>\$ 6,604,080</b>
Net OPEB Obligation, 7-1-12	\$ 41,242,267
Annual OPEB Cost for FY13	6,604,080
Less: Expected Employer Contributions	<u>(2,038,220)</u>
<b>Net OPEB Obligation, 6-30-13</b>	<b>\$ 45,808,127</b>

**Schedule of Employer Contributions**

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Expected Contribution</b>	<b>Percentage Contributed</b>	<b>Net Obligation at Year-End</b>
6-30-09	\$ 9,440,819	\$ 2,075,012	21.98%	\$ 25,984,585
6-30-10	7,273,621	2,000,674	27.51%	31,257,532
6-30-11	6,407,408	1,715,955	26.78%	35,948,985
6-30-12	6,959,921	1,666,639	23.95%	41,242,267
6-30-13	6,604,080	2,038,220	30.86%	45,808,127

Since there is no funding, the expected contributions are any retiree premiums actually paid by the University plus expected implicit subsidy payments. The implicit rate subsidy is the difference between the true cost of medical benefits and the cost sharing premiums paid by the retiree.

**Schedule of Funding Progress**

<b>Fiscal Year Ending</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as Percentage of Covered Payroll</b>
6-30-09	-	\$ 82,955,662	\$ 82,955,662	-%	\$ 982,002,008	8.45%
6-30-10	-	67,830,737	67,830,737	-%	952,169,503	7.12%
6-30-11	-	59,649,743	59,649,743	-%	977,592,138	6.10%
6-30-12	-	64,638,969	64,638,969	-%	1,042,067,018	6.20%
6-30-13		60,220,957	60,220,957	-%	1,072,221,612	5.62%

## SUPPLEMENTAL INFORMATION BY CAMPUS

### UNIVERSITY OF ARKANSAS, FAYETTEVILLE

Established: 1871  
Enrollment: 25,341  
[www.uark.edu](http://www.uark.edu)

#### AT A GLANCE

Founded in 1871, the University of Arkansas, Fayetteville, is the flagship institution of the University of Arkansas System. It is the state's foremost partner, resource and catalyst for education and economic development.

As Arkansas's land-grant university, the U of A has a mandate to teach, conduct research and perform outreach. The university offers 220 baccalaureate, master's, doctoral, professional and specialist degree programs through its ten schools and colleges. The Carnegie Foundation for the Advancement of Teaching places the U of A in its highest research category, making it the state's only doctoral-granting, research university with a very high level of research activity and one of only 108 schools in the country with that distinction. Research expenditures at the university now exceed \$123 million per year, making research activity a significant academic element at the university and an economic engine for the state. By 2021, the university aspires to be recognized as one of the nation's TOP 50 Public Research Universities, with nationally ranked departments and programs throughout the institution.

#### POINTS OF PRIDE

- Enrollment at the U of A continues its rapid growth. In fall 2012, enrollment increased by more than 5.8 percent over the previous year to more than 24,500 students. U of A students represent all 50 states and more than 100 countries.
- *U.S. News and World Report* included the U of A among "The 2013 Up-and-Comers," ranking it ninth among national public universities that have made "the most promising and innovative changes" to advance academics and the student learning experience.
- The U of A was classified among the "Great Colleges to Work For" by the *Chronicle of Higher Education*. The university was recognized for "Confidence in Senior Leadership."
- During the 2012 fiscal year ending June 30, the U of A recorded \$108.1 million in private gift support, surpassing its goal of \$103 million. This is the first time the university exceeded \$100 million in fundraising totals for two consecutive years.
- In 2011-12, the university finished 20th in the Learfield Sports Directors Cup, a year-long competition based on program-wide athletic success. It was the fourth time in the past five years Arkansas has finished in the top 25 nationally and marked the best finish in the competition's current scoring format.

### UNIVERSITY OF ARKANSAS AT FORT SMITH

Established: 1928  
Joined System: 2002  
Enrollment: 7,154  
[www.uafs.edu](http://www.uafs.edu)

#### AT A GLANCE

The University of Arkansas at Fort Smith (UAFS) joined the UA System in 2002 and began transitioning from a two-year college to a four-year regional university. Originally established in 1928 as part of the local school system with college-parallel course offerings, UAFS now offers numerous bachelor's degrees in addition to a full range of certificates of proficiency, technical certificates and associate

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degrees, as well as a full program providing training and education to employees in area business and industry.

