The University of Arizona

COMPREHENSIVE ANNUAL FINANCIAL REPORT

WONDER MAKES US RESILIENT

Year Ended June 30, 2020

Included as an Enterprise Fund of the State of Arizona

Tucson, Arizona

COVER PHOTO

Wonder Makes Us Resilient

At the University of Arizona, we embody the idea that the impossible is possible. The wonder of our desert landscapes, ground-breaking research and the endless sky above not only drive us to do the unknown, but also to persevere, no matter what. And the more wonder makes us do, the more it makes us who we are.

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

Tucson, AZ
Prepared by Financial Services
Included as an Enterprise Fund of the State of Arizona

Photo: UA Alumni Association

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INTRODUCTORY SECTION

Photo: UA Alumni Association

A Message From The President

This year, I have had more reason than ever to be proud of the University of Arizona and the people in our community. The Wildcat family has consistently demonstrated compassion for one another and determination to work together through the challenges brought on by the COVID-19 pandemic. The University of Arizona is a place where everyone collaborates, totally committed to the success of each individual student, to do extraordinary research and to serve our community. More than that, we are a community of learning, inquiry and impact. 2020 has been a year unlike any other, but through it the University has stayed true to our mission and has accomplished many truly outstanding things.

As you know, fiscal year 2019-2020 had a strong start. We had begun the year by admitting the most academically prepared freshman class in our history, with 41% of them graduating in the top 10% of their high school class, and nearly half (43%) of them from diverse backgrounds. As part of our strategic plan, we had doubled down on student success, and invested in making college accessible and affordable to all students. As part of that, our Pell Pledge Grant brought full funding to all Pell-eligible Arizona students beginning in 2020.

When I presented to the Arizona Board of Regents in November 2019, I shared our incredible progress on implementing our strategic plan, focused on the Fourth Industrial Revolution, the confluence of biological, physical and digital technologies, and the changes this would create in our broader society. At that time, we had launched 65% of the initiatives in the current plan, with the intent to launch others in 2020, including the first from our health sciences plan. We had fantastic achievements early on, including launching the nation's first Bachelor of Nursing program with an integrative medicine in Gilbert, Arizona, and even with the COVID-19 pandemic arriving in Arizona early this year, our health sciences colleges secured a record-breaking amount of support for research in grants and awards in FY 2020. Moreover, our College of Veterinary Medicine received a letter of reasonable assurance from the American Veterinary Medical Association, and we made strategic hires in order to expand our expertise in the space sciences. These hires included Dr. Amy Mainzer, an international leader in asteroid detection and planetary defense, who is continuing her leadership in the NEO surveyor mission with NASA.

When the virus began to reach the United States, the University acted quickly. In mid-March, over our spring break, we transitioned to remote and online learning, with faculty and staff doing heroic work to adapt courses and teaching methods to a remote, online context. During the months immediately following, we also began to prepare for a return in the fall. While we face financial challenges like most universities around the country, we have strong financial mitigation strategies in place, including pausing strategic investments and new construction on several planned buildings, as well as a furlough and furlough-based salary reduction for faculty and staff.

Our focus on the Fourth Industrial Revolution may be

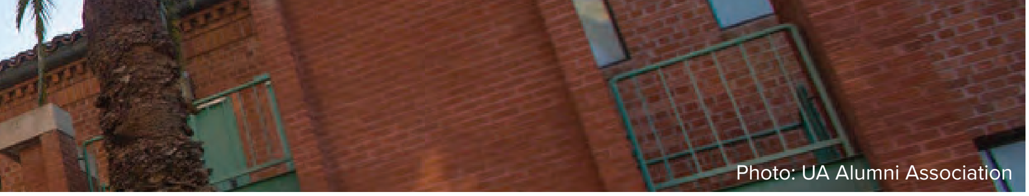


Photo: UA Alumni Association

THE UNIVERSITY OF ARIZONA

even more valuable in the world that is being shaped by COVID-19. For our mission to continue, we needed to adapt, and I asked Dr. Richard Carmona, the 17th Surgeon General of the United States and a longtime faculty member, to lead our efforts to prepare for a safe return this fall. Dr. Carmona assembled a team of professionals and faculty members in an incident command system (ICS), a highly efficient and effective structure for gathering, analyzing and making use of large amounts of information during a crisis. Working with our faculty and staff, the ICS has monitored public health conditions while developing a reentry plan.

The heart of the plan is our Test, Trace, Treat strategy, designed to minimize the spread of the virus, while providing students an immersive learning experience, whether they are on-campus or learning remotely. We knew early on that testing would be critical, and we also knew that we would be at the end of a very long supply chain for testing supplies. Leaders in our health sciences division created supply chains to enable testing on our campuses and provide testing kits to partners and municipalities in Arizona, including the Navajo Nation and the City of Yuma. Thanks to this quick action, we were able to test every student who moved into our dorms in August, and we have a robust diagnostic testing program on campus, with tests available to both on-campus and off-campus students, as well as faculty and staff, all at no cost to the person being tested.

We also continue to benefit from the innovative leadership of our faculty members who are contributing to our reentry efforts. One outstanding example is our wastewater-based epidemiology program, led by Dr. Ian Pepper. Dr. Pepper's team works with our Facilities Management division to collect samples from around campus, and they use a PCR test to detect the presence of COVID-19 in a limited geographic area, like our dorms and Panhellenic housing near campus. A positive wastewater test in a dorm prompts diagnostic antigen tests for the residents of that building to identify asymptomatic cases quickly before they become the source of an outbreak.

Our students are once again taking classes, with essential courses – those required for degree advancement that can only be conducted in person – starting the semester in carefully designed physical spaces that help stop viral transmission. The majority of our labs have reopened after having gone through a rigorous checklist to ensure the research operation could be restarted safely with appropriate physical distancing and other protective measures in place. In this, and many other ways, we are adapting our research and teaching to tackle the new challenges brought on by the pandemic, but our fundamental mission remains the same—helping our students achieve their hopes and dreams, while conducting fundamental research and creating applications in services and products that make the world a better place.

Most sincerely,

Robert C. Robbins
President

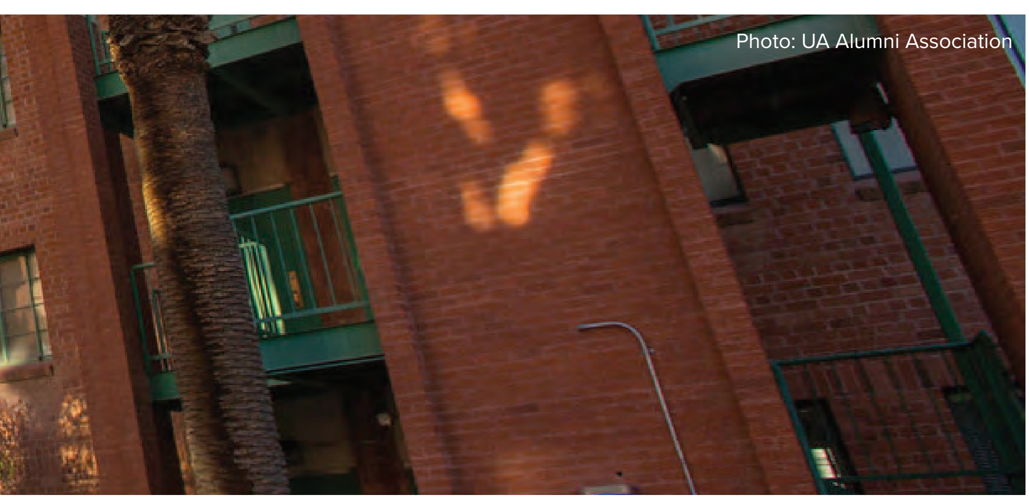


Photo: UA Alumni Association

Letter of Transmittal

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

October 30, 2020

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

I respectfully submit the University of Arizona Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020. The CAFR includes the Management's Discussion and Analysis (MD&A) and the basic financial statements, as well as other supplemental information that helps the reader gain an understanding of the university's financial position, activities and economic landscape of the surrounding area. Responsibility for the accuracy, completeness, and fairness of the data presented, including all disclosures, rests with the university's management. We believe to the best of our knowledge the information is accurate in all material respects and fairly presents the university's financial position, revenues, expenses, and other changes in net position.

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

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

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

INSTITUTIONAL PROFILE

History | The University of Arizona was established as a land grant institution in 1885, 27 years before the Arizona Territory became a state. The years following World War II and the Korean War were a period of substantial growth for the university. In the late 1950s, enrollment greatly increased, with the university gaining an average of more than 1,200 students per year for 17 years. During this period, the foundation was laid for the development of a leading research institution.

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

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


Photo: UA Alumni Association

THE UNIVERSITY OF ARIZONA

Enrollment | Today, the university has gained an average of 736 students per year for the last five years. It serves 45,918 students through 20 colleges offering 406 degree programs and is ranked among the leading research universities in the country.

Enrollment Statistics: Academic Year 2019-20

Undergraduate enrollment - Fall 2019		35,801
Graduate and Professional enrollment - Fall 2019		10,117
Degrees awarded - Bachelor's		7,516
Degrees awarded - Advanced		2,988
Tuition and fees for full-time student - Resident	$	12,691
Tuition and fees for full-time student - Non-resident	$	36,718

The university's 2,719 full-time equivalent faculty and 1,278 full-time equivalent graduate teaching and research assistants and associates educate a diverse student population. The university's student population is 53.4% female, 23.7% Hispanic, 5.4% Asian, 3.6% African American or Black, and 1.3% American Indian. It includes students from all fifty states, the District of Columbia, and 119 foreign countries. International students represented 8.2% of the Fall 2019 enrollment; this figure is majorly attributed to foreign students from China (40.7%), India (10.1%), Saudi Arabia (7.8%), Kuwait (4.9%), and Mexico (3.8%).

Component Units | The basic financial statements of the university include the operations of the University of Arizona Foundation, Inc., University of Arizona Alumni Association, Law College Association of the University of Arizona, Campus Research Corporation, and Eller Executive Education, all discretely presented component units. More information relating to the component units can be found in Notes 2 and 14 to the financial statements.

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

After the budget has been approved, the university monitors the budget through UAccess Financials, the university financial enterprise system. While there are many controls built into UAccess Financials, colleges and departments also use financial reports to monitor budgetary compliance. Additionally, Financial Services, a part of the university's central administration, prepares quarterly financial status reports to management and the Arizona Board of Regents to update them on actual revenues and expenses. The report includes a comparison of actuals to budget and highlights the changes that occur throughout the fiscal year. It also projects revenues, expenses and net position for the end of the fiscal year.

Economic Condition

Local Economy | As reported by the Economic and Business Research Center of the University of Arizona Eller College of Management in March 2020, the State of Arizona's economy entered 2020 with sustained forward momentum. The State continued to add jobs and residents at a faster pace than the nation, and the State's unemployment rate was on the decline. In June 2020, amidst the COVID-19 pandemic, Arizona's economy took a downturn. The magnitude of the downturn is comparable to the 2008-2009 Great Recession but expected to be shorter in duration.

State personal income gains accelerated to 5.9% in calendar year (CY) 2019, up from 5.5% growth in CY 2018. Growth in Arizona's retail sales dropped to 6.0% in 2019, down from 7.0% in 2018. According to the 2020 Index of State Economic Momentum, Arizona ranked 3rd in economic momentum and 2nd in both personal income growth and employment growth. These higher rankings reflect the late impacts of the Coronavirus pandemic on the state.

Employment increased 2.8% in CY 2019 for the state, equal to last year's 2.8% rate, with population growth stagnant at 1.6%. Using data through June 2019, job gains specific to the Tucson area have been noted in manufacturing and construction.

Long-Term Planning

In November 2019, the university released a progress report on the Strategic Plan, which had been introduced a year earlier. The plan was developed in the context of the Fourth Industrial Revolution, which will have profound impacts on the financial, social, political and cultural settings in which the university operates. Its initiatives align with our land-grant mission as well as the Arizona Board of Regents' goals for higher education in Arizona.

At the time the report was released, 65% of the initiatives outlined in the plan had been launched. Some of the notable achievements included the following:

- Many projected goals in key areas (e.g., average SAT/ACT scores, high school GPA, graduation in top 10% of class and number of National Merit Finalists) were surpassed while maintaining access and diversity. The retention rate for first-time full-time students increased from 81.2% to 83.2%.
- Substantial progress was made toward establishing new microcampuses and increasing access to study abroad programs. Most of the Arizona Global initiatives had been launched and were on track or ahead of targets.
- Trellis – the university's constituent relationship management platform – was installed with encouraging adoption rates for the first prototype applications.
- The university entered into an agreement with Tucson Electric Power Co. to ensure that 100% of the university's purchased electricity needs were met by renewable resources by the end of 2020.

After the onset of the COVID-19 pandemic, President Robert C. Robbins announced that the university would focus on eliminating expenses in order to preserve employee jobs and address immediate cash-flow needs. Some of the measures taken were as follows:

- A halt on approved building projects for savings of $7 million.
- A halt on fiscal year 2020 strategic plan funding for savings of $22 million.
- Institution of a hiring pause and delayed plans for merit increases to save $26 million.
- Implementation of immediate pay reductions for President Robbins and senior vice presidents.

The university also deployed a Financial Sustainability Emergency Response Taskforce. Guided by the university's values, the Taskforce was charged with determining the anticipated effects of COVID-19 on various aspects of our operations, and making recommendations to President Robbins for immediate, near-term and long-term actions. The Taskforce comprises seven working groups with representatives from across our community. Each working group was charged with developing mitigation strategies and exploring bold new opportunities to adapt the university's business model to meet the challenges ahead.

Major Initiatives

The university has extensive research, graduate and professional program offerings. For decades, the university has been one of the leading research universities in the nation, with particular strengths in space, physical, biological, and health sciences programs.

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

In ordinary times, the university looks to its road map for the next five to 10 years to determine which initiatives should be prioritized to help the university overcome anticipated challenges and seize key opportunities. In these extraordinary times, the outlook was narrowed to days and weeks at times, with the vast majority of priority placed on managing and overcoming the myriad of challenges presented by COVID-19.

