



UNIVERSITY OF ARKANSAS SYSTEM
 Consolidated Financial Statements
 FY2013-14

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Table of Contents

Board of Trustees & Administrative Officers.....	Inside Front Cover
Letter of Transmittal.....	3
Independent Auditor’s Report.....	4
Management Discussion & Analysis.....	6
Five Year Summary of Key Financial Data.....	14
Five Year Summary of Key Student Data.....	15
Consolidated Financial Statements	
Statement of Net Position.....	16
Statement of Revenues, Expenses, and Changes in Net Position.....	17
Statement of Cash Flows.....	18
Discreetly Presented Component Units	
University of Arkansas Foundation, Inc.	20
University of Arkansas Fayetteville Campus Foundation, Inc.	21
Campus Financial Statements	
Statement of Net Position.....	22
Statement of Revenues, Expenses, and Changes in Net Position.....	23
Statement of Cash Flows.....	24
Notes to Financial Statements	
Note 1: Summary of Significant Accounting Policies.....	26
Note 2: Reporting Entity.....	29
Note 3: Hospital Revenue.....	30
Note 4: Compensated Absences.....	31
Note 5: Cash, Cash Equivalents and Investments.....	33
Note 6: Income Taxes.....	38
Note 7: Bonds, Notes, Capital Leases and Installment Contracts.....	38
Note 8: Commitments.....	50
Note 9: Short-Term Borrowing.....	51
Note 10: Capital Assets.....	52
Note 11: Risk Management.....	52
Note 12: Employee Benefits.....	53
Note 13: Other Postemployment Benefits (OPEB).....	56
Note 14: Other Organizations.....	62
Note 15: Natural & Functional Classification of Operating Expenses.....	71
Note 16: Contingencies.....	71
Note 17: Elimination of Inter-Company Transactions.....	72
Note 18: Disaggregation of Accounts Receivable and Accounts Payable.....	73
Note 19: Joint Endeavor.....	73
Note 20: Related Parties.....	74
Note 21: Prior Year Restatements.....	75
Note 22: Subsequent Events.....	76
Required Supplementary Information.....	78
Supplemental Information – Points of Pride.....	80
Campus Administrators.....	Inside back cover

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December 15, 2014

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, 2014, with comparative data as restated 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: UAF (University of Arkansas Fayetteville, including Agricultural Experiment Station, Cooperative Extension Service, Arkansas Archeological Survey, Criminal Justice Institute, and 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, including University of Arkansas System eVersity).

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.

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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, 2014, 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 34% and 49%, 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 report has 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 report 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, 2014, 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.

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Emphasis of Matter

As discussed in Note 21 to the financial statements, the 2013 financial statements have been restated due to the adoption of Governmental Accounting Standards Board Statement no. 65, *Items Previously Reported as Assets and Liabilities*, and 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 2013 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 18, 2013. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2013, 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 5, 2014 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 5, 2014
EDHE14114

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, 2014, with the fiscal year 2013 prior year data presented for comparative purposes. The data presented include 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, eVersity, 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, the Vice President for Agriculture, the Dean of the Clinton School, the Director of the Criminal Justice Institute, the Director of Archeological Survey, and the Director of Arkansas School for Mathematics, Sciences and the Arts, 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, deferred outflows, liabilities, deferred inflows, 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

The statement of net position presents the financial position of the University and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The sum of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources is net position, which is an indicator of the current financial condition of the University. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, there is a decrease in net position. Over time, increases or decreases in an institution’s net position are one, but not the only, indicator of whether its financial health is improving or diminishing.

UNIVERSITY OF ARKANSAS SYSTEM: Management Discussion and Analysis

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. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally measured using current values, with the exception of capital assets, which are stated at historical cost less accumulated depreciation.

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.

Condensed Statement of Net Position

	June 30, 2014	June 30, 2013
ASSETS		
Current assets	\$ 815,366,316	\$ 828,536,348
Capital assets, net	2,588,971,402	2,511,847,964
Other assets	436,958,448	450,987,464
Total Assets	\$ 3,841,296,166	\$ 3,791,371,776
DEFERRED OUTFLOWS OF RESOURCES	\$ 15,057,640	\$ 15,849,994
LIABILITIES		
Current liabilities	\$ 267,910,051	\$ 282,055,791
Noncurrent liabilities	1,444,471,269	1,435,931,889
Total Liabilities	\$ 1,712,381,320	\$ 1,717,987,680
NET POSITION		
Net Investment in Capital Assets	\$ 1,361,813,338	\$ 1,322,883,554
Restricted		
Non-Expendable	\$ 67,095,362	\$ 62,673,845
Expendable	232,118,779	206,205,496
Unrestricted	482,945,007	497,471,195
Total Net Position	\$ 2,143,972,486	\$ 2,089,234,090

The University's total assets increased \$49.9 million, resulting from several offsetting variances, including an increase of \$41.7 million in cash and investments. An increase of \$4.7 million in patient accounts receivable resulted from additional net patient service revenue experienced by UAMS. Accounts receivable decreased \$13.0 million, half of which is directly related to the increase that UAMS experienced in fiscal year 2013. Deposits with bond trustees, representing unspent debt proceeds and bond reserve funds, decreased \$60.4 million, and are directly related to the increase of \$77.1 million in capital assets.

UNIVERSITY OF ARKANSAS SYSTEM: Management Discussion and Analysis

Deferred outflows of resources consist of deferred amounts on refinancing of debt. Prior to the adoption of GASB Statement No. 65, these deferred amounts were included with the debt liability. The deferred outflows decreased \$0.8 million from the fiscal year's amortization.

Total liabilities decreased \$5.6 million and also resulted from several offsetting variances. Estimated third party payor settlements related to the Medicare and Medicaid programs at UAMS increased \$6.1 million. Compensated absences (see Note 4) and other post-employment benefits (see Note 13) increased a total of \$6.3 million. Accounts payable and other accrued liabilities decreased \$14.3 million. The liability for bonds, notes, capital leases and installment contracts decreased \$3.7 million.

The increase in assets of \$49.9 million netted against decreases of \$0.8 million in deferred outflows of resources and \$5.6 million in liabilities resulted in an increase of \$54.7 million in total net position for the University.

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 losses of \$689.1 million and \$629.4 million in fiscal years 2014 and 2013, respectively, are 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, 2014	June 30, 2013
Operating revenues	\$ 1,841,967,925	\$ 1,818,872,452
Operating expenses	2,531,083,604	2,448,232,959
Operating Loss	(689,115,679)	(629,360,507)
Non-operating revenues and expenses	694,316,513	687,194,519
Income before other revenues and expenses	5,200,834	57,834,012
Other revenues and expenses	49,537,562	24,048,887
Increase in Net Position	54,738,396	81,882,899
Net Position, beginning of year restated	2,089,234,090	2,007,351,191
Net Position, end of year	\$ 2,143,972,486	\$ 2,089,234,090

Operating revenue increased \$23.1, due to several factors. An increase of \$32.8 million in net patient services revenue is due primarily to an increase in third party payor rates, higher acuity cases, and an increase in professional fees. Net student tuition and fees increased \$20.3 million, 81% of which was a reflection of continued record enrollment growth and rate revisions at the Fayetteville campus. Other operating revenue decreased \$22.1 million due in large part to recognition and receipt in fiscal year 2013 of a nonrecurring refund of \$13.6 million to UAMS from the Internal Revenue Service for Federal Insurance Contributions Act (FICA) taxes paid on wages

for medical residents for calendar years 1996 through 1999. Athletic income decreased \$4.7 million, largely due to changes in football game scheduling on the Fayetteville campus that resulted in loss of ticket sales due to one less home game and added travel expense. Grants and contracts collectively decreased \$7.1 million, mainly due to activity on three campuses. UAMS experienced decreases of \$6.5 million, largely from decreased funding from the Department of Health and Human Services and \$4.8 million in state grants due to reduced activity, offset by an increase of \$7.5 million, primarily due to increased contract activity in the College of Medicine. The Fayetteville campus had an increase of \$2.9 million, primarily as a result of timing of certain awards and other cyclical changes. There was a decrease of \$5.6 million for the Little Rock campus due to the completion of some grants.

Total operating expenses increased \$82.8 million, approximately half of which is due to increased compensation and benefit costs of \$41.8 million, or 2.9%, over the previous year. Compensation and benefit expense at UAMS rose a total of \$34.0 million, of which \$16.6 million is related to patient care, primarily due to the staffing required to support increases in the outpatient clinics and emergency room and the clinical complexity of patients in the hospital. Also contributing significantly to the increase at UAMS was the need for additional staff for the final year of the implementation phase of the new integrated clinical software system. Compensation and benefit costs increased \$16.9 million at the Fayetteville campus because of necessary increases in faculty to support enrollment growth along with modest salary increases for faculty and staff. These increases were offset by a decrease in compensation and benefit expense at the Little Rock campus in the amount of \$5.9 million due to an aggressive early retirement package and stringent controls on refilling of vacancies. Expense related to the insurance plan increased \$9.0 million due to a large number of catastrophic claims in the fourth quarter of the fiscal year. The cost of supplies and services increased \$31.7 million, of which \$12.7 million is attributable to UAMS and \$11.6 million to the Fayetteville campus. The increase in depreciation of \$7.0 million is offset by a decrease of \$6.7 million in scholarship expense.

Net non-operating revenues increased by \$7.1 million. This was in large part due to increases of \$13.3 million in state appropriations, and \$15.9 million in investment income, largely due to a positive investment market during the fiscal year, offset by decreases of \$10.0 million in non-exchange grants, \$4.7 million in non-capital gifts, and an increase of \$8.0 million in interest and fees on capital asset-related debt.

Other changes in net position increased \$25.5 million, of which \$21.9 million is an increase in capital appropriations, largely from state General Improvement Funds.

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 amounts of \$193.1 million and \$209.7 million for fiscal years 2014 and 2013, respectively, indicate 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, 2014	June 30, 2013
Cash provided (used) by:		
Operating activities	\$(505,210,405)	\$(487,581,428)
Noncapital financing activities	698,300,455	697,314,020
Sub-Total	193,090,050	209,732,592
Capital and related financing activities	(232,473,613)	(179,836,868)
Investing activities	104,548,370	(26,473,227)
Net change in cash	65,164,807	3,422,497
Cash, beginning of year	376,519,310	373,096,813
Cash, end of year	\$ 441,684,117	\$ 376,519,310

Capital Assets and Long-Term Debt Activity

At June 30, 2014, the University had \$2.6 billion of capitalized assets, net of accumulated depreciation of \$1.9 billion. Net capital additions in fiscal year 2014 totaled \$200.9 million which was offset by a net adjustment to accumulated depreciation of \$123.8 million, resulting in an increase over the previous year of \$77.1 million.

New debt issued for bonds, notes, and capital leases offset by payments of principal caused a net decrease of \$3.7 million in debt for fiscal year 2014. The University issued a total of \$91.7 million in bonds, \$22.3 million of which represents refunding issues. Refunding bond issues include: \$5.3 million to refund Series 2006 for the Fort Smith campus and \$17.0 million to refund Series 2005A for the Pine Bluff campus. The Fayetteville campus issued \$24.7 million (Series 2014A) and \$5.0 million (Series 2014B) to finance the purchase of the Cato Springs Research Center, the renovation and upgrading of the central heating plant, renovating the Field House and converting it into the Jim and Joyce Faulkner Performing Arts Center, the renovation and repurposing of underutilized space in the Agricultural, Food, and Life Science Building into general purpose classrooms, the renovation, improving, equipping, and furnishing of previously purchased buildings to be used as an Art and Design District, and the renovation and expansion of student housing. The Little Rock campus issued \$28.7 million (Series 2013C) to fund a complete campus energy management and conservation program, including upgraded building automation systems and retrofits of pneumatic controls to digital direct controls, retro-commissioning of building HVAC systems, distributed generation, district heating and cooling systems, interior lighting retrofits, and exterior lighting retrofits. The Fort Smith campus issued \$11.0 million (Series 2014B) to construct a student recreation and wellness center. More detailed information about debt activity is presented in Note 7.

Economic Outlook

The University's financial position improved in fiscal year 2014 with an increase of \$54.7 million in net position in spite of a decrease of \$9.3 million, which was the net effect of restatements required by GASB Statement No. 65 (see Note 21). Moody's Investors Service last reaffirmed the University's rating of Aa2 with a stable outlook on June 19, 2014. 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 74.0% of total net position and 86.5% of operating revenues, discussion below is centered on these two campuses.

UAMS

Fiscal year 2014 was a challenging year for UAMS as evidenced by its \$14,534,000 decrease in net position. The transition to the new EPIC integrated clinical information system, which was completed during fiscal year 2014, accounts for some of the change, both in terms of direct project expense incurred during the year as well as the slowdown of patient revenue collection simply due to the system changeover. As UAMS gains experience with this new system, it is anticipated there will be much greater efficiency in the revenue cycle in terms of charge capture, billing, and collections that could yield additional revenue benefits.

Federal support remains an unknown for the future. National Institute for Health research funding is unlikely to return to pre-sequestration levels. Graduate medical education, especially indirect medical education reimbursements, is expected to be reduced, and Medicare disproportionate share (DSH) payments are expected to decline as much as \$1.1 billion nationally over the next couple of years. UAMS' net patient service revenue included \$66.7 million in Medicare DSH payments in fiscal year 2014.

On the positive side, uncompensated care continued to decline dramatically during fiscal year 2014, from about 12% to 4%, as more Arkansas residents signed up for healthcare insurance coverage under Arkansas' private option expansion of Medicaid. This contributed positively to UAMS patient service revenue during the latter part of the fiscal year. There is an expectation that there will be a much more significant impact in fiscal year 2015, adding as much as \$14 million to patient care revenue. UAMS remains highly dependent on patient service revenue, which represents 72.3% of total revenue.

Reductions in state appropriations were implemented for fiscal year 2015 totaling \$14.6 million, though relief in the form of \$7 million of state rainy day funds has been provided to restore part of this reduction. It is also expected that a portion of the funding match to the Arkansas Department of Human Services for Medicaid supplemental funds will be waived in fiscal year 2015. The funding match is approximately \$7.5 million and is used to obtain Medicaid supplemental funding for Arkansas' rural hospitals. This change is expected to become a permanent change to UAMS' matching requirements. Future budget strategies will place greater emphasis on the educational components of UAMS' mission and the importance of that educational mission to the State of Arkansas.

In the next couple of years, UAMS will seek opportunities to invest in its clinical and campus infrastructure in order to sustain growth, target opportunities for additional patient referrals by expanding its primary care footprint in the State, and take advantage of clinical opportunities in key specialties through statewide partnerships. A new primary care clinic recently opened in west Little Rock, Arkansas. Through its newly created Center for Health and Economic Development, UAMS launched provider service initiatives with Saline Memorial Hospital in Benton, Arkansas and CHI St. Vincent Hospital. Plans to refinance bonds, to take advantage of the lower interest rate environment, will help provide added revenue to support these initiatives and others.

UAMS is continuing its performance excellence program and beginning to implement its new service line strategy that was developed in fiscal year 2013. Four service lines are planned to go into operation in fiscal year 2015 that will bring together clinical components of the College of Medicine, the Hospital, and Clinics into an integrated clinical enterprise: Cancer, Behavioral Health, Women's Health, and Primary Care. To support the many operational changes this initiative will require, efforts have begun to transform the organizational structure in finance, human resources, and a few other areas. It is expected that all of these efforts, together with the many projects underway to improve the efficiency and effectiveness of processes, will result in improved patient care and better service to students and the community, while resulting in cost reduction and increased revenue.

UAMS recently completed the organizational consolidation of registration, student records, student accounts, and student financial assistance operations and has begun standardizing processes in these areas. These changes were necessary to accommodate the implementation of the new student information system which remains on target for a Fall 2015 implementation.

While there are many positive changes occurring that will lead to a more efficient and effective operating environment at UAMS, management understands that many challenges remain to reaching goals and objectives. At the same time, management is committed to pursuing these goals, sustaining financial viability, and serving the needs of its patients, students, and community stakeholders. Through the strategies UAMS has adopted, the institution will be well-positioned to address the impact of the changes occurring in healthcare.

Fayetteville

Enrollment records continue to be broken, with a preliminary figure of 26,237, an increase of 896, for fall 2014. This marks the first time the flagship campus has exceeded 26,000 students. Undergraduate enrollment is up 3.9%. Graduate enrollment increased 2% and the enrollment at the School of Law decreased 2.8%. Since 2008, enrollment has increased 37%, or more than 7,100 students. This growth trend led the *Chronicle of Higher Education* to rank the Fayetteville campus as the 7th fastest growing public research university in the country. The campus has also experienced a steady improvement in both academic quality and diversity.

The campus continues to build momentum for its next comprehensive fundraising campaign. Fundraising production totals for private gift support has exceeded \$100 million for four consecutive years. Production amounts include gifts of cash, gifts-in-kind, planned gifts, and new pledges. In fiscal year 2014, the campus recognized \$113.3 million of private gift support, surpassing its goal of \$108 million. This support is critical to ensure success for students and faculty and is a fundamental component in meeting budgetary needs. Support received from alumni, friends, organizations, faculty, and staff enhances all aspects of the student experience, including academic and need-based scholarships; technology enhancements; new and renovated facilities; undergraduate, graduate and faculty research; student abroad opportunities; and innovative programs. Virtually all private gifts are received by the University of Arkansas Foundation.

New Initiative

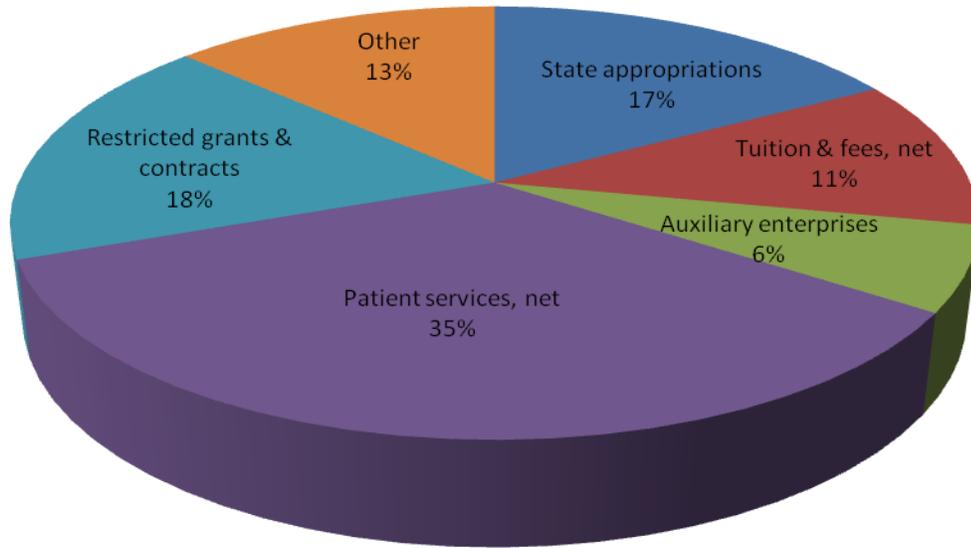
At its meeting on March 21, 2014, the Board of Trustees adopted a resolution establishing the University of Arkansas System eVersity (UASe), a complete online university that will seek its own accreditation. Faculty will be composed of faculty from all UA System campuses who express a desire to work with UASe. Early efforts will be focused on enrolling traditionally unserved and underserved Arkansans. Hiring for full-time staff has begun, and it is anticipated that the first degree programs will be available beginning in October, 2015. UASe received \$2 million in state General Improvement Funds in fiscal year 2014 that will help fund start-up costs.

All Campuses

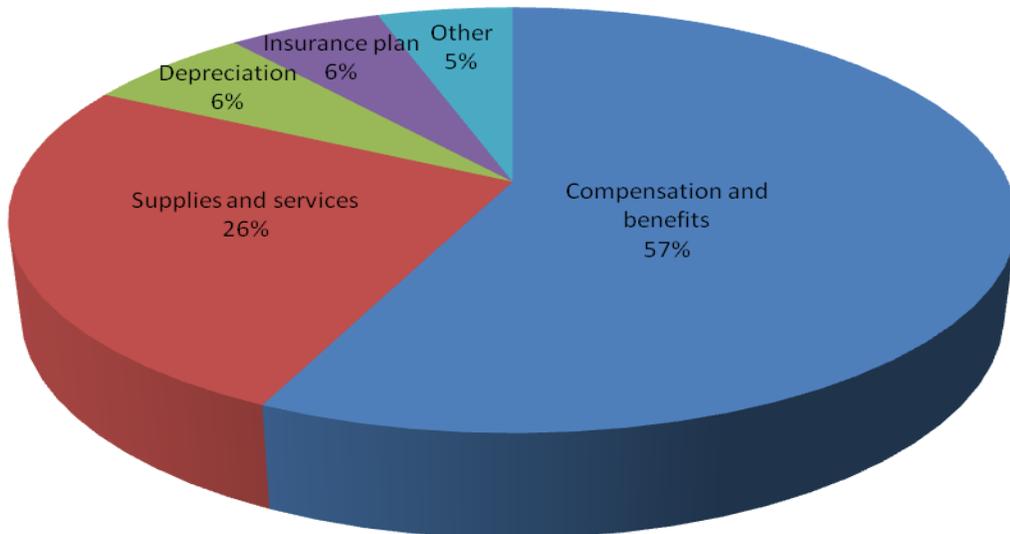
Financial support from state government for all campuses remains a critical element to the continued financial health of the University. Arkansas appears to have successfully weathered the effects of the national economic crisis, as general revenue forecasts are positive and the state budget remains balanced. Excluding the reductions for UAMS as discussed above, state funding in fiscal year 2015 remains relatively flat with some, but not all, campuses receiving increases that total \$2.9 million. Management will continue to budget conservatively and to emphasize cost containment.

From the fall semester of 2009 to the fall semester of 2014, the number of full-time equivalent students has increased 8.9% from 45,284 to 49,310, and headcount has increased 4.1% from 59,661 to 62,109.