As a regional university with a mission and vision to connect education with careers, UAFS focuses on preparing students to succeed in an ever-changing global world while advancing economic development and quality of place. The institution embraces partnerships with multiple regional entities, signifying the importance of continued efforts to enhance the community's educational level and global awareness while keeping teaching and learning at the focus of all that is done.

### POINTS OF PRIDE

- UAFS conferred an all-time record 697 bachelor's degrees in 2012-13, for an 11 percent increase over the previous record year. Enrollment stats also revealed the highest ever upper-class enrollments, unduplicated headcount enrollment above 7,100 for the fifth successive fall semester, the third highest first-time entering class, the fourth highest FTE enrollment, and a record 74.1 percent enrollment of students age 25 and under.
- An increase in the average ACT scores of first-time, full-time students was recorded for the 2012-13 year, up to 22.2, considerably higher than both national and state averages.
- Generous support from an expanding base of alumni and friends has helped UAFS build an endowment in excess of \$82 million, with the announcement in Spring 2013 of results of a recent \$50 million giving campaign.
- An expansion to Boreham Library, dedicated on April 3, 2013, increased the size of the facility from 30,000 square feet to more than 70,000 square feet. The new Learning and Research Center at Boreham Library provides expanded services for UAFS students.
- To continue to provide a unified campus look and guide for the next 20 years, UAFS unveiled an updated Campus Master Plan on October 9, 2013. The plan focuses on the iconic bell tower in the center of the grounds, the cutting-edge classrooms and laboratories, and the award-winning landscaping.

### UNIVERSITY OF ARKANSAS AT LITTLE ROCK

Established: 1927  
Joined system: 1969  
Enrollment: 12,377  
[www.ualr.edu](http://www.ualr.edu)

### AT A GLANCE

The University of Arkansas at Little Rock, located in the state's capital city, offers a comprehensive academic experience at the baccalaureate, master's and doctoral levels; innovative research opportunities; a quality faculty educated from around the world; and a rich student life experience with athletics, housing, study abroad, Greek life and service learning.

Student success is the university's top priority and not just for our 18- to 25-year-olds. From high school students and traditional residential and graduate degree seekers, to mid-life adults and senior citizens, UALR fulfills one of the state's greatest needs by educating more college graduates. UALR's caring faculty and staff in programs such as the Academic Success Center and the Mentoring Network provide students with extra help to be successful.

UALR has been selected by the Carnegie Foundation for the Advancement of Teaching for the Community Engagement classification – the only institution in Arkansas in this category. The university is widely recognized for its involvement in community issues such as race and ethnicity, criminal justice and pre-kindergarten to 12<sup>th</sup> grade education. UALR students, faculty and staff are actively involved in service

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learning activities around the state through partnerships with the Clinton School of Public Service and the Shepherd Higher Education Consortium on Poverty.

### POINTS OF PRIDE

- UALR is a public university with about 12,377 full- and part-time students enrolled in more than 140 programs of study in six colleges, the Graduate School and the William H. Bowen School of Law.
- Coleman Creek runs through the natural tree-lined campus that is undergoing facility growth: A new \$35 million Engineering and Information Technology building opened in fall 2010, starting a wave of new construction that includes a new residence hall, nanotechnology sciences center, recreation and sports complex, and student services center.
- UALR's locale in the center of the state and at the seat of state government affords its students and employees the benefits of a bustling metropolitan environment, with unique access to corporate, government and non-profit opportunities for jobs, internships, research and professional mentoring, and a range of cultural and recreational opportunities in art, theatre, dance and music.
- Most UALR classes are small with a 14-to-1 student-to-faculty ratio, with students who come from all over Arkansas, 43 other states and 62 foreign countries.

### UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Established: 1879

Enrollment: 2,865 students and 785 medical residents

[www.uams.edu](http://www.uams.edu) and [www.uamshealth.com](http://www.uamshealth.com)

### AT A GLANCE

The University of Arkansas for Medical Sciences in Little Rock is the only academic health sciences university in Arkansas. It is the state's largest public employer with more than 10,000 employees in 73 of the state's 75 counties. UAMS and its clinical affiliates, Arkansas Children's Hospital and the Central Arkansas Veterans Healthcare System, are an economic engine for the state with an annual economic impact of \$3.92 billion.