The following are notable activities of fiscal year 2020.

COVID-19 Research | The university has played a significant role in researching COVID-19 from multiple angles, from testing potential new therapies to exploring how to slow transmission of viruses, including novel coronavirus, to studying how the virus affects the brain. The Office of Research, Innovation and Impact formed a COVID-19 Research Coordination Group for faculty and researchers interested in pursuing research initiatives on coronavirus and/or assisting with state and local community efforts to prevent, contain and/or surveil COVID-19. This group began meeting in March, and had nearly 250 members across 16 colleges, 16 institutes and centers, Banner Health and University support services, which led to collaborative efforts to address COVID-19. Efforts of note include the following:

- Our researchers were among the first in the country to develop a COVID-19 sample collection kit for testing.
- The BIO5 Institute's Media Facility produced the transport solution for COVID-19 test kits, as well as

large volumes of hand sanitizer. These items were delivered to counties across the state, including the Navajo Nation, which was particularly hard-hit by this virus. The Technology and Research Initiative Fund enabled creation of this certified facility as a service to researchers and the entire state. Because they already had the training, the equipment and most of the ingredients on hand, research staff were able to ramp up quickly and produce many liters of solution a day.

- Engineering and health sciences researchers at the University teamed up to address the shortage of personal protective equipment in Tucson health care facilities. The researchers designed, 3D-printed and tested masks, which exhibit superior performance to N95 respirators.
- The Media Facility designed a respirator that uses helium to assist patients with labored breathing as a result of COVID-19.
- A team of university researchers began testing wastewater to trace coronavirus prevalence in communities and help public health officials better prepare for the future.
- Safety in labs and facilities has been a top priority. During Gov. Doug Ducey's stay-at-home order, only those activities deemed as essential research were permitted to continue to operate with approved waivers. Research activity was gradually ramped up as conditions allowed and today our Research, Innovation & Impact team is boasting a record number of research grants awarded in 2020.

Antibody Testing | Dr. Janko Nikolich-Žugich and his team (including the lab of Deepta Bhattacharya) created a test that can detect antibodies for COVID-19 with a high degree of accuracy. We rapidly ramped up our capability for antibody testing on the Tucson campus and in the state, starting on April 30 with 4,500 first responders, health care workers and Pima County residents. Sites in the rest of Arizona's counties followed.

Covid Watch App | The University of Arizona began testing the Covid Watch smartphone app, making Arizona the first state to test it. Covid Watch is one of the first and only fully anonymous exposure alert apps to be deployed in the United States. This technology set the standard for digital rights in COVID-19 exposure alert apps.

Reentry Planning | The university created a Campus Reentry Working Group to pull together the best ideas from around the nation and the world to inform and devise recommendations to senior leaders on how the University of Arizona could optimally reopen campus, including classrooms, research labs, dormitories, athletics, arts, food service, etc. Among its activities was the preparation of guidelines and a template to guide reentry planning efforts for individual units. The university also announced plans to make classes available in four modalities: in person; flex in-person, with a mix of in-person and online instruction; live online; and asynchronous online.

OSIRIS-REx | After a year scoping out asteroid Bennu's boulder-scattered surface, the University of Arizona team leading NASA's first asteroid sample return mission officially selected a sample collection site. The mission will help scientists investigate how planets formed and how life began, as well as improve our understanding of asteroids that could impact Earth.

Awards and Acknowledgments

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the university for its CAFR for the fiscal year ended June 30, 2019. This was the seventh consecutive year that the university has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In the most recent ranking (fiscal year 2018), the National Science Foundation (NSF) ranked the University of Arizona as the No. 5 university in the U.S. for research expenditures in the physical sciences, and No. 1 among all public and private U.S. institutions in astronomy science expenditures. Overall, the NSF ranked the university 20th among public research universities, second among institutions with high-Hispanic enrollment, and 35th among all public and private universities and colleges. The university has a rich history of developing strengths based on its unique physical and cultural environment. The Shanghai Academic Ranking of World Universities recognizes the university as the No. 1 institution in water resources in the U.S. and No. 2 globally, and as a top 50 global institution in ecology, earth sciences, atmospheric sciences, public administration, law, business administration and geography. Per U.S. News & World Report, the university ranks No. 3 among public graduate institutions in geology and has the largest mineral database in the world. The same report ranks the university No. 3 among U.S. public graduate programs in management information systems and No. 14 among public undergraduate programs for entrepreneurship. Globally, the university was ranked No. 89 by the Center for World University Rankings and No. 85 by U.S. News & World Report. Arizona Online is tied for No. 11 out of 353 programs in the 2020 Best Online Bachelor's Programs rankings by U.S. News & World Report. Additionally, The Business Journals ranked the university in the top 100 of all U.S. four-year public institutions based on 19 indicators of academic excellence, affordability and diversity. The university placed 62nd among U.S. public institutions on the Forbes "Best Value Colleges" list. The National Jurist Magazine named the James E. Rogers College of Law among the best for diversity and for practical training.

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

Respectfully Submitted,

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


Photo: UA Alumni Association

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The University of Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

Arizona Board of Regents

June 30, 2020

Ex-Officio Members

Honorable Doug Ducey
Governor of Arizona

Honorable Kathy Hoffman
Superintendent of Public Instruction

Appointed Members

Larry Penley, Chair
Phoenix

Karrin Taylor Robson, *Secretary*
Phoenix

Ron Shoopman, Treasurer
Tucson

Lyndel Manson, Chair Elect
Flagstaff

Bill Ridenour, Regent
Paradise Valley

Fred DuVal, Regent
Phoenix

Kathryn Hackett King, Regent
Phoenix

Ram Krishna, Regent
Yuma

Anthony Rusk, *Student Regent*
Bullhead City

Lauren L'Ecuyer, *Student Regent*
Tucson

Executive Administration

June 30, 2020

Dr. Robert C. Robbins
President

Craig Henderson
Vice President, Executive Office of the President

Elizabeth "Betsy" Cantwell
Senior Vice President for Research and Innovation

Michael Dake
Senior Vice President, Health Sciences

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

Liesl Folks
Senior Vice President for Academic Affairs and Provost

Dave Heeke
Vice President and Director, Athletics

Laura Todd Johnson
Senior Vice President for Legal Affairs and General Counsel

Steve Moore
Senior Vice President and Chief Marketing and Communications Officer

John-Paul Roczniak
President and Chief Executive Officer, UA Foundation and Vice President of Development

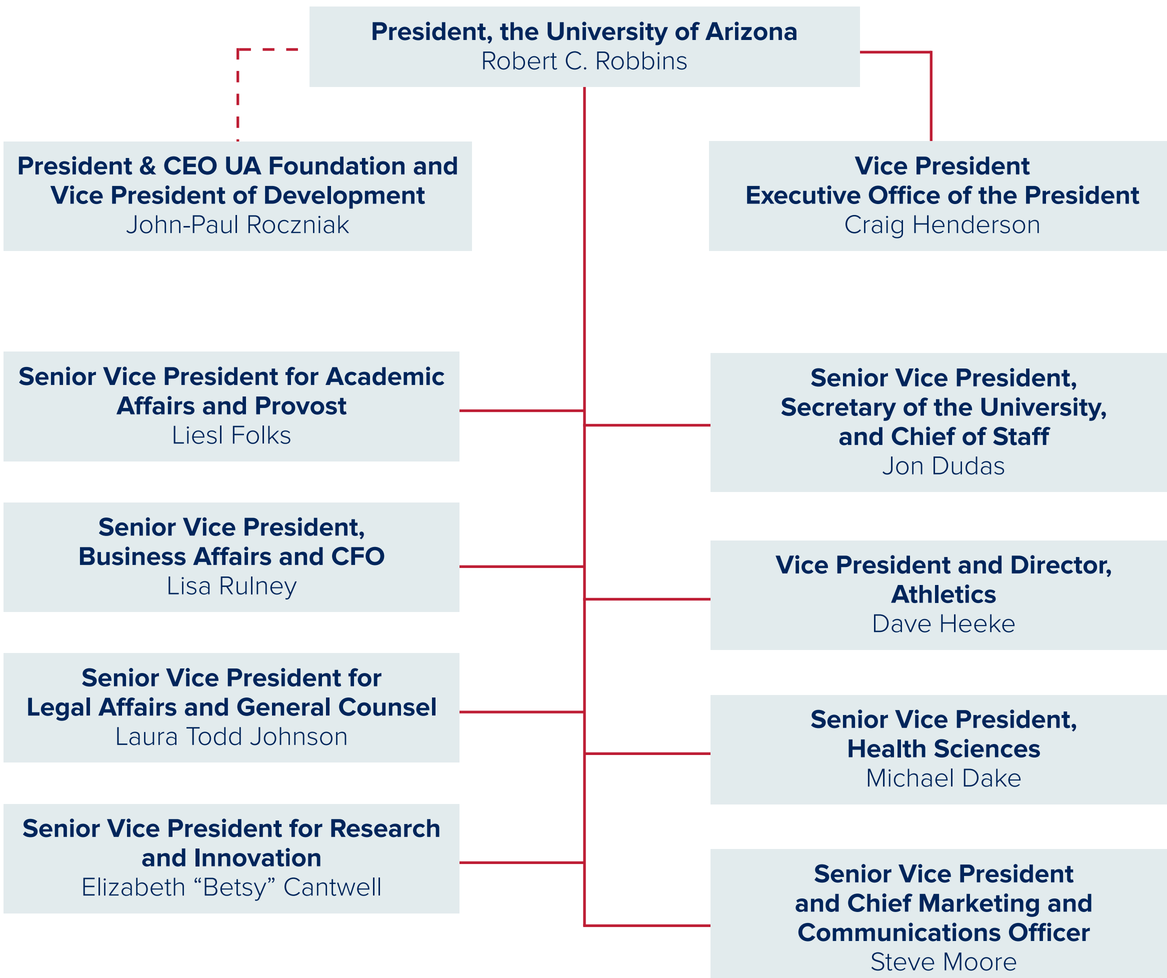
Lisa Rulney
Senior Vice President, Business Affairs and Chief Financial Officer

Nicole Salazar
Vice President, Financial Services

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

Organization Chart

June 30, 2020



FINANCIAL SECTION


Photo: UA Alumni Association

Independent Auditors' Report

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Arizona Board of Regents

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of The University of Arizona as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the other auditors' reports. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The other auditors did not audit the aggregate discretely presented component units' financial statements in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of matter

As discussed in Note 1 to the financial statements, the University's financial statements are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only those portions of the business-type activities, major fund, and aggregate discretely presented component units of the State of Arizona that are attributable to the University's transactions. They do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 20 through 29, schedule of the University's proportionate share of the net pension liability on page 71, schedule of University pension contributions on page 71, and schedule of University's proportionate share of the total OPEB liability on page 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The combining statements on pages 72 and 73 and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining statements are management's responsibility and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Lindsey Perry, CPA, CFE
Auditor General

October 30, 2020


Photo: UA Alumni Association

Management's Discussion and Analysis

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

The financial statements encompass the university and its discretely presented component units; however, the MD&A focuses only on the university. Information relating to the component units can be found in their separately issued financial statements. The university's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. While audited financial statements for fiscal year 2019 are not presented with this report, condensed data will be presented in the MD&A to illustrate certain increases and decreases in comparing with fiscal year 2020 data.

Key Reporting Implementations

In fiscal year 2020, the university elected to early implement the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, such interest cost will no longer be capitalized as part of the historical cost of a capital asset.

Overview of Financial Statements

Statement of Net Position

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

Condensed Schedule of Net Position

A comparison of the university's assets, deferred outflows of resources (consumption of the university's net position that is applicable to a future reporting period), liabilities, deferred inflows of resources (acquisition of net position by the university that is applicable to a future reporting period), and net position (in thousands of dollars) at June 30, 2020 and at June 30, 2019, is as follows:

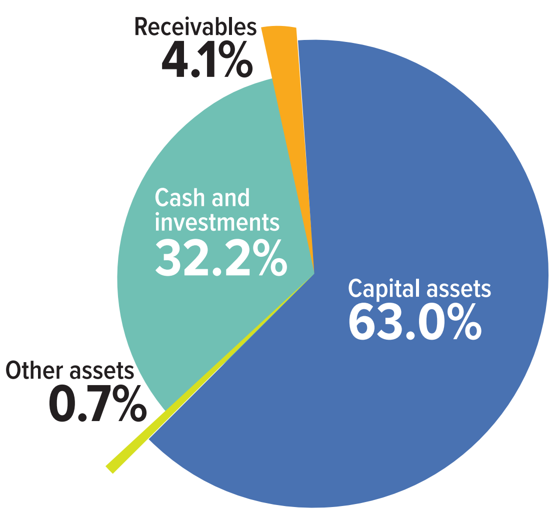

Photo: UA Alumni Association

		FY 2020		FY 2019	% Change
Other assets	$	1,422,472	$	1,612,723	-11.8%
Capital assets		2,422,426		2,293,173	5.6%
Total assets	**$**	**3,844,898**	**$**	**3,905,896**	**-1.6%**
Total deferred outflows of resources	**$**	**203,184**	**$**	**150,429**	**35.1%**
Other liabilities	$	252,131	$	189,528	33.0%
Long-term liabilities		2,536,300		2,472,500	2.6%
Total liabilities	**$**	**2,788,431**	**$**	**2,662,028**	**4.7%**
Total deferred inflows of resources	**$**	**267,198**	**$**	**328,976**	**-18.8%**
Net position					
Net investment in capital assets	$	951,375	$	801,215	18.7%
Restricted - nonexpendable		157,378		161,496	-2.5%
Restricted - expendable		203,957		233,337	-12.6%
Unrestricted (deficit)		(320,257)		(130,727)	-145.0%
Total net position	**$**	**992,453**	**$**	**1,065,321**	**-6.8%**

Total Assets

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

Cash and investments	$ 1,237,948	32.2%
Receivables	157,597	4.1%
Capital assets	2,422,426	63.0%
Other assets	26,927	0.7%
Total assets	**$ 3,844,898**	**100.0%**