FY14 Revenues \$2.631 Billion



FY14 Expenses \$2.578 Billion



FIVE YEAR SUMMARY OF KEY FINANCIAL DATA

	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Operating Revenues					
Tuition and fees, net	\$ 295,422,375	\$ 275,084,672	\$ 250,856,349	\$ 221,756,700	\$ 214,828,525
Patient revenue, net	919,366,000	886,577,000	876,544,000	868,685,000	834,821,000
Federal and county appropriations	16,493,123	17,028,573	14,998,255	13,975,256	13,883,529
Grants and Contracts	314,008,446	321,126,655	365,262,370	319,888,263	298,494,991
Sales and services of educ depts	58,197,719	56,376,967	57,750,494	52,760,980	53,703,089
Insurance plan	43,296,032	43,802,468	41,906,125	41,061,956	41,134,170
Auxiliary enterprises	166,242,253	167,875,096	164,638,959	148,625,941	146,470,797
Other	28,941,977	51,001,021	30,332,695	22,936,597	20,599,300
Total operating revenues	\$ 1,841,967,925	\$ 1,818,872,452	\$ 1,802,289,247	\$ 1,689,690,693	\$ 1,623,935,401
Operating Expenses					
Compensation and benefits	\$ 1,467,393,492	\$ 1,425,598,007	\$ 1,382,287,125	\$ 1,312,312,613	\$ 1,275,026,612
Supplies and services	660,578,459	628,874,631	652,774,990	611,242,986	597,901,714
Scholarships and fellowships	86,396,670	93,059,279	95,485,181	103,128,338	73,905,394
Insurance plan	151,517,415	142,467,947	141,182,749	133,629,624	121,438,620
Depreciation	165,197,568	158,233,095	148,160,061	142,557,108	145,899,504
Total operating expenses	\$ 2,531,083,604	\$ 2,448,232,959	\$ 2,419,890,106	\$ 2,302,870,669	\$ 2,214,171,844
Operating loss	\$ (689,115,679)	\$ (629,360,507)	\$ (617,600,859)	\$ (613,179,976)	\$ (590,236,443)
Nonoperating Revenues and Expenses					
State appropriations	\$ 444,544,715	\$ 431,252,786	\$ 425,672,916	\$ 426,443,808	\$ 431,109,864
Property and sales tax	12,303,561	11,674,780	12,194,886	11,648,766	10,842,771
Grants and contracts	147,597,024	157,605,951	162,026,457	177,848,289	122,756,795
Gifts	96,438,382	101,145,251	88,575,906	74,473,961	81,825,145
Investment income, net	40,177,645	24,228,708	14,843,356	35,355,451	36,634,335
Interest on capital-related debt	(46,516,830)	(38,498,129)	(41,530,288)	(43,686,367)	(40,602,707)
Other	(227,984)	(214,828)	1,205,278	229,835	670,613
Total nonoperating revenues & expenses	\$ 694,316,513	\$ 687,194,519	\$ 662,988,511	\$ 682,313,743	\$ 643,236,816
Other Changes in Net Position					
Capital appropriations	\$ 23,160,667	\$ 1,241,482	\$ 4,315,381	\$ 5,012,936	\$ 6,634,818
Capital grants and gifts	26,030,024	23,653,645	55,709,101	31,590,946	22,917,521
Bond proceeds from Act 1282 of 2005			-	-	25,063,768
Other	346,871	(846,240)	(102,600)	1,014,487	1,449,860
Total Other Change in Net Position	\$ 49,537,562	\$ 24,048,887	\$ 59,921,882	\$ 37,618,369	\$ 56,065,967
Total Increase in Net Position	\$ 54,738,396	\$ 81,882,899	\$ 105,309,534	\$ 106,752,136	\$ 109,066,340
Net Position					
Net Investment in Capital Assets	\$ 1,361,813,338	\$ 1,322,883,554	\$ 1,291,051,352	\$ 1,217,021,877	\$ 1,214,124,374
Restricted - Non-Expendable	67,095,362	62,673,845	60,292,554	58,052,936	52,337,549
Restricted - Expendable	232,118,779	206,205,496	206,898,934	186,430,078	178,247,610
Unrestricted	482,945,007	497,471,195	456,558,745	447,987,160	357,547,253
Total Net Position	\$ 2,143,972,486	\$ 2,089,234,090	\$ 2,014,801,585	\$ 1,909,492,051	\$ 1,802,256,786

Note: Net Position, End of Fiscal Year 2012, was decreased by \$7,450,394 from amount shown above as a cumulative adjustment due to GASB Statement No. 65

UNIVERSITY OF ARKANSAS SYSTEM: Five Year Summary of Key Student Data

Enrollment					
Fall Semester	2014*	2013	2012	2011	2010
Undergraduate Students (Headcount)	52,990	53,792	54,127	53,665	52,382
Graduate Students (Headcount)	9,119	9,071	8,955	9,011	9,187
Total	62,109	62,863	63,082	62,676	61,569
Undergraduate Students (FTE)	42,949	43,760	43,615	42,524	41,189
Graduate Students (FTE)	6,361	6,348	6,226	5,940	5,970
Total	49,310	50,108	49,841	48,464	47,159

Degrees Awarded					
Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Certificates	2,034	1,928	2,027	2,362	2,113
Associate	2,144	1,863	1,907	1,957	1,831
Baccalaureate	7,046	6,281	6,165	5,682	5,140
Post-Baccalaureate	128	118	106	147	124
Master's	1,905	1,987	1,969	1,918	1,826
Post-Master's	7	45	28	21	16
Doctoral	246	264	235	215	208
First Professional	544	549	520	518	521
Total	14,054	13,035	12,957	12,820	11,779

*Preliminary Data from Arkansas Department of Higher Education

UNIVERSITY OF ARKANSAS SYSTEM: Consolidated Financial Statements FY14

**UNIVERSITY OF ARKANSAS
Statement of Net Position
June 30, 2014
with comparative figures at June 30, 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 406,381,924	\$ 352,984,223
Investments	135,590,928	184,309,436
Accounts receivable, net of allowances of \$18,998,506 & \$23,480,970	108,292,555	121,247,557
Patient accounts receivable, net of allowances of \$447,121,000 & \$468,282,000	113,067,000	108,398,000
Inventories	28,945,306	26,778,253
Deposits and funds held in trust by others	8,229,610	17,930,766
Notes receivable, net of allowances of \$840,542 & \$879,894	5,685,920	5,585,735
Other assets	<u>9,173,073</u>	<u>11,302,378</u>
Total current assets	<u>815,366,316</u>	<u>828,536,348</u>
Non-Current		
Cash and cash equivalents	35,302,193	23,535,087
Investments	237,324,953	212,031,516
Notes receivable, net of allowance of \$4,574,933 & \$4,758,642	36,961,706	37,658,910
Deposits and funds held in trust by others	126,513,611	177,170,529
Other non-current assets	855,985	591,422
Capital assets, net of depreciation of \$1,938,952,435 & \$1,815,112,141	<u>2,588,971,402</u>	<u>2,511,847,964</u>
Total non-current assets	<u>3,025,929,850</u>	<u>2,962,835,428</u>
TOTAL ASSETS	<u>\$ 3,841,296,166</u>	<u>\$ 3,791,371,776</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt refunding	<u>\$ 15,057,640</u>	<u>\$ 15,849,994</u>
LIABILITIES		
Current		
Accounts payable and other accrued liabilities	\$ 124,455,375	139,160,719
Unearned revenue	39,489,195	40,460,130
Funds held in trust for others	5,884,830	5,230,432
Liability for future insurance claims (Note 12)	14,524,000	14,792,000
Estimated third party payor settlements	6,335,000	267,000
Compensated absences payable - current portion (Note 4)	5,264,931	4,990,263
Bonds, notes, capital leases and installment contracts payable - current portion (Note 7)	<u>71,956,720</u>	<u>77,155,247</u>
Total current liabilities	<u>267,910,051</u>	<u>282,055,791</u>
Non-Current		
Unearned revenues, deposits and other	1,937,045	1,020,566
Refundable federal advance - Perkins loans	16,744,030	16,665,969
Compensated absences payable (Note 4)	75,393,586	73,504,371
Liability for other postemployment benefits (Note 13)	49,993,475	45,808,127
Bonds, notes, capital leases and installment contracts payable (Note 7)	<u>1,300,403,133</u>	<u>1,298,932,856</u>
Total non-current liabilities	<u>1,444,471,269</u>	<u>1,435,931,889</u>
TOTAL LIABILITIES	<u>\$ 1,712,381,320</u>	<u>\$ 1,717,987,680</u>
NET POSITION		
Net Investment in Capital Assets	\$ 1,361,813,338	\$ 1,322,883,554
Restricted		
Non-Expendable		
Scholarships and fellowships	10,696,313	10,306,262
Research	6,199,736	6,186,351
Other	50,199,313	46,181,232
Expendable		
Scholarships and fellowships	21,285,927	23,062,427
Research	51,114,193	42,643,251
Public service	10,370,271	13,470,872
Capital projects	109,940,006	96,913,540
Other	39,408,382	30,115,406
Unrestricted	<u>482,945,007</u>	<u>497,471,195</u>
TOTAL NET POSITION	<u>\$ 2,143,972,486</u>	<u>\$ 2,089,234,090</u>

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Consolidated Financial Statements FY14

UNIVERSITY OF ARKANSAS Statement of Revenues, Expenses, and Changes in Net Position For The Year Ended June 30, 2014 with comparative figures for 2013

	Year Ended	
	June 30, 2014	June 30, 2013
Operating Revenues		
Student tuition & fees, net of scholarship allowances of \$133,103,566 & \$132,345,027	\$ 295,422,375	\$ 275,084,672
Patient services, net of contractual allowances of \$1,280,815,000 & \$1,029,435,000	919,366,000	886,577,000
Federal and county appropriations	16,493,123	17,028,573
Federal grants and contracts	160,251,684	174,761,749
State and local grants and contracts	50,934,645	58,385,141
Non-governmental grants and contracts	102,822,117	87,979,765
Sales and services of educational departments	58,197,719	56,376,967
Insurance plan	43,296,032	43,802,468
Auxiliary enterprises		
Athletics, net of scholarship allowances of \$2,295,542 & \$2,317,594	73,757,731	78,501,270
Housing/food service, net of scholarship allowances of \$14,218,567 & \$13,979,018	58,419,313	55,316,209
Bookstore, net of scholarship allowances of \$2,089,649 & \$1,807,319	16,124,978	16,657,307
Other auxiliary enterprises, net of scholarship allowances of \$268,676 & \$287,512	17,940,231	17,400,310
Other operating revenues	28,941,977	51,001,021
Total operating revenues	1,841,967,925	1,818,872,452
Operating Expenses		
Compensation and benefits	1,467,393,492	1,425,598,007
Supplies and services	660,578,459	628,874,631
Scholarships and fellowships	86,396,670	93,059,279
Insurance plan	151,517,415	142,467,947
Depreciation	165,197,568	158,233,095
Total operating expenses	2,531,083,604	2,448,232,959
Operating loss	(689,115,679)	(629,360,507)
Non-Operating Revenues (Expenses)		
State appropriations, net of Medicaid match payments of \$68,620,000 & \$64,638,000	444,544,715	431,252,786
Property and sales tax	12,303,561	11,674,780
Federal grants	93,584,013	97,067,548
State and local grants	52,301,342	58,783,666
Non-governmental grants	1,711,669	1,754,737
Gifts	96,438,382	101,145,251
Investment income (net)	40,177,645	24,228,708
Interest and fees on capital asset-related debt	(46,516,830)	(38,498,129)
Loss on disposal of assets	(1,939,250)	(908,865)
Other	1,711,266	694,037
Net non-operating revenues	694,316,513	687,194,519
Income before other revenues and expenses	5,200,834	57,834,012
Other Changes in Net Position		
Capital appropriations	23,160,667	1,241,482
Capital grants and gifts	26,030,024	23,653,645
Adjustments to prior year revenues and expenses	(16,485)	(864,046)
Other	363,356	17,806
Total other revenues and expenses	49,537,562	24,048,887
Increase in net position	54,738,396	81,882,899
Net Position, beginning of year	2,089,234,090	2,014,801,585
Adjustment due to GASB 65 (Note 21)	-	(7,450,394)
Net Position, beginning of year, restated	2,089,234,090	2,007,351,191
Net Position, end of year	\$ 2,143,972,486	\$ 2,089,234,090

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Consolidated Financial Statements FY14

**UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method
For The Year Ended June 30, 2014
with comparative figures for 2013**

	Year Ended	
	June 30, 2014	June 30, 2013
Cash Flows from Operating Activities		
Student tuition and fees (net of scholarships)	\$ 293,642,112	\$ 269,203,706
Patient and insurance payments	917,156,000	873,740,000
Federal and county appropriations	17,831,447	14,957,499
Grants and contracts	328,688,617	318,733,025
Collection of loans and interest	5,456,944	5,012,571
Insurance plan receipts	42,789,250	43,841,976
Auxiliary enterprise revenues:		
Athletics	75,927,577	73,111,546
Housing and food service	58,053,349	54,957,794
Bookstore	15,754,850	16,446,080
Other auxiliary enterprises	17,884,697	17,117,448
Payments to employees	(1,249,407,526)	(1,221,913,826)
Payment of employee benefits	(211,898,278)	(198,655,498)
Payments to suppliers	(651,883,036)	(609,322,608)
Loans issued to students	(6,498,604)	(5,514,359)
Scholarships and fellowships	(86,292,115)	(92,888,840)
Payments of insurance plan expenses	(151,616,863)	(142,738,349)
Other	79,201,174	96,330,407
Net cash used by operating activities	<u>(505,210,405)</u>	<u>(487,581,428)</u>
Cash Flows from Noncapital Financing Activities		
State appropriations	446,069,715	424,894,786
Property and sales tax	12,227,657	11,654,557
Gifts and grants for other than capital purposes	241,619,142	259,171,934
Repayment of loans	(7,000)	141,000
Direct Lending, Plus and FFEL loan receipts	260,160,140	264,125,896
Direct Lending, Plus and FFEL loan payments	(263,141,523)	(262,582,482)
Other agency funds - net	1,426,906	71,315
Refunds to grantors	(54,582)	(162,986)
Net cash provided by noncapital financing activities	<u>698,300,455</u>	<u>697,314,020</u>
Cash Flows from Capital and Related Financing Activities		
Distributions from debt proceeds	83,038,189	307,487,701
Capital appropriations	23,160,667	1,185,482
Capital grants and gifts	18,135,286	25,061,575
Property taxes - capital allocation	89	42
Proceeds from sale of capital assets	118,684	129,291
Purchases of capital assets	(235,548,014)	(269,690,155)
Payment of capital related principal on debt	(69,418,333)	(197,842,132)
Payment of capital related interest and fees	(52,418,252)	(46,142,255)
Insurance proceeds	112,887	908
Payments to/from trustee for reserve	345,184	(27,325)
Net cash used by capital and related financing activities	<u>(232,473,613)</u>	<u>(179,836,868)</u>
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	170,281,564	105,156,094
Investment income (net of fees)	4,276,468	2,934,943
Purchases of investments	(70,009,662)	(134,564,264)
Net cash provided (used) by investing activities	<u>104,548,370</u>	<u>(26,473,227)</u>
Net increase in cash	65,164,807	3,422,497
Cash, beginning of year	376,519,310	373,096,813
Cash, end of year	<u>\$ 441,684,117</u>	<u>\$ 376,519,310</u>

UNIVERSITY OF ARKANSAS SYSTEM: Consolidated Financial Statements FY14

**UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method - Continued
For The Year Ended June 30, 2014
with comparative figures for 2013**

	Year Ended	
	June 30, 2014	June 30, 2013
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	\$ (689,115,679)	\$ (629,360,507)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	165,197,568	158,233,095
Other miscellaneous operating receipts	2,980,135	2,874,733
Adjustment to cash for amounts in transit within the system	(1,081,871)	1,217,980
Change in assets and liabilities:		
Receivables, net	8,618,206	(22,671,883)
Inventories	(2,167,052)	(855,744)
Prepaid expenses and other assets	1,428,023	(1,194,101)
Accounts payable	(3,634,922)	10,947,560
Unearned revenue	(915,357)	(4,380,636)
Liability for future insurance claims	(268,000)	(127,000)
Loans to students and employees	(45,334)	(58,121)
Refundable federal advance	78,061	(276,771)
Compensated absences	2,163,883	(4,309,259)
OPEB liability	4,185,348	4,565,860
Other liabilities	7,366,586	(2,186,634)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (505,210,405)</u>	<u>\$ (487,581,428)</u>
Non-Cash Transactions		
Capital Gifts	10,485,291	5,844,897
Fixed assets acquired by incurring capital lease obligations	-	15,614,412
Fixed asset acquisition paid for by State of Arkansas	-	101,000
Payment of bond proceeds/premium/accrued interest directly into deposits with trustees/escrow	97,235,711	213,994,919
Payment of bond issuance costs and underwriter's discounts directly from bond proceeds and/or debt service reserve	1,120,928	1,928,094
Payment of principal & interest on long-term debt from deposits with trustees	875,948	1,308,759
Interest earned on deposits with trustees	49,700	32,997
Payment on long-term debt directly from University of Arkansas Foundation, Inc. and Razorback Foundation, Inc.	3,165,167	11,000
Capital outlay paid directly from proceeds of long-term debt instruments	-	9,751
Loss on disposal of assets	891,409	563,691
Valuation adjustment to capital assets	65,175	1,362,190

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Discreetly Presented Component Units

**UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Consolidated Statement of Financial Position
June 30, 2014 and 2013**

	2014		2013	
ASSETS				
Contributions receivable, net	\$	38,520,860	\$	38,470,190
Interest receivable		2,362,912		2,375,241
Investments, at fair value		840,292,509		745,144,731
Cash value of life insurance		1,087,458		985,888
Land, buildings and equipment, net of accumulated depreciation of \$255,834 at 2014 and 2013		1,106,752		1,106,752
TOTAL ASSETS	\$	883,370,491	\$	788,082,802
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$	5,448,456	\$	8,052,081
Annuity obligations		16,259,097		15,203,960
TOTAL LIABILITIES		21,707,553		23,256,041
NET ASSETS				
Unrestricted		99,506,691		81,420,607
Temporarily restricted		133,237,061		135,972,796
Permanently restricted		628,919,186		547,433,358
TOTAL NET ASSETS		861,662,938		764,826,761
TOTAL LIABILITIES AND NET ASSETS	\$	883,370,491	\$	788,082,802

**UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Consolidated Statement of Activities
Years Ended June 30, 2014 and 2013**

	Year Ended June 30, 2014				Year Ended June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
Revenues, Gains and Other Support								
Contributions	\$ 17,142,424	\$ 20,833,716	\$ 20,174,687	\$ 58,150,827	\$ 13,833,957	\$ 34,533,501	\$ 13,537,888	\$ 61,905,346
Interest and dividends	4,049,309	4,742,684	230,660	9,022,653	3,101,469	5,235,204	292,510	8,629,183
Net realized and unrealized gains on investments	12,452,076	18,327,054	61,343,144	92,122,274	5,156,968	17,226,689	38,352,838	60,736,495
Other	95,692			95,692	99,896			99,896
Net assets released from restrictions	47,020,021	(47,020,021)		-	51,747,615	(51,747,615)		-
Total revenues, gains and other support	\$ 80,759,522	\$ (3,116,567)	\$ 81,748,491	\$ 159,391,446	\$ 73,939,905	\$ 5,247,779	\$ 52,183,236	\$ 131,370,920
Expenses and Losses:								
Program services:								
Construction	3,849,767			3,849,767	9,849,918			9,849,918
Research	15,501,885			15,501,885	16,466,276			16,466,276
Faculty/staff support	12,849,910			12,849,910	14,209,298			14,209,298
Scholarships and awards	10,008,729			10,008,729	8,979,379			8,979,379
Public/staff relations	1,970,719			1,970,719	2,141,738			2,141,738
Equipment	3,266,928			3,266,928	4,382,484			4,382,484
Sponsored programs	1,019,543			1,019,543	1,087,359			1,087,359
Other	12,440,080			12,440,080	11,386,078			11,386,078
Total program services	60,907,561	-	-	60,907,561	68,502,530	-	-	68,502,530
Supporting services:								
Management and general	406,980			406,980	433,739			433,739
Fundraising	1,350,842			1,350,842	1,592,953			1,592,953
Change in value of split-interest agreements	330	177	193,323	193,830			(44,758)	(44,758)
Provision for loss (recovery) on uncollectible contributions	7,725	(381,009)	69,340	(303,944)	199,613	11,409,493	61,538	11,670,644
Total supporting services	1,765,877	(380,832)	262,663	1,647,708	2,226,305	11,409,493	16,780	13,652,578
Total expenses and losses	62,673,438	(380,832)	262,663	62,555,269	70,728,835	11,409,493	16,780	82,155,108
Change in Net Assets	18,086,084	(2,735,735)	81,485,828	96,836,177	3,211,070	(6,161,714)	52,166,456	49,215,812
Net Assets, beginning of year	81,420,607	135,972,796	547,433,358	764,826,761	78,209,537	142,134,510	495,266,902	715,610,949
Net Assets, end of year	\$ 99,506,691	\$ 133,237,061	\$ 628,919,186	\$ 861,662,938	\$ 81,420,607	\$ 135,972,796	\$ 547,433,358	\$ 764,826,761

UNIVERSITY OF ARKANSAS SYSTEM: Discreetly Presented Component Units

**UNIVERSITY OF ARKANSAS
FAYETTEVILLE CAMPUS FOUNDATION, INC.
Statement of Financial Position
June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Investments	\$ 513,809,543	\$ 466,010,660
LIABILITIES AND NET ASSETS		
Accounts Payable	181,629	99,193
Net Assets:		
Temporarily restricted	29,161,667	31,050,931
Permanently restricted	484,466,247	434,860,536
Total Net Assets	513,627,914	465,911,467
TOTAL LIABILITIES & NET ASSETS	513,809,543	466,010,660

**UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Statement of Activities
Years Ended June 30, 2014 and 2013**

	<u>Year Ended June 30, 2014</u>				<u>Year Ended June 30, 2013</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								
Interest and dividends	\$ -	\$ 3,524,875	\$ 16,527	\$ 3,541,402	\$ -	\$ 2,649,640	\$ 88,036	\$ 2,737,676
Net realized and unrealized gains on investments		14,277,677	49,589,184	63,866,861		13,265,762	32,721,998	45,987,760
Net assets released from restrictions	19,691,816	(19,691,816)	-	-	18,618,422	(9,518,422)	(9,100,000)	-
Total revenues, gains and other support	19,691,816	(1,889,264)	49,605,711	67,408,263	18,618,422	6,396,980	23,710,034	48,725,436
Expenses and Losses:								
Program services:								
Construction	4,446,335			4,446,335	4,685,367			4,685,367
Research	1,341,235			1,341,235	1,169,505			1,169,505
Faculty/staff support	2,537,570			2,537,570	2,391,441			2,391,441
Scholarships and awards	9,457,971			9,457,971	9,266,519			9,266,519
Equipment and technology	1,400,591			1,400,591	952,736			952,736
Other	508,114			508,114	152,854			152,854
Total program services	19,691,816	-	-	19,691,816	18,618,422	-	-	18,618,422
Change in Net Assets	-	(1,889,264)	49,605,711	47,716,447	-	6,396,980	23,710,034	30,107,014
Net Assets, beginning of year	-	31,050,931	434,860,536	465,911,467	-	24,653,951	411,150,502	435,804,453
Net Assets, end of year	\$ -	\$ 29,161,667	\$ 484,466,247	\$ 513,627,914	\$ -	\$ 31,050,931	\$ 434,860,536	\$ 465,911,467