UAMS offers 64 baccalaureate, master's, doctoral, professional and specialist degree programs through its Colleges of Medicine, Nursing, Pharmacy, Health Professions and Public Health and Graduate School. Students attend classes at the UAMS main campus in Little Rock and its regional campus in Fayetteville.

With its combination of education, research and clinical programs, UAMS has a unique capacity to lead health care improvement in the state. It includes a statewide network of regional centers, a comprehensive rural hospital program, the Translational Research Institute, the Winthrop P. Rockefeller Cancer Institute, the Jackson T. Stephens Spine & Neurosciences Institute, the Donald W. Reynolds Institute on Aging, the Harvey & Bernice Jones Eye institute, the Psychiatric Research Institute and the Myeloma Institute for Research & Therapy.

### POINTS OF PRIDE

- UAMS is home to the state's only adult Level One Trauma Center, only high-risk pregnancy program, and the only liver transplant program.
- UAMS treats more patients for multiple myeloma, a cancer of the plasma cells in bone marrow, than any other facility in the country and its five-year survival rate is 74 percent for newly diagnosed patients versus 43 percent for a comparable patient population in the National Cancer Institute's database.

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- UAMS received the President's Institutional Award for the Advancement of Telemedicine from the American Telemedicine Association in recognition of its use of broadband technology to provide health care to rural Arkansans.
- UAMS ranks in the top 18 percent of all U.S. colleges and universities in research funding from the federal government with nearly \$155 million in grants and contracts for FY2013.
- BioVentures, the UAMS business incubator, has helped create more than 46 companies in the last 12 years – 19 of those companies produce an annual payroll of more than \$26.5 million.

### UNIVERSITY OF ARKANSAS AT MONTICELLO

Established: 1909  
Joined System: 1971  
Enrollment: 3,897  
[www.uamont.edu](http://www.uamont.edu)

#### AT A GLANCE

Founded in 1909 as the Fourth District Agricultural School, the University of Arkansas at Monticello (UAM) is one of the region's few remaining open admissions universities. Serving southeast Arkansas, UAM offers 28 baccalaureate and 4 master's degree programs. Additionally, the university offers 7 two-year associates degrees and 17 technical certificates through its Colleges of Technology in Crossett and McGehee.

UAM has established a reputation for academic excellence in areas such as forestry, nursing, teacher education, pre-medicine, health-related sciences, business and social science. The university is home to the Arkansas Forest Resources Center and one of the South's top exercise physiology laboratories. In recent years, UAM has added new opportunities to its curriculum, including a program in spatial information systems, popular programs in social work and criminal justice, a fast-track master's degree program to place more teachers in the classroom, and an online master's degree program in coaching.

#### POINTS OF PRIDE

- UAM has enrolled a record number of students in 10 of the last 12 years. This fall, the university welcomed 3,897 students.
- UAM awarded 1,058 academic degrees in 2011-12, representing an increase of more than 70 percent in the number of degrees awarded over the past decade.
- UAM recently completed construction of the \$6 million George H. Clippert Forest Resources Annex, a 15,000 square-foot facility housing classroom, laboratory and office space for the School of Forest Resources. Gov. Mike Beebe provided \$2 million in General Improvement Funds for the facility and another \$1 million was provided by a donation from the family of the late George H. Clippert.
- UAM's Phi Alpha Theta History honor society has been named national chapter of the year for the fifth consecutive year and the Alpha Chi academic honor society has achieved Star Chapter status the past six years.

## UNIVERSITY OF ARKANSAS AT PINE BLUFF

Established: 1873  
Joined System: 1972  
Enrollment: 2,615  
[www.uapb.edu](http://www.uapb.edu)

### AT A GLANCE

An 1890 land-grant institution, the University of Arkansas at Pine Bluff (UAPB) is the second-oldest university and the only public historically black university in Arkansas. Though the main campus is in Pine Bluff, its reach is worldwide. With the addition of the Arkansas Research and Education Optical Network (ARE-ON) students can engage in information exchange with others anywhere in the world. Since its establishment, the institution has worked to create an environment that inculcates learning, growth and productivity.