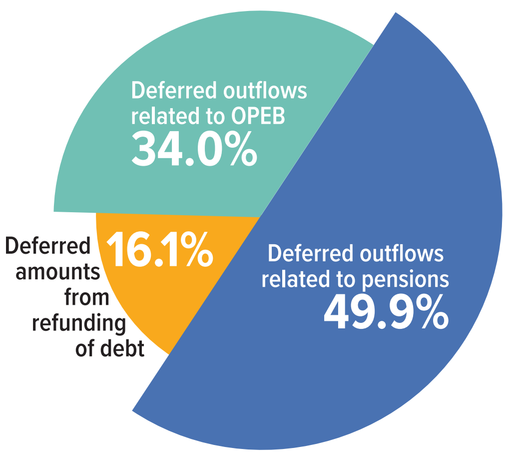
When compared to fiscal year 2019, the university's total assets decreased by $61.0 million. This change is primarily attributed to decreases in cash and investments of $207.3 million offset by increases in capital assets of $129.3 million and receivables of $22.0 million. The decrease in cash and investments is primarily due to decreases of $193.7 million in long-term investments, $68.7 million in restricted investments with bond trustee, $42.0 million in current cash and cash equivalents, $25.6 million related to the Academic Enhancement Fund (AEF), and $25.3 million in endowment investments, offset by an increase of $153.2 million in short-term investments. Long-term investments decreased due to a reduction of long-term maturities and a reallocation to short-term investments in order to meet the operating needs of the university and to provide additional liquidity due to increased economic uncertainty from the COVID-19 pandemic. Restricted investments with bond trustees decreased by $68.7 million due to the spend down of bond proceeds of $41.3 million for the Student Success District project, $8.6 million for the Health Sciences Innovation Building project, $7.0 million for the Biomedical Sciences Partnership Building (BSPB) 3rd & 4th floors Shell Space project, $3.6 million for the Intercollegiate Athletics projects, $3.0 million for the Biomedical Sciences Partnership Building (BSPB) Phoenix, and $2.6 million for the Honors Village project. Current cash and cash equivalents decreased by $42.0 million due to spending in order to meet the operating needs of the university. Endowment investments decreased $25.3 million primarily due to a decrease in market value net of adjustments, payouts, withdrawals, distributions and fees. The increase in receivables of $22.0 million is due to lottery revenues for the Stimulus Plan for Economic and

Education Development (SPEED) Revenue Bonds of $10.1 million, $8.5 million for proceeds from the sale of land and $3.2 million from partner hospitals. The net increase in capital assets of $129.3 million is primarily due to the completion of the Honors Village project (see "Capital and Debt Analysis" on page 28 for more information) with the conveyance of the dormitory building from American Campus Communities for $82.6 million and additional capitalized construction costs of $8.6 million for a total of $91.2 million, combined with an increase in construction in progress of $38.1 million for the Student Success District project.

Total Deferred Outflows of Resources

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

Deferred outflows related to pensions	$ 101,315	49.9%
Deferred outflows related to OPEB	69,098	34.0%
Deferred amounts from refunding of debt	32,771	16.1%
Total deferred outflows of resources	**$ 203,184**	**100.0%**

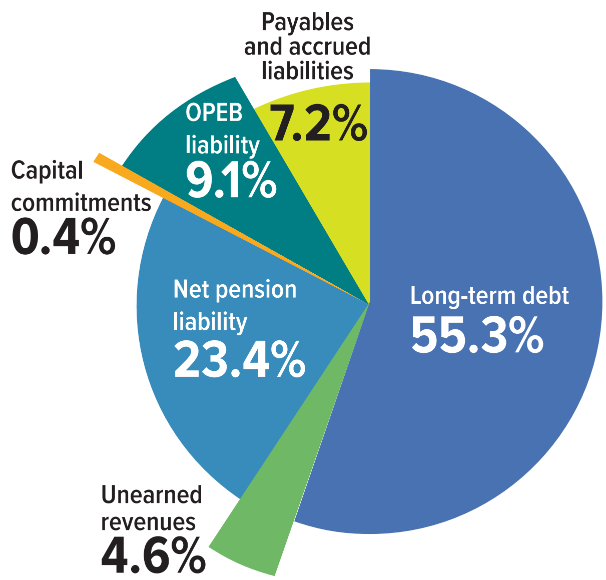


The increase in deferred outflows of $52.8 million is primarily attributed to increases in deferred outflows of resources related to other postemployment benefits (OPEB) of $57.6 million due to actuarial adjustments provided by the Arizona Department of Administration (ADOA), Arizona State Retirement System (ASRS), and Public Safety Personnel Retirement System (PSPRS). This is offset by a decrease of $5.0 million in deferred outflows of resources related to pensions due to actuarial adjustments provided by ASRS and PSPRS.

Total Liabilities

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

Payables and accrued liabilities	$ 201,440	7.2%
Unearned revenues	129,262	4.6%
Long-term debt	1,541,684	55.3%
Capital commitments	9,924	0.4%
Net pension liability	653,684	23.4%
OPEB liability	252,437	9.1%
Total liabilities	**$ 2,788,431**	**100.0%**

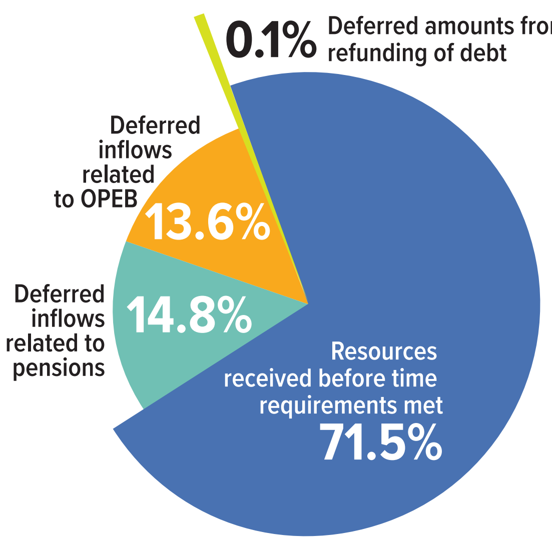


Total liabilities increased by $126.4 million compared to fiscal year 2019 primarily due to increases in OPEB liability of $84.8 million, net pension liability of $58.4 million, unearned revenues of $36.3 million and payables and accrued liabilities of $35.9 million, offset by decreases in long-term debt of $79.3 million and capital commitments of $9.7 million. The increase in OPEB liability and net pension liability is due to actuarial adjustments as provided by ADOA, ASRS, and PSPRS. The increase in unearned revenues is primarily due to $17.8 million from the Coronavirus, Aid, Relief, and Economic Security (CARES) Act, $6.5 million in auxiliary services due to the COVID-19 pandemic, $4.8 million related to various sponsored projects due to timing differences and project fluctuations, and $3.7 million in summer session unearned revenue. The change in payables and accrued liabilities is primarily due to increases in accrued payroll and benefits of $20.2 million, compensated absences of $9.6 million and miscellaneous payables of $6.1 million due to timing differences. The decrease in long-term debt represents the new debt issuance of the 2020 System Revenue Refunding Bonds of $72.2 million and the 2020AB SPEED Refunding Bonds of $127.8 million, as well as the increase of bond premium from these debt issuances of $5.8 million, offset by the principal refunded by these new Bonds of $210.7 million and the annual principal payments on long-term debt of $74.4 million. The decrease of $9.7 million in capital commitments is due to payments for the university's contribution to the Giant Magellan Telescope (GMT).

Total Deferred Inflows of Resources

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

Resources received before time requirements met	$ 191,030	71.5%
Deferred inflows related to pensions	39,547	14.8%
Deferred inflows related to OPEB	36,254	13.6%
Deferred amounts from refunding of debt	367	0.1%
Total deferred inflows of resources	**$ 267,198**	**100.0%**



The decrease in deferred inflows of $61.8 million is primarily attributed to a $37.7 million decrease in deferred inflows of resources related to pensions and OPEB due to actuarial adjustments provided by ASRS, PSPRS and ADOA. The remainder of the decrease is attributed to the annual $18.7 million distribution to the university relating to the Academic Enhancement Fund (AEF) Trust Agreement and a $5.6 million decrease for cost and market value changes of AEF investments.

Total Net Position

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

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

Net investment in capital assets	$ 951,375	95.9%
Restricted	361,335	36.4%
Unrestricted (deficit)	(320,257)	-32.3%
Total net position	**$ 992,453**	**100.0%**

Total net position decreased by $72.9 million in fiscal year 2020, which is primarily attributed to decreases in unrestricted and restricted net position, offset by an increase in net investment in capital assets. Unrestricted net position decreased by $189.5 million primarily due to an increase of $83.1 million in expenses for pensions and OPEB due to actuarial adjustments provided by ASRS, PSPRS and ADOA. Additionally, there were decreases of $42.0 million attributed to spending for locally funded construction projects, $11.2 million due to a decrease in market value of endowments, and $8.9 million for auxiliary units due to a reduction of revenues as a result of the COVID-19 pandemic. The remainder of the decrease is attributed to the spend down of net position in order to meet the operating needs of the university amidst the pandemic. Restricted net position decreased by $33.5 million primarily due to decreases of $15.4 million in the market value of endowments; $8.2 million in departmental restricted accounts; $5.4 million in capital projects; and $5.0 million due to increased spending across initiatives in the Technology and Research Initiative Fund (TRIF). Net investment in capital assets increased by $150.2 million primarily due to an increase in the capitalized construction costs for the Honors Village project of $91.2 million and the Health Sciences Innovation Building project of $7.8 million and ongoing capitalized construction in progress for the Student Success District project of $38.1 million and the College of Pharmacy Skaggs Building Addition and Renovation project of $10.3 million.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the university's revenues earned and the expenses incurred during fiscal year 2020, regardless of when cash is received or paid. Activities are reported as either operating or non-operating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the university, including a provision for depreciation on capital assets. Certain revenue sources that the university relies on for operations, including state appropriations, gifts, grants, and investment income are required by GASB Statement No. 35 to be classified as non-operating revenues. During the fiscal year, the university incurred capital financing costs; these costs are reported as non-operating expenses.

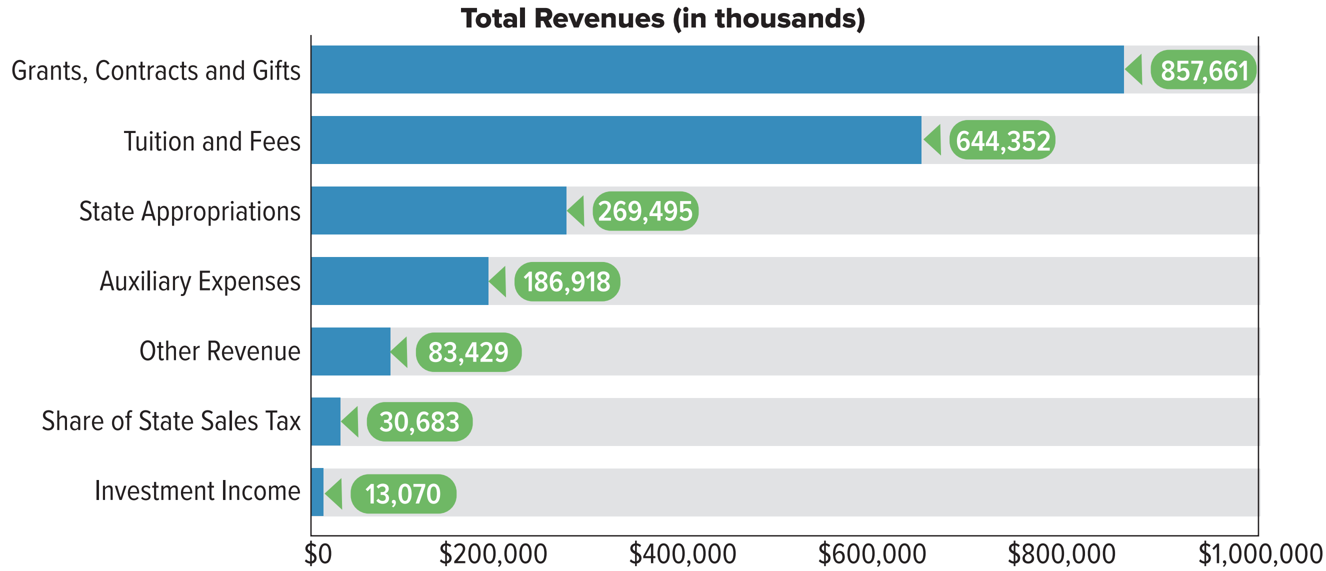
Condensed Schedule of Revenues, Expenses and Changes in Net Position

A comparison of the university's operations (in thousands of dollars) for the years ended June 30, 2020 and 2019 is as follows:

	FY 2020	FY 2019	% Change
Operating revenues			
Student tuition and fees, net	$ 644,352	$ 658,090	-2.1%
Grants and contracts	509,503	532,129	-4.3%
Auxiliary enterprises, net	186,918	205,457	-9.0%
Other	68,414	72,199	-5.2%
Total operating revenues	**$ 1,409,187**	**$ 1,467,875**	**-4.0%**
Operating expenses			
Instruction and academic support	$ 845,580	$ 822,951	2.7%
Research and public service	583,827	547,934	6.6%
Student services and scholarships	176,283	149,897	17.6%
Institutional support and operation of plant	304,913	274,487	11.1%
Auxiliary enterprises	172,106	167,387	2.8%
Depreciation	149,793	144,250	3.8%
Total operating expenses	**$ 2,232,502**	**$ 2,106,906**	**6.0%**
Operating loss	**$ (823,315)**	**$ (639,031)**	**28.8%**
Non-operating revenues (expenses)			
State appropriations	$ 269,495	$ 252,931	6.5%
Grants, contracts and gifts	348,158	316,356	10.1%
Share of state sales tax revenues	30,683	30,970	-0.9%
Investment income	13,070	48,396	-73.0%
Interest expense on debt	(60,187)	(55,072)	9.3%
Other non-operating revenues, net	15,015	8,404	78.7%
Net non-operating revenues	**$ 616,234**	**$ 601,985**	**2.4%**
Loss before capital and endowment additions	**$ (207,081)**	**$ (37,046)**	**459.0%**
Capital appropriations	25,013	24,803	0.8%
Other capital and endowment additions	109,200	37,924	187.9%
Increase (decrease) in net position	**$ (72,868)**	**$ 25,681**	**-383.7%**
Net position, beginning of year	**1,065,321**	**1,039,640**	**2.5%**
Net position, end of year	**$ 992,453**	**$ 1,065,321**	**-6.8%**

Total Revenues

The following chart represents total revenues of $2,085,608 for fiscal year 2020:



Operating and non-operating grants, contracts and gifts: Revenues vary from year to year for many reasons, including the availability of funding from sponsors, the commencement or closure of particularly large sponsored projects, and unanticipated gift revenues. Grants, contracts and gifts increased by $9.2 million or 1.1% in comparison to fiscal year 2019. There were increases of $31.1 million in commitment funds from partner hospitals and $4.6 million from the Coronavirus Aid, Relief, and Economic Security (CARES) Act for emergency relief funds for students. These are offset by decreases of $10.1 million in reimbursements for salaries due to the transfer of university employees to Banner Health in accordance with the agreement between the university and Banner Health, $7.9 million for academic support programs related to local inter-governmental agreements (IGA), and $4.6 million due to a one-time payment for the Graduate Medical Education (GME) program received in the prior year.