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY14

UNIVERSITY OF ARKANSAS Statement of Net Position by Campus At June 30, 2014

	UAF	UAFS	UALR	UAM	UAMS	UAPB	SYSTEM	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	Elimination (See Note 17)	TOTAL	
ASSETS																
Current																
Cash and cash equivalents	214,573,643	8,795,398	29,255,053	3,794,677	65,720,000	27,349,900	34,826,059	1,729,550	8,786,927	3,446,054	2,339,027	2,089,116	3,540,411	136,109	406,381,924	
Investments	76,107,868	1,495,345	17,335,358		35,022,000		23	758,753	436,631	500,000	1,106,581	2,828,369			135,590,928	
Accounts receivable	34,552,345	3,542,323	10,785,674	2,860,043	45,344,000	6,418,068	12,521,520	717,781	1,279,382	781,983	680,225	1,154,875	32,469	(12,378,133)	108,292,555	
Patient accounts receivable					113,067,000										113,067,000	
Inventories	6,441,580	50,037	154,633	462,599	21,097,000	44,914			58,488	316,950	14,188	304,917			28,945,306	
Deposits and funds held in trust by others	6,245,593	7,111	1,929,443	8		46,780				675					8,229,610	
Notes receivable	3,417,166			43,334	2,245,000									(19,580)	5,685,920	
Unamortized debt insurance costs															-	
Other assets	2,841,941	538,984	642,497	338,337	4,432,000	46,652	171,589	80,304	44,214	80,225	2,990	6,477	96,863	(150,000)	9,173,073	
Total current assets	344,180,136	14,429,198	60,102,658	7,498,998	286,927,000	33,906,314	47,519,191	3,286,388	10,605,642	5,125,887	4,143,011	6,383,754	3,669,743	(12,411,604)	815,366,316	
Non-Current																
Cash and cash equivalents	3,816,631	2,418,263	479,535	1,333,925		21,568,114		2,196,297			3,399,347	90,081			35,302,193	
Investments	74,130,120	9,249,987	10,068,841	4,790,891	136,242,000	2,268,114		75,000		500,000					237,324,953	
Notes receivable	12,039,328			515,698	14,172,000								10,972,265	(737,585)	36,961,706	
Deposits and funds held in trust by others	78,600,239	12,653,459	27,183,003		7,072,000				398,570	147,936	144,038	314,366			126,513,611	
Unamortized debt insurance costs															-	
Other non-current assets	855,985						900,000							(900,000)	855,985	
Capital assets	1,135,648,519	139,438,817	238,332,369	49,630,214	848,886,000	91,130,386	2,812,251	15,369,729	19,624,962	14,039,230	16,128,450	13,462,288	4,468,187		2,588,971,402	
Total non-current assets	1,305,090,822	163,760,526	276,063,748	56,270,728	1,006,372,000	114,966,614	3,712,251	17,641,026	20,023,532	14,687,166	19,671,835	13,866,735	15,440,452	(1,637,585)	3,025,929,850	
TOTAL ASSETS	1,649,270,958	178,189,724	336,166,406	63,769,726	1,293,299,000	148,872,928	51,231,442	20,927,414	30,629,174	19,813,053	23,814,846	20,250,489	19,110,195	(14,049,189)	3,841,296,166	
DEFERRED OUTFLOWS OF RESOURCES																
Deferred amount on debt refunding	5,605,180	2,128,743	1,566,604	649,090	4,431,000	297,746		106,045		3,340	229,136	40,756			15,057,640	
LIABILITIES																
Current																
Accounts payable and other accrued liabilities	45,712,668	3,219,886	6,872,635	1,234,888	73,956,000	1,573,800	1,148,173	414,432	700,917	215,316	385,108	1,026,397	387,179	(12,392,024)	124,455,375	
Unearned revenue	30,816,288	635,585	50,592	294,328	7,156,000	126,697	48,600	155,740	50,709	45,547	83,379	25,730			39,489,195	
Funds held in trust for others	1,144,141	228,221	1,155,726	466,781	357,000	2,279,052		35,943	19,609	14,134	66,352	68,585	49,286		5,884,830	
Liability for future insurance claims							14,524,000								14,524,000	
Estimated third party payor settlements					6,335,000										6,335,000	
Compensated absences payable - current portion	1,123,196	215,007	506,078	73,386	2,994,000	247,433	8,930	18,080	26,307	16,791	8,105	10,367	17,251		5,264,931	
Bonds, notes, capital leases, installment contracts payable	28,614,667	5,267,893	7,442,843	997,588	26,228,000	1,246,071		275,662	293,451	550,106	640,327	419,692		(19,580)	71,956,720	
Total current liabilities	107,410,960	9,566,592	16,027,874	3,066,971	117,026,000	5,473,053	15,729,703	899,857	1,090,993	841,894	1,099,892	1,608,420	479,446	(12,411,604)	267,910,051	
Non-Current																
Unearned revenues, deposits and other	23,329		128,882		1,483,000	78,889				222,945				900,000	(900,000)	1,937,045
Refundable federal advance - Perkins loans	14,325,434	3,071		504,525	1,911,000										16,744,030	
Compensated absences payable	18,517,058	1,600,378	4,070,927	1,115,411	45,426,000	1,948,933	522,096	343,517	450,347	569,247	356,812	390,403	82,457		75,393,586	
Liability for other post employment benefits	12,314,432	829,853	4,545,792	1,172,251	27,146,000	1,971,189	185,723	73,563	793,175	366,337	99,057	190,559	305,544		49,993,475	
Bonds, notes, capital leases, installment contracts payable	681,974,127	85,681,848	131,093,624	18,242,233	339,461,000	18,968,407		5,159,524	10,873,824	1,667,496	5,744,879	2,273,756		(737,585)	1,300,403,133	
Total non-current liabilities	727,154,380	88,115,150	139,839,225	21,034,420	415,427,000	22,967,418	707,819	5,576,604	12,340,291	2,603,080	6,200,748	2,854,718	1,288,001	(1,637,585)	1,444,471,269	
TOTAL LIABILITIES	834,565,340	97,681,742	155,867,099	24,101,391	532,453,000	28,440,471	16,437,522	6,476,461	13,431,284	3,444,974	7,300,640	4,463,138	1,767,447	(14,049,189)	1,712,381,320	
NET POSITION																
Net Investment in Capital Assets																
Restricted																
Non-Expendable																
Scholarships and fellowships	8,082,313	313,063	1,773,431	56,017	394,000			77,489							10,696,313	
Research	5,739,659		138,518	321,559											6,199,736	
Other	9,784,294	7,744	5,618,546	56,994	31,353,000	3,378,735									50,199,313	
Expendable																
Scholarships and fellowships	12,202,035	107,317	392,345	237,869	6,696,000	828,505			247,394			574,462			21,285,927	
Research	28,730,428		1,966,367	1,397,825	18,607,000	412,573									51,114,193	
Public service	7,397,627	56,478	2,440,763		475,403										10,370,271	
Capital projects	8,500,339	2,021,071	2,170,874	1,614,017	89,802,000	818,857		932,231	398,570		3,682,047				109,940,006	
Other	19,946,890	4,785,079	4,164,566	663,144	6,839,000	2,512,916		187,725		2,417			306,645		39,408,382	
Unrestricted	213,252,605	13,451,154	34,807,453	4,930,517	117,553,000	41,777,238	31,981,669	3,318,964	8,094,239	4,396,098	2,950,990	3,785,429	2,645,651		482,945,007	
TOTAL NET POSITION	820,310,798	82,636,725	181,865,911	40,317,425	765,277,000	120,730,203	34,793,920	14,556,998	17,197,890	16,371,419	16,743,342	15,828,107	17,342,748		2,143,972,486	

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY14

UNIVERSITY OF ARKANSAS Statement of Revenues, Expenses, and Changes in Net Position by Campus For the Year Ended June 30, 2014

	UAF	UAFS	UALR	UAM	UAMS	UAPB	SYSTEM	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	Elimination (Note 17)	TOTAL
Operating Revenues															
Student tuition & fees (net of scholarship allowances)	166,512,378	13,917,989	61,510,837	8,960,246	32,273,000	5,181,269		1,196,186	490,792	1,073,532	1,185,292	3,120,854			295,422,375
Net patient services					919,366,000										919,366,000
Federal and county appropriations	16,493,123														16,493,123
Federal grants and contracts	28,988,196	1,219,415	13,774,651	1,550,710	89,555,000	19,023,420		614,704	2,555,370	1,346,317	865,058	599,345	250,000	(90,502)	160,251,684
State and local grants and contracts	17,857,206	2,131,076	3,299,029	1,385,371	17,542,000	3,534,373		464,860	1,741,732	201,501	731,199	1,053,720	992,578		50,934,645
Non-governmental grants and contracts	32,358,570	3,022,507	2,018,864	947,345	62,681,000	234,055		436,442	445,186			191,267	486,881		102,822,117
Sales and services of educational departments	23,501,926	183,027	2,497,181	181,008	30,420,000	96,939		3,683,233	38,808	22,012	10,293	120,971	51,699	(2,557,679)	58,197,719
Insurance plan							148,951,085							(105,655,053)	43,296,032
Auxiliary enterprises															
Athletics	66,772,739	95,715	5,183,164	452,348		1,231,343		22,422							73,757,731
Housing and food service	29,115,616	2,994,051	7,132,776	1,908,395	9,037,000	7,942,415			96,654			192,406			58,419,313
Bookstore	13,063,465	436,870	388,435	568,088	588,000	140,819			90,276	170,932	45,372	632,721			16,124,978
Other auxiliary enterprises	12,096,171	155,230	1,904,551	402,866	2,887,000	284,517			87,719	85,468		36,709			17,940,231
Other operating revenues	11,196,123	480,144	2,089,375	977,322	10,391,000	3,681,748		66,573	158,441	240,381	225,451	51,699	65,002	(681,282)	28,941,977
Total operating revenues	417,955,513	24,636,024	99,798,863	17,333,699	1,174,740,000	41,350,898	152,634,318	2,839,995	5,688,182	3,118,131	3,062,665	5,999,692	1,794,461	(108,984,516)	1,841,967,925
Operating Expenses															
Compensation and benefits	431,440,254	47,181,079	117,647,569	25,888,565	852,919,000	39,738,259	6,052,580	7,639,405	13,128,474	7,754,655	8,040,419	10,267,950	5,350,336	(105,655,053)	1,467,393,492
Supplies and services	190,833,287	16,021,191	38,938,836	10,052,468	366,504,000	21,615,154	1,136,912	3,153,613	4,798,084	2,910,416	2,320,823	4,050,500	3,510,813	(5,267,638)	660,578,459
Scholarships and fellowships	24,340,455	6,690,366	30,604,511	8,607,845	369,000	4,760,117			1,644,414	1,743,010	1,683,146	3,262,510	2,691,296		86,396,670
Insurance plan							151,517,415								151,517,415
Depreciation	67,219,710	7,078,569	16,299,626	3,952,981	59,230,000	5,824,144	227,866	745,464	1,400,722	947,138	971,329	867,788	432,231		165,197,568
Total operating expenses	713,833,706	76,971,205	203,490,542	48,501,859	1,279,022,000	71,937,674	158,934,773	13,182,896	21,070,290	13,295,355	14,595,081	17,877,534	9,293,380	(110,922,691)	2,531,083,604
Operating gain (loss)	(295,878,193)	(52,335,181)	(103,691,679)	(31,168,160)	(104,282,000)	(30,586,776)	(6,300,455)	(10,342,901)	(15,382,108)	(10,177,224)	(11,532,416)	(11,877,842)	(7,498,919)	1,938,175	(689,115,679)
Non-Operating Revenues (Expenses)															
State appropriations	206,144,734	23,606,939	68,500,266	20,199,114	51,492,000	27,075,920	5,740,459	4,747,375	10,444,948	5,247,821	6,450,944	6,663,341	8,230,854		444,544,715
Property and sales tax		5,654,988						1,153,584	2,153,019	1,240,673	1,290,371	810,926			12,303,561
Federal grants	23,806,815	15,680,615	17,704,637	8,791,574		8,834,126		3,087,313	3,302,043	3,486,733	3,596,773	5,293,384			93,584,013
State and local grants	30,609,388	8,294,085	8,187,945	2,772,742		1,457,388		478,222		501,572					52,301,342
Non-governmental grants	814,885		896,784												1,711,669
Gifts	65,739,713		4,912,231	4,509	25,062,000	609,732		72,796				8,624	28,777		96,438,382
Investment income (net)	14,621,623	154,496	2,290,853	423,355	22,203,000	157,910	13,629	14,370	50,349	27,853	9,583	162,041	48,583		40,177,645
Interest on capital asset-related debt	(24,063,674)	(3,110,503)	(4,031,167)	(594,771)	(12,759,000)	(896,824)		(193,008)	(540,704)	(56,972)	(179,755)	(90,452)			(46,516,830)
Gain (Loss) on disposal of assets	(219,121)	(585,713)	(82,094)	(38,864)	(813,000)	(185,066)	(16,056)	(19,225)		(16,837)	(2,138)				(1,939,250)
Other	2,377,737	(233,913)	(298,505)	(38,864)	(221,994)	128,773						(1,968)			1,711,266
Net non-operating revenues	319,832,100	49,460,994	98,080,950	31,557,659	85,185,000	36,831,192	5,866,805	9,341,427	15,409,655	10,430,843	11,165,778	12,845,896	8,308,214	-	694,316,513
Income (loss) before other revenues and expenses	23,953,907	(2,874,187)	(5,610,729)	389,499	(19,097,000)	6,244,416	(433,650)	(1,001,474)	27,547	253,619	(366,638)	968,054	809,295	1,938,175	5,200,834
Other Changes in Net Position															
Capital appropriations	6,125,000	1,950,000	3,400,000		249,000	3,105,000		4,040,834	250,000		4,040,833				23,160,667
Capital grants and gifts	19,516,817	2,236,003	896,198	437,177	4,395,000	46,662			11,959		410,753	17,630		(1,938,175)	26,030,024
Adjustments to prior year revenues and expenses			(58,272)	41,787											(16,485)
Other	214,570	126,151	49,529		(81,000)	2,105				52,001					363,356
Total other revenues and expenses	25,856,387	4,312,154	4,237,926	528,493	4,563,000	3,153,767	-	4,040,834	261,959	52,001	4,451,586	17,630	-	(1,938,175)	49,537,562
Increase (decrease) in net position	49,810,294	1,437,967	(1,372,803)	917,992	(14,534,000)	9,398,183	(433,650)	3,039,360	289,506	305,620	4,084,948	985,684	809,295	-	54,738,396
Net Position, beginning of year	770,500,504	81,198,758	183,238,714	39,399,433	779,811,000	111,332,020	35,227,570	11,517,638	16,908,384	16,065,799	12,658,394	14,842,423	16,533,453	-	2,089,234,090
Adjustment due to GASB 65 (Note 21)															
Net Position, beginning of year, restated	770,500,504	81,198,758	183,238,714	39,399,433	779,811,000	111,332,020	35,227,570	11,517,638	16,908,384	16,065,799	12,658,394	14,842,423	16,533,453	-	2,089,234,090
Net Position, end of year	820,310,798	82,636,725	181,865,911	40,317,425	765,277,000	120,730,203	34,793,920	14,556,998	17,197,890	16,371,419	16,743,342	15,828,107	17,342,748	-	2,143,972,486

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY14

UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method - By Campus For the Year Ended June 30, 2014

	UAF	UAFS	UALR	UAM	UAMS	UAPB	SYSTEM	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	Elimination (Note 17)	TOTAL
Cash Flows from Operating Activities															
Student tuition and fees (net of scholarships)	165,128,420	14,315,641	60,527,433	8,348,740	32,597,000	5,651,114		1,152,613	459,303	1,104,007	1,202,997	3,154,844			293,642,112
Patient and insurance payments					917,156,000										917,156,000
Federal and county appropriations	17,831,447														17,831,447
Grants and contracts	81,958,752	5,759,314	18,875,859	4,046,845	180,360,000	23,935,743		1,516,930	5,403,268	1,537,733	1,725,306	1,890,610	1,768,759	(90,502)	328,688,617
Collection of loans and interest	2,673,121			51,823	2,732,000										5,456,944
Insurance plan receipts							148,653,940							(105,864,690)	42,789,250
Auxiliary enterprise revenues:															
Athletics	68,622,169	95,715	5,338,022	458,784		1,390,465		22,422							75,927,577
Housing and food service	28,733,885	3,015,753	7,132,332	1,895,348	9,045,000	7,941,971			96,654			192,406			58,053,349
Bookstore	12,645,429	446,800	388,436	592,136	588,000	140,621				168,655	49,424	645,073			15,754,850
Other auxiliary enterprises	12,280,795	161,963	1,506,571	406,004	3,035,000	284,517			87,719	85,419		36,709			17,884,697
Payments to employees	(340,290,693)	(35,837,457)	(93,257,713)	(20,196,523)	(685,385,000)	(31,222,690)	(4,707,127)	(5,623,541)	(9,926,390)	(5,745,669)	(5,764,208)	(7,343,144)	(4,107,371)		(1,249,407,526)
Payment of employee benefits	(90,039,192)	(11,011,701)	(24,157,381)	(5,806,323)	(163,876,000)	(8,531,610)	(1,280,017)	(1,895,338)	(3,277,372)	(1,874,100)	(2,251,727)	(2,306,708)	(1,274,137)	105,683,328	(211,898,278)
Payments to suppliers	(191,181,606)	(16,234,961)	(37,233,586)	(9,641,528)	(359,208,000)	(21,858,253)	(1,041,819)	(3,153,667)	(4,830,684)	(2,910,823)	(2,229,851)	(4,106,989)	(3,574,716)	5,323,447	(651,883,036)
Loans issued to students	(2,274,604)				(4,224,000)										(6,498,604)
Scholarships and fellowships	(24,240,238)	(6,690,366)	(30,604,511)	(8,607,845)	(369,000)	(4,760,117)		(1,644,414)	(1,743,010)	(1,683,146)	(3,266,379)	(2,683,089)			(86,292,115)
Payments of insurance plan expenses							(151,616,863)								(151,616,863)
Other receipts	37,909,240	716,039	6,584,503	822,830	28,136,000	3,589,505	4,667,431	109,074	175,280	196,442	215,285	187,598	87,226	(4,195,279)	79,201,174
Net cash used by operating activities	(220,243,075)	(45,263,260)	(84,900,035)	(27,629,709)	(39,413,000)	(23,438,734)	(5,324,455)	(9,515,921)	(13,464,956)	(9,121,482)	(10,319,153)	(10,332,690)	(7,100,239)	856,304	(505,210,405)
Cash Flows from Noncapital Financing Activities															
State appropriations	206,144,734	23,606,939	68,500,266	20,199,114	53,017,000	27,075,920	5,740,459	4,747,375	10,444,948	5,247,821	6,450,944	6,663,341	8,230,854		446,069,715
Property and sales tax		5,579,102						1,149,485	2,123,514	1,237,581	1,323,436	814,539			12,227,657
Gifts and grants for other than capital purposes	118,102,042	24,252,626	31,701,597	11,568,751	25,062,000	10,901,246		3,650,431	3,471,357	3,981,534	3,596,773	5,302,008	28,777		241,619,142
Repayment of loans					(7,000)										(7,000)
Direct Lending, Plus and FFEL loan receipts	106,828,329	14,022,120	59,973,393	13,284,177	46,546,000	13,841,884			146,243	1,748,059		3,769,935			260,160,140
Direct Lending, Plus and FFEL loan payments	(106,827,562)	(14,313,418)	(62,021,919)	(13,278,103)	(46,518,000)	(14,510,900)			(146,243)	(1,755,443)		(3,769,935)			(263,141,523)
Other agency funds - net	(147,241)	51,784	812,208	17,561	(169,000)	840,620		(4,926)	12,291	2,609	7,387	(4,387)	8,000		1,426,906
Refunds to grantors				(56,000)								1,418			(54,582)
Net cash provided (used) by noncapital financing activities	324,100,302	53,199,153	98,965,545	31,735,500	77,931,000	38,148,770	5,740,459	9,542,365	16,052,110	10,462,161	11,378,540	12,776,919	8,267,631	-	698,300,455
Cash Flows from Capital and Related Financing Activities															
Distributions from debt proceeds	79,696,835	313,040	2,948,314		80,000	-									83,038,189
Capital appropriations	6,125,000	1,950,000	3,400,000		249,000	3,105,000		4,040,834	250,000		4,040,833				23,160,667
Capital grants and gifts	14,442,489	1,071,668		106,772	4,395,000	40,000			11,959		5,573			(1,938,175)	18,135,286
Property taxes - capital allocation		89													89
Proceeds from sale of capital assets		4,949		4,735	109,000										118,684
Purchases of capital assets	(131,660,711)	(4,074,920)	(8,548,506)	(1,802,564)	(74,310,000)	(10,098,882)		(2,651,271)	(101,578)	(364,953)	(787,433)	(1,087,888)	(59,308)		(235,548,014)
Payment of capital related principal on debt	(24,604,241)	(4,685,383)	(5,620,143)	(964,724)	(29,201,000)	(2,243,023)	150,000	(256,506)	(293,549)	(536,142)	(609,232)	(404,390)	(150,000)		(69,418,333)
Payments of capital related interest and fees	(29,709,251)	(3,051,051)	(4,285,402)	(585,053)	(12,819,000)	(939,790)		(188,174)	(538,698)	(57,918)	(159,208)	(84,707)			(52,418,252)
Insurance proceeds		112,887													112,887
Payments to/from trustee for reserve		(27,325)				372,509									345,184
Net cash provided (used) by capital & related financing activities	(85,709,879)	(6,386,046)	(12,105,737)	(3,240,834)	(111,497,000)	(9,764,186)	150,000	944,883	(671,866)	(959,013)	2,490,533	(1,576,985)	(209,308)	(1,938,175)	(232,473,613)
Cash Flows from Investing Activities															
Proceeds from sales and maturities of investments	5,022,721	5,203,702	49,837		103,205,000	1,490,072	51,057,893	552,339		1,000,000		2,700,000			170,281,564
Investment income (net of fees)	410,056	84,695	1,849,343	7,752	1,645,000	10,814	143,861	6,250	15,198	28,366	7,982	18,568	48,583		4,276,468
Purchases of investments	(53,971)	(2,000,000)	(1,775,369)		(29,181,000)	(2,315,056)	(30,759,266)	(325,000)		(1,000,000)		(2,600,000)			(70,009,662)
Net cash provided (used) by investing activities	5,378,806	3,288,397	123,811	7,752	75,669,000	(814,170)	20,442,488	233,589	15,198	28,366	7,982	118,568	48,583	-	104,548,370
Net increase in cash	23,526,154	2,838,244	2,083,584	872,709	2,690,000	4,131,680	21,008,492	1,204,916	1,930,486	410,032	3,557,902	985,812	1,006,667	(1,081,871)	65,164,807
Cash, beginning of year	194,864,120	8,375,417	27,651,004	4,255,893	63,030,000	44,786,334	13,817,567	2,720,931	6,856,441	3,036,022	2,180,472	1,193,385	2,533,744	1,217,980	376,519,310
Cash, end of year	218,390,274	11,213,661	29,734,588	5,128,602	65,720,000	48,918,014	34,826,059	3,925,847	8,786,927	3,446,054	5,738,374	2,179,197	3,540,411	136,109	441,684,117