UAPB offers 33 undergraduate programs, 8 master's degree programs and a PhD program in Aquaculture & Fisheries and is home to one of the country's leading programs in aquaculture and fisheries. The recently approved M.S. Degree program in Computer Science and Technology offers the contemporary option of cyber security. The university's bachelor degree program in regulatory science and Masters of Science program in agricultural regulations are designated as a Center of Excellence by the U.S. Department of Agriculture. Other areas of emphasis at UAPB include teacher education, mathematics and science, minority business development and student leadership development.

UAPB research and extension programs support economic development in Arkansas by identifying solutions to problems faced by Arkansas aquaculture growers. Arkansas is the second-leading aquaculture producing state in the U.S. and aquaculture is the leading economic activity in several counties in Arkansas.

### POINTS OF PRIDE

- UAPB offers Arkansas's only undergraduate regulatory science and aquaculture and fisheries degree programs. The regulatory science program prepares students for entry-level employment in four of the U.S. Department of Agriculture regulatory agencies.
- Started in 2003, the UAPB STEM Academy is a federally funded program designed to increase the number of minorities and women choosing Science, Technology, Engineering and Mathematics careers. The program has a retention rate of 93 percent and offers students' international internship opportunities, support for graduate students seeking degrees in STEM areas and partnerships with numerous other universities, laboratories and industries. A new \$10 million facility, the STEM Academy and Conference Center, is scheduled to be completed in 2014.
- UAPB is the lead university of the Arkansas Louis Stokes Alliance for Minority Participation (ARK-LSAMP). The Alliance is in its sixth year of existence and includes both public and private institutions. A renewal of \$3.4 million was recently awarded.
- In Spring 2013, the institution launched a new publication, the "Pride" magazine. This dynamic publication highlights major accomplishments of the university, its students, alumni, faculty and staff and is available in hard copy and on-line at [www.uapb.edu](http://www.uapb.edu).
- The University of Arkansas at Pine Bluff is a 2013 recipient of the Association of Public and Land-Grant Universities (APLU) "1890 International Student Development Award" for the largest increase in undergraduate students participating in study abroad programs from 2011-2012 through 2012-2013.
- UAPB has a diverse stellar faculty with more than 60 percent having earned doctoral degrees. The university's 15-to-1 student-to-faculty ratio allows for a learning environment with close interaction between teachers and students.

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- The School of Business and Management recently (November 2013) received notice of its initial accreditation by the Accreditation Council for Business Schools and Programs (ACBSP) Board of Commissioners.
- UAPB was awarded the “2014 Military Friendly Schools Designation,” an honor awarded to the top 20 percent of colleges, universities and trade schools in the country that are doing the most to embrace America’s military service members, veterans, and spouses as students and ensure their success on campus. In academic year 2013, the UAPB ROTC department commissioned nine Second Lieutenants.

### COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Established: 1975  
Joined System: 2001  
Enrollment: 1,542  
[www.cccua.edu](http://www.cccua.edu)

#### AT A GLANCE

Cossatot Community College of the University of Arkansas (UA Cossatot) is located in De Queen with classroom sites in Nashville, Ashdown, Murfreesboro, Dierks and Foreman. The college offers both technical certification and associate’s degrees, and collaborates with other colleges and universities to offer bachelor’s and master’s degrees. Accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools, UA Cossatot is the only community college in the state supported by sales taxes in three separate counties – Sevier, Howard and Little River. UA Cossatot is the fastest growing two-year college in Arkansas (10.4 percent growth in the past 5 years) and has the highest percentage of Hispanic students in Arkansas (19 percent).

#### POINTS OF PRIDE

- UA Cossatot has embarked on an aggressive campus renovation plan in Ashdown and De Queen, preparing for a state-of-the-art Industrial Maintenance program as well as renovating buildings housing the Collision Repair program, the Student Café, and preparing for a new Student Commons area.
- December 20, 2013 will mark the graduation of the first Occupational Therapy Assistant class in school history. UA Cossatot is already making plans to expand the medical professions department by adding at least two more high-demand programs in the next three years.
- UA Cossatot is proud to be a charter member of the South West Arkansas Community College Consortium (SWACCC), an aggressive collection of the five two-year colleges which represent south and west Arkansas. This consortium just received an \$8.4 million Department of Labor grant to impact economic development through education in the SWACCC service area.

### PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Established: 1964  
Joined system: 1996  
Enrollment: 2,039  
[www.pccua.edu](http://www.pccua.edu)

#### AT A GLANCE

The first community college established in Arkansas, Phillips Community College of the University of Arkansas (PCCUA) is a multi-campus, two-year college serving Eastern Arkansas. Since its inception in 1964, the college has grown from an original enrollment of fewer than 250 students in 14 program areas

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to over 2,300 students in academic, occupational/technical and continuing education programs and offers 25 associate degree programs. PCCUA has campuses in DeWitt, Helena-W. Helena and Stuttgart.

### POINTS OF PRIDE

- Because of an effort to increase course success, persistence and graduation rates, PCCUA recently received recognition in the Leah Meyer Austin Institutional Student Success Leadership competition for its reinvented approach to teaching. The college increased its course success rates from 57 percent for the 2004-06 cohorts to 78 percent for the 2010 cohort.
- One of two Arkansas colleges receiving Achieving the Dream Leader College status, PCCUA has effectively used this recognition to restructure its service to students and was commended for responding to this issue by engaging employees in group reading discussions concerning racism and poverty.
- The PCCUA-Stuttgart Grand Prairie Center (GPC) just began its second performance series, which will feature opportunities for some of the artists to reach out to younger audiences with free shows for school children and special workshops and opportunities for some of the artists to connect with the community.

### UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE

Established: 1975  
Joined System: 1997  
Enrollment: 1,353  
[www.uaccb.edu](http://www.uaccb.edu)

### AT A GLANCE

The University of Arkansas Community College at Batesville (UACCB) serves a four-county area in north central Arkansas, offering associate degrees, technical certificates, certificates of proficiency, adult education (GED and ESL) and kids' college. Accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools, the campus has expanded program offerings and student services over the last five years in order to meet its student-focused mission. Supported by an Independence County sales tax, UACCB provides affordable access to technical education and college transfer programs that meet the diverse higher education needs of the citizens of north central Arkansas.

### POINTS OF PRIDE

- UACCB is proud to provide Independence Hall to the citizens of the college's service area. In fiscal year 2013, approximately 42,000 citizens attended events held in Independence Hall. Events included educational activities K-16, economic development activities and cultural events all of which encompass the UACCB mission.
- UACCB is proud to partner with city and county government to develop a fire training facility on the UACCB campus through a grant funded opportunity. The fire training center will promote fire safety training, civic responsibility, and encourage lifelong learning while providing for a safer community.

## UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE

Year Established: 1965

Joined System: 1996

Enrollment: 1,469

[www.uacch.edu](http://www.uacch.edu)

### AT A GLANCE

Serving Southwest Arkansas, the University of Arkansas Community College at Hope (UACCH) offers the first two years of a traditional college education transferable to a four-year university, as well as an array of certificate programs to prepare students for an ever-changing workforce. UACCH is an accredited, open-access institution that connects students and community partners to quality education and supports a culture of academic, occupational, personal growth and enrichment programs throughout Southwest Arkansas. With the opening of UACCH-Texarkana Instructional facility in the Fall of 2012, UACCH is better prepared to be a regional contributor to the educational needs of southwest Arkansas. Supported by a Hempstead County sales tax, UACCH offers over 46 degrees and certificates.

### POINTS OF PRIDE

- UACCH celebrated the opening of Hempstead Hall on the campus in January, 2013. The 63,000 square-foot multi-purpose facility houses an auditorium, convention center and community space. Since it's opening, Hempstead Hall has hosted 199 events and 30,492 guests. The bonds that funded the \$10 million project were issued by the county and funded by a special local sales tax. The county was able to retire the bonds in the fall of 2013, several years ahead of schedule.
- UACCH opened its first off-campus instructional center in Texarkana, Miller County, Arkansas in the fall of 2012. The UACCH-Texarkana campus celebrated its opening with historic area enrollment for the institution. Fall 2013 enrollment for UACCH-Texarkana increased 35 percent over the first year. In response to overwhelming student demand and support, UACCH will begin construction of an additional 18,000-20,000 square-foot educational building at UACCH-Texarkana in the spring of 2014.
- UACCH just launched its Institutional Dashboard System. Our "Dashboard" is a set of succinct and visual representations the College uses to present the status of key performance measures. It makes information and data the most readily accessible that has ever been available on campus. Data displays to those who make decisions of the key elements of the College's mission, vision, and strategic direction are immediately obtainable, visual, utilizable, and communicable. College personnel now have an enhanced, interactive system of the College's current state of affairs with augmented information to evaluate performance and strategically improve the institution.

## UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON

Established: 1961

Joined system: 2001

Enrollment: 2,140

[www.uaccm.edu](http://www.uaccm.edu)

### AT A GLANCE

The University of Arkansas Community College at Morrilton (UACCM) is a two-year institution offering university-transfer and career-specific training programs, adult education, workforce education and community outreach programs. UACCM offers associate of arts and associate of science degrees designed for university transfer, as well as associate of applied science degrees, technical certificates

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and certificates of proficiency designed for immediate entry into the job market. UACCM is supported by a Conway County sales tax.

### POINTS OF PRIDE

- UACCM has seen an enrollment increase of more than 660 percent since becoming a two-year college in 1991 and a 107 percent increase since merging with the UA System in 2001.
- UACCM offers the state's only Associate of Applied Science degree in Petroleum Technology. To date, the state's natural gas industry has donated over \$500,000 in scholarships to UACCM petroleum technology majors.
- The UACCM registered nursing students, along with students from the seven other community colleges enrolled in the 2011 Arkansas Rural Nursing Education Consortium (ARNEC) program, had the second highest pass rate of all RN programs in the state on the National Council Licensure Examination comprehensive predictor test.

### ARKANSAS SCHOOL FOR MATHEMATICS, SCIENCES AND THE ARTS

Established: 1993  
Joined System: 2004  
[asmsa.org](http://asmsa.org)

### AT A GLANCE

The Arkansas School for Mathematics, Sciences and the Arts (ASMSA) is the state's premier high school focusing on excellence in math, science and the arts. Located in Hot Springs, ASMSA is one of 15 residential high schools in the country specializing in the education of gifted and talented students who have an interest and aptitude for advanced careers in mathematics and science. All classes are taught at the college level, and the school offers over 50 courses for college credit. Each year, ASMSA turns out highly competitive graduates, many of whom start college at the sophomore level.

### POINTS OF PRIDE

- *Newsweek* and The Daily Beast recognized ASMSA as one the top programs in the nation in their 2013 survey of "America's Best High Schools." ASMSA was ranked 13<sup>th</sup> nationally, 9<sup>th</sup> in the South, and 1<sup>st</sup> in Arkansas.
- The 95 members of the ASMSA Class of 2013 received more than \$10 million in scholarship offers. The school's 1,935 graduates have earned more than \$160 million in scholarship offers. On average, two-out-of-three ASMSA alumni elect to continue their studies at Arkansas colleges and universities.
- In 2013, ASMSA students received an average ACT composite score of 28.6. The average composite score for the state was 20.2, and the national average was 20.9.
- Over the last decade, 27 ASMSA students have competed at the Intel International Science and Engineering Fair. Five students have been honored in their categories in the world's leading competition for emerging scientists and engineers.
- The ASMSA Office of Distance Education is a comprehensive K-12 distance-learning provider. ASMSA ODE currently serves more than 3,000 students in over 100 districts offering compressed interactive video course work in virtually all disciplines.

## UNIVERSITY OF ARKANSAS CLINTON SCHOOL OF PUBLIC SERVICE

Established: 2004

[www.clintonschool.uasys.edu](http://www.clintonschool.uasys.edu)

### AT A GLANCE

Located on the grounds of the William J. Clinton Presidential Center and Park in Little Rock, the University of Arkansas Clinton School of Public Service is the first graduate school in the nation to offer a Master of Public Service (MPS) degree, helping students further their careers in the areas of government, non-profit, volunteer and private sector service. As part of the school's unique curriculum, students complete three hands-on public service projects, including local work in Arkansas communities and international projects on six continents. The school also hosts a renowned public lecture series, featuring leaders in government, politics, foreign policy, journalism and philanthropy.