State appropriations: State appropriations increased by $16.6 million or 6.5% primarily due to one-time appropriations of $9.5 million eligible for use on operating expenditures or capital improvements and $8.0 million to expand the University of Arizona Phoenix Medical campus in fiscal year 2020.

Investment income: A summary of investment income (in thousands of dollars) for the years ended June 30, 2020 and 2019 is as follows:

	FY 2020	FY 2019	% Change
Pooled operating funds	$ 37,138	$ 45,593	-18.5%
Deposits with trustees for capital projects	1,698	2,847	-40.4%
Endowments	(25,766)	(44)	58,459.1%
Total investment income	**$ 13,070**	**$ 48,396**	**-73.0%**

Total investment income decreased by $35.3 million or -73.0%. Pooled operating funds are invested in short and long-term debt instruments. The change in investment income is primarily due to a decrease of $25.7 million in realized and unrealized losses in the fair value of endowments. Additionally, there were decreases of $8.5 million in pooled operating funds due to lower bond yields in the portfolio and $1.1 million in interest earnings

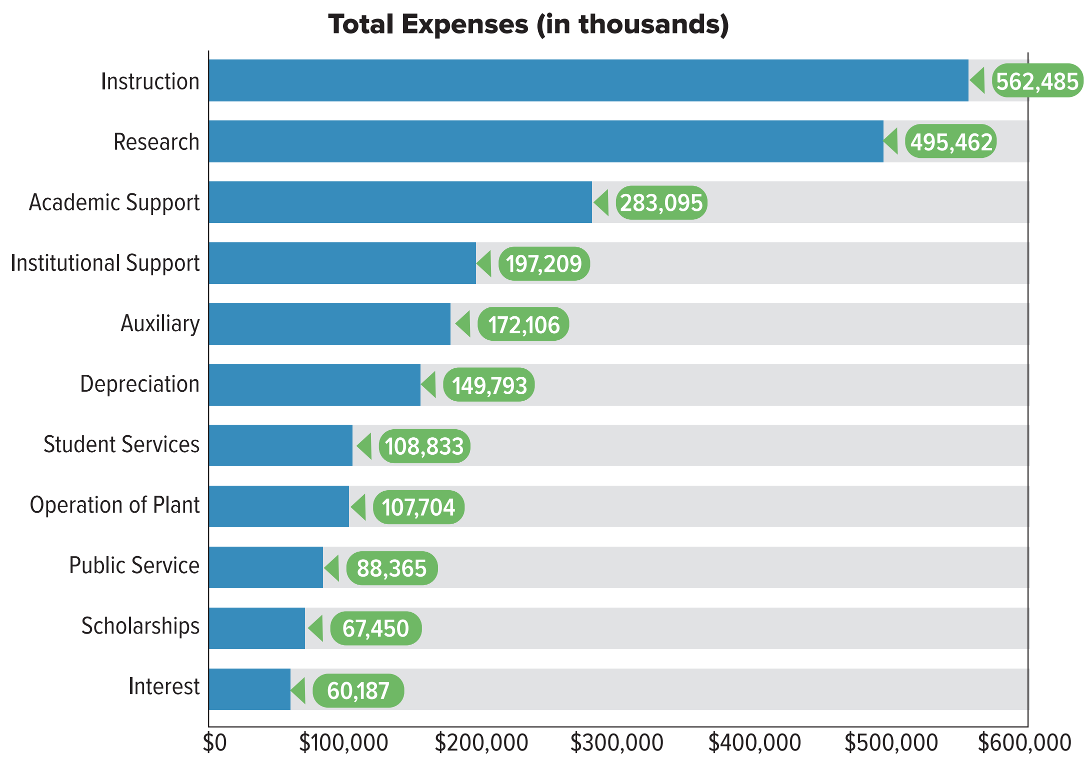
Photo: UA Alumni Association

on deposits with trustees for capital projects due to unfavorable market conditions and the spend down of bond proceeds.

Capital appropriations and other capital and endowment additions: Total capital appropriations and other capital and endowment additions increased by $71.5 million or 114.0%. The increase in other capital and endowment additions of $71.3 million is primarily due to the conveyance of the dormitory building in the Honors Village from American Campus Communities of $82.6 million, offset by a decrease of $9.2 million in one-time capital gifts received for construction projects in the prior fiscal year and a decrease of $3.7 million in additions to permanent endowments due to a decline in gifts from individuals.

Total Expenses

The following chart represents total expenses by functional classification of $2,292,689 for fiscal year 2020:

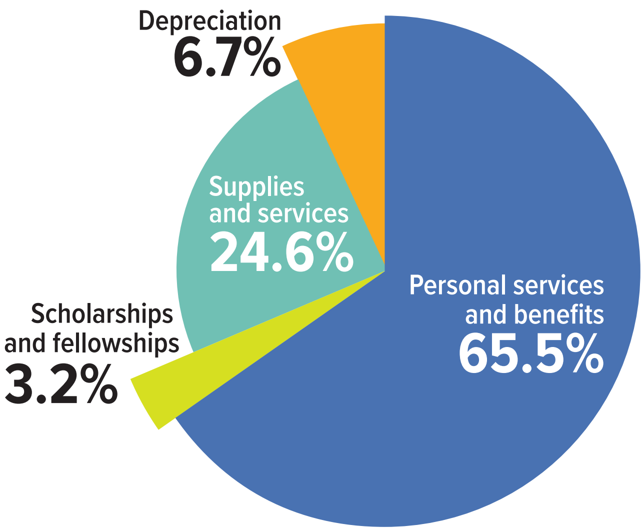


Total expenses increased by $130.7 million or 6.0% in comparison to fiscal year 2019. The overall increase is primarily due to $83.1 million for pensions and OPEB expenses due to actuarial adjustments as provided by ASRS, PSPRS and ADOA. There were also increases in support of Student Success and Retention, Enrollment Management, Student Financial Aid and Student and Academic Technology initiatives related to the strategic plan of $17.6 million. Additionally, there were increases in expenses of $12.3 million related to sponsored research projects among the University of Arizona Health Sciences, the College of Engineering, College of Science, the College of Pharmacy, and the College of Agriculture and Life Sciences; $5.0 million for the inter-governmental agreement for the GME program; $4.6 million in emergency relief provided to students under the CARES Act; and $4.1 million in additional aid to students in the form of merit awards, need based aid and special program scholarships.

Operating Expenses by Natural Classification

In addition to programmatic (functional) classification of operating expenses, a summary of the university's expenses by natural classification (in thousands of dollars), as listed in Note 12, for the years ended June 30, 2020 and 2019 follows:

	FY 2020	FY 2019	% Change
Personal services and benefits	$ 1,462,234	$ 1,340,973	9.0%
Supplies and services	549,572	560,018	-1.9%
Scholarships and fellowships	70,903	61,665	15.0%
Depreciation	149,793	144,250	3.8%
Total operating expenses	**$ 2,232,502**	**$ 2,106,906**	**6.0%**



Condensed Statement of Cash Flows

The statement of cash flows provides additional information about the university's financial results by reporting the major sources and uses of cash and cash equivalents. This statement assists in evaluating the university's ability to generate net cash flows, its ability to meet its financial obligations as they come due and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the university. Due to the categorization of operating and non-operating expenses by GASB, cash flows from operating activities are typically a net cash use. Net cash flows from noncapital financing activities is a major funding source for operating expenses and includes state appropriations, donations, and other activities not covered in the other sections. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show all the uses of cash and cash equivalents to purchase investments, and all the increases in cash and cash equivalents as a result of selling investments or earning income on cash and investments. The following summarizes cash flows for fiscal years 2020 and 2019 (in thousands of dollars):

Cash Provided By (Used For):	FY 2020	FY 2019
Operating activities	$ (571,080)	$ (551,720)
Noncapital financing activities	675,149	620,722
Capital financing activities	(301,914)	(224,613)
Investing activities	150,554	156,360
Net increase (decrease) in cash and cash equivalents	**(47,291)**	**749**
Cash and cash equivalents, beginning of year	113,865	113,116
Cash and cash equivalents, end of year	**$ 66,574**	**$ 113,865**

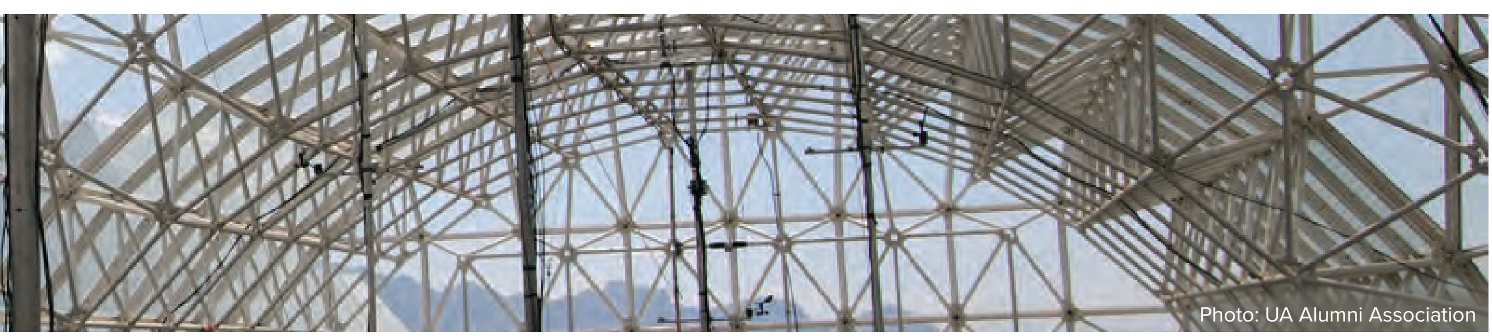


Photo: UA Alumni Association

Capital and Debt Analysis

The University of Arizona capital program is developed through a formal process involving internal committees, the Arizona Board of Regents (ABOR), and the State Joint Committee on Capital Review (JCCR). The process starts with the preparation of a comprehensive annual Capital Improvement Plan (CIP) as required by Arizona Revised Statutes § 41-793 and ABOR policy 7-106. The CIP presents the university's strategic plan on space and capital acquisition to meet short and long-term requirements. It outlines the current capital funding allocation for the university, specifically for building renewal, deferred maintenance, facility leases, and other critical construction projects. The CIP covers a three-year period and focuses on addressing space deficiencies in academic, research, student services/support services, and deferred maintenance. The CIP also provides a summary of the university debt information including debt ratio projections to comply with ABOR policy and State statutes. The projects in the CIP are prioritized at a later date by university management and presented to ABOR for approval through the Capital Development Plan (CDP). The CDP presents immediate need for capital projects in the coming 12 months including the estimated budget costs of the project, how the project aligns with the university's strategic plan, funding source(s), and any associated debt information. Projects to be financed by debt must also be reviewed by JCCR.

During fiscal year 2020, the university completed and placed in service the Honors Village project. This project was constructed at a total cost to the university of $53.3 million and was financed by System Revenue Bonds and local funds. In addition, the residence hall portion was conveyed to the university by American Campus Communities with a value of $82.6 million. The Honors Village provides a residence hall with 1000 plus beds, dining facilities for residents and non-residents, administrative office space for the Honors College, a parking garage with 300 plus parking spaces, a surface lot with an additional 300 plus parking spaces, and a campus recreation and health center. Combining these separate elements created the first full-service, living-learning community on the university's main campus. Honors students are able to: interact with faculty in a variety of settings, in and out of the classroom; carry conversations from their living spaces into the academic spaces and vice versa; be exposed to unique programming specific to a diverse community of Honors learners; receive on-site advising and support from Honors College staff and administrators; and participate in a vibrant culture of active learners throughout their entire day. In addition, there were ongoing major building projects under construction including the Student Success District ($81.0 million). The project includes renovations to the Main Library, Science and Engineering Library, and Bear Down Gym as well as construction of the Student Services Building. This project creates new student service spaces, enhances student experiences, and improves student recruitment, retention, and success.

The university generally finances capital improvements and acquisitions through the issuance of System Revenue Bonds (SRBs), Stimulus Plan for Economic and Education Development (SPEED) Revenue Bonds, or Certificates of Participation (COPs). Stimulus Plan for Economic and Education Development (SPEED) was authorized by the Arizona State Legislature to stimulate the state's economy through capital construction for state universities. This legislation also authorizes the use of state lottery revenue allocations to fund up to 80 percent of the annual debt service on all projects financed by SPEED Revenue Bonds. The three state universities are responsible for at least 20 percent of the debt service. Prior to issuing any non-refunding Bonds or COPs, the university must provide a financing and funding plan in the CDP for ABOR approval. Additionally, the project is required to be reviewed or approved by JCCR. The amount of debt the university is capable of issuing is limited by a debt ratio of 8% as defined by State law (Arizona Revised Statutes § 15-1683) and ABOR policy 7-102(D) (3). The debt ratio is determined by annual debt service on Bonds and COPs as a percentage of total operating expenses and debt service. At June 30, 2020, the university's debt ratio was 4.9%. The university's credit rating on its outstanding SRBs is Aa2 by Moody's and AA- by Standard and Poor's.