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY14

UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method - Continued - By Campus For the Year Ended June 30, 2014

	UAF	UAFS	UALR	UAM	UAMS	UAPB	SYSTEM	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	Elimination (Note 17)	TOTAL
Reconciliation of net operating revenue (loss) to net cash provided (used) by operating activities:															
Operating revenue (loss)	(295,878,193)	(52,335,181)	(103,691,679)	(31,168,160)	(104,282,000)	(30,586,776)	(6,300,455)	(10,342,901)	(15,382,108)	(10,177,224)	(11,532,416)	(11,877,842)	(7,498,919)	1,938,175	(689,115,679)
Adjustments to reconcile net revenue (loss) to net cash provided (used) by operating activities:															
Depreciation expense	67,219,710	7,078,569	16,299,626	3,952,981	59,230,000	5,824,144	227,866	745,464	1,400,722	947,138	971,329	867,788	432,231		165,197,568
Other miscellaneous operating receipts	2,794,482			56,880			128,773								2,980,135
Adjustment to cash for amounts in transit within the system														(1,081,871)	(1,081,871)
Change in assets and liabilities:															
Receivables, net	3,987,691	(137,247)	1,099,463	(345,534)	696,000	1,773,210	594,333	(26,302)	802,950	(47,729)	95,224	82,148	43,999		8,618,206
Inventories	(632,983)	11,339	84,561	(71,431)	(1,495,000)	(4,500)			668	(670)	(733)	(58,303)			(2,167,052)
Prepaid expenses and other assets	106,416	(271,399)	(342,740)	(25,593)	2,096,000	(41,116)	(2,396)	(28,428)	(33,596)	15,925	100,980	(120,341)	(25,689)		1,428,023
Accounts payable and other accrued liabilities	(260,432)	(17,326)	1,055,532	136,140	(5,021,000)	(361,683)	231,387	94,798	(154,547)	26,253	19,773	702,526	(86,343)		(3,634,922)
Unearned revenue	839,837	245,907	(20,267)	(50,451)	(1,730,000)	(53,128)	(1,400)	(11,074)	(178,632)	925		25,401	17,525		(915,357)
Liability for future insurance claims							(268,000)								(268,000)
Loans to students and employees	(66,482)					21,148									(45,334)
Refundable federal advance	258,944			(49,530)		(131,353)									78,061
Compensated absences	504,216	39,504	219,480	(150,984)	1,389,000	(38,335)	52,138	43,893	9,470	78,815	18,833	9,687	(11,834)		2,163,883
OPEB Liability	883,719	122,574	395,989	85,973	2,337,000	159,655	13,299	8,629	70,117	35,085	8,271	36,246	28,791		4,185,348
Other liabilities					7,367,000						(414)				7,366,586
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(220,243,075)	(45,263,260)	(84,900,035)	(27,629,709)	(39,413,000)	(23,438,734)	(5,324,455)	(9,515,921)	(13,464,956)	(9,121,482)	(10,319,153)	(10,332,690)	(7,100,239)	856,304	(505,210,405)
Non-Cash Transactions															
Capital Gifts	6,056,261	1,085,169	896,198	352,191	1,666,000	6,662					405,180	17,630			10,485,291
Fixed assets acquired by incurring capital lease obligations															-
Fixed asset acquisition paid for by State of Arkansas															-
Payment of bond proceeds/premium/accrued interest/debt service reserve directly into deposits with trustees/escrow	31,948,159	17,106,814	30,284,538			17,896,200									97,235,711
Payment of bond issuance costs and underwriter's discounts directly from bond proceeds and/or debt service reserve	320,104	276,317	298,505			226,002									1,120,928
Payment of principal & interest on long-term debt from deposits with trustees			871,710								4,238				875,948
Interest earned on deposits with trustees		127	2,743	8					35,151	388	948	10,335			49,700
Payment on long-term debt directly from University of Arkansas Foundation, Inc. and Razorback Foundation, Inc.	3,165,167														3,165,167
Capital outlay paid directly from proceeds of long-term debt instruments															-
Loss on disposal of assets	237,601	332,392	82,094			185,066	16,056	19,225		16,837	2,138				891,409
Valuation adjustment to capital assets		13,174								52,001					65,175

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 Agricultural Experiment Station, Cooperative Extension Service, Arkansas Archeological Survey, Criminal Justice Institute, and 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, including University of Arkansas System eVersity).

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

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 \$55,158,656 and \$6,403,139, respectively, for the fiscal year ended June 30, 2014.

Net Position

The University's net position is classified as follows:

- *Net investment in capital assets* -- 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* -- 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* -- resources 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. 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* -- 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 according to the following criteria:

- *Operating Revenue* -- includes 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 Revenue* -- includes 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 non-operating revenue, net of the Medicaid match payments required under various contracts between UAMS and the Arkansas Department of Human Services. The match payments were \$68,620,000 and \$64,638,000 for the fiscal years 2014 and 2013, 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 2014, 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, and their individual net assets are considered as having met the financial accountability criteria of Statement No. 39 by management, these two 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 years ended June 30, 2014, and June 30, 2013, the Foundation distributed \$60,731,076 and \$68,695,019, respectively, 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 also employees of the University. During the years ended June 30, 2014, and June 30, 2013, the Foundation distributed \$19,691,816 and \$18,618,422, respectively, 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 Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which became effective with the fiscal year ending June 30, 2014. The Statement provides guidance to either (a) properly classify certain assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize some assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). In accordance with Statement 65, the University made several adjustments which are discussed in detail in Note 21.

The GASB also issued three other statements which became effective for the fiscal year ending June 30, 2014: Statement No. 66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which resolves conflicting guidance contained in previously issued GASB pronouncements; Statement No. 67, *Financial Reporting for Pension Plans--an amendment of GASB Statement No. 27*, that addresses financial reporting by state and local governmental pension plans; and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, that specifies reporting requirements for governments that either extend or receive nonexchange financial guarantees. Management has determined that Statements 66 and 67 have no effect on current reporting or disclosures, and that the requirements of Statement No. 70 are being met in Footnote 16, *Contingencies*.

The GASB issued the following three 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*, Statement No. 69, *Government Combinations and Disposals of Government Operations*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Management has not yet determined the effects of these statements on the University's financial 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 System Administration, and the following units that are included in the financial statements of the Fayetteville campus: Clinton School of Public Service, Division of Agriculture

(Agricultural Experiment Station and the Cooperative Extension Service), Archeological Survey, and Criminal Justice Institute.

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, the Vice President for Agriculture, the Dean of the Clinton School, the Director of the Criminal Justice Institute, the Director of Archeological Survey, and the Director of Arkansas School for Mathematics, Sciences and the Arts, who have responsibility for the programs and activities of their respective campuses or state-wide operating division.

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, 2014, and 2013, are recorded net of an allowance for doubtful accounts of \$447,121,000 and \$468,282,000, respectively.

Net patient services revenue for the years ended June 30, 2014, and 2013, is as follows:

NET PATIENT SERVICES REVENUE	FY2014	FY2013
Gross patient revenue	\$ 2,275,786,000	\$ 2,006,148,000
Less patient services contractual allowances	1,280,815,000	1,029,435,000
Less provision for bad debt	75,605,000	90,136,000
TOTAL	\$ 919,366,000	\$ 886,577,000

UAMS provided approximately \$132,590,000 and \$141,296,000 in charity care, based on established rates, during the years ended June 30, 2014, and 2013, 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, 2014 and 2013, includes approximately \$80,328,000 and \$71,722,000, 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, 2014, and 2013, includes approximately \$33,487,000 and \$28,906,000, 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, 2014, 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, 2014, the Hospital's Medicaid cost reports have been audited by the Medicaid audit contractor through June 30, 2010.

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 decreases of \$1,264,000 and \$589,500 to net patient services revenue for the years ended June 30, 2014, and 2013, 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 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. Three campuses have chosen to follow 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:

COMPENSATED ABSENCES					
Campus	Balance 6/30/13	Additions	Reductions	Balance 6/30/14	Current Portion
UAF	\$ 19,136,038	\$ 677,556	\$ 173,340	\$ 19,640,254	\$ 1,123,196
UAFS	1,775,881	317,307	277,803	1,815,385	215,007
UALR	4,357,525	344,877	125,397	4,577,005	506,078
UAM	1,339,781	914,745	1,065,729	1,188,797	73,386
UAMS	47,031,000	4,064,000	2,675,000	48,420,000	2,994,000
UAPB	2,234,701	2,093,361	2,131,696	2,196,366	247,433
CCCUA	317,704	257,638	213,745	361,597	18,080
PCCUA	467,184	396,852	387,382	476,654	26,307
UACCB	507,223	354,341	275,526	586,038	16,791
UACCH	346,084	323,957	305,124	364,917	8,105
UACCM	391,083	428,537	418,850	400,770	10,367
ASMSA	111,542	11,102	22,936	99,708	17,251
SYSTEM	478,888	457,503	405,365	531,026	8,930
TOTAL	\$ 78,494,634	\$ 10,641,776	\$ 8,477,893	\$ 80,658,517	\$ 5,264,931

Note 5: Cash, Cash Equivalents and Investments

A.C.A. §19-4-805 authorizes institutions of higher learning 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, 2014:

Cash and Cash Equivalents	
+Cash deposits at year end	\$ 404,754,702
+cash held on deposit in state treasury	21,022,886
+cash equivalents	15,889,629
+cash on hand	76,190
+ adjustment for deposits in transit within the system	136,109
-cash/cash equiv shown as deposits held in trust on Smts	(195,399)
TOTAL	\$ 441,684,117

Deposits are exposed to custodial risk if they are not covered by depository insurance (FDIC) and are uncollateralized. At June 30, 2014, 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, 2014:

Investment Type	Fair Value
Mutual & Money Market Funds	\$ 134,735,949
Corporate & Municipal Bonds	908,008
External Investment Pool	354,086,797
Certificate of Deposits	6,237,025
U.S. Treasury & Government Sponsored Agencies	10,051,263
Other	2,635,347
Sub-Total	508,654,389
-shown as cash/cash equiv on Stmt of Net Position	(1,190,686)
-shown as deposits held in trust on Stmt of Net Position	(134,547,822)
Investments as reported on Stmt of Net Position	\$ 372,915,881

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.

Investment Type	Fair Value	Interest Rate Risk		
		Investment Maturities (in years)		
		Less than 1	1 to 5	over 5
Bonds	\$ 908,008	\$ -	\$ 512,954	\$ 395,054
U.S. Treasury & Gov't Agencies	10,051,263	844,267	9,159,857	47,139
Totals	\$ 10,959,271	\$ 844,267	\$ 9,672,811	\$ 442,193

UNIVERSITY OF ARKANSAS SYSTEM: Footnotes to Consolidated Financial Statements FY14

Investment Type	Fair Value	Credit Risk				
		AAA	AA	A	B & below	Not Rated
Mutual Funds	\$ 134,735,949	\$ 126,618,848	\$ 371,692	\$ -	\$ 2,377	\$ 7,743,032
Bonds	908,008	-	99,753	421,791	-	386,464
Totals	135,643,957	126,618,848	471,445	421,791	2,377	8,129,496

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, 2014, five campuses and five foundations participated in the Pool, whose net assets totaled \$1,678,520,789. The Pool was combined with 21.02% of the net assets owned by the University of Arkansas and external portions as follows: 47.26% by the University of Arkansas Foundation, 29.72% by the Fayetteville Campus Foundation, 0.74% by the Walton Arts Foundation, 0.11% by the University of Arkansas Community College at Hope Foundation, and 1.15% by the Razorback Foundation. The following tables contain information on the risk disclosure of the Pool.

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Statement of Invested Assets
June 30, 2014

Investment Type	Fair Value*
Equity	\$ 376,981,645
Common Stock	99,526,405
Funds - Common Stock	256,505,183
Preferred Stock	32,081
Rights/Warrants	14
Funds - Equities ETF	20,917,962
Fixed Income	436,954,787
Government Bonds	48,209,398
Funds - Government Bonds	145,858
Corporate Bonds	98,887
Funds - Corporate Bond	37,124,641
Government Mortgage Backed Securities	102
Non-Government Backed C.M.O.s	1
Funds - Other Fixed Income	319,171,645
Funds - Fixed Income ETF	32,204,255
Venture Capital and Partnerships	641,732,785
Partnerships	641,732,785
Commodities	30,237,364
Funds - Commodity Linked	30,237,364
Hedge Fund	178,907,247
Hedge Equity	143,921,343
Hedge Event Driven	34,985,904
All Other	68,221
Recoverable Taxes	68,221
Cash/Cash Equivalents	13,638,740
Funds - Short Term Investment	11,416,590
Cash	(334,636)
Invested Cash	2,556,786
TOTAL	\$ 1,678,520,789

*Includes accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Credit Risk - S&P Quality Ratings
June 30, 2014

Investment Type & Fair Value*	US GOVN.		
	BBB	NR	GUAR
Corporate Bonds	\$ -	\$ 98,887	\$ -
Funds - Corporate Bond		36,958,941	
Funds - Fixed Income ETF		32,204,255	
Funds - Government Bond		141,789	
Funds - Other Fixed Income		318,940,257	
Funds - Short Term Investment		11,416,413	
Government Bonds	7,152		48,200,000
Govn Mortgage Backed Securities			102
Hedge Event Driven		34,985,904	
Non-Govn Backed C.M.O.s		1	
Total	\$ 7,152	\$ 434,746,447	\$ 48,200,102

*Does not include accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Years to Maturity
June 30, 2014

Investment Type	Fair Value*	Maturity not Determined		
		1+ to 6	10+	
Corporate Bonds	\$ 98,887	\$ 4,300	\$ 94,587	\$ -
Funds - Corporate Bond	36,958,941			36,958,941
Funds - Fixed Income ETF	32,204,255			32,204,255
Funds - Government Bond	141,789			141,789
Funds - Other Fixed Income	318,940,257			318,940,257
Funds - Short Term Investment	11,416,413			11,416,413
Government Bonds	48,207,152	48,200,000	7,152	
Govn Mortgage Backed Securities	102		102	
Hedge Event Driven	34,985,904			34,985,904
Non-Government Backed C.M.O.'s	1			1
Total	\$ 482,953,701	\$ 48,204,300	\$ 101,841	\$ 434,647,560

*Does not include accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Interest Rate Sensitivity - Effective Duration
June 30, 2014

Investment Type	Fair Value*	Effective Duration
Corporate Bonds	\$ 98,887	N/A
Funds - Corporate Bond	36,958,941	N/A
Funds - Fixed Income ETF	32,204,255	N/A
Funds - Government Bond	141,789	N/A
Funds - Other Fixed Income	318,940,257	N/A
Funds - Short Term Investment	11,416,413	N/A
Government Bonds	48,207,152	4.78
Govn Mortgage Backed Securities	102	3.17
Hedge Event Driven	34,985,904	N/A
Non-Govn Backed C.M.O.s	1	N/A
Total	\$ 482,953,701	

*Does not include accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Foreign Currency Risk By Investment Type
June 30, 2014

Currency By Investment and Fair Value*	Cash	Equity	Other Assets
AUSTRALIAN DOLLAR	\$ 1,791,291	\$ -	\$ -
CANADIAN DOLLAR	1,883,190	420,894	307
SWISS FRANC	(2,133,231)	5,102,137	18,742
EURO	(2,115,358)	8,860,415	31,945
BRITISH POUND STERLING	(811,272)	2,678,165	
HONG KONG DOLLAR	11	2,774,312	
JAPANESE YEN	(537,460)	5,577,135	2,887
MEXICAN PESO	197,898		
NORWEGIAN KRONE	162,553		
POLISH ZLOTY			7,229
SWEDISH KRONA	682,886	34	
SINGAPORE DOLLAR	171,966	108,386	
Total	\$ (707,526)	\$ 25,521,478	\$ 61,110

*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, 2014, is as follows:

Total Endowment	\$ 152,120,923
Less: Funds treated as endowment	(44,289,823)
Non-expendable portion of endowment	<u>(65,775,604)</u>
Available for Expenditure	<u><u>\$ 42,055,496</u></u>

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, 2014. 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 \$1,373,117,018 shown in these schedules, which is related to bonds, notes, capital leases and installment contracts, differs from the amount of \$1,372,359,853 shown on the statement of net position. This is due to an elimination entry of \$757,165 to account for a loan between UAMS and UAF (see Note 17).

Schedule of Debt by Campus

UNIVERSITY OF ARKANSAS FAYETTEVILLE					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
10/15/1997	11/1/2022	3.95%-5.25%	\$ 21,445,000	\$ 20,260,000	\$ 1,185,000
10/1/2004	11/1/2024	2.00%-4.75%	7,050,000	3,455,000	3,595,000
3/1/2005	11/1/2025	3.00%-4.50%	81,020,000	14,745,000	66,275,000
6/1/2006	11/1/2036	4.00%-5.00%	67,420,000	5,750,000	61,670,000
6/1/2006	9/15/2022	4.00%-4.375%	8,205,000	2,945,000	5,260,000
10/1/2007	11/1/2037	4.00%-5.00%	45,010,000	4,855,000	40,155,000
8/1/2008	11/1/2038	4.00%-5.00%	36,750,000	650,000	36,100,000
8/1/2008	11/1/2028	4.10%-6.375%	15,210,000	945,000	14,265,000
12/15/2009	11/1/2039	3.00%-5.00%	52,430,000	3,080,000	49,350,000
6/30/2010	9/15/2020	1.00%-4.82%	23,965,000	7,520,000	16,445,000
6/29/2011	11/1/2040	2.00%-5.00%	101,225,000	4,550,000	96,675,000
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	4,955,000	18,620,000
4/17/2012	11/1/2032	1.00%-5.00%	56,965,000	5,510,000	51,455,000
9/13/2012	11/1/2042	2%-5.00%	60,540,000	325,000	60,215,000
5/16/2013	11/1/2042	1.00%-5.00%	54,450,000	1,180,000	53,270,000
5/16/2013	9/15/2027	1.00%-5.00%	30,355,000	945,000	29,410,000
6/30/2014	11/1/2043	2.00%-5.00%	24,730,000	-	24,730,000
6/30/2014	11/1/2043	0.85% - 4.50%	5,020,000	-	5,020,000
11/30/1991	5/1/2022	5.50%	3,000,000	1,685,482	1,314,518
11/29/1995	11/1/2034	2.00%-5.00%	2,071,140	1,313,975	757,165
12/20/1999	12/31/2017	Variable	1,161,952	736,545	425,407
5/11/2007	9/30/2013	Variable	6,000,000	6,000,000	-
11/30/2007	7/1/2023	4.69%	6,950,000	1,461,502	5,488,498
10/15/2008	9/13/2013	5.00%	5,000,000	5,000,000	-
12/19/2008	8/19/2023	4.58%	23,842,000	5,568,943	18,273,057
4/8/2010	1/8/2023	4.80%	9,694,713	2,104,897	7,589,816
Various	Various	Various	27,670	18,065	9,605
	Net unamortized premium/discount		38,656,209	3,410,481	35,245,728
	TOTALS		\$ 820,663,684	\$ 110,074,890	\$ 710,588,794

UNIVERSITY OF ARKANSAS AT FORT SMITH					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
5/1/2009	12/1/2034	2.0% - 5.0%	\$ 25,000,000	\$ 2,085,000	\$ 22,915,000
6/1/2010	12/1/2021	2.0% - 4.0%	29,895,000	7,910,000	21,985,000
12/1/2010	12/1/2035	2.0% - 4.75%	9,300,000	725,000	8,575,000
1/1/2012	12/1/2030	2.0% - 4.25%	17,540,000	1,245,000	16,295,000
6/1/2014	12/1/2031	2.0% - 3.5%	5,295,000	-	5,295,000
6/1/2014	6/1/2039	2.0% - 5.0%	10,930,000	-	10,930,000
2/29/2012	1/1/2022	0%	2,159,045	433,300	1,725,745
5/22/2012	5/4/2027	4.00%	650,000	68,747	581,253
	Net unamortized premium/discount		3,189,932	542,189	2,647,743
	TOTALS		\$ 103,958,977	\$ 13,009,236	\$ 90,949,741

UNIVERSITY OF ARKANSAS SYSTEM: Footnotes to Consolidated Financial Statements FY14