### POINTS OF PRIDE

- Through the Clinton School's unique Master of Public Service degree program, its students have completed over 170,000 hours of direct field service work, which translates to a community impact valued at \$2.7 million.
- The school graduated its seventh class of 32 students in May. In seven cohorts, 165 students have now completed the program. The school boasts an 85 percent graduation rate and an 85 percent career-placement rate. Graduates have landed jobs with organizations including the Clinton Foundation, the World Bank, the Walmart Foundation, Habitat for Humanity International, City Year, and more.
- Since the Clinton School Speaker Series began in 2006, the school has hosted more than 800 public programs featuring leaders in government, politics, business, foreign policy, journalism and philanthropy addressing issues in public service. These programs have drawn an attendance of more than 145,000 people, and they have been viewed online by over 118,000 people in 184 countries. The series has featured 6 Nobel Prize winners, 19 Pulitzer Prize winners, 37 ambassadors, 9 former presidents, 13 U.S. Senators, 9 former Secretaries, 5 current cabinet members, 13 governors, and 3 NFL players.

## DIVISION OF AGRICULTURE

Established: 1959

[www.division.uaex.edu](http://www.division.uaex.edu)

### AT A GLANCE

The University of Arkansas System Division of Agriculture is the statewide research and extension institution serving Arkansas agriculture, communities, families and youth. The mission of the Division is to discover new knowledge, incorporate it into practical applications and assist Arkansans in its application. With a presence in all 75 counties, the division is comprised of two principal units: the Agricultural Experiment Station and the Cooperative Extension Service. Division faculty and facilities are located on five university campuses, at five regional research and extension centers, eight branch stations and numerous other locations. An extension office is located in each county in cooperation with county governments.

The community of Arkansas agriculture impacts about 260,000 people, whose jobs directly or indirectly depend on agriculture, including the forestry sector. The \$10.1 billion they receive in wages is more than 15 percent of the state's total labor income. Agriculture accounts for more than \$17 billion of value added

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to the state's economy and 16.5 percent of Gross State Product, not counting retail food sales. This is almost twice as large as the norm for the southern region.

### POINTS OF PRIDE

- In spite of a wet and cold start in 2013, Arkansas crop producers using Division recommendations set new yield and production records in corn (182 bu/A; 855,000 acres harvested); new record yield for rice at 168 bu/A; new record yield for soybean of 45 bu/A over 3.2 million acres harvested; a record yield of 1120 lb/A for cotton; and a record yield for wheat of 62 bu/A <http://arkansasagnews.uark.edu/7925.htm>.
- Soybean harvest saw the 100 bushel per acre barrier shattered by at least three growers and certified by Division extension agents in the Arkansas River Valley and Southeast Arkansas production areas. <http://www.uaex.edu/news/august2013/0830ArkSoybeanRecord.html#.Uo-ShnCsh8E>.
- The Division of Agriculture soybean breeding program released two more conventional soybean varieties to support the largest soybean production system in the South. These varieties have high yield, good adaptation to Mid-South growing conditions, and high quality traits. They also will fit the developing Non-GMO niche market currently developing in the United States <http://arkansasagnews.uark.edu/7786.htm>.
- The Division of Agriculture fruit breeding program released four new table grapes and a new blackberry variety in late 2012, with worldwide interest <http://arkansasagnews.uark.edu/7196.htm>.
- Herbicide resistant weeds have become the major production constraint for most crops in the Arkansas Delta, now adversely affecting millions of acres [http://www.aragriculture.org/weeds/herbicide\\_resistance.pdf](http://www.aragriculture.org/weeds/herbicide_resistance.pdf). Division scientists have led the effort to find solutions the past eight years, helping to develop and validate new herbicide technology as well as making basic discoveries in the sustainable value of adapted cover crops. In 2013, the Division hosted three “spray schools” attended by more than 300 growers, demonstrating the principles of proper application and management of herbicide resistant weeds.
- Division of Agriculture Extension Poultry Science faculty responded to the Avian Influenza outbreak in western Arkansas by educating 300 backyard poultry owners in 12 counties surrounding the outbreak on principles of biosecurity and poultry health. This effort should help reduce future risks of disease outbreaks in the Arkansas poultry industry.
- Discovery Farm: Discovery Farms provide monitoring, demonstration and research on best management practices for plant nutrient and sediment loss reduction on real, working farms. Results may be used by various conservation partners for education or the development of plans and regulations, including the State Water Plan.