During fiscal year 2020, the university issued one System Revenue Bond with one series. The System Revenue Refunding Bonds Taxable Series 2020 was issued for

$72.2 million to refund a portion of the 2012A and 2013A System Revenue Bonds. Additionally, the university issued one SPEED Revenue Bond with three series. The SPEED Revenue Refunding Bonds Series 2020A was issued for $108.2 million to refund a portion of the 2010 SPEED Revenue Bonds. The SPEED Revenue Taxable Bonds Series 2020B was issued for $19.6 million to refund a portion of the 2013 SPEED Revenue Bonds. The SPEED Revenue Refunding Bonds Series 2020C was issued for $23.1 million to refund a portion of the 2011 SPEED Revenue Bonds. Series 2020C is a forward refunding with an expected delivery date of May 12, 2021.

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

Economic Outlook

The State of Arizona economy maintains a modest growth, forecasted to grow at the rate of 4.1% for fiscal year 2021 in comparison to 3.9% in fiscal year 2020. The forecasted base revenue includes adjustments for the Urban Revenue Sharing program, and previously enacted tax law changes have adjusted revenue up. These adjustments resulted in an overall estimated decrease in the State's total General Fund revenues by $627.3 million, or -5.4%, for fiscal year 2021 in comparison to fiscal year 2020.

Highlights of the State fiscal year 2021 budget included major changes to the baseline for certain areas: $19 million for retirement rate adjustments, primarily in the Arizona Department of Corrections (ADC), the Department of Public Safety (DPS) and the Judiciary, $10 million for ongoing General Fund spending for the Water Quality Assurance Revolving Fund (WQARF) in the Department of Environmental Quality (DEQ), and a $7 million decrease in the Arizona Department of Education (ADE) formula savings. There were also major one-time increases to the baseline for certain areas: $91 million to the School Facilities Board for building renewal, $68 million to ADE to accelerate the fourth year of a 5-year plan to eliminate Additional Assistance reductions, $22 million for increases to agency health insurance rates to increase the Health Insurance Trust Fund (HITF) balance, $11 million for locking and fire system and air conditioning replacements at the Lewis and Yuma prisons in the ADC, $8 million to the Arizona Health Care Cost Containment System (AHCCCS) for a Children's Behavioral Health Services Fund deposit, and $5 million to DEQ for WQARF.


Photo: UA Alumni Association

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

The university experienced a decrease in total appropriations of $8.1 million or approximately -2.8% by the State for fiscal year 2021. The fiscal year 2021 total appropriation to the University of Arizona is $284.6 million. It is anticipated that the State will continue to take a conservative approach to State spending and budgeting in the immediate fiscal periods to come.

While the university and Arizona Board of Regents recognize the fiscal pressures from the COVID-19 pandemic the State of Arizona has been managing, the university has continued the guaranteed tuition program, started in the fall of 2014, which is a constant tuition rate set by ABOR for eight semesters. Additionally, the university continues to return a portion of tuition revenue in the form of need-based aid. For fiscal year 2021 incoming students, the Arizona Board of Regents voted not to increase undergraduate tuition for residents or non-residents.

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

BASIC FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2020 *(in thousands of dollars)*

Asset		
Current assets		
Cash and cash equivalents (Note 3)	$	45,504
Short-term investments (Note 3)		302,819
Receivables:		
Accounts receivable (net of allowances of $3,052)		80,714
Government grants receivable		56,661
Student loans (net of allowances of $58)		1,643
Inventories		6,722
Prepaid expenses		11,337
Total current assets	**$**	**505,400**
Noncurrent assets		
Restricted cash and cash equivalents (Note 3)	$	21,070
Restricted investments with trustee (Note 3)		222,230
Restricted investments with bond trustees (Note 3)		68,328
Long-term investments (Note 3)		292,589
Endowment investments (Note 3)		285,408
Equity interest in joint venture (Note 4)		8,834
Student loans receivable (net of allowances of $2,890)		18,579
Prepaid expenses		34
Capital assets, not being depreciated (Note 5)		398,535
Capital assets, being depreciated, net (Note 5)		2,023,891
Total noncurrent assets	**$**	**3,339,498**
Total Assets	**$**	**3,844,898**
Deferred Outflows of Resources		
Deferred outflows related to pensions (Note 10)	$	101,315
Deferred outflows related to OPEB (Note 11)		69,098
Deferred amounts from refunding of debt		32,771
Total Deferred Outflows of Resources	**$**	**203,184**

Statement of Net Position (continued)

Liabilities		
Current liabilities		
Accounts payable	$	50,910
Accrued payroll and benefits		71,959
Accrued compensated absences, current portion (Note 7)		8,385
Unearned revenue and deposits (Note 6)		129,262
Pension liability, current portion (Note 10)		4,700
Current portion of long-term debt and lease obligations (Note 8)		
To be funded by university revenues		61,194
To be funded by State of Arizona appropriations and State Lottery monies		17,457
Capital commitments, current portion (Note 4)		4,000
Total current liabilities	**$**	**347,867**
Noncurrent liabilities		
Accrued compensated absences (Note 7)	$	70,186
Net pension liability (Note 10)		648,984
OPEB liability (Note 11)		252,437
Long-term debt and lease obligations (Note 8)		
To be funded by university revenues		1,087,442
To be funded by State of Arizona appropriations and State Lottery monies		375,591
Capital commitments (Note 4)		5,924
Total noncurrent liabilities	**$**	**2,440,564**
Total Liabilities	**$**	**2,788,431**
Deferred Inflows of Resources		
Deferred inflows related to pensions (Note 10)	$	39,547
Deferred inflows related to OPEB (Note 11)		36,254
Deferred amounts from refunding of debt		367
Resources received before time requirements met (Note 3)		191,030
Total Deferred Inflows of Resources	**$**	**267,198**
Net Position		
Net investment in capital assets	$	951,375
Restricted for nonexpendable:		
Endowments		125,520
Student loans		31,858
Restricted for expendable:		
Scholarships and fellowships		6,301
Academic/departmental uses		156,372
Capital projects		17,391
Debt service		23,893
Unrestricted (deficit)		(320,257)
Total Net Position	**$**	**992,453**

See Notes to Financial Statements


Photo: UA Alumni Association

Statement of Financial Position – Component Units

June 30, 2020 *(in thousands of dollars)*

	University of Arizona Foundation	Other	Total
Assets			
Cash and cash equivalents	$ 100,920	$ 8,943	$ 109,863
Pledges receivable	49,147	232	49,379
Other receivables	-	3,616	3,616
Investments in marketable securities	959,270	19,781	979,051
Other investments	-	189	189
Property and equipment, net	2,234	31,932	34,166
Other assets	2,802	6,809	9,611
Total Assets	**$ 1,114,373**	**$ 71,502**	**$ 1,185,875**
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	$ 4,235	$ 3,322	$ 7,557
Fair value of endowments managed for the university	182,068	-	182,068
Annuities payable and other trust liabilities	21,200	-	21,200
Deferred revenue and deposits	-	4,820	4,820
Short-term and long-term debt	1,575	6,579	8,154
Other liabilities	-	80	80
Total Liabilities	**$ 209,078**	**$ 14,801**	**$ 223,879**
Net Assets			
Without donor restrictions	$ 18,040	$ 45,693	$ 63,733
With donor restrictions	887,255	11,008	898,263
Total Net Assets	**$ 905,295**	**$ 56,701**	**$ 961,996**
Total Liabilities and Net Assets	**$ 1,114,373**	**$ 71,502**	**$ 1,185,875**

See Notes to Financial Statements

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2020 *(in thousands of dollars)*

Operating Revenues		
Student tuition and fees, net of scholarship allowances of $267,055	$	644,352
Federal grants and contracts		327,006
State grants and contracts		12,582
Local grants and contracts		3,771
Nongovernment grants and contracts		166,144
Sales and services of educational departments		57,622
Auxiliary enterprises, net of scholarship allowances of $8,274		186,918
Other operating revenues		10,792
Total operating revenues	**$**	**1,409,187**
Operating Expenses		
Educational and general		
Instruction	$	562,485
Research		495,462
Public service		88,365
Academic support		283,095
Student services		108,833
Institutional support		197,209
Operation and maintenance of plant		107,704
Scholarships and fellowships		67,450
Auxiliary enterprises		172,106
Depreciation (Note 5)		149,793
Total operating expenses	**$**	**2,232,502**
Operating Loss	**$**	**(823,315)**
Nonoperating Revenues (Expenses)		
State appropriations	$	269,495
Share of State sales tax revenues		30,683
Federal grants and appropriations		96,357
State and other government grants		20,751
Nongovernment grants and contracts		142,094
Gifts		88,956
Investment income		13,070
Interest expense on debt		(60,187)
Other nonoperating revenues, net		15,015
Net nonoperating revenues	**$**	**616,234**
Loss before Capital and Endowment Additions	**$**	**(207,081)**

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

Capital grants, gifts and conveyances	$	85,677
Capital appropriations		25,013
Capital commitment - State Lottery Revenue		21,772
Additions to permanent endowments		1,751
Total capital and endowment additions	**$**	**134,213**
Decrease in Net Position	**$**	**(72,868)**
Net Position		
Net Position - Beginning of year		1,065,321
Net Position - End of year	**$**	**992,453**

See Notes to Financial Statements

Photo: UA Alumni Association

Statement of Activities – Component Units

Year Ended June 30, 2020 *(in thousands of dollars)*

	University of Arizona Foundation	Other	Total
Revenues			
Sales and services	$ 6,200	$ 1,533	$ 7,733
Contributions	100,548	1,823	102,371
Rental revenues	-	17,078	17,078
Investment income (loss)	(31,750)	790	(30,960)
Other income	10,980	3,146	14,126
Total revenues	**$ 85,978**	**$ 24,370**	**$ 110,348**
Expenses			
Program services:			
Leasing related expenses	-	$ 12,396	$ 12,396
Payments to the university	$ 77,823	8	77,831
Payments on behalf of the university	11,613	5,328	16,941
Supporting services:			
Management and general	8,430	2,382	10,812
Fundraising	8,439	506	8,945
Total expenses	**$ 106,305**	**$ 20,620**	**$ 126,925**
Increase (Decrease) in Net Assets	**$ (20,327)**	**$ 3,750**	**$ (16,577)**
Net Assets - Beginning of year	**$ 925,622**	**$ 52,951**	**$ 978,573**
Net Assets - End of year	**$ 905,295**	**$ 56,701**	**$ 961,996**

See Notes to Financial Statements

Photo: UA Alumni Association

Statement of Cash Flows

Year Ended June 30, 2020 *(in thousands of dollars)*

Cash Flows from Operating Activities		
Tuition and fees	$	642,871
Grants and contracts		513,652
Payments for salaries, wages and benefits		(1,379,073)
Payments to suppliers		(533,503)
Payments for scholarships and fellowships		(70,903)
Loans issued to students		(3,968)
Collections on loans to students		3,125
Auxiliary enterprise receipts		192,922
Sales and services of educational departments		59,509
Other receipts		4,288
Net cash used for operating activities	**$**	**(571,080)**
Cash Flows from Noncapital Financing Activities		
State appropriations	$	269,495
Share of State sales tax receipts		33,190
Gifts, contracts and grants for other than capital purposes		364,926
Nonoperating receipts for other than capital purposes		7,010
Direct Loans received		249,220
Direct Loans disbursed		(243,836)
Funds held for others received		7,860
Funds held for others disbursed		(12,716)
Net cash provided by noncapital financing activities	**$**	**675,149**
Cash Flows from Capital Financing Activities		
Proceeds from issuance of capital debt, including premiums	$	215,236
Capital appropriations, grants and gifts received		27,312
Capital commitment - State Lottery revenue		10,747
Build America Bonds - federal subsidy		1,187
Proceeds from sale of capital assets		9,163
Purchase of capital assets		(209,711)
Principal paid on capital debt and leases		(283,846)
Interest paid on capital debt and leases		(72,002)
Net cash used for capital financing activities	**$**	**(301,914)**

Statement of Cash Flows (continued)

Cash Flows from Investing Activities

Proceeds from sales and maturities of investments	$	1,529,938
Interest and dividends on investments		31,366
Purchase of investments		(1,410,750)
Net cash provided by investing activities	**$**	**150,554**
Net Decrease in Cash and Cash Equivalents	**$**	**(47,291)**

Cash and Cash Equivalents

Cash and Cash Equivalents - Beginning of year		113,865
Cash and Cash Equivalents - End of year	**$**	**66,574**

Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating loss	$	(823,315)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense		149,793
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Net pension liability		58,810
Deferred outflows of resources related to pensions		4,950
Deferred inflows of resources related to pensions		(29,027)
OPEB liability		84,821
Deferred outflows of resources related to OPEB		(57,553)
Deferred inflows of resources related to OPEB		(8,646)
Receivables, net		(15,332)
Equity interest in joint venture		1,177
Inventories		(692)
Prepaid expenses		4,378
Accounts payable		10,403
Accrued payroll and benefits and compensated absences		29,807
Unearned revenue and deposits		19,346
Net cash used for operating activities	**$**	**(571,080)**

Significant Noncash Transactions

Gifts and conveyances of capital assets	83,378
Change in fair value of investments	17,766
Change in fair value of equity interest in joint venture	(1,927)
Change in fair value of restricted investment with trustee	(5,582)
Amortization of bond discount, prepaid insurance, and deferred cost of refundings	(3,184)
Amortization of bond premium	9,472
Net gain on disposal of capital assets with an original cost of $18,142, accumulated depreciation of $15,939 and cash proceeds of $9,163	6,960

See Notes to Financial Statements

Notes to Financial Statements

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

Basis of Presentation

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

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

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

For the year ended June 30, 2020, the university elected to early implement the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, such interest cost will no longer be capitalized as part of the historical cost of a capital asset.