UNIVERSITY OF ARKANSAS AT LITTLE ROCK

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
10/1/2009	10/1/2029	2.0% - 5.0%	\$ 32,245,000	\$ 4,515,000	\$ 27,730,000
11/1/2009	10/1/2034	3% - 5%	29,510,000	2,275,000	27,235,000
4/1/2012	5/1/2037	2.0% - 5.0%	14,880,000	705,000	14,175,000
9/1/2012	12/1/2029	1.0% - 5.0%	13,850,000	1,240,000	12,610,000
4/1/2013	12/1/2024	1.0% - 5.0%	10,770,000	710,000	10,060,000
4/1/2013	12/1/2024	0.53% - 2.884%	6,530,000	490,000	6,040,000
8/1/2013	10/1/2030	2.0% - 5.0%	28,740,000	-	28,740,000
5/7/2008	10/1/2015	4.22%	2,541,873	2,018,003	523,870
8/23/2011	12/1/2020	0.00%	1,732,620	444,444	1,288,176
Various	Various	1.98% - 3.15%	4,921,269	2,038,899	2,882,370
		Net unamortized premium/discount	8,990,261	1,738,210	7,252,051
TOTALS			\$ 154,711,023	\$ 16,174,556	\$ 138,536,467

UNIVERSITY OF ARKANSAS AT MONTICELLO

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
10/1/2010	10/1/2018	2.0% - 2.35%	\$ 2,870,000	\$ 1,020,000	\$ 1,850,000
2/1/2012	12/1/2035	2.0% - 4.0%	8,745,000	580,000	8,165,000
12/1/2012	10/1/2037	1% - 4.0%	8,650,000	250,000	8,400,000
1/27/2009	2/1/2019	0.53%	1,000,000	504,325	495,675
		Net unamortized premium/discount	367,677	38,531	329,146
TOTALS			\$ 21,632,677	\$ 2,392,856	\$ 19,239,821

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
3/8/2006	3/1/2036	3.4% - 5.0%	\$ 107,500,000	\$ 15,950,000	\$ 91,550,000
6/1/2010	7/1/2019	2.0% - 4.5%	7,605,000	2,250,000	5,355,000
12/21/2010	12/1/2030	2.00% - 5.00%	42,680,000	1,170,000	41,510,000
12/21/2010	12/1/2013	1.20%-1.93%	3,680,000	3,680,000	-
11/15/2011	7/1/2034	2.0% - 4.25%	8,985,000	710,000	8,275,000
5/14/2013	11/1/2034	1.0% - 5.0%	112,665,000	2,260,000	110,405,000
		Misc Notes	87,787,000	32,167,000	55,620,000
		Leases	78,802,000	47,906,000	30,896,000
		Net unamortized premium/discount	33,368,000	11,290,000	22,078,000
TOTALS			\$ 483,072,000	\$ 117,383,000	\$ 365,689,000

UNIVERSITY OF ARKANSAS AT PINE BLUFF

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
10/1/1963	10/1/2013	3.63%	\$ 1,822,000	\$ 1,822,000	\$ -
10/12/2005	12/1/2035	3.0% - 5.0%	19,565,000	19,565,000	-
10/12/2005	12/1/2017	2.8% - 3.8%	3,330,000	2,420,000	910,000
6/1/2014	6/30/2036	2% - 5.0%	15,160,000	-	15,160,000
6/1/2014	12/1/2018	1.875%	1,810,000	-	1,810,000
9/1/1999	12/1/2015	Variable	880,000	842,500	37,500
10/12/1999	11/19/2020	4.04%	3,300,000	3,300,000	-
10/15/2012	9/15/2016	2.01%	2,169,106	973,388	1,195,718
		Net unamortized premium/discount	2,308,855	1,207,595	1,101,260
TOTALS			\$ 50,344,961	\$ 30,130,483	\$ 20,214,478

UNIVERSITY OF ARKANSAS SYSTEM: Footnotes to Consolidated Financial Statements FY14

COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/13/2013	5/1/2035	1.0% - 3.625%	\$ 3,930,000	\$ 105,000	\$ 3,825,000
5/17/2005	5/1/2035	5.18%	4,500,000	4,500,000	-
1/25/2008	3/30/2023	2.91%	2,000,000	806,792	1,193,208
11/16/2010	11/16/2030	5.25%	300,060	33,204	266,856
Various	Various	Various	70,351	54,827	15,524
	Net unamortized premium/discount		141,059	6,461	134,598
TOTALS			\$ 10,941,470	\$ 5,506,284	\$ 5,435,186

PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
2/1/2009	12/1/2038	3.0% - 5.2%	\$ 12,030,000	\$ 950,000	\$ 11,080,000
6/1/2013	6/1/2018	4.30%	219,026	43,549	175,477
	Net unamortized premium/discount		(107,624)	(19,422)	(88,202)
TOTALS			\$ 12,141,402	\$ 974,127	\$ 11,167,275

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/15/2010	12/1/2018	1.0% - 3.25%	\$ 2,295,000	\$ 945,000	\$ 1,350,000
5/7/2008	11/1/2015	4.22%	816,432	639,674	176,758
5/7/2008	11/1/2015	4.22%	451,616	368,268	83,348
2/2/2010	2/1/2020	0.45%	1,000,000	394,620	605,380
	Net unamortized premium/discount		4,032	1,916	2,116
TOTALS			\$ 4,567,080	\$ 2,349,478	\$ 2,217,602

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/1/2010	9/1/2020	1.00% - 4.00%	\$ 4,625,000	\$ 1,715,000	\$ 2,910,000
6/1/2013	10/1/2038	1.00% - 3.625%	2,590,000	65,000	2,525,000
3/27/2012	4/1/2022	0.20%	1,100,000	218,245	881,755
	Net unamortized premium/discount		111,731	43,280	68,451
TOTALS			\$ 8,426,731	\$ 2,041,525	\$ 6,385,206

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
05/18/2005	11/1/2017	3.0% - 4.0%	\$ 2,095,000	\$ 1,340,000	\$ 755,000
6/16/2010	5/1/2022	2.0% - 3.5%	2,030,000	615,000	1,415,000
7/30/2010	8/1/2020	0.38%	800,000	276,552	523,448
TOTALS			\$ 4,925,000	\$ 2,231,552	\$ 2,693,448

UNIVERSITY OF ARKANSAS SYSTEM: Footnotes to Consolidated Financial Statements FY14

Schedule of Changes in Debt

BONDS					
Campus	Balance			Current	
	6-30-13	Additions	Reductions	6-30-14	Portion
UAF	\$ 633,300,000	\$ 29,750,000	\$ 21,565,000	\$ 641,485,000	\$ 23,865,000
Net unamortized prem/disc	34,621,972	2,345,740	1,721,984	35,245,728	1,801,952
UAFS	79,355,000	16,225,000	9,585,000	85,995,000	4,820,000
Net unamortized prem/disc	1,965,809	842,929	160,995	2,647,743	196,136
UALR	101,965,000	28,740,000	4,115,000	126,590,000	5,460,000
Net unamortized prem/disc	5,873,531	1,834,043	455,523	7,252,051	455,523
UAM	19,280,000		865,000	18,415,000	880,000
Net unamortized prem/disc	346,481		17,335	329,146	17,335
UAMS	264,350,000		7,255,000	257,095,000	8,046,000
Net unamortized prem/disc	23,226,000		1,148,000	22,078,000	1,148,000
UAPB	18,381,000	16,970,000	17,471,000	17,880,000	660,000
Net unamortized prem/disc	927,002	1,105,422	931,164	1,101,260	49,048
CCCUA	3,930,000		105,000	3,825,000	120,000
Net unamortized prem/disc	141,059		6,461	134,598	6,461
PCCUA	11,330,000		250,000	11,080,000	255,000
Net unamortized prem/disc	(91,788)		(3,586)	(88,202)	(3,586)
UACCB	1,600,000		250,000	1,350,000	255,000
Net unamortized prem/disc	2,595		479	2,116	479
UACCH	5,935,000		500,000	5,435,000	520,000
Net unamortized prem/disc	79,328		10,877	68,451	10,877
UACCM	2,495,000		325,000	2,170,000	340,000
TOTAL	\$ 1,209,012,989	\$ 97,813,134	\$ 66,735,232	\$ 1,240,090,891	\$ 48,903,225

Beginning of year balances were restated by the amount moved to deferred inflows/outflows along with a correction by PCCUA to net unamortized premium/discount (see Note 21)

NOTES					
Campus	Balance			Current	
	6-30-13	Additions	Reductions	6-30-14	Portion
UAF	\$ 6,173,363		\$ 3,676,273	\$ 2,497,090	\$ 270,453
UAFS	1,773,675	168,720	216,650	1,725,745	216,650
UALR	2,408,307		596,261	1,812,046	612,353
UAM	595,399		99,724	495,675	100,253
UAMS	68,447,000	80,000	12,907,000	55,620,000	9,953,000
UAPB	935,000		897,500	37,500	37,500
CCCUA	1,597,992		137,928	1,460,064	142,237
UACCB	1,151,628		286,142	865,486	294,627
UACCH	990,987		109,232	881,755	109,450
UACCM	602,838		79,390	523,448	79,692
TOTAL	\$ 84,676,189	\$ 248,720	\$ 19,006,100	\$ 65,918,809	\$ 11,816,215

CAPITAL LEASES					
Campus	Balance			Current	
	6-30-13	Additions	Reductions	6-30-14	Portion
UAF	\$ 17,116		\$ 7,511	\$ 9,605	\$ 7,661
UAFS	614,986		33,733	581,253	35,107
UALR	3,791,252		908,882	2,882,370	914,967
UAMS	39,004,000		8,108,000	30,896,000	7,081,000
UAPB	1,730,241		534,523	1,195,718	499,523
CCCUA	3,897,715		3,882,191	15,524	6,964
PCCUA	215,747		40,270	175,477	42,037
TOTAL	\$ 49,271,057	\$ -	\$ 13,515,110	\$ 35,755,947	\$ 8,587,259

UNIVERSITY OF ARKANSAS SYSTEM: Footnotes to Consolidated Financial Statements FY14

INSTALLMENT CONTRACTS

Campus	Balance			Balance		Current Portion
	6-30-13	Additions	Reductions	6-30-14		
UAF	\$ 33,900,532		\$ 2,549,161	\$ 31,351,371	\$ 2,669,601	
TOTAL	\$ 33,900,532	\$ -	\$ 2,549,161	\$ 31,351,371	\$ 2,669,601	

The current portion shown above for bonds, notes, capital leases, and installment contracts differs from the statement of net position by \$19,580, 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 \$1,304,346,127 differs from the amount of \$1,372,359,853 shown on the statement of net position. This is due to \$68,770,891 of amortization due to bond premiums/discounts offset by an elimination entry of \$757,165 (see Note 17).

BONDS & NOTES

FUTURE PRINCIPAL AND INTEREST PAYMENTS			
Year Ended June 30,	Principal	Interest	Total
2015	\$ 57,037,215	\$ 52,091,928	\$ 109,129,143
2016	58,641,558	50,675,125	109,316,683
2017	65,898,095	48,824,597	114,722,692
2018	61,013,883	46,704,679	107,718,562
2019	63,393,115	44,533,827	107,926,942
2020-2024	264,111,973	187,014,120	451,126,093
2025-2029	240,113,292	129,402,068	369,515,360
2030-2034	232,155,853	72,862,565	305,018,418
2035-2039	150,308,825	25,758,570	176,067,395
2040-2044	44,565,000	3,607,281	48,172,281
TOTALS	\$ 1,237,238,809	\$ 661,474,760	\$ 1,898,713,569

CAPITAL LEASES

FUTURE PRINCIPAL AND INTEREST PAYMENTS			
Year Ended June 30,	Principal	Interest	Total
2015	\$ 8,587,259	\$ 1,277,290	\$ 9,864,549
2016	8,182,333	964,421	9,146,754
2017	6,052,023	673,358	6,725,381
2018	3,939,262	507,525	4,446,787
2019	3,047,185	396,535	3,443,720
2020-2024	5,789,437	624,163	6,413,600
2025-2029	158,448	9,679	168,127
TOTALS	\$ 35,755,947	\$ 4,452,971	\$ 40,208,918

INSTALLMENT CONTRACTS			
FUTURE PRINCIPAL AND INTEREST PAYMENTS			
Year Ended June 30,	Principal	Interest	Total
2015	\$ 2,669,601	\$ 1,451,159	\$ 4,120,760
2016	2,795,733	1,325,027	4,120,760
2017	2,927,828	1,192,932	4,120,760
2018	3,066,166	1,054,594	4,120,760
2019	3,211,044	909,716	4,120,760
2020-2024	16,680,999	1,981,206	18,662,205
TOTALS	\$ 31,351,371	\$ 7,914,634	\$ 39,266,005

Capitalization of Assets held under Capital Leases

The capitalized value of capital assets held under capital leases totaled \$48,151,186 at June 30, 2014. The present value of the net minimum lease payments is as follows:

	Cost	Accumulated Depreciation	Net
Improvements/Infrastructure	\$ 281,686	\$ 35,926	\$ 245,760
Buildings	650,000	65,000	585,000
Equipment	67,738,556	20,418,130	47,320,426
		TOTAL	\$ 48,151,186
Total Minimum Lease Payments			\$ 40,208,918
Less: Amount representing interest			4,452,971
Total Present Value of Net Minimum Lease Payments			\$ 35,755,947

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, 2014, that are pledged:

UNIVERSITY OF ARKANSAS SYSTEM: Footnotes to Consolidated Financial Statements FY14

Bond Issue	Maturity Date	Purpose of Debt	Remaining Principal & Interest	FY14 Principal & Interest	Revenue Source	FY14 Revenue	% of Revenue Pledged
UNIVERSITY OF ARKANSAS FAYETTEVILLE -- VARIOUS FACILITIES							
Series 1997 Various Facilities	11/1/2022	Construction and Renovations	\$ 1,442,713	\$ 194,098	Various Facility Pledge	\$ 306,805,026	0.06%
Series 2004B Various Facilities Refunding	11/1/2024	Refund portion of Series 1998 Various Facilities	3,900,995	975,768	Various Facility Pledge	\$ 306,805,026	0.32%
Series 2005 Various Facilities	11/1/2025	Construction and Renovations	79,497,321	9,547,554	Various Facility Pledge	\$ 306,805,026	3.11%
Series 2006 Various Facilities	11/1/2036	Construction and Renovations	104,761,398	4,086,585	Various Facility Pledge	\$ 306,805,026	1.33%
Series 2007 Various Facilities	11/1/2037	Construction of Student Housing	67,960,969	2,850,763	Various Facility Pledge	\$ 306,805,026	0.93%
Series 2008 Various Facilities	11/1/2038	Construction of Parking Garage, Bookstore, KUAF Radio, and other facilities, and purchase of parcels of land	86,252,722	3,178,948	Various Facility Pledge	\$ 306,805,026	1.04%
Series 2009 Various Facilities	11/1/2039	Construction and Renovations	84,061,084	3,236,483	Various Facility Pledge	\$ 306,805,026	1.05%
Series 2011 Various Facilities	11/1/2040	Construction and Renovations	180,375,167	6,664,081	Various Facility Pledge	\$ 306,805,026	2.17%
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	80,430,625	3,395,100	Various Facility Pledge	\$ 306,805,026	1.11%
Series 2012B Various Facilities	11/1/2042	Construction and Renovations	112,336,050	3,141,150	Various Facility Pledge	\$ 306,805,026	1.02%
Series 2013A Various Facilities	11/1/2042	Construction and Renovations	91,870,819	3,425,524	Various Facility Pledge	\$ 306,805,026	1.12%
Series 2014 Various Facilities	11/1/2043	Construction and Renovations	54,778,862	0	Various Facility Pledge	\$ 306,805,026	0.00%
Total Percentage of Pledged Revenues							13.26%
UNIVERSITY OF ARKANSAS FAYETTEVILLE -- ATHLETIC FACILITIES							
Series 2006 Athletic Facilities	9/15/2022	Construction of John McDonnell Outdoor Track Stadium	6,337,679	705,691	Athletics Pledge	55,733,133	1.27%
Series 2010 Athletic Refunding	9/15/2020	Refund Series 1999 and 2001 Athletic Facilities Bonds for football stadium	19,157,471	2,738,891	Athletics Pledge	55,733,133	4.91%
Series 2011 Athletic Facilities	9/15/2021	Construction of Football Center	21,789,900	3,370,700	Athletics Pledge	55,733,133	6.05%
Series 2013 Athletic Facilities	9/15/2027	Construction of Basketball Practice Facility, Track and Baseball Indoor Practice Facility, and Athletic & Academic Dining Facility	40,379,825	1,996,576	Athletics Pledge	55,733,133	3.58%
Series 2008 Athletic Facilities Revenue Prom Note	9/13/2013	Improvements to various athletic facilities		297,970	Athletics Pledge	55,733,133	0.53%
Total Percentage of Pledged Revenues							16.34%
UNIVERSITY OF ARKANSAS AT FORT SMITH							
Series 2006 Student Fee Revenue	12/1/2031	Sebastian Commons Phase II	0	420,955	Student Fee Revenue	35,895,100	1.17%
Series 2009 Student Fee Revenue	12/1/2034	Housing construction	35,434,272	1,702,886	Student Fee Revenue	35,895,100	4.74%
Series 2010 Student Fee Revenue	12/1/2021	Refund Series 2001 Student Fee Revenue Bonds	25,194,627	3,170,970	Student Fee Revenue	35,895,100	8.83%
Series 2010B Student Fee Revenue	12/1/2035	Library Construction	13,431,276	615,548	Student Fee Revenue	35,895,100	1.71%
Series 2012 Refunding	12/1/2030	Refund Series 2003 & 2005	21,306,768	1,551,705	Student Fee Revenue	35,895,100	4.32%
Series 2014A	12/1/2031	Refund Series 2006	6,944,653	0	Student Fee Revenue	35,895,100	0.00%
Series 2014B	6/1/2039	Recreation/Wellness Center	18,214,500	0	Student Fee Revenue	35,895,100	0.00%
Total Percentage of Pledged Revenues							20.77%

UNIVERSITY OF ARKANSAS SYSTEM: Footnotes to Consolidated Financial Statements FY14

UNIVERSITY OF ARKANSAS AT LITTLE ROCK							
Series 2009 Capital Improvement Revenue	10/1/2029	Capital improvements	38,742,500	2,423,725	Student Fee Revenue	74,344,588	3.26%
Series 2013A Revenue Refunding	12/1/2024	Refund Series 2004B Capital Improvements Revenue	12,585,075	1,145,875	Student Fee Revenue	74,344,588	1.54%
Series 2013 Student Fee Revenue Capital Improvements	10/1/2030	Energy Conservation Project	40,868,021	830,915	Student Fee Revenue	74,344,588	1.12%
Series 2013B Taxable Revenue Refunding	12/1/2024	Refund Series 2004B Capital Improvements Revenue	6,824,759	622,660	Student Fee Revenue	74,344,588	0.84%
Total Percentage of Pledged Revenues							6.76%

Series 2012B Student Housing Revenue Refunding	12/1/2029	Refund Series 2004A Revenue Refunding Bonds	17,753,700	1,110,350	Auxiliary Revenue	16,867,543	6.58%
Series 2009 Auxiliary Enterprises Revenue	10/1/2034	Housing and Athletics	42,528,341	2,022,856	Housing & Athletic Revenue	14,492,197	13.96%
Series 2012A Auxiliary Enterprises Capital Improvements	5/1/2037	Purchase of Coleman Place Apartments	22,865,000	993,250	Housing & Athletic Revenue	14,492,197	6.85%
Total Percentage of Pledged Revenues							20.81%

UNIVERSITY OF ARKANSAS AT MONTICELLO							
Series 2012 Various Facilities Refunding	12/1/2035	Refund Series 2005 Various Facilities Refunding and Construction	11,713,638	537,433	Student Fee Revenue & Auxiliary Revenues	22,314,542	2.41%
Series 2010 Various Facilities Refunding	10/1/2018	Refund Series 2005 Auxiliary Facilities Refunding	1,951,825	387,273	Auxiliary Revenues	5,753,712	6.73%
Series 2012 Auxiliary Facilities Revenue	10/1/2037	Renovation and Equipping of Bankston Hall and Horsfall Hall	12,288,963	514,066	Auxiliary Revenues	5,753,712	8.93%
Total Percentage of Pledged Revenues							15.66%

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES							
Series 2006 Various Facilities	3/1/2036	Hospital Patient Bed Tower, Psychiatry Building, Residence Hall & Power Plant	153,001,900	6,953,755	Clinical Programs Revenue	587,545,711	1.18%
Series 2010 Various Facilities	12/1/2030	Hospital Patient Bed Tower, Psychiatry Building, Residence Hall & Power Plant	61,099,500	3,593,188	Clinical Programs Revenue	587,545,711	0.61%
Series 2013 Various Facilities	11/1/2034	Refund Series 2004 Various Facilities (Patient Bed Tower, Psychiatry Building, Residence Hall & Power Plant)	171,172,094	7,087,063	Clinical Programs Revenue	587,545,711	1.21%
Total Percentage of Pledged Revenues							3.00%
Series 2010 Refunding Parking System	7/1/2019	Refund Series 1998 Parking System Revenue Bonds	6,099,925	1,019,425	Parking Fees	4,119,282	24.75%
Series 2011 Refunding Parking System	7/1/2034	Refund Series 2004 Parking System Revenue Bonds	11,719,510	583,951	Parking Fees	4,119,282	14.18%
Total Percentage of Pledged Revenues							38.93%

UNIVERSITY OF ARKANSAS AT PINE BLUFF							
Series 2005B Various Facilities Revenue, Refunding and Construction	12/1/2017	Refund and capital improvements	979,868	344,277	Unrestricted Funds	28,006,222	1.23%
Series 2014A Various Facilities Revenue Refunding Bonds	6/30/2036	Refund Series 2005A	23,630,128	0	Unrestricted Funds	28,006,222	0.00%
Series 2014B Various Facilities Revenue Refunding Bonds	12/1/2018	Refund Series 2005A	1,896,250	0	Unrestricted Funds	28,006,222	0.00%
Total Percentage of Pledged Revenues							1.23%

COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS							
Series 2013	5/1/2035	Pay off lease that acquired Howard County campus	5,561,769	264,138	Student Fee Revenue	3,265,171	8.09%

PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS							
Series 2009 Student Fee Refunding and Construction	12/1/2038	Refund Series 1997 Bonds and Construction of Grand Prairie Center	19,289,501	771,395	Student Fee Revenue	3,209,837	24.03%

UNIVERSITY OF ARKANSAS SYSTEM: Footnotes to Consolidated Financial Statements FY14

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE							
Series 2010 Student Fee Revenue Refunding	12/1/2018	Refund Series 1998	1,449,674	288,473	Student Fee Revenue	3,168,356	9.10%
UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE							
Series 2010 Student Fee Revenue	9/1/2020	Refund Series 1998 & 2004	3,219,175	531,788	Student Fee Revenue	2,402,801	22.13%
Series 2013 Student Fee Refunding Revenue	10/1/2038	Refund Series 2008	3,769,256	138,131	Student Fee Revenue	2,402,801	5.75%
Total Percentage of Pledged Revenues							27.88%
UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON							
Series 2005 Student Fee Revenue Refunding	11/1/2017	Refund Series 1999	815,581	202,263	Student Fee Revenue	6,204,034	3.26%
Series 2010 Student Fee Revenue Refunding	5/1/2022	Refund Series 2002	1,629,138	201,843	Student Fee Revenue	6,204,034	3.25%
Total Percentage of Pledged Revenues							6.51%

Refundings

Fayetteville Campus: 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 deferred outflows of resources, 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, 2014, was \$15,293,371. 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. The remaining balance of the defeased bonds at June 30, 2014, was \$14,995,000.