### CRIMINAL JUSTICE INSTITUTE

Established: 1988

[www.cji.edu](http://www.cji.edu)

### AT A GLANCE

The Criminal Justice Institute (CJI) is a campus of the University of Arkansas System that serves a unique population of non-traditional students—certified law enforcement professionals who are actively employed within our State's police departments and sheriff's offices. The Institute is committed to making communities safer by supporting law enforcement professionals through training, education, resources and collaborative partnerships. Utilizing both classroom-based instruction and practical, hands-on application, CJI provides an educational experience designed to enhance the performance and professionalism of law enforcement in progressive areas of criminal justice, including law enforcement leadership and management, forensic sciences, computer applications, traffic safety, illicit drug investigations and school safety.

## POINTS OF PRIDE

- In fiscal year 2013, CJI delivered 276 classes in 44 different locations statewide benefiting more than 7,000 law enforcement professionals.
- Twenty-two colleges and universities across the State are collaborating with CJI to provide Arkansas law enforcement with practitioner-oriented certificates and associate degree programs in two areas of study: Crime Scene Investigation and Law Enforcement Administration. Courses provided by CJI are free of charge, allowing officers to complete these programs at a fraction of the normal cost.
- CJI continues to expand the availability of online programs. The implementation of distance-learning strategies is eliminating many of the barriers officers face in obtaining advanced education and training by allowing officers to complete courses at their own pace and within their community.

## ARKANSAS ARCHEOLOGICAL SURVEY

Established: 1967

[www.uark.edu/campus-resources/archinfo/](http://www.uark.edu/campus-resources/archinfo/)

### AT A GLANCE

The mission of the Arkansas Archeological Survey is to study and protect the 13,000-year archeological heritage of Arkansas, to preserve and manage information and collections from archeological sites and to communicate what is learned to the people of the state. The survey has 11 research stations across the state, each with a full-time Ph.D. archeologist associated with regional higher education institutions and state parks. The archeologists conduct research, assist other state and federal agencies to help promote the economic importance of the state's heritage resources, and are available to local officials, amateur archeologists, landowners, educators and students in need of information about archeology or archeological sites.

### POINTS OF PRIDE

- The Survey's projects are funded in large part by cost-share agreements with state and federal agencies, and by grants from NEH, AHC, and ANCR. This research enables us to provide training for university students, educational enrichment opportunities for educators and for the public, collaboration with American Indian Tribes, and assistance to Arkansas communities and institutions.
- New archeological research includes a collaborative project with the Caddo, Osage, and Quapaw tribes, funded by a major "We the People" grant from NEH, to investigate 17th century American Indian lifeways along the Arkansas River. Assisted by an international team of scholars, we are using cutting-edge geophysical technologies to investigate mound and plaza areas at Toltec Mounds, one of the largest Indian mound sites of the Southeast, to provide interpretive information for Toltec Archeological State Park. Other excavations revealed portions of a defensive palisade at the Parkin site (visited by Hernando DeSoto in 1541), which will help interpretive development at Parkin Archeological State Park; surveys at Camp Monticello, an Italian prisoner-of-war camp, that begins part of a larger project on the World War II home front in southeast Arkansas; and excavations conducted in cooperation with the Ouachita National Forest at an important Indian habitation site in Montgomery County as part of our 45-year-old model Training Program and field school for members of the Arkansas Archeological Society.
- The Survey's educational websites provide valuable information and learning exercises about Arkansas's prehistoric and early historic past, and Arkansas Indians, used by teachers and students across the state. Each year, nearly 250,000 individuals access these resources. In 2013, Survey staff developed a new website on the prehistoric and historic use of novaculite, an

important Arkansas geological resource. The website includes an interactive map where users across the country can add information on Arkansas novaculite finds, creating a valuable “crowd-sourced” research tool.

- The Survey has conducted research recently at several Civil War related sites, including Prairie Grove Battlefield State Park (in cooperation with Arkansas Department of Parks and Tourism), Pea Ridge National Military Park, and Dooley’s Ferry and Wallace’s Ferry in southwest Arkansas. This work contributes new information to existing knowledge of battlefield landscapes, and reveals the lives of civilians on the Confederate home front in the context of Arkansas’s commemoration of the Civil War Sesquicentennial.

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