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

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

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

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

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

Significant Accounting Policies

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

Cash and Investments

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

Endowment Spending Rate Policy | Arizona State law permits the university to expend the entire net appreciation of endowment fund investments. When determining the spending rate for endowment funds managed by the university, the Investment Committee and university administration consider long- and short-term needs, total investment return and price level trends, and general economic conditions. For fiscal year 2020, the expendable rate was established at 4% based on a twelve-quarter average fair market value of principal account balances as of December 31, 2019. Donor restricted endowments that are available for expenditure are reported as restricted and expendable on the Statement of Net Position.

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

Capital Assets, Special Collections and Historical Treasures

- Capital assets are reported at actual cost or, if donated, at acquisition value.
- The university maintains special collections and historical treasures for educational purposes and public exhibition. These special collections include Kress, Pfeiffer, and Gallagher artwork, Ansel Adams, Harry Callahan, David Hume Kennerly, and Edward Weston photography collections, American Indians of the Southwest archeological collection, pottery whole vessel collection, and several medical and law book collections. They are not subject to disposal for financial gain or encumbrance. Accordingly, such collections are not capitalized for financial statement purposes but are inventoried for property control purposes.
- Capital assets, other than land, construction in progress, and intangible assets with indefinite useful lives, are depreciated over their estimated useful lives using the straight-line method. The capitalization thresholds and estimated useful lives for capital assets of the university are as follows:

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

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

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

Science Center. These amounts will be recognized as an inflow of resources in future periods.

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

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

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

NOTE 2. COMPONENT UNITS

The financial statements of the university include the operations of the University of Arizona Foundation, Inc., University of Arizona Alumni Association, Law College Association of the University of Arizona, Campus Research Corporation, and Eller Executive Education, all discretely presented component units. For financial reporting purposes, only the statement of financial position and statement of activities are included in the university's financial statements as required by U.S. generally accepted accounting principles for public colleges and universities. Discretely presented component units are reported on separate pages following the university's respective counterpart financial statements because those component unit financial statements are prepared in accordance with non-governmental U.S. generally accepted accounting principles (i.e., FASB). Each discretely presented component unit discussed below has a June 30 year-end.

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

Discretely Presented Component Units

The University of Arizona Foundation, Inc. (Foundation) is a legally separate, tax-exempt, nonprofit corporation governed by a separate Board of Trustees. The Foundation was established for the primary purpose of advancing the university by building relationships, securing philanthropic support, and stewarding assets. Although the university does not control the timing or amount of receipts from the Foundation, the Foundation's restricted resources are significant to the university and can only be used by, or for the benefit of, the university or its constituents. As the university is also entitled to these resources, the Foundation is considered a component unit of the university and is discretely presented in the university's financial statements. The Foundation's financial statements are not publicly available. For information regarding the Foundation's financial statements, contact the University of Arizona Foundation Comptroller at the following address: The University of Arizona Foundation, Financial Services Office, 1111 N. Cherry Ave., Room 403, Tucson, Arizona 85721-0109.

The University of Arizona Alumni Association (Alumni Association) is a legally separate, tax-exempt, nonprofit corporation governed by a separate Board of Directors. The Alumni Association was established to serve the university, its graduates, former students, and friends by cultivating lifelong connections, strengthening commitment to the university and inspiring advocacy, engagement, and giving. There is an Administrative Service Agreement between the Alumni Association and the university whereby the university provides staff, facilities, and services to the Alumni Association. In turn, the Alumni Association agrees to provide an organizational framework to engage the alumni community that advances the university. As the economic resources held by the Alumni Association are significant to the university and are entirely or almost entirely for the direct benefit of the university, and as the university is entitled to a majority of the economic resources received or held by the Alumni Association, it is considered a component unit of the university and is discretely presented in the university's financial statements. Complete copies of the financial statements of the aforementioned component unit can be obtained by contacting the Alumni Association at the following address: The University of Arizona Alumni Association, P.O. Box 210109, Tucson, Arizona 85721-0109.

The Law College Association of the University of Arizona (Law College Association) is a legally separate, tax-exempt, nonprofit corporation governed by a separate Board of Directors and was established to provide support and financial assistance to the College of Law at the University of Arizona. The Law College Association funds provide support to the College on many levels, from endowed student scholarships to named faculty professorships. The funds also provide support for various academic programs. As the economic resources held by the Law College Association are significant to the university and are entirely or almost entirely for the direct benefit of the university, and as the university is entitled to a majority of the economic resources received or held by the Law College Association, it is considered a component unit of the university and is discretely presented in the university's financial statements. Complete copies of the financial statements of the aforementioned component unit can be obtained by contacting the Law College Association at the following address: Law College Association, James E. Rogers College of Law at the University of Arizona, 1201 E. Speedway Blvd., Tucson, Arizona 85721-0176.

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

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

NOTE 3. DEPOSITS AND INVESTMENTS

A. General

At year end, the university's deposits and investments had a fair value of $1,237,948,000. The required disclosures are included in sections B through D of this footnote.

Included in the university's deposits and investments are capital project funds totaling $68,328,000 which are held in trust by a commercial bank and available for future construction costs. Trust funds are invested in accordance with the Board's authorizing resolutions, as disclosed in section B of this footnote.

Endowment funds totaling $182,068,000 managed by the University of Arizona Foundation (Foundation) make up a portion of the deposits and investments. These funds are primarily held in a pooled endowment fund managed under a service contract with the Foundation and invested in the Foundation's Endowment Pool (Pool). The university's endowment assets are maintained separately on the financial system of the Foundation, and receive a proportional share of the Pool activity. As such, the Foundation owns the assets of the Pool; the university has an interest in the Pool, which is considered an external investment pool to the university. The Pool invests in a variety of asset classes, including common stocks, fixed income, foreign investments, private equity and hedge funds. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The Foundation's Investment Committee is responsible for oversight of the Pool in accordance with Foundation policies. Included in these investments are balances invested on behalf of the Arizona Student Financial Aid Trust (ASFAT). ASFAT was established by the Arizona Board of Regents and is funded by the Arizona State Legislature and student fees. The university's ASFAT funds are recorded as endowment investments at $37,287,000.

Further, the university is the sole beneficiary of the University of Arizona Academic Enhancement Fund Trust (Trust). Trust assets totaled $222,230,000 at June 30, 2020, and are recorded in the university's Statement of Net Position as restricted investments with trustee. Trust assets, less university contributions to the trust, are offset by a $191,030,000 deferred inflow of resources because not all time requirements have been met. The purpose of the Trust is to provide ongoing funding over 30 years, beginning in fiscal year 2015, in the form of $20 million annual distributions to the university for academic enhancements, faculty recruitment, and program development at the Arizona Health Science Center. The university has entered into an investment agreement with a third party, Banner Health, to direct the investment activity of the trustee in accordance with Banner policies. In the event the Trust becomes insolvent or does not generate sufficient income to make the annual distributions, Banner Health is contractually obligated to make the annual distribution payments to the university from other sources.

B. Statutory and Board of Regents' Policies

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

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

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

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

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

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

C. Deposit and Investment Risk

Custodial Credit Risk | University policy for its operating funds requires all repurchase agreements to be collateralized with government debt securities or cash balances held in the comptroller's demand deposit account. Beyond this requirement, the university does not have a policy that specifically addresses custodial credit risk. At June 30, 2020, $20,212,000 of the university's total deposits and investments is exposed to custodial credit risk since a portion of the university's endowment funds are held by trustees. These deposits and securities are held by the counterparties in the names of the individual donors as irrevocable trusts for the benefit of the university.

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

The university does not have a formal policy that specifically addresses credit risk over endowment funds. As indicated in Section A of this note, $182,068,000 of the university's endowment funds are held in the Foundation's Endowment Pool, which is not rated. The Foundation's Investment Committee manages the credit risk of the Pool's investments. Other university endowment funds held by external trustees are invested in accordance with donor restrictions and those investments' credit quality ratings are included in the table below.

			Moody's/Standard & Poor's Rating				
Investment Type	**Fair Value**	**Not Rated**	**Aaa/AAA**	**Aa/AA**	**A/A**	**Baa/BBB**	**Ba/BB**
Certificates of Deposit*	$ 16,938,000	$ 16,938,000					
Corporate Bonds	349,344,000		$ 4,480,000	$ 48,850,000	$ 223,803,000	$ 68,524,000	$ 3,687,000
Federal Agency Securities	5,640,000			5,640,000			
Fixed Income Mutual Funds	4,298,000	4,298,000					
Money Market Mutual Funds	182,697,000		182,697,000				
Municipal Bonds	2,071,000			2,071,000			
State Treasurer's Pool 3	2,149,000	2,149,000					
Total	**$ 563,137,000**	**$23,385,000**	**$ 187,177,000**	**$ 56,561,000**	**$ 223,803,000**	**$ 68,524,000**	**$ 3,687,000**

* Although most of the certificates of deposit are unrated by Moody's Investor Service or Standard & Poor's, $11,744,000 is covered by federal deposit insurance and would be returned to the university in the situation of default by the issuer.


Photo: UA Alumni Association

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

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

Interest Rate Risk | The university does not have a formal policy for interest rate risk. The following chart presents the interest rate risk for the university's debt investments at June 30, 2020, utilizing the segmented time distribution method:

		Maturity Date			
Investment Type	**Fair Value**	**< 1 Year**	**1-5 Years**	**6-10 Years**	**> 10 Years**
Certificates of Deposit	$ 16,938,000	$ 6,796,000	$ 10,142,000		
Corporate Bonds	349,344,000	135,437,000	211,608,000	$ 2,299,000	
Federal Agency Securities	5,640,000		5,640,000		
Fixed Income Mutual Funds	4,298,000		685,000	2,428,000	$ 1,185,000
Money Market Mutual Funds	182,697,000	182,697,000			
Municipal Bonds	2,071,000		2,071,000		
State Treasurer's Pool 3	2,149,000	2,149,000			
US Treasury Securities	171,088,000	96,845,000	73,878,000	365,000	
Total	**$ 734,225,000**	**$ 423,924,000**	**$ 304,024,000**	**$ 5,092,000**	**$ 1,185,000**

Foreign Currency Risk | The university's foreign investments at June 30, 2020 are shown in the table below. Foreign currency - denominated investments are part of the university's endowment portfolios. University policy does not include any specific requirements for foreign currency risk. University endowment funds held by external trustees are invested in accordance with donor restrictions.

Investment Type	**Currency**	**Fair Value**
Common Stocks	Various	$ 813,000
Equity Mutual Funds	Various	8,859,000
Fixed Income Mutual Funds	Various	2,489,000
Mutual Funds - Asset Allocation	Various	1,300,000
Total		**$ 13,461,000**

D. Fair Value of Investment Assets

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

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

Fair value measurements as of June 30, 2020 are shown in the table on the following page.

Investments Classified in Fair Value Hierarchy

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

	As of June 30, 2020	Hierarchy Fair Value Level 1	Level 2	Level 3
Investments by Fair Value Level				
Certificates of Deposit	$ 16,938,000		$ 16,938,000	
Common Stocks	6,978,000	$ 6,520,000	458,000	
Corporate Bonds	349,344,000		349,344,000	
Equity Mutual Funds	44,372,000	28,372,000	15,605,000	$ 395,000
Federal Agency Securities	5,640,000		5,640,000	
Fixed Income Mutual Funds	1,508,000	1,508,000		
Money Market Mutual Funds	182,327,000	182,327,000		
Municipal Bonds	2,071,000		2,071,000	
Mutual Funds - Asset Allocation	1,333,000	894,000		439,000
Preferred Stocks	2,106,000	2,106,000		
Private Equities	352,000			352,000
Real Estate	557,000			557,000
US Treasury Securities	171,088,000	171,088,000		
Total investments by fair value level	**$ 784,614,000**	**$ 392,815,000**	**$ 390,056,000**	**$ 1,743,000**
Other Investments at Fair Value				
Academic Enhancement Fund Trust	222,230,000			
State Treasurer's Pool 3	2,149,000			
Interest in Permanent Endowment	9,354,000			
University of Arizona Foundation	182,068,000			
Total other investments at fair value	**$ 415,801,000**			
Investments at Net Asset Value (NAV)				
Equity Mutual Funds	3,174,000			
Total investments at net asset value	**$ 3,174,000**			
Total investments at fair value	**$ 1,203,589,000**			

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

Other Investments at Fair Value

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

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

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

Investments at Net Asset Value

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

NOTE 4. JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION

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

The university has committed resources equivalent to 26.25% of LBT's construction costs and annual operating costs. The university has made total cash contributions of $19,198,000 and contributions of services and materials of $3,451,000, which is recorded as equity interest in joint venture on the statement of net position. The university's financial interest represents future viewing/observation rights. As of December 31, 2007, the assets had been substantially completed and the telescope entered the commissioning phase. During calendar year 2007, the telescope became operational for research purposes and depreciation of the property and equipment commenced. The university recorded its proportionate share of the use of the viewing/observation rights, $1,927,000 in calendar year 2020, as a reduction in its equity interest. At June 30, 2020, the equity interest totaled $8,834,000. According to the most recent audited financial statements of LBT for the year ended December 31, 2019, assets, liabilities, revenues and expenses totaled $120.4 million, $8.3 million, $18.6 million, and $20.5 million, respectively. For information regarding LBT's financial statements, contact the University of Arizona Comptroller at the following address: The University of Arizona, Financial Services, 888 N. Euclid Ave., Room 502, Tucson, Arizona 85721.