Ft. Smith Campus: On June 1, 2014, the University issued refunding bonds of \$5,295,000, with interest rates of 2% to 3.5% to advance refund \$5,150,000 of outstanding bonds dated December 1, 2006, with interest rates of 3.6% to 5%. Bond proceeds of \$5,265,638 were deposited in the advance refunding fund to retire the 2006 bonds. Remaining bond proceeds of \$29,362 and premium proceeds of \$75,820 were utilized for the payment of issuance costs. Remaining premium proceeds of \$5,393 and accrued interest of \$1,718 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 \$115,638. The difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2032 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next eighteen years by \$549,425 and to obtain an economic gain (difference between the present values of the old debt and new debt service payments) of \$421,934. The escrow balance at June 30, 2014 was \$5,265,638. The bonds will be refunded on December 1, 2014. The remaining balance of the defeased bonds at June 30, 2014, was \$5,150,000.

Little Rock Campus: 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 \$16,970,000 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 deferred outflows of resources, 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, 2014, was \$16,230,755. The bonds will be fully paid by December 1, 2014. The remaining balance of the defeased bonds at June 30, 2014, was \$15,885,000.

Medical Sciences Campus: 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, 2014, was \$118,203,602. The remaining balance of the defeased bonds at June 30, 2014, was \$115,415,000.

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 were refunded on December 1, 2013, and the escrow account was closed.

Pine Bluff Campus: On June 1, 2014, the University issued \$16,970,000 in Various Facilities Revenue Refunding Bonds, Series 2014, with interest rates of 2% to 5% to advance refund Various Facility Revenue Refunding and Construction Bonds, Series 2005A. The Series 2005A bonds mature on December 1, 2036, and are callable on December 1, 2015. The revenue refunding bonds were issued at a premium of \$1,105,422 and after paying issuance costs of \$86,000 and underwriter's discount of \$140,002, the net proceeds were \$17,849,420. Accrued interest of \$46,780 will be utilized for an interest payment on the new Series 2014 bonds in December, 2014. The net proceeds from the issuance of the bonds were deposited into a special trust fund and will be used to provide debt service payments until the term bonds are called on December 1, 2015. As a result of the advance refunding, the University reduced its total debt service requirements by \$1,900,872, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,397,584. The balance in the escrow account at June 30, 2014, was \$17,849,420. The remaining balance of the defeased bonds at June 30, 2014, was \$16,660,000.

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 were 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 deferred outflows of resources 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 deferred outflows of resources, 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 bonds were refunded on April 1, 2014, and the escrow balance at June 30, 2014, was \$3,256.

Note 8: Commitments

The University was contractually obligated under construction related contracts at June 30, 2014, for the amounts shown below.

Campus	Project Name	Estimated Completion Date	Contract Balance
UAF	AFLS Basement Renovation	August 2015	\$ 179,375
	Arts & Design District	October 2016	396,358
	Athletic Academic & Dining Facility	January 2015	16,487,645
	Basketball Practice Facility	December 2014	16,641,831
	Baseball & Track Indoor Practice Facility	Substantially Complete	491,162
	Campus District Energy Systems	Substantially Complete	645,026
	Chi Omega Greek Theatre	June 2017	133,253
	Classroom & Teaching Lab Building	January 2015	15,179,649
	Cleveland & Hall L.I.D. Parking Lot	March 2015	227,266
	Combined Heat & Power Plant	June 2015	9,833,487
	Football Center	Substantially Complete	463,348
	Founders Hall	Substantially Complete	280,466
	Hillside Auditorium	Substantially Complete	32,302
	Hotz Hall Renovation	Substantially Complete	44,556
	Housing Administration Building	Substantially Complete	269,453
	Jim & Joyce Faulkner Performing Arts	April 2015	485,227
	John A White Engineering Hall Phase I	Substantially Complete	201,003
	Lambda Chi Alpha Fraternity House	June 2016	421,582
	Leroy Pond Utility Plant	December 2014	490,187
	Mechanical Eng Building Modifications	Substantially Complete	103,187
	Memorial Hall Restoration	September 2014	496,738
	Nano 3rd Floor - Dickson St. Utility	December 2014	188,352
	Ozark Hall Renovation and Addition	Substantially Complete	420,545
	Pi Kappa House Renovations	December 2014	3,038,845
	Pomfret Honors Quarters	Substantially Complete	159,515
	Rice Research Seed Processing Plant	June 2016	515,781
	Science D Building Lab Upgrades	December 2014	90,943
	Soil Testing Lab Office Renovation	March 2015	1,091,876
	Yocum Hall Renovation	December 2014	2,237,601
	Other	Various	2,886,824
UAFS	Library Expansion & Central Energy Plant	October 2015	22,359
	RLF Projects - Strategic Energy Plan	June 2015	17,078
	Visual Arts Building & Central Energy Plant	June 2015	13,998,480
	Amphitheater	December 2014	12,259
UALR	Sebastian Commons Paint & Repair	September 2014	121,384
	DSC Restroom Renovations & Roof Leaks	July 2014	183,106
	Energy Conservation Project, Phase II	July 2015	7,881,861
	Center for Performing Arts & Stabler Hall Roofs	September 2014	265,135
UAM	Other	Various	223,727
	Crossett Campus Parking Lot	August 2014	94,000
UAMS	AHEC: Texarkana SW Facility/Fayetteville NW E Tower	Various	5,469,000
UAPB	Stem Academy Center	December 2014	2,248,124
	Agri Technology Training Center, Phase II	September 2014	63,050
CCCUA	DeQueen Paving Project	July 2014	32,511
	Multi-purpose Classroom/Recreation	December 2015	489,179
PCCUA	Arts & Sciences Building Improvements	August 2014	106,327
UACCB	Independence Hall Carpeting	July 2014	9,463
	Cosmetology Building	February 2015	953,276
UACCH	Texarkana Professions Building	January 2015	3,021,185
UACCM	Workforce Training Center	September 2017	678,597
	TOTAL		\$ 110,023,484

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, 2014, were \$17,441,444. Below are the scheduled payments for each of the five succeeding fiscal years and thereafter.

Operating Leases	
Year Ended June 30,	Amount
2015	\$ 8,527,264
2016	4,840,754
2017	3,059,950
2018	1,252,016
2019	866,139
2020-2024	1,802,683
2025-2029	7,800

Note 9: Short-Term Borrowing

The GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, 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, 2014.

Note 10: Capital Assets

Following are changes in capital assets for the year ended June 30, 2014:

CAPITAL ASSETS	June 30, 2013				June 30, 2014	
	Balance	Additions	Transfers	Deletions	Balance	
Land	\$ 87,823,450	\$ 8,913,303	\$ (309,500)	\$ 417,458	\$ 96,009,795	
Library Holdings	126,403,039	8,518,254	-	657,310	134,263,983	
Construction in progress	236,269,841	125,014,254	(240,269,173)	3,769,606	117,245,316	
Improvements and infrastructure	245,922,366	2,829,496	13,370,893	84,301	262,038,454	
Buildings	2,919,214,058	26,144,778	197,604,749	1,393,605	3,141,569,980	
Equipment	559,948,559	29,432,302	7,698,031	21,457,113	575,621,779	
Intangibles - Software	103,456,003	46,870,187	29,257,000	17,022,000	162,561,190	
Intangibles - Leasehold Improve	1,129,819	-	-	-	1,129,819	
Intangibles - Radio License	67,809	-	-	-	67,809	
Other	46,725,161	857,551	(7,352,000)	2,815,000	37,415,712	
Total Capital Assets	\$ 4,326,960,105	\$ 248,580,125	\$ -	\$ 47,616,393	\$ 4,527,923,837	
Less accumulated depreciation:						
Library Holdings	\$ 107,192,074	\$ 4,487,101	-	\$ 685,865	\$ 110,993,310	
Improvements and infrastructure	103,264,123	11,344,763	-	2,498	114,606,388	
Buildings	1,073,153,762	100,110,736	(17,000)	912,915	1,172,334,583	
Equipment	415,067,393	42,276,129	6,353,000	20,340,268	443,356,254	
Intangibles - Software	98,907,935	2,473,932	-	17,022,000	84,359,867	
Intangibles - Leasehold Improve	243,188	60,798	-	-	303,986	
Other	17,283,666	4,502,381	(6,336,000)	2,452,000	12,998,047	
Total Accum Depreciation	\$ 1,815,112,141	\$ 165,255,840	\$ -	\$ 41,415,546	\$ 1,938,952,435	
Capital Assets, Net	\$ 2,511,847,964	\$ 83,324,285	\$ -	\$ 6,200,847	\$ 2,588,971,402	

Library holdings, including old and rare books, valued at \$1,287,000 and \$1,308,000 at June 30, 2014, and June 30, 2013, 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 \$58,272, which is a prior year adjustment for holdings. An adjustment was made to the June 30, 2013, balances to correct for software incorrectly identified as Other by increasing Intangibles-Software by \$19,721,000 and decreasing Other by the same amount. Likewise, the related accumulated depreciation of \$19,316,000 was moved from Other to Intangibles-Software.

Note 11: Risk Management

The University of Arkansas Risk Management Program provides insurance coverage for all campuses within the University of Arkansas System with the exception of the Fort Smith campus. 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.

Property coverage is insured through FM Global with a \$100,000 deductible at the Fayetteville, Medical Sciences, and Little Rock campuses. The other covered campuses have a \$50,000 deductible. The FM Global policy also contains earthquake/flood and domestic/foreign terrorism coverage. Additionally, the Fayetteville, Medical Sciences, Phillips, and Morrilton campuses have business interruption coverage with FM Global.

Auto coverage, through Cypress Insurance, has a physical damage deductible of \$1,000 and provides coverage against liability losses up to \$1,000,000 per occurrence.

The Medical Sciences campus maintains malpractice insurance for certain employees under a claims-made policy. The Fort Smith campus acquires its own property insurance through Alliant Property Insurance (\$25,000 deductible) and auto insurance through Cypress Insurance (\$5,000 deductible).

The University does not purchase general liability, errors or admissions, 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, Morrilton, Pine Bluff, and Medical Sciences campuses, the Arkansas School for Mathematics, Sciences and the Arts, the University of Arkansas Foundation, Inc., the University of Arkansas Winthrop Rockefeller Institute, and the University of Arkansas System Administration. Employees at the Phillips County and Cossatot campuses participate only in the health plan.

At June 30, 2014, a total of 16,275 active employees, former employees, and pre-65 retirees were participants in the health plan. As of June 30, 2014, the University offers two different health plans: Classic (HMO) and Point of Service (POS). Participating campuses pay anywhere from 46% to 100% of the Classic Plan premium and 29% to 90% 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 16,780 active employees, former employees, and retirees were participants in the dental plan as of June 30, 2014. The University pays 0% to 51% of the total premium for full-time active employees, while retirees and former employees, through COBRA, participate on a fully contributory basis.

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 \$14,030,000 at June 30, 2014. 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 \$494,000 at June 30, 2014. 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 from United Healthcare-BP to reduce its exposure to large claims. In a fiscal year, after paying claims of more than \$1,000,000 for any one covered individual, the University pays an aggregating specific deductible of \$75,000, whether from one or more covered individuals also exceeding \$1,000,000 in paid claims, before being reimbursed from the reinsurance company.

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, 2014, the loss ratio for the health plan was 103% and the loss ratio for the dental plan was 92%.

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, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

Effective January 1, 2014, the plan for Medicare eligible retirees was changed to a fully insured Medicare Advantage program. Retirees pay 100% of the fully insured premium directly to United Healthcare.

Reconciliation of Changes in the Liability for Future Insurance Claims		
	FY14	FY13
Unpaid claims and claim adjustment expenses at beginning of year	\$ 14,792,000	\$ 14,919,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	134,287,249	128,158,774
Adjustment in provision for insured events of prior years	<u>(1,497,203)</u>	<u>(2,181,025)</u>
Total incurred claims and claim adjustment expenses	132,790,046	125,977,749
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	119,763,249	113,366,774
Claims and claim adjustment expenses attributable to insured events of prior years	<u>13,294,797</u>	<u>12,737,975</u>
Total Payments	133,058,046	126,104,749
Total unpaid claims and claim adjustment expenses at end of year	<u><u>\$ 14,524,000</u></u>	<u><u>\$ 14,792,000</u></u>

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

The Hope campus participates 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 eleven 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, 2014, there were a total of 1,589 active employees and retirees participating in the health plan, 128 of which are from the Hope campus.

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 530 active employees and retirees were participants in the plan as of June 30, 2014.

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, 2014, was \$26,000. 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 2014, 2013, and 2012 were \$86,043,388, \$83,679,635, and \$81,473,876, respectively. The participants' contributions for the fiscal years 2014, 2013, and 2012 were \$83,950,302, \$88,548,653, and \$84,823,284, respectively.

APERS is a cost-sharing multiple employer defined benefit pension plan administered by the State of Arkansas. The University's required contribution rate was 14.88%, 14.24%, and 13.47% in fiscal years 2014, 2013, and 2012, respectively. 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 2014, 2013, and 2012, were \$3,810,297,

\$3,121,872, and \$2,542,509, respectively. Participants' contributions for the fiscal years 2014, 2013, and 2012 were \$968,607, \$713,717, and \$550,003, 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, 5th 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 2014, 2013, and 2012 were \$1,766,339, \$1,904,468, and \$2,101,611, respectively. Participants' contributions for the fiscal years 2014, 2013, and 2012 were \$562,095, \$592,873, and \$651,208, 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. 3rd 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 2014, 2013, and 2012 for both the Civil Service Retirement System and the Thrift Savings Plan were \$389,536, \$412,107, and \$429,643, respectively. The participants' contributions for the fiscal years 2014, 2013, and 2012 were \$286,785, \$311,116, and \$322,556, 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, which 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 2014, 2013, and 2012 were \$1,557,024, \$1,495,630, and \$1,499,414, respectively. The participants' contributions to VALIC for fiscal years 2014, 2013, and 2012 were \$1,128,624, \$1,082,240, and \$1,134,115, respectively. The participants' contributions to American Fidelity for fiscal years 2014, 2013, and 2012 were \$2,655, \$3,000, and \$3,845, respectively.

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. The amount of liability established for these type agreements was \$3,675,100 and \$2,874,611 at June 30, 2014, and 2013, respectively.

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 pre-65 retired employees of the Fayetteville (UAF), Little Rock (UALR), Medical

Sciences (UAMS), Monticello (UAM), Pine Bluff (UAPB), Cossatot (CCCUA), Phillips (PCCUA), Batesville (UACCB), and Morrilton (UACCM) campuses, 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.

The Cossatot and Morrilton campuses joined the University's plan in January 2014, having previously been a part of the Arkansas Higher Education Consortium Benefits Trust. The Cossatot campus continues to provide dental insurance thru Delta Dental. Because these campuses were not part of the University's self-funded plan on the census date, the liability for these campuses was calculated on the same basis as previous years.

Health benefits continue to be provided for current and retired employees of the Hope (UACCH) campus 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 \$49,993,475 in retiree healthcare liability as of June 30, 2014.

Retirees pay 100% of premiums for all campuses with the exception that UACCM will pay the premium for those employees retiring on or after age 62 with at least 20 years of service. Employer costs are funded on a pay-as-you-go basis for all campuses. Retirees qualify for postretirement benefits as follows:

UAF, UALR, UAM, UAMS, UAPB, PCCUA, UACCB, ASMSA, and SYSTEM: Employees must have a combination of age and years of service of at least 70 with at least 10 years of coverage under the plan. Retirees may cover spouses and eligible dependent children. Surviving spouses can continue coverage after retiree's death. Effective January 1, 2014, the plan for Medicare eligible retirees was changed to a fully insured Medicare Advantage program, and therefore, these retirees are no longer a part of the self-funded plan.

UAFS: Employees must be at least age 55 and have at least 10 years of service.

CCCUA: Employees must be at least age 60 and have at least 5 years of service.

UACCH: Employees must have at least 10 years of service.

UACCM: Employees must be at least age 60 and have at least 10 years of service.

Summary of Key Actuarial Methods and Assumptions

University Self-Funded Plan:

Valuation date	July 1, 2013; Census data 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	4.5%
Projected payroll growth rate	4.0%
Medical inflation rate	Immediate rate of 7.5% with an ultimate rate of 4.5%

UAFS, CCCUA, UACCH, UACCM:

Valuation date	July 1, 2013; Census data collected as of July 1, 2013
Actuarial cost method	Projected unit credit
Amortization method	30 years open, level dollar amortization
Asset valuation method	N/A
Discount rate	4.75%
Medical inflation rate	Immediate rate of 10.0% with an ultimate rate of 5.0%

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: (1) University's self-funded plan: The healthcare trend rate assumption was changed to better reflect anticipated future experience. This change decreased the Actuarial Accrued Liability by \$2,059,046 as of July 1, 2013. Effective January 1, 2014, the plan for Medicare eligible retirees was changed to a fully insured Medicare Advantage program. Retirees pay 100% of the fully insured premium directly to United Healthcare. As a result, no liabilities for Medicare eligible retiree medical benefits are included in the valuation. The Affordable Care Act (ACA) requires changes in the out-of-pocket limit to count medical copays towards satisfying the limit in 2014 and to count prescription drug out-of-pocket costs towards satisfying the limit in 2015. ACA also imposes an excise tax on high cost plans beginning in 2018. The effects of these changes in ACA have been reflected in the valuation. (2) Remaining four campuses: The assumed discount rate was lowered from 5.25% to 4.75%. This change increased the Actuarial Accrued Liability at July 1, 2013, by: \$39,166 for UAFS, \$3,192 for CCCUA, \$5,019 for UACCH, and \$16,336 for UACCM.

Medical Coverage – Retirees not Eligible for Medicare -- for the University's self-funded plan: Claim experience for the period February 1, 2012, through January 31, 2014, 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 987 life years of exposure and was deemed to be 70% 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.

Dental Coverage for the University's self-funded plan: Dental claims coverage for the period February 1, 2013, through January 31, 2014, was used to develop per capita claims cost for dental coverage. The claims experience includes over 35,000 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 Self-Funded Plan:

Healthy Mortality RP-2000 Generational Combined Healthy Mortality Table projected by scale AA

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

Age	Rate per 1,000	
	Male	Female
25	.0003	.0003
30	.0003	.0004
40	.0008	.0013
50	.0033	.0040
55	.0069	.0064
60	.0115	.0090

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

Year	UAF	UAMS	Other
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.

Retirement Rates:

Age	Rate
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:

	UAF	UALR	UAMS	Other
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:

Age	Rate per 100
20	.10
25	.10
30	.08
35	.08
40	.14
45	.24
50	.53
55	.88
60	1.0

Voluntary terminations: Termination rates at some sample ages are:

Age	Rate per 100
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 st year of service	4.0
2 nd year of service	2.5

	3 rd year of service	2.0
	4 th 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.

Determination of FY14 Accrual

Unfunded actuarial accrued liability at 7-1-13	\$ 53,499,094
Annual Required Contribution (ARC)	
Normal cost	\$ 3,194,272
Amortization of the unfunded actuarial accrued liability over 30 years	1,939,362
Interest	231,504
Annual Required Contribution for FY14	5,365,138
Interest on Net OPEB Obligation	2,063,930
ARC Amortization Adjustment	(1,735,461)
Annual OPEB Cost for FY14	\$ 5,693,607
Net OPEB Obligation, 7-1-13	\$ 45,808,127
Annual OPEB Cost for FY14	5,693,607
Less: Expected Employer Contributions	(1,508,259)
Net OPEB Obligation, 6-30-14	\$ 49,993,475

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed	Net Obligation at Year-End
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
6-30-14	5,693,607	1,508,259	26.49%	49,993,475

Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
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%
6-30-14	-	53,499,094	53,499,094	-%	1,103,763,909	4.85%

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, 2014, 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, 2014**

Assets	
Cash and investments	\$ 33,206,180
Other assets	16,282,062
Total Assets	<u>\$ 49,488,242</u>
Liabilities and Net Assets	
Liabilities	\$ 4,240,078
Net Assets	45,248,164
Total Liabilities and Net Assets	<u>\$ 49,488,242</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2014**

Income and Other Additions	\$ 31,504,576
Expenditures and Other Deductions	(25,516,866)
Total Increase in Net Assets	<u>\$ 5,987,710</u>

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, 2014, are presented below in summary form. Net assets at July 1, 2013, were restated, resulting in a decrease of \$980,036.

**ARKANSAS ALUMNI ASSOCIATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2014**

Assets	
Cash and investments	\$ 1,859,983
Other assets	7,057,345
Total Assets	<u>\$ 8,917,328</u>
Liabilities and Net Assets	
Liabilities	\$ 1,238,918
Net Assets	7,678,410
Total Liabilities and Net Assets	<u>\$ 8,917,328</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2014**

Income and Other Additions	\$ 3,627,399
Expenditures and Other Deductions	(2,882,189)
Total Increase in Net Assets	<u>\$ 745,210</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, 2014, are presented below in summary form.

**ARKANSAS 4-H FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2014**

Assets	
Cash and investments	\$ 4,885,390
Other assets	5,434,001
Total Assets	<u>\$ 10,319,391</u>
Liabilities and Net Assets	
Liabilities	\$ 126,303
Net Assets	10,193,088
Total Liabilities and Net Assets	<u>\$ 10,319,391</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2014**

Income and Other Additions	\$ 1,982,336
Expenditures and Other Deductions	(1,892,737)
Total Increase in Net Assets	<u>\$ 89,599</u>

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, 2014, are presented below in summary form.

**UNIVERSITY OF ARKANSAS TECHNOLOGY DEVELOPMENT
FOUNDATION**

CONDENSED STATEMENT OF FINANCIAL POSITION

As of June 30, 2014

Assets	
Cash	\$ 1,197,372
Other assets	34,245
Total Assets	<u>\$ 1,231,617</u>
Liabilities and Net Assets	
Liabilities	\$ 110,260
Net Assets	1,121,357
Total Liabilities and Net Assets	<u>\$ 1,231,617</u>

CONDENSED STATEMENT OF ACTIVITIES

FY Ended June 30, 2014

Income and Other Additions	\$ 1,610,152
Expenditures and Other Deductions	(1,512,315)
Total Increase in Net Assets	<u>\$ 97,837</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, 2014, are presented below in summary form.

UNIVERSITY OF ARKANSAS FORT SMITH FOUNDATION, INC.

CONDENSED STATEMENT OF FINANCIAL POSITION

As of June 30, 2014

Assets	
Cash and investments	\$ 82,205,895
Other assets	12,523,752
Total Assets	<u>\$ 94,729,647</u>
Liabilities and Net Assets	
Liabilities	\$ 1,821,394
Net Assets	92,908,253
Total Liabilities and Net Assets	<u>\$ 94,729,647</u>

CONDENSED STATEMENT OF ACTIVITIES

FY Ended June 30, 2014

Income and Other Additions	\$ 14,788,028
Expenditures and Other Deductions	(4,434,207)
Total Increase in Net Assets	<u>\$ 10,353,821</u>

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, 2013, are presented below in summary form.

**UNIVERSITY OF ARKANSAS FORT SMITH BENEFIT PLAN
CONDENSED STATEMENT OF FINANCIAL POSITION
As of December 31, 2013**

Assets	
Cash	\$ 368,412
Other Assets	764,021
Total Assets	<u>\$ 1,132,433</u>
Liabilities and Net Assets	
Liabilities	\$ 808,622
Net Assets	323,811
Total Liabilities and Net Assets	<u>\$ 1,132,433</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended December 31, 2013**

Income and Other Additions	\$ 5,563,935
Expenditures and Other Deductions	<u>(5,462,572)</u>
Total Increase in Net Assets	<u>\$ 101,363</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.

Trojan Athletic Foundation, Inc. is a non-profit entity established to support the athletic department at the Little Rock campus. Audited financial statements for the year ended June 30, 2014, are presented below in summary form.

**TROJAN ATHLETIC FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2014**

Assets	
Cash	\$ 104,605
Other Assets	53,951
Total Assets	<u>\$ 158,556</u>
Liabilities and Net Assets	
Liabilities	\$ 168
Net Assets	158,388
Total Liabilities and Net Assets	<u>\$ 158,556</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2014**

Income and Other Additions	\$ 449,290
Expenditures and Other Deductions	(434,037)
Total Increase in Net Assets	<u>\$ 15,253</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, 2013, are presented below in summary form. Net assets at January 1, 2013, were restated, resulting in a decrease of \$5,306.

**UAPB/AM&N ALUMNI ASSOCIATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of December 31, 2013**

Assets	
Cash & investments	\$ 132,572
Other assets	13,100
Total Assets	<u>\$ 145,672</u>
Liabilities and Net Assets	
Liabilities	\$ 2,876
Net Assets	142,796
Total Liabilities and Net Assets	<u>\$ 145,672</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended December 31, 2013**

Income and Other Additions	\$ 217,265
Expenditures and Other Deductions	(192,911)
Total Increase in Net Assets	<u>\$ 24,354</u>

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, 2014, 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, 2014**

Assets	
Cash and investments	\$ 538,284
Other	-
Total Assets	<u>\$ 538,284</u>
Liabilities and Net Assets	
Liabilities	\$ 1,040
Net Assets	537,244
Total Liabilities and Net Assets	<u>\$ 538,284</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2014**

Income and Other Additions	\$ 46,938
Expenditures and Other Deductions	(28,628)
Total Increase in Net Assets	<u>\$ 18,310</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, 2013, are presented below in summary form.

**PHILLIPS COMMUNITY COLLEGE FOUNDATION
CONDENSED STATEMENT OF FINANCIAL POSITION
As of December 31, 2013**

Assets	
Cash and investments	\$ 3,562,214
Other Assets	142,570
Total Assets	<u>\$ 3,704,784</u>
Liabilities and Net Assets	
Liabilities	\$ 339,397
Net Assets	3,365,387
Total Liabilities and Net Assets	<u>\$ 3,704,784</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended December 31, 2013**

Income and Other Additions	\$ 877,138
Expenditures and Other Deductions	(641,478)
Total Increase in Net Assets	<u>\$ 235,660</u>

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, 2014, are presented below in summary form.

**UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE
FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2014**

Assets	
Cash and investments	\$ 2,163,766
Other Assets	3,600
Total Assets	<u>\$ 2,167,366</u>
Liabilities and Net Assets	
Liabilities	\$ 89,685
Net Assets	2,077,681
Total Liabilities and Net Assets	<u>\$ 2,167,366</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2014**

Income and Other Additions	\$ 658,433
Expenditures and Other Deductions	(736,111)
Total Decrease in Net Assets	<u>\$ (77,678)</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, 2013, are presented below in summary form.

**UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT
MORRILTON FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of December 31, 2013**

Assets	
Cash and investments	\$ 158,082
Other Assets	64,698
Total Assets	<u>\$ 222,780</u>
Liabilities and Net Assets	
Liabilities	\$ 9,769
Net Assets	213,011
Total Liabilities and Net Assets	<u>\$ 222,780</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended December 31, 2013**

Income and Other Additions	\$ 286,772
Expenditures and Other Deductions	(159,813)
Total Increase in Net Assets	<u>\$ 126,959</u>

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, 2014, are presented below in summary form.

**UNIVERSITY OF ARKANSAS WINTHROP ROCKEFELLER
CENTER, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2014**

Assets	
Cash & Investments	\$ 1,174,950
Grant Receivable	4,286,429
Other	6,826,534
Property and Equipment, Net	16,335,609
Total Assets	<u>\$ 28,623,522</u>
Liabilities and Net Assets	
Liabilities	\$ 387,442
Net Assets	28,236,080
Total Liabilities and Net Assets	<u>\$ 28,623,522</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2014**

Income and Other Additions	\$ 8,409,193
Expenditures and Other Deductions	(6,384,221)
Total Increase in Net Assets	<u>\$ 2,024,972</u>

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, 2014, are presented below in summary form.

**DELTA STUDENT HOUSING, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2014**

Assets	
Cash	\$ 153,644
Other	95,709
Property and equipment	13,568,618
Total Assets	<u>\$ 13,817,971</u>
Liabilities and Net Assets	
Liabilities	\$ 14,812,514
Net Assets	(994,543)
Total Liabilities and Net Assets	<u>\$ 13,817,971</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2014**

Income and Other Additions	\$ 239,180
Expenditures and Other Deductions	(932,551)
Total Decrease in Net Assets	<u>\$ (693,371)</u>

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	\$ 375,223,502	\$ 53,142,693	\$ -	\$ -	\$ -	\$ 428,366,195
Research	159,780,852	72,691,523	-	-	-	232,472,375
Public Service	82,805,573	56,096,634	-	-	-	138,902,207
Academic Support	72,182,571	31,100,426	-	-	-	103,282,997
Student Services	40,213,813	16,923,250	-	-	-	57,137,063
Institutional Support	167,009,308	31,598,021	-	-	-	198,607,329
Scholarships/Fellowships	119,371	169,386	84,427,389	-	-	84,716,146
Plant Operations	60,452,755	54,749,206	-	-	-	115,201,961
Auxiliary Enterprises	63,713,407	85,678,997	1,969,281	-	-	151,361,685
Depreciation	-	-	-	-	165,197,568	165,197,568
Patient Care	444,442,340	247,015,000	-	-	-	691,457,340
Other	1,450,000	11,413,323	-	-	-	12,863,323
Insurance expenses	-	-	-	151,517,415	-	151,517,415
TOTAL	\$ 1,467,393,492	\$ 660,578,459	\$ 86,396,670	\$ 151,517,415	\$ 165,197,568	\$ 2,531,083,604

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, 2014, the University would have incurred a liability of \$54,551,000 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 physician-generated revenues, state appropriations, and revenues restricted for other purposes.

Note 17: Elimination of Inter-Company Transactions

The consolidated financial statements were prepared from financial statements submitted 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 reduce accounts receivable by \$12,378,133 and \$14,119,417 for fiscal years ended June 30, 2014, and June 30, 2013, respectively, which represent amounts owed by the campuses to the System Administration for insurance premiums and campus billings for services rendered, as well as amounts owed between campuses. Accounts payable was reduced by \$12,242,024 and \$12,901,437 for fiscal years ended June 30, 2014, and June 30, 2013, respectively. Cash was increased by \$136,109 and \$1,217,980 in fiscal years ending June 30, 2014, and June 30, 2013, to account for payments in-transit within the system.

Two loans between University entities were eliminated to reduce assets and liabilities as follows: (1) \$1,050,000 (current portion \$150,000) and \$1,200,000 (current portion \$150,000) for the years ended June 30, 2014, and June 30, 2013, respectively, to reflect a loan to ASMSA by the System Administration; and (2) \$757,165 (current portion \$19,580) and \$772,664 (current portion \$15,499) to reflect a loan from UAMS to UAF for the years ended June 30, 2014, and June 30, 2013, 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, and 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 entry was made to reduce insurance revenue and compensation/benefits expenditures in the amounts of \$105,655,053 and \$103,455,733 for fiscal years ended June 30, 2014, and June 30, 2013, respectively.

An elimination entry was made 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 \$2,557,679 and \$1,839,897 for the fiscal years ended June 30, 2014, and June 30, 2013, respectively.

An elimination entry was made for a federal grant received by UAMS and then sub-granted to UAF in the amount of \$90,502 used for operating expenses and \$1,938,175 capitalized for construction/equipment for the fiscal year ending June 30, 2014, and \$196,162 used for operating expenses and \$10,418,692 capitalized for construction/equipment for the fiscal year ended June 30, 2013.

An elimination entry for services provided among campuses in the amount of \$681,282 and \$314,800 for fiscal years ended June 30, 2014, and June 30, 2013, respectively. These amounts decreased both other operating revenues and operating supplies/services.

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

Current accounts receivable balances, net of allowances, at June 30, 2014, and June 30, 2013, of \$108,292,555 and \$121,247,557, respectively, as shown on the statement of net position, consist of the following:

<u>ACCOUNTS RECEIVABLE</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Student accounts	\$17,465,120	\$16,532,887
Non-student accounts	17,546,224	21,373,517
Health care related services	38,763,000	43,878,000
Grants and contracts	28,392,784	35,864,628
Property and sales taxes	2,319,572	2,243,667
Other	3,805,855	1,354,858
Total	<u>\$108,292,555</u>	<u>\$121,247,557</u>

Current accounts payable balances at June 30, 2014, and June 30, 2013, of \$124,455,375 and \$139,160,719, respectively, as shown on the statement of net position, consist of the following:

<u>ACCOUNTS PAYABLE</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Trade related	\$46,103,084	\$53,859,902
Payroll related	63,476,085	63,912,565
Interest	7,149,981	9,675,055
Other	7,726,225	11,713,197
Total	<u>\$124,455,375</u>	<u>\$139,160,719</u>

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 (see Note 22).

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.

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, 2014, 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, 2014**

Assets	
Cash and investments	\$ 9,697,172
Other assets	38,334,389
Total Assets	<u>\$ 48,031,561</u>
Liabilities and Net Assets	
Liabilities	\$ 20,542,631
Net Assets	27,488,930
Total Liabilities and Net Assets	<u>\$ 48,031,561</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2014**

Income and Other Additions	
Ticket sales	\$ 4,771,265
Contributions and sponsorships	8,763,426
Other revenues and additions	3,687,762
Total Income and Other Additions	<u>17,222,453</u>
Total Expenditures and Other Deductions	<u>(14,088,191)</u>
Total Increase (Decrease) in Net Assets	<u>\$ 3,134,262</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 FY14, three campuses bought merchandise from the store with a cost of \$116,441. 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, 2014, bank balances held at First Security Bank for UAF and UAMS total \$104,122,351 (book balances shown on the Statement of Net Position total \$107,336,763). 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 was issued in February, 2011, and before this Board member was appointed by the Governor in March,

2013, the Board selected two firms as underwriters, one of which was Crews, which, in FY14, was co-underwriter for two bond issues for the Fayetteville campus in the amount of \$29,750,000.

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, 2014, bank balances held at Simmons First National Bank for the Fayetteville campus total \$61,709,956 (book balances shown on the statement of net position for the campus total \$61,709,956). 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, 2014, bank balances held for the Fayetteville campus at Arvest Bank Group, Inc. banks total \$196,095 (book balances shown on the statement of net position for the campus total \$185,929).

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 \$6,851,347 were made during the fiscal year ended June 30, 2014, by the Fayetteville campus.

Note 21: Prior Year Restatements

Statement of Net Position

The statement of net position contained the following restatements for the year ended June 30, 2013, to reflect implementation of GASB Statement No. 65 as discussed in Note 1:

- Unamortized current and non-current debt issuance costs totaling \$401,931 and \$8,610,510, respectively, were expensed and no longer recognized as an asset.
- Scholarships awarded in the amount of \$224,991 that apply to a future term were reclassified from current other assets to a deferred outflow of resources. Funding for these scholarships previously recognized as revenue was reclassified as a deferred inflow of resources. Because the deferred outflow and inflow were for the same type of transaction and were the same amount, they were netted and do not appear on the face of the statement. Net position restricted for scholarships was reduced \$224,991.
- Deferral on debt refunding in the amount of \$15,849,994, previously reported as a component of bonds, notes, capital leases, and installment contracts, was reclassified as deferred outflows of resources. Likewise, current and non-current bonds, notes, capital leases, and installment contracts were increased \$987,739 and \$14,862,255, respectively. This had no effect on net position.
- Current and non-current bonds, notes, capital leases, and installment contracts were increased \$3,586 and \$81,042, respectively, to account for debt issuance costs previously reported as a reduction of debt.

Due to rounding, current accounts payable was increased by \$1.

The net effect of these restatements was a decrease to total net position of \$9,322,061.

Other restatements not having an effect on net position were:

- Current investments in the amount of \$72,117 were reclassified as other current assets.
- Unamortized non-current debt issuance costs totaling \$167,797 were reclassified as other non-current assets.
- The notation for allowances for patient accounts receivable was increased by \$43,078,000 to correct prior year error. Net patient accounts receivable did not change.
- Current accounts payable in the amount of \$244,000 was reclassified as non-current unearned revenue.

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.

Net position – beginning of year was reduced \$7,450,394 to reflect the fiscal year 2012 deferred inflow of \$271,245 for scholarship funding, \$7,091,211 for unamortized bond issuance costs, and a correction of \$87,938.

Gift revenue increased \$46,254, reflecting the change in deferred inflows of resources for scholarships awarded for a future period.

Interest on capital asset-related debt decreased \$138,082 to reflect corrections.

Adjustment was made to elimination entries to correctly reflect exchanges between campuses that resulted in decreases to both other operating revenues and supplies/services in the amount of \$314,800. This had no effect on net position.

Adjustment was made to increase auxiliary (bookstore) revenue \$49,424 and decrease auxiliary (other) by the same amount. This had no effect on net position.

Other non-operating revenues (expenses) decreased \$2,056,003, of which \$1,921,230 was for bond issuance costs, previously shown as unamortized bond issuance costs, and \$134,773 for corrections.

The net effect of these restatements was a decrease to total net position of \$9,322,061.

Statement of Cash Flows

Gifts and grants for other than capital purposes were reclassified as capital grants and gifts in the amount of \$2,824,000.

Cash flows from bookstore operations increased \$48,053 and cash flows from other auxiliary enterprises decreased by the same amount.

Payments to suppliers in the amount of \$314,800 were reclassified to other operating cash flows.

Note 22: Subsequent Events

On August 14, 2014, the governing documents establishing and defining the joint endeavor between the City of Fayetteville and the Fayetteville campus to operate the Walton Arts Center were revised to ensure clarity and flexibility to allow the Walton Arts Center to meet the arts and entertainment needs of all residents of Northwest Arkansas with a multi-venue system, while at the same time confirming support of the original partnership. Revisions were made to the respective Articles of Incorporation of the Walton Arts Center Foundation, Inc. and the Walton Arts Center Council, Inc. to clarify the purpose of each entity to encompass multiple venues in the Northwest Arkansas region; to allow the Walton Family Foundation to appoint nine additional directors to the Board of Directors of the Arts Center Council while ensuring that

the City and University maintain their proportionate number of Directors on the Board; to return the City of Fayetteville's initial payment of \$1.5 million dollars to the Foundation back to the City for the City's use in the construction of a parking facility adjacent to the Walton Arts Center or as otherwise determined by the Fayetteville City Council; and with consent by the University to expend the institution's initial payment of \$1.5 million dollars to the Foundation to help defray the construction costs of the proposed enlargement and enhancement of the Walton Arts Center located in Fayetteville, Arkansas. Upon return of the funds to the City and the use of University provided funds for construction, the Walton Arts Center Foundation, Inc. will no longer be an agent for the City of Fayetteville or the University of Arkansas. The City and the University will no longer have the right of appointment of Walton Arts Center Foundation, Inc. directors. An Amended and Restated Interlocal Cooperation Agreement was also executed that permits the Walton Arts Center to conduct business as a separate, free-standing non-profit corporation; that budget and operational oversight rests exclusively with the Walton Arts Center Council and confirms the Walton Arts Center is no longer and agent of the University or the City, nor restricted to the terms of the original agreement; and affirms the Walton Arts Center must comply with the terms of a new lease agreement executed by the University, City of Fayetteville and the Walton Arts Center Council. The lease agreement extends the term to twenty-five years and recognizes the changed scope of the Walton Arts Center. The lease also provides assurances regarding the on-going quality and type of performances at the Walton Arts Center in Fayetteville.

On October 17, 2014, the Board of Trustees authorized the issuance of up to \$99,500,000 in facilities revenue refunding bonds for the Medical Sciences campus for the purpose of refunding the Series 2006 Various Facility Revenue Bonds. It is expected that the bonds will be sold in December, 2014.

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: (1) University's self-funded plan: The healthcare trend rate assumption was changed to better reflect anticipated future experience. This change decreased the Actuarial Accrued Liability by \$2,059,046 as of July 1, 2013. Effective January 1, 2014, the plan for Medicare eligible retirees was changed to a fully insured Medicare Advantage program. Retirees pay 100% of the fully insured premium directly to United Healthcare. As a result, no liabilities for Medicare eligible retiree medical benefits are included in the valuation. The Affordable Care Act (ACA) requires changes in the out-of-pocket limit to count medical copays towards satisfying the limit in 2014 and to count prescription drug out-of-pocket costs towards satisfying the limit in 2015. ACA also imposes an excise tax on high cost plans beginning in 2018. The effects of these changes in ACA have been reflected in the valuation. (2) Remaining four campuses: The assumed discount rate was lowered from 5.25% to 4.75%. This change increased the Actuarial Accrued Liability at July 1, 2013 by: \$39,166 for UAFS, \$3,192 for CCCUA, \$5,019 for UACCH, and \$16,336 for UACCM.

Medical Coverage – Retirees not Eligible for Medicare -- for the University's self-funded plan: Claim experience for the period February 1, 2012 through January 31, 2014, 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 987 life years of exposure and was deemed to be 70% 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.

Dental Coverage for the University's self-funded plan: Dental claims coverage for the period February 1, 2013, through January 31, 2014, was used to develop per capita claims cost for dental coverage. The claims experience includes over 35,000 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.

Determination of FY14 Accrual

Unfunded actuarial accrued liability at 7-1-13	\$ 53,499,094
Annual Required Contribution (ARC)	
Normal cost	\$ 3,194,272
Amortization of the unfunded actuarial accrued liability over 30 years	1,939,362
Interest	231,504
Annual Required Contribution for FY14	5,365,138
Interest on Net OPEB Obligation	2,063,930
ARC Amortization Adjustment	(1,735,461)
Annual OPEB Cost for FY14	\$ 5,693,607
Net OPEB Obligation, 7-1-13	\$ 45,808,127
Annual OPEB Cost for FY14	5,693,607
Less: Expected Employer Contributions	(1,508,259)
Net OPEB Obligation, 6-30-14	\$ 49,993,475

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed	Net Obligation at Year-End
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
6-30-14	5,693,607	1,508,259	26.49%	49,993,475

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

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
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%
6-30-14	-	53,499,094	53,499,094	-%	1,103,763,909	4.85%

UNIVERSITY OF ARKANSAS, FAYETTEVILLE

Established: 1871
Enrollment: 26,237
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 Fayetteville campus has a mandate to teach, conduct research and perform outreach. The university offers more than 200 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 Fayetteville campus in its highest category for research activity, a classification shared by only 2 percent of universities nationwide. Research expenditures at the university now exceed \$120 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 campus continues its rapid growth. In fall 2014, enrollment increased by more than 3.8 percent over the previous year to more than 26,000 students. Students represent all 75 counties in Arkansas, all 50 states in the country and more than 100 countries around the world.
- *U.S. News and World Report* included the university 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 university was classified among the "Great Colleges to Work For" by the *Chronicle of Higher Education*, as well as the 7th Fastest Growing Public Research Institution in the country. The university was also recognized for "Confidence in Senior Leadership."
- During the 2014 fiscal year ending June 30, \$113.3 million was received in private gift support, surpassing its goal of \$108 million, the fourth year in a row that the university exceeded \$100 million in fundraising.
- In 2013-14, the university finished among the top 30 athletic programs for the Learfield Sports Directors Cup, a year-long competition based on program-wide athletic success. It was the sixth time in the past seven years Arkansas has finished in the top 30 nationally.
- The University of Arkansas School of Law was ranked the best value in the nation for 2014 by *The National Jurist* magazine.