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

GMTO Capital Commitments

Beginning balance	$	19,624,000
Additions		–
Reductions		9,700,000
Ending balance	**$**	**9,924,000**
Current portion	**$**	**4,000,000**

The university has contributed a total of $66,176,000 to the GMTO as of June 30, 2020. The university has been and will be responsible for manufacturing the telescope's mirrors and will receive compensation from other GMTO founders and participants based on individual contractual agreements. As of June 30, 2020, the university has received contractual payments related to the project from the GMTO and related partners totaling $81,538,000. Contractual payments were for projects related to mirror construction and process development and include the acquisition of glass and mold materials, the development of mirror testing systems, design study, and engineering support.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance June 30, 2019	Additions	Retirements	Transfers/ Reclasses	Ending Balance June 30, 2020
Land	$ 126,481,000	$ 2,147,000	$ (676,000)		$ 127,952,000
Construction in progress:					
Real property	211,870,000	121,235,000		$ (138,622,000)	194,483,000
Intangible assets	76,100,000				76,100,000
Total non-depreciable/ amortizable capital assets	$ 414,451,000	$ 123,382,000	$ (676,000)	$ (138,622,000)	$ 398,535,000
Buildings and improvements	$ 2,907,939,000	$ 90,672,000	$ (1,404,000)	$ 133,440,000	$ 3,130,647,000
Infrastructure	278,962,000	11,197,000	(95,000)	5,182,000	295,246,000
Equipment	538,237,000	41,451,000	(12,891,000)		566,797,000
Intangible assets	100,327,000				100,327,000
Library materials	338,925,000	14,547,000	(3,076,000)		350,396,000
Total depreciable/amortizable capital assets	$ 4,164,390,000	$ 157,867,000	$ (17,466,000)	$ 138,622,000	$ 4,443,413,000
Less: accumulated					
depreciation/amortization					
Buildings and improvements	$ 1,349,724,000	$ 91,818,000	$ (930,000)		$ 1,440,612,000
Infrastructure	153,560,000	10,088,000	(18,000)		163,630,000
Equipment	412,025,000	31,105,000	(11,915,000)		431,215,000
Intangible assets	89,833,000	3,818,000			93,651,000
Library materials	280,526,000	12,964,000	(3,076,000)		290,414,000
Total accumulated depreciation/amortization	$ 2,285,668,000	$ 149,793,000	$ (15,939,000)		$ 2,419,522,000
Depreciable/amortizable capital assets, net	$ 1,878,722,000	$ 8,074,000	$ (1,527,000)	$ 138,622,000	$ 2,023,891,000
Capital assets, net	**$ 2,293,173,000**	**$ 131,456,000**	**$ (2,203,000)**		**$ 2,422,426,000**

In addition to expenditures through June 30, 2020, it is estimated that $376,534,000 will be required to complete projects under construction or planned for construction. Of that amount, $65,771,000 is contractually encumbered.

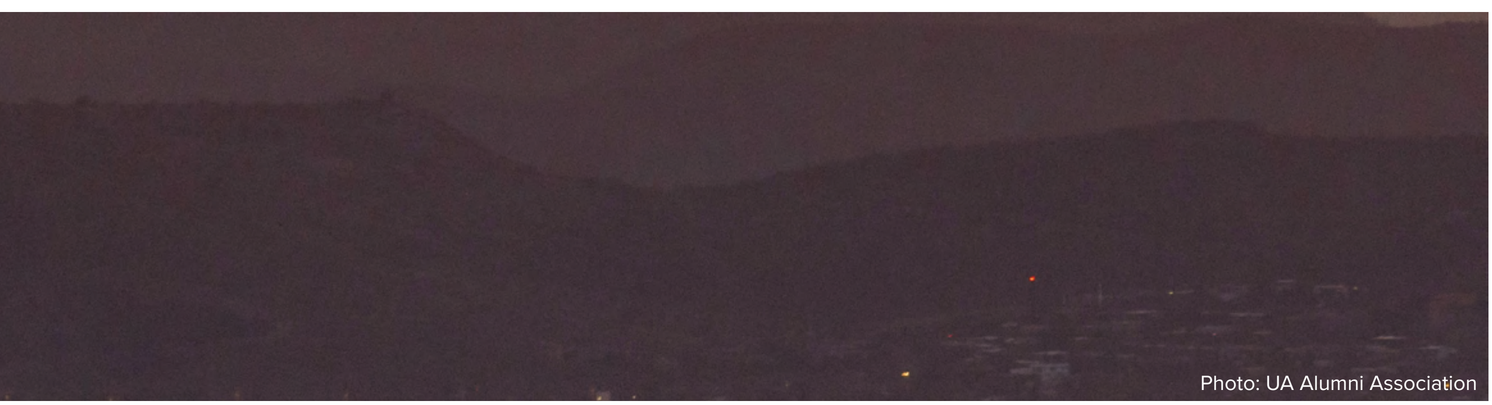


Photo: UA Alumni Association

NOTE 6. UNEARNED REVENUE AND DEPOSITS

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

Unearned revenue and deposits at June 30, 2020 consist of the following:

Current Unearned Revenue and Deposits

Unexpended cash advances received for sponsored programs	$ 89,061,000
Tuition and fees	17,153,000
Auxiliary sales and services	16,161,000
Other unearned revenue	5,938,000
Deposits	949,000
Total current unearned revenue and deposits	**$ 129,262,000**

NOTE 7. ACCRUED COMPENSATED ABSENCES

Compensated absences consist of vacation leave earned by employees based on services already rendered. These balances are accrued when earned. Employees may carry forward from one calendar year to the next up to 264 accrued vacation hours depending on classification and years of service. Upon termination, accrued hours up to 176 will be paid. At fiscal year-end, the university accrued all compensated absence balances accumulated to date as a liability in the financial statements. The university does not accrue sick time. Upon retirement, employees with a minimum of 500 hours of accumulated sick time are paid a formulated amount from the Retiree Accumulated Sick Leave (RASL) fund administered by the Arizona State Department of Administration (ASDA). The university pays a percentage of its payroll for RASL to ASDA and does not have further liability. Accrued compensated vacation for the year ended June 30, 2020, was as follows:

Beginning balance	$ 69,008,000
Additions	58,755,000
Reductions	(49,192,000)
Ending balance	**$ 78,571,000**
Current portion	**$ 8,385,000**

Photo: UA Alumni Association

NOTE 8. LONG-TERM DEBT & LEASE OBLIGATIONS

Long-term debt and lease activity for the year ended June 30, 2020 was as follows:

	Beginning Balance June 30, 2019	Additions	Reductions	Ending Balance June 30, 2020	Due Within One Year
Bonds payable	$ 1,218,745,000	$ 199,950,000	$ (250,020,000)	$ 1,168,675,000	$ 37,760,000
Certificates of participation	232,816,000	-	(33,431,000)	199,385,000	30,560,000
Capitalized lease obligations	14,916,000	-	(1,655,000)	13,261,000	559,000
Subtotal long-term debt	$ 1,466,477,000	$ 199,950,000	$ (285,106,000)	$ 1,381,321,000	$ 68,879,000
Premium on sale of debt	154,632,000	23,182,000	(17,369,000)	160,445,000	9,784,000
Discount on sale of debt	(95,000)	-	13,000	(82,000)	(12,000)
Total long-term debt and lease obligations	**$ 1,621,014,000**	**$ 223,132,000**	**$ (302,462,000)**	**$ 1,541,684,000**	**$ 78,651,000**

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

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

On December 17, 2019, the university sold System Revenue Refunding Bonds Taxable Series 2020 (2020 Bonds) for $72,205,000 dated January 29, 2020 as described below.

Series	Amount	Description	Interest Rate Range	Maturity Dates
2020	$ 31,580,000	Serial Bonds	2.011% to 2.932%	2023 to 2034
	$ 24,300,000	Term Bonds	3.111%	June 1, 2038
	$ 16,325,000	Term Bonds	3.201%	June 1, 2042

The 2020 Bonds are subject to optional redemption at a redemption price equal to the greater of (1) par, or (2) the net present value of remaining debt service payments, discounted to the date of redemption at a rate based on United States Treasury Securities plus 15 basis points. The 2020 Bonds with maturity on June 1, 2038 and June 1, 2042 are subject to mandatory redemption without premium pursuant to the debt documents. The university realized net proceeds of $71,659,000 after payment of $546,000 for issuance costs and underwriter discounts. The net proceeds were used to refund in advance of maturity a portion of the System Revenue Bonds Series 2012A and 2013A totaling $54,460,000 and $11,455,000, respectively. The refunding generated a net present value economic gain of $8,947,000 (difference between the present values of the old debt and the new debt service payments) for the university. The refunding decreases the university's debt service by $3,071,000 in the first year and an average of $267,000 in years two through twenty-two years. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $191,000. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being amortized to interest expense through the year 2042 using the straight-line method. The refunded System Revenue Bonds will be paid by investments held in an irrevocable trust with a combined carrying value of $70,122,000. Accordingly, the trust account assets and liability for these defeased bonds are not included in the university's financial statements.

On January 15, 2020, the university sold SPEED Revenue Refunding Bonds Series 2020A (2020A Bonds) for $108,180,000 and Taxable Series 2020B (2020B Bonds) for $19,565,000 dated February 26, 2020 as described below.

Series		Amount	Description	Interest Rate Range	Maturity Dates
2020A	$	80,705,000	Serial Bonds	3.125% to 5.00%	2020 to 2039
	$	27,475,000	Term Bonds	4.00%	August 1, 2044
2020B	$	835,000	Serial Bonds	1.737% to 2.312%	2020 to 2027
	$	870,000	Term Bonds	2.786%	August 1, 2034
	$	7,345,000	Term Bonds	3.193%	August 1, 2039
	$	10,515,000	Term Bonds	3.293%	August 1, 2043

The 2020A Bonds maturing on or after August 1, 2031 will be subject to optional redemption on August 1, 2030 and on any date thereafter without a premium. The 2020A Bonds with maturity on August 1, 2044 are subject to mandatory sinking fund redemption without premium. The 2020A Bonds sold at a premium of $23,182,000. The university realized net proceeds of $130,641,000 after payment of $721,000 for issuance costs and underwriter discounts. The net proceeds were used to refund, in advance of maturity, $127,395,000 of the SPEED Revenue Bonds Series 2010. The refunding generated a net present value economic gain of $24,455,000 (difference between the present values of the old debt and the new debt service payments) for the university. The refunding decreases the university's debt service by $537,000 in the first year and an average of $997,000 in years two through twenty-four years. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3,246,000. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense through the year 2044 using the straight-line method. The refunded SPEED Revenue Bonds will be paid by investments held in an irrevocable trust with a carrying value of $130,641,000. Accordingly, the trust account assets and liability for these defeased bonds are not included in the university's financial statements.

The 2020B Bonds are subject to optional redemption at a redemption price equal to the greater of (1) par, or (2) the net present value of remaining debt service payments, discounted to the date of redemption at a rate based on United States Treasury Securities plus 10 basis points for bonds maturing on August 1, 2020 through and including 2027, and plus 15 basis points bonds maturing on August 1, 2034, August 1, 2039 and August 1, 2043. The 2020B Bonds with maturity on August 1, 2034, August 1, 2039 and August 1, 2043 are subject to mandatory sinking fund redemption without premium pursuant to the debt documents. The university realized net proceeds of $19,396,000 after payment of $169,000 for issuance costs and underwriter discounts. The net proceeds were used to refund, in advance of maturity, $17,350,000 of the SPEED Revenue Bonds Series 2013. The refunding generated a net present value economic gain of $2,812,000 (difference between the present values of the old debt and the new debt service payments) for the university. The refunding decreases the university's debt service by $65,000 in the first year and an average of $119,000 in years two through twenty-three years. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $613,000. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense through the year 2043 using the straight-line method. The refunded SPEED Revenue Bonds will be paid by investments held in an irrevocable trust with a carrying value of $19,397,000. Accordingly, the trust account assets and liability for these defeased bonds are not included in the university's financial statements.

On January 15, 2020, the university entered into a Forward Delivery Bond Purchase Contract for $23,120,000 in SPEED Revenue Refunding Bonds Series 2020C (2020C Bonds) with an expected delivery date of May 12, 2021 to: (1) refund, in advance of maturity, $25,855,000 of the SPEED Revenue Bonds Series 2011 and (2) pay costs of issuance. The 2020C Bonds will include serial bonds with interest rates of 5.00% and maturity dates ranging from 2022 to 2029. The Series 2020C Bonds will not be subject to optional redemption prior to maturity.

In fiscal year 2017, the university refunded, in advance of maturity, a portion of outstanding System Revenue Bonds Series 2012A. At June 30, 2020, the outstanding principal balance of the refunded bonds was $9,650,000, which will be paid by investments held in an irrevocable trust with a fair value of $10,365,000. Accordingly, the trust account assets and liability for these defeased bonds are not included in the university's financial statements.

The university's outstanding SPEED Revenue Bonds Series 2010 were issued as designated Build America Bonds under the provisions of the American Recovery and Reinvestment Act. As such, the university is eligible to receive direct payments from the U.S. Treasury Department equal to 35% of the interest payments on such bonds on each interest payment date. In order to receive such payments, the university must file certain required information with the federal government between 90 and 45 days prior to the interest payment date. The amount paid to the university by the federal government may be reduced or eliminated due to such issues as failure by the university to submit the required information, any amounts owed by the university to the federal government, or changes in the law that would reduce or eliminate such payments. Due to the federal sequestration, the university will receive a 5.9% reduction (totaling $14,000) in the federal interest subsidy for the August 1, 2020 debt service payment.

The following schedule details outstanding bonds payable at June 30, 2020.