UNIVERSITY OF ARKANSAS AT FORT SMITH

Established: 1928
Joined System: 2002
Enrollment: 6,823
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 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

- In the fall 2014 semester, UAFS saw a 7 percent increase in the student semester credit hours of upperclassmen. Also, the increase of concurrent high school students indicates the continued success of the Western Arkansas Technical Center, which saw an increased enrollment of 22 percent.
- A notice to proceed was issued on July 31, 2014, for construction of an amphitheatre on the core of the campus grounds. The amphitheatre will have a seating capacity for about 150 people, and is being constructed in what had been a grassy and unused area between the Fullerton Administration Building and Boreham Library. The amphitheatre will provide a venue for pep rallies, small concerts, small theater/drama, and serve as an outdoor classroom. Construction of the amphitheatre is expected to be complete by December 2014.
- A new visual arts building is under construction at the southwest corner of Waldron Road and Kinkead Avenue. The visual arts building will be a three-story, 58,000 square foot facility that will primarily house the Art Department, under the College of Humanities and Social Sciences. There will also be a professional gallery and large theatre designed to facilitate instruction and community involvement. The building is expected to be completed in fall 2015. UAFS is receiving a \$15.5 million grant from the Windgate Charitable Foundation of Siloam Springs to construct and equip the new visual arts building.
- A neighboring property acquired in late 2012 is being renovated to serve as the UAFS Sustainable Conservation House, which will provide a hands-on laboratory that allows students to learn with the latest technology and prepare them for future careers in the energy-auditing field. As efforts gain momentum to require all new houses in Arkansas to undergo energy audits, the UAFS Sustainable Conservation House will provide the ideal classroom laboratory to train the energy auditors needed to meet this new demand. The Sustainable Conservation House will be a hands-on learning laboratory and classroom facility. It is expected to be completed by mid-December 2014.
- A new student recreation and wellness center is in the design stage, with construction expected to begin in March 2015 with an anticipated completion in the fall of 2016. The UAFS Student Government Association voted in a \$5 per student semester credit hour fee as a funding source.

UNIVERSITY OF ARKANSAS AT LITTLE ROCK

Established: 1927
Joined System: 1969
Enrollment: 11,681
www.ualr.edu

AT A GLANCE

The University of Arkansas at Little Rock is a regional leader among metropolitan universities. UALR provides a transformative academic experience through its 140 programs of study in traditional classrooms, online, and blended formats at the baccalaureate and graduate levels, including 10 doctoral degree offerings. UALR also prepares students for success beyond the classroom by providing them with opportunities to participate in interdisciplinary research and service-learning. The 250-acre campus features 77 buildings and facilities, six of which are LEED certified.

Student success is the university's top priority. The university has implemented a number of programs and initiatives to enhance the success of all students, including the Office of Transfer Student Services, Student Services Success Initiatives, and living-learning communities. UALR continues to be designated as a Military Friendly® institution.

UALR's location 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 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.

POINTS OF PRIDE

- UALR operates the George W. Donaghey Emerging Analytics Center (EAC), a research facility that features EmergiFLEX™ and MobileFLEX™ immersive data visualization systems. The EAC provides a unique, interdisciplinary approach to assist faculty researchers, corporate clients, and students with data visionary solutions in the new era of big data.
- As part of UALR's commitment to access and to quality education from Pre-K through college, UALR hosts the Charles W. Donaldson Summer Bridge Academy in conjunction with the Pulaski County Special School District to promote college readiness in high school students and to help entering freshmen bypass developmental coursework. Since the program's inception, all participants have bypassed at least one developmental course and many participants begin their freshman year in advanced-level courses.
- UALR remains the only institution in Arkansas to receive the Community Engagement classification by the Carnegie Foundation for the Advancement of Teaching. The university is recognized for its involvement in community issues such as race and ethnicity, criminal justice, and pre-kindergarten to 12th grade education. UALR students, faculty and staff are actively involved in service learning activities around the state through partnerships with the Clinton School of Public Service and the Shepherd Higher Education Consortium on Poverty.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Established: 1879

Enrollment: 2,890 students and 782 medical residents

www.uams.edu and 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.

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.
- UAMS leads a statewide telemedicine stroke program called AR SAVES that provides 24/7 access to a stroke neurologist to more than 40 Arkansas hospitals.
- 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.
- UAMS has a regional campus in northwest Arkansas with four colleges.
- UAMS has eight regional centers and a comprehensive rural hospital program.
- UAMS has nine centers on aging, placing 98 percent of seniors within a 60-mile radius of geriatric health care.
- UAMS' Department of Geriatrics has been on U.S. News & World Report's Top 11 geriatrics programs in the nation for more than a decade.
- UAMS has the state's only ALS treatment program and only ALS research center, the only adult spina bifida clinic and the only adult sickle cell clinic.

UNIVERSITY OF ARKANSAS AT MONTICELLO

Established: 1909
Joined System: 1971
Enrollment: 3,854
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 5 master's degree programs. Additionally, the university offers 7 two-year associates degrees and 17 technical certificates through the 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, the Southeast Agriculture Research and Extension 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, online master's degree program in Physical Education and Coaching, and a MFA in Creative Writing. UAM is developing an online Master Degree in Jazz that will be brought forward for board approval in 2015.

POINTS OF PRIDE

- Over the last twelve years, 100% of graduates of the School of Mathematical and Natural Sciences have been accepted into medical school or Doctor of Osteopathic Medicine programs. Approximately 90% have been accepted into pharmacy programs over that same twelve years.

- UAM has enrolled a record number of students in 12 of the last 14 years. This fall, the university welcomed 3,854 students.
- UAM awarded 1,342 academic degrees in 2013-14, representing an increase of more than 50 percent in the number of degrees awarded over the past decade.
- UAM has the only fully accredited Bachelor of Nursing degree program in South Arkansas. A student can choose from programs for a Licensed Practical Nurse, a Registered Nurse Associate degree, and the baccalaureate degree at one of three campuses.
- UAM Jazz Band I was invited by the Chinese Government to play ten concerts over a period of fourteen days in various locations throughout China in March 2014.
- UAM is home for the first Agricultural Research and Extension Center in the State of Arkansas. SEREC is housed along with the UAM School of Agriculture where synergistic efforts by both entities work on research, education, and extension of agricultural issues, especially those important to Southeast Arkansas.
- UAM's Phi Alpha Theta History honor society has been named national chapter of the year for the seventh consecutive year and the Alpha Chi academic honor society has achieved Star Chapter status the past eight years.
- During the spring and summer of 2013, Bankston Hall received an \$8.92 million renovation that converted the facility from community baths to a suite style arrangement. The renovation also included the installation of a central heat and air system, additional parking, expanded security camera coverage and the addition of several study rooms.
- The University received state general improvement funds to assist in major renovations to its iconic Music Building. The first phase included a total replacement of the building's HVAC system, which consisted of steam radiators and piping, with a split-system utilizing heat pumps. Other work that has been scheduled includes the replacement of windows throughout the building and restoration of the vaulted ceiling in the recital hall.

UNIVERSITY OF ARKANSAS AT PINE BLUFF

Established: 1873
Joined System: 1972
Enrollment: 2,529
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.
- The School of Business and Management recently (November 2013) received accreditation by the Accreditation Council for Business Schools and Programs (ACBSP) Board of Commissioners.
- UAPB expanded the Learning Institute and Opportunities for New Students program (LIONS) from 25 annual participants to 170 participants. The LIONS program is partially funded by a grant from the Walton Family Foundation and the Department of Education Title III Grant. The program provides a successful foundation for Newly Enrolled Freshmen through a six-week summer semester of tutoring, college orientation, academic and professional workshops, and personal and social success seminars.
- UAPB has a diverse stellar faculty. The university’s 15-to-1 student-to-faculty ratio allows for a learning environment with close interaction between faculty and students.
- 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.
- Started in 2003, the UAPB STEM Academy is a federally and state 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 student’s 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 Building and Conference Center, opens November, 4, 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 [alumni magazine](#), the “Pride”. 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.

COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Established: 1975
Joined System: 2001
Enrollment: 1,584
www.cccua.edu

AT A GLANCE

Cossatot Community College of the University of Arkansas (UA Cossatot) is located in De Queen with current classroom sites in Nashville, Ashdown, Murfreesboro, Dierks and Foreman with another future site planned for Lockesburg in 2015. The college offers both technical certification and associate’s degrees, and collaborates with other colleges and universities to offer bachelor and masters 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 one of the fastest growing two-year college in Arkansas (8 percent growth in the past 5 years) and has the highest percentage of Hispanic students in Arkansas (22 percent).

POINTS OF PRIDE

- UA Cossatot completely renovated the Ashdown campus and, in partnership with DOMTAR industries, has started a state-of-the-art Industrial Maintenance program. UA Cossatot has also completed the major renovations on the De Queen campus. These renovations include a newly expanded automotive repair facility, radio broadcast facility, and student restaurant.
- UA Cossatot has a newly accredited Occupational Therapy Assistant program and plans to begin a Physical Therapy Assistant program 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 seven two-year colleges which represent south and west Arkansas. This consortium is currently operating 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: 1,799
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 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

- PCCUA has received recognition in the Leah Meyer Austin Institutional Student Success Leadership competition for its reinvented approach to teaching, having increased course success, persistence and graduation rates.
- One of four Arkansas two-year colleges to participate in Achieving the Dream, PCCUA has been selected as an Achieving the Dream Leader College. Leader Colleges are selected based on their committed leadership, use of evidence to improve programs and services, broad engagement, and systemic institutional improvement.
- The PCCUA-Stuttgart Grand Prairie Center (GPC) is entering its fourth performance season, which features 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.
- Phillips Community College of the University of Arkansas was among a select group of 25 finalists in the national spotlight for innovation and promising practices among two-year colleges nationwide. PCCUA was one of five colleges recognized as a finalist by the American Association of Community Colleges (AACC) in the Student Success category for its reinvented approach to teaching and student engagement which have resulted in an increase in student course success and a dramatic increase in graduation rates.
- PCCUA was invited by the Higher Learning Commission (HLC) to participate in the Higher Learning Commission's Open Pathway Construction Project, a new model for accreditation. The college is one of only three Arkansas colleges and universities, and one of only about 20 within thousands of HLC accredited colleges and universities, invited to pioneer this process because of accreditation standing with HLC.
- PCCUA is a Bridging Cultures Community College selected as one of 16 colleges nationwide by the National Endowment for the Humanities and the Community College Humanities Association

to connect students and communities to better understandings and appreciation for diverse cultures.

- PCCUA has administered the GEAR UP Partnership since 2005 and is in year three of its second GEAR UP grant, which is funded by the U.S. Department of Education with a dollar-for-dollar match requirement for the partnership. The current grant supports junior high and high school students in eight area school districts (Barton-Lexa, DeWitt, Dumas, Helena-West Helena, Lakeside, Lee County, Marvell-Elaine, and Stuttgart) by providing faculty development, student programs, and direct programming for students through a summer program.

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE

Established: 1975
Joined System: 1997
Enrollment: 1,321
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 continues to develop partnerships on many fronts through the usage of Independence Hall. The largest venue in Independence County is host to many events during the year including cultural, economic development and educational interactions. The value of Independence Hall to the service area is illustrated by the 48,360 individuals who participated in events on the UACCB campus in fiscal year 2014
- The value placed on “contribution to community” and “service” found within UACCB’s vision and value statements is exemplified through the actions of campus constituency. In fiscal year 2014, the campus contributed 4,275 volunteer hours to various projects throughout the service area.

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE

Year Established: 1965
Joined System: 1996
Enrollment: 1,385
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 the 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's campus in Texarkana, Miller County, Arkansas which opened in 2012, continues to experience steady growth. From fall 2013 to fall 2014 both SSCH and FTE increased by 16%. In addition, 16 courses have been added to the offerings on the Texarkana campus within the last year. The success of the original instructional site prompted construction of an additional 20,000 square foot facility that will enable the College to expand programs in both the technical and industrial areas and the health professions. The construction is expected to be completed in May 2015.
- UACCH's newly formed partnership with the University of Arkansas at Little Rock (UALR) creates a UALR off-campus instructional center on the campus in Texarkana. The partnership includes professional development and career advancement opportunities for degree completions throughout southwest Arkansas. This partnership allows students in the UACCH service area to both expand their career opportunities and to complete Bachelor degrees from UALR through an on-campus experience in Texarkana.
- UACCH completed a Report of a Change visit from the Higher Learning Commission regarding the expansion of distance delivery. The visiting team recommended distance delivery approval for all courses in all programs. In their recommendation, the team noted that the College demonstrated strong processes in the design, approval, assessment, and evaluation of online courses. The team went on to say that in many ways the institution is at the "leading edge in the compilation and evaluation of data," and concluded that this will help UACCH continue to build "data driven strategic plans that focus on student needs and learning outcomes."
- UACCH students continue to receive significant and growing support from the UACCH Foundation. The UACCH Foundation will award almost \$80,000 in Foundation scholarships for the 2014/2015 academic year. The UACCH Foundation currently benefits from over 90% of UACCH faculty and staff who contribute through the employee give back program entitled "Bridge Builders".

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON

Established: 1961
Joined System: 2001
Enrollment: 2,007

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 and certificates of proficiency designed for immediate entry into the job market. UACCM receives some funding from a Conway County sales tax (0.25%).

POINTS OF PRIDE

- Established in 1961 as the state's second vocational-technical school, UACCM celebrated its 50th year of graduates in the spring of 2014 with a Community Day open house, and celebrated its 20th year as a community college and its 10th year as part of the University of Arkansas System in 2011.
- UACCM is the sixth largest two year college in the state (based on annualized FTE) and the largest two year college in the UA system. UACCM's enrollment has increased since the merger

with the UA System from an enrollment of 1,290 students in the fall of 2001 to around 2,000 students by the fall of 2014.

- UACCM has significantly increased the number of awards (certificates and degrees) for the last several years from 252 total awards in 2004-05 to 725 for 2013-14.
- UACCM has great industry partnerships that support the college's technical programs. UACCM has the only AAS Degree in Petroleum Technology in the state. Total scholarship donations from the Fayetteville Shale Scholarship Foundation (FSSF) to UACCM have exceeded \$700,000 while the college has also received significant donations of equipment and other funding for the program. FSSF Board gave the college its first major contribution to the new capital campaign in the spring of 2013 when it gave a check for \$110,000 for the construction of a new workforce center. It donated an additional \$57,500 this spring to the capital campaign while donating the same amount for scholarships. UACCM also has industry partnerships with NC3 (the National Coalition of Certification Centers), Snap On Tools and TRANE. Upgrading curricula to industry standards and having students complete certain technical programs while receiving nationally recognized certifications are by-products of these partnerships. UACCM is the only central Arkansas college that is an NC3 certification center.
- In response to industry needs, UACCM is currently upgrading all technical program curricula, working on increasing business and industry partnerships, and working with consultants to develop a plan for a capital campaign for a new economic development center to expand the college's technical programs and enrollments and better work with business/industry recruitment and development.
- UACCM has great university partnerships to allow completion of bachelor's degrees with students taking most of their classes on the UACCM campus or online. Students finishing an AAS degree at UACCM can complete a BAS degree from UAFS by taking their junior and senior year classes via CVN at UACCM or online. UACCM, as part of the ARNEC (rural nursing education consortium), also has an agreement with Southern Arkansas University for UACCM RN graduates to complete their BSN online.

ARKANSAS SCHOOL FOR MATHEMATICS, SCIENCES AND THE ARTS

Established: 1993
Joined System: 2004
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 mathematics, science and the arts. Located in Hot Springs, ASMSA is one of 16 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 more than 50 courses for college credit. Each year, ASMSA further cultivates of the talents of bright students, many of whom begin college at the sophomore level.

POINTS OF PRIDE

- The Daily Beast recognized ASMSA as one the top programs in the nation in their 2014 survey of "America's Top High Schools." ASMSA was ranked 10th nationally, 7th in the South, and 1st in Arkansas.
- The 96 members of the ASMSA Class of 2014 received more than \$16.4 million in scholarship offers. The school's 2,031 graduates have earned more than \$176 million in scholarship offers. On average, two-out-of-three ASMSA alumni elect to continue their studies at Arkansas colleges and universities.

- One-in-three ASMSA students come from low-income families—the highest percentage of ASMSA’s peer institutions. Thirty-four percent of the Class of 2014 will be the first member of their family to earn a college degree.
- In 2014, ASMSA students received an average ACT composite score of 29.4. The average composite score for the state was 20.4, and the national average was 21.0.
- Beyond the residential experience, ASMSA’s outreach programs provide Saturday enrichment opportunities for motivated middle and early high school students. Digital learning programs like the Global Languages and Shared Societies (GLASS) Initiative and Arkansas STEM Pathways provide online instruction for students whose districts lack the resources for advanced instruction.

UNIVERSITY OF ARKANSAS CLINTON SCHOOL OF PUBLIC SERVICE

Established: 2004

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

- Since the first class entered in 2005, students have completed 566 public service projects resulting in over 193,000 direct service hours with an estimated economic impact of over \$4.3 million. Two hundred twenty three (223) of the completed projects have been in Arkansas. Students have worked in 71 countries representing 36 percent of the State Department’s recognized countries. Continuing its commitment of building leadership through civic engagement, Clinton School students will complete about 100 additional projects during the 2014-2015 school year including 12 Arkansas-based team projects and 22 Arkansas-based individual projects.
- The school’s graduation rate and career placement exceed 85 percent. Graduates are working with the Clinton Foundation, the WalMart Foundation, the WalMart Family Foundation, USAID, the State Department, HUD, McLarty Companies, City Year, Southern Bancorp, Arkansas Children’s Hospital, The State of Arkansas, the Delta Regional Authority and Share Our Strength among many others. Some graduates are also pursuing MD, JD and PhD degrees. Concurrent degrees are offered in business administration, law and public health and the Clinton School houses the nation’s first Center on Community Philanthropy.
- The model is unique in higher education because most of the school’s financial investment is in scholarship and service (92%) and not in infrastructure and overhead (8%). For example, Little Rock’s River Market serves as its student union. The Central Arkansas Main Library is the school library. When there is a need for auditorium space, the school accesses the Clinton Library, the Statehouse Convention Center or the Ron Robinson Theater--all of which are in walking distance. Thus, the school maximizes space already available and supports the local economy.
- The school’s curriculum is enhanced with a national and international speaker series (www.clintonschoolspeakers.com) which brings in leaders and scholars from the arts, business, education, government, international development, nonprofits, philanthropy and public service. These are free and open to the public and by the end of 2014 the school will have hosted well over 900 programs. The speakers have included 39 ambassadors; 21 Pulitzer Prize recipients; and 7 Nobel Prize winners.

DIVISION OF AGRICULTURE

Established: 1959
www.division.uaex.edu

AT A GLANCE

The University of Arkansas System Division of Agriculture is the statewide research and extension agency 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 Agriculture 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 other locations. An extension office is located in each county in cooperation with county governments.

The community of Arkansas agriculture affects about 270,000 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 to the state's economy, not counting retail food purchased.

POINTS OF PRIDE

- Despite a soaking start to the 2013 growing season, the Division of Agriculture assisted Arkansas farmers set yield records in corn, cotton, soybeans and rice, according to the National Agricultural Statistics Service.
- The Division of Agriculture earned patents in a variety of research programs by personnel in food science; biological and agricultural engineering; poultry science; crop, soil, and environmental sciences and the Rice Research and Extension Center, contributing to the University of Arkansas System's rank of 48th among the world's top 100 universities for the number of U.S. utility patents received in 2012.
- The Division is partnering with Riceland Foods of Stuttgart for research aimed at commercializing technology to produce soy oil rich in conjugated linoleic acid (CLA), which has health benefits that can reduce diseases such as cancer, heart disease and type-2 diabetes. One of the research project's objectives is to evaluate the quality of products based in CLA-rich soy oil for their potential use in salad oils, shortenings and margarine and as a substitute for partially hydrogenated oils, which are a source of trans fat.
- Volunteers are an extremely important component of delivering Extension programs, particularly in 4-H, Extension Homemakers and Master Gardeners. In 2013, over 36,790 volunteers donated more than 2.86 million hours with a total value to the state of \$64.9 million.
- The University of Arkansas Cooperative Extension Service joined its siblings around the country in celebrating the 100th anniversary of the Smith-Lever Act. County offices around the state held public celebrations to mark the May 8 signing. A Twitter campaign called "A Day in the Life of Extension," featuring agents from around the state in action every hour of the day, had more than 12,500 views.
- The University of Arkansas Cooperative Extension Service recorded more than 1.2 million contacts in 2013, with more than a half-million of those being with children and youth. Work through nutrition programs reached more than 272,000 and extension faculty and staff had contact with more than 257,000 farmers, producers and consultants in support of its educational mission.
- The Cooperative Extension Service marked its centennial in 2014, with county-based celebrations, proclamations and social media campaigns.

ARKANSAS ARCHEOLOGICAL SURVEY

Established: 1967

www.uark.edu/campus-resources/archinfo/

AT A GLANCE

The mission of the Arkansas Archeological Survey (AAE) 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

- Many research projects are funded by grants and cost-share agreements with state and federal agencies, including the Arkansas Humanities Council, the Arkansas Natural and Cultural Resources Commission, the National Endowment for the Humanities, and the National Park Service. This research enables AAE 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.
- Current 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 communities in central Arkansas. Assisted by an international team of scholars and with support from Arkansas State Parks, cutting-edge geophysical technologies are being used to investigate mound and plaza areas at Toltec Mounds to provide interpretive information for Toltec Mounds Archeological State Park. Ongoing investigations at the Parkin site, visited in 1541 by Hernando DeSoto, are providing new information for interpretive programs at Parkin Archeological State Park. Investigations at Camp Monticello, a World War II Italian prisoner-of-war camp, and at the 19th century Hollywood Plantation are contributing to University of Arkansas at Monticello efforts to develop a historic sites trail to promote educational tourism in southeast Arkansas. With support from the U.S. Army Corps of Engineers, AAE rescued information from an important prehistoric habitation site undergoing erosion near Blue Mountain Lake. Excavations conducted at another large prehistoric and contact era site in Montgomery County provided training for hundreds of students and Arkansas Archeological Society volunteers and helped the Ouachita National Forest achieve important cultural resource management goals. A new cooperative agreement with the National Park Service kicked off a multi-year program to integrate and expand upon more than a century's worth of investigations at sites near the Arkansas Post National Memorial, representing early colonial era Quapaw Indian interaction with French colonists. The Survey also received a large grant from the National Park Service to complete its inventory and repatriation of archeological collections subject to the Native American Graves Protection and Repatriation Act.
- Students and teachers across Arkansas use the Survey's educational websites to learn about the state's prehistoric and historic cultural heritage. Each year, nearly 250,000 individuals access these resources. The Survey's newest website offers information and learning exercises 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 to planning and development efforts at these sites, provides new information on 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.

CRIMINAL JUSTICE INSTITUTE

Established: 1988

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 the state’s law enforcement organizations. The Institute is committed to making communities safer by supporting law enforcement professionals through training, education, resources and collaborative partnerships. Utilizing both online learning opportunities and classroom-based instruction, 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 2014, CJI delivered 298 classes in 63 different locations statewide benefiting more than 10,000 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.

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