Issue	Original Amount	Year of Final Maturity	Interest Rates	Outstanding Principal
2012A – System Revenue Bonds	$ 74,050,000	2022	5.00%	$ 2,385,000
2012B – System Revenue Refunding Bonds	21,860,000	2022	3.11-3.29%	5,070,000
2012C – System Revenue Refunding Bonds	43,920,000	2034	2.636-3.912%	24,955,000
2013A – System Revenue Bonds	69,175,000	2048	3.25-5.00%	52,440,000
2013B – System Revenue Refunding Bonds	34,985,000	2048	3.375-5.00%	25,245,000
2014 – System Revenue Refunding Bonds	16,025,000	2029	4.00-5.00%	9,280,000
2015A – System Revenue Refunding Bonds	103,950,000	2045	4.00-5.00%	102,910,000
2016 – System Revenue Refunding Bonds	175,385,000	2039	3.00-5.00%	173,360,000
2016A – System Revenue Refunding Bonds	44,175,000	2040	3.00-5.00%	37,900,000
2016B – System Revenue Bonds	142,390,000	2046	4.00-5.00%	139,615,000
2018A – System Revenue Bonds	93,995,000	2043	3.25-5.00%	91,135,000
2018B – System Revenue Bonds	16,840,000	2043	3.00-5.00%	16,270,000
2019A – System Revenue Bonds	55,405,000	2044	4.00-5.00%	54,395,000
2019B – System Revenue Bonds	15,950,000	2044	2.70-3.90%	15,950,000
2020 – System Revenue Refunding Bonds	72,205,000	2042	2.011-3.201%	72,205,000
Subtotal - System Revenue Bonds	$ 980,310,000			$ 823,115,000
2010 – SPEED Revenue Bonds	$ 147,475,000	2021	5.308%	$ 4,275,000
2011 – SPEED Revenue Bonds	39,595,000	2030	4.25-5.00%	30,890,000
2013 – SPEED Revenue Bonds	70,125,000	2049	3.75-5.00%	48,045,000
2014 – SPEED Revenue Bonds	129,185,000	2045	4.00-5.00%	119,205,000
2019 – SPEED Revenue Bonds	15,400,000	2045	2.54-3.94%	15,400,000
2020A – SPEED Revenue Refunding Bonds	108,180,000	2045	3.125-5.00%	108,180,000
2020B – SPEED Revenue Refunding Bonds	19,565,000	2044	1.737-3.293%	19,565,000
Subtotal – SPEED Revenue Bonds	$ 529,525, 000			$ 345,560,000
Total	**$ 1,509,835,000**			**$ 1,168,675,000**

The following schedule details debt service requirements to maturity for System and SPEED Revenue Bonds payable at June 30, 2020:

Year	Principal	Interest
2021	$ 37,760,000	$ 51,406,000
2022	41,370,000	50,101,000
2023	43,405,000	48,171,000
2024	46,160,000	46,199,000
2025	43,520,000	44,062,000
2026-2030	247,570,000	187,798,000
2031-2035	230,775,000	131,276,000
2036-2040	238,855,000	80,769,000
2041-2045	205,010,000	30,293,000
2046-2049	34,250,000	2,500,000
Total	**$ 1,168,675,000**	**$ 672,575,000**

The university has pledged portions of its gross revenues towards the payment of debt related to all system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2020. The bonds generally provide financing for various capital projects of the university. These pledged revenues include student tuition and fees, auxiliary enterprise revenue, sales and service revenue and other operating revenues, such as indirect cost recovery and certain investment income. Pledged revenues do not include state appropriations, gifts, endowment income or other restricted revenues. At June 30, 2020, pledged revenues totaled $1.30 billion of which 7.4% ($96.6 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 4.9% of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2048 is $1.84 billion.

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

The following schedule details outstanding Certificates of Participation payable at June 30, 2020:

Issue	Original Amount	Year of Final Maturity	Interest Rates	Outstanding Principal
2006 Arizona Biomedical Research Collaborative Building Project	$ 18,240,000	2031	4.30-5.00%	$ 10,680,000
2012A-2 Refund COPS 2003A	10,190,000	2022	3.22-3.42%	2,530,000
2012B Refund COPS 2002B	20,600,000	2023	4.00-5.00%	7,755,000
2012C Refund COPS 2003B & 2004A	124,940,000	2031	3.00-5.00%	92,290,000
2015A Refund COPS 2005A-2005D, 2005F-2005I, 2006A-2006C, & 2006E	89,470,000	2025	5.00%	39,610,000
2015B Refund COPS 2006C, 2006D, & 2007A	13,810,000	2025	2.496-3.09%	8,325,000
2018A Refund COPS 2007B	27,135,000	2022	5.00%	11,430,000
2018B Refund COPS 2007D	32,430,000	2031	5.00%	26,765,000
Total	**$ 336,815,000**			**$ 199,385,000**

The following schedule details debt service requirements to maturity for Certificates of Participation payable at June 30, 2020:

Year	Principal	Interest
2021	$ 30,560,000	$ 9,548,000
2022	30,040,000	8,046,000
2023	24,065,000	6,572,000
2024	22,430,000	5,430,000
2025	15,845,000	4,523,000
2026-2030	63,155,000	12,840,000
2031	13,290,000	658,000
Total	**$ 199,385,000**	**$ 47,617,000**

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

The following schedule details debt service requirements to maturity for System and SPEED Revenue Bonds payable at June 30, 2020:

Year	Capital Lease Payments
2021	$ 861,000
2022	764,000
2023	815,000
2024	820,000
2025	858,000
2026-2030	4,305,000
2031-2035	2,011,000
2036-2040	508,000
2041-2045	533,000
2046-2050	561,000
2051-2055	667,000
2056-2060	751,000
2061-2065	788,000
2066-2070	828,000
2071-2072	343,000
Total minimum lease payments	$ 15,413,000
Less: interest	(2,152,000)
Present value of net minimum lease payments	**$ 13,261,000**

Capital Asset Financing | Following is a summary of capital assets financed by certificates of participation and capital leases at June 30, 2020:

Land	$ 11,806,000
Buildings and improvements	487,502,000
Infrastructure	34,273,000
Equipment	22,013,000
Total cost of assets	$ 555,594,000
Less: accumulated depreciation	(328,460,000)
Carrying value of assets	**$ 227,134,000**

Operating Leases | The university has entered into certain operating leases, generally with options for annual renewal, and other rental agreements for real property and equipment. For fiscal year 2020, rent expenses totaled $46,586,000.

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

Year	Operating Lease Payments
2021	$ 3,078,000
2022	2,408,000
2023	1,809,000
2024	962,000
2025	329,000
Total	**$ 8,586,000**

NOTE 9. SELF-INSURANCE PROGRAM

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

NOTE 10. PENSION PLANS

The university participates in the Arizona State Retirement System (ASRS), a cost-sharing, multiple- employer defined benefit pension plan, and two defined contribution plans which are described below. The university also contributes to the Public Safety Personnel Retirement System (PSPRS) state administered multiple-employer defined benefit pension plans. Although a PSPRS net pension liability has been recorded at June 30, 2020, PSPRS has not been further disclosed due to its relative insignificance to the university's financial statements.

Changes in the university's net pension liability during the fiscal year ended June 30, 2020, were as follows:

Beginning balance	$	595,238,000
Increases		93,991,000
Decreases		(35,545,000)
Ending balance	**$**	**653,684,000**
Current portion*	**$**	**4,700,000**

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

A. Defined Benefit Plan

Arizona State Retirement System

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

The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. That report may be obtained by visiting: www.azasrs.gov

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

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

* With actuarially reduced benefits

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

Contributions | In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 11.94 percent of the members' annual covered payroll for retirement benefits, and statute required the university to contribute at the actuarially determined rate of 11.45 percent of the active members' annual covered payroll for retirement benefits. In addition, the university was required by statute to contribute at the actuarially determined rate of 10.29 percent of annual covered payroll of retired members who worked for the university in positions that an employee who contributes to the ASRS would typically fill. The university's contributions to the pension plan for the year ended June 30, 2020, were $50,804,000.

Pension Liability | At June 30, 2020, the university reported a liability of $622,751,000 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019. The university's proportion of the net pension liability was based on the university's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2019. The university's proportion measured as of June 30, 2019 was 4.28 percent which was an increase of 0.23 from its proportion measured as of June 30, 2018.

Pension Expense and Deferred Outflows/Inflows of Resources | For the year ended June 30, 2020, the university recognized pension expense for ASRS of $84,670,000. At June 30, 2020, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,250,000	$ 117,000
Changes of assumptions or other inputs	2,632,000	24,799,000
Net difference between projected and actual earnings on pension plan investments	-	13,997,000
Changes in proportion and differences between university contributions and proportionate share of contributions	33,117,000	104,000
University contributions subsequent to the measurement date	50,804,000	-
Total	**$ 97,803,000**	**$ 39,017,000**


Photo: UA Alumni Association

The $50,804,000 reported as deferred outflows of resources related to ASRS pensions resulting from university contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized as an increase or (decrease) in pension expense as follows:

Year ending June 30		
2021	$	13,010,000
2022	$	(6,088,000)
2023	$	(2,688,000)
2024	$	3,748,000
2025		-

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

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Equity	50%	6.09%
Credit	20%	5.36%
Interest rate sensitive bonds	10%	1.62%
Real estate	20%	5.85%
Total	**100%**	

Discount Rate | The discount rate used to measure the ASRS total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.


Photo: UA Alumni Association

Sensitivity of the University's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate | The following table presents the university's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the university's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
University's proportionate share of the net pension liability	$886,318,000	$622,751,000	$402,476,000

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

B. Defined Contribution Plans

Plan Descriptions | In accordance with ARS § 15-1628, defining the authority under which benefit terms are established or may be amended, university staff, faculty, academic professionals, and administrative officers have the option to participate in defined contribution pension plans. For the year ended June 30, 2020, plans offered by the Teachers Insurance Annuity Association/ College Retirement Equities Fund (TIAA/ CREF) and Fidelity Investments Tax-Exempt Services Company (Fidelity) were approved by the Arizona Board of Regents. Benefits under these plans depend solely on the contributed amounts and the returns earned on investments of those contributions. Contributions made by members vest immediately; university contributions vest after five years of full-time employment. Non-vested contributions held by the university earn interest. Member and university contributions and associated returns earned on investments may be withdrawn upon termination of employment, death, or retirement. The distribution of member contributions and associated investment earnings are made in accordance with the member's contract with the applicable insurance and annuity companies.

Funding Policy | The Arizona State Legislature establishes the contribution rates for active plan members and the university. For the year ended June 30, 2020, plan members and the university were each required by statute to contribute an amount equal to 7 percent of a member's compensation.

Pension Liability | At June 30, 2020, the university reported a liability of $12,714,000 for non-vested defined contributions. If individuals terminate employment prior to vesting, any non-vested university contributions are retained by the university.

Pension Expense | For the year ended June 30, 2020, the university recognized pension expense for Defined Contribution Plans of $26,716,000. The university's recognized pension expense includes forfeitures totaling $1,831,000 for the year ended June 30, 2020.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS

Other postemployment benefits (OPEB) provided as part of university employment include the Arizona Department of Administration (ADOA) sponsored single-employer defined benefit postemployment plan as well as the ASRS sponsored cost-sharing, multi-employer defined benefit plan for the Long-Term Disability Fund and the Health Benefit Supplement Fund. University public safety personnel who are regularly assigned to hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). PSPRS administers an agent multi-employer defined benefit health insurance premium benefit plan. Although an ASRS and PSPRS net OPEB liability has been recorded at June 30, 2020, these plans have not been further disclosed due to the relative insignificance to the university's financial statements.

Changes in the university's OPEB liability during the fiscal year ended June 30, 2020, were as follows:

Beginning balance	$	167,616,000
Increases		86,405,000
Decreases		(1,584,000)
Ending balance	**$**	**252,437,000**

The Arizona Department of Administration

Plan Descriptions | The Arizona Department of Administration (ADOA) administers a single-employer defined benefit postemployment plan that provides medical and accident benefits to retired State employees, including university employees and their dependents. Title 38, Chapter 4 of the A.R.S. assigns the authority to establish and amend the benefit provisions to the

Arizona State Legislature. The ADOA pays the medical costs incurred by retired employees minus a specified premium amount, which is paid for entirely by the retiree or on behalf of the retiree. These premium rates are based on a blend of active employee and retiree experience, resulting in a contribution basis which is lower than the expected claim costs for retirees only, which results in an implicit subsidization of retirees by the State. ADOA does not issue a separate, publicly available financial report.

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

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

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

OPEB Liability | At June 30, 2020, the university reported a liability of $250,691,000 for its proportionate share of the ADOA's total OPEB liability. The total OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date. The total OPEB liability as of June 30, 2019, reflects a decrease in the discount rate due to changes in the bond index.

The university's proportion measured as of June 30, 2019 was 19.70 percent, which was an increase of .57 from its proportion measured as of June 30, 2018.

OPEB Expense and Deferred Outflows/Inflows of Resources | For the year ended June 30, 2020, the university recognized an OPEB expense for ADOA of $24,730,000. At June 30, 2020, the university reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	$ 45,925,000	$ 30,398,000
Difference between expected and actual experience	6,998,000	2,641,000
Changes in proportion and differences between university contributions and proportionate share of contributions	4,376,000	-
University benefit payments subsequent to the measurement date	5,607,000	-
Total	**$62,906,000**	**$ 33,039,000**

The $5,607,000 reported as deferred outflows of resources related to ADOA OPEB resulting from university benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ADOA OPEB will be recognized in OPEB expense as follows:

Year Ended June 30		
2021	$	1,681,000
2022	$	1,681,000
2023	$	1,681,000
2024	$	1,681,000
2025	$	5,291,000
Thereafter	$	12,245,000

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

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Salary increases	2.70 to 7.20% varying by years of service
Discount rate	3.13%
Healthcare cost trend rates:	
Medical (pre-65)	7.20% declining to 4.25% after 13 years
Medical (post-65)	6.50% declining to 4.25% after 13 years
Administrative costs	3%
Contribution trend rates:	
Pre-65	7.20% declining to 4.25% after 13 years
Post-65	6.50% declining to 4.25% after 13 years
Mortality rates:	
Employees	RP-2014 Active Member Mortality Tables projected with generational improvements from 2014 in accordance with the Ultimate MP scales.
Healthy Retirees and Spouses	2017 State Retirees of Arizona Mortality Tables projected with generational improvements from 2017 in accordance with the Ultimate MP scales.
Disabled Retirees	RP-2014 Disabled Retiree Mortality Tables projected with generational improvements from 2014 in accordance with the Ultimate MP scales.

Benefit projections assume the specified premium amount will follow the current pattern of practice of being paid for entirely by the retiree or on behalf of the retiree. The specified premium amounts are projected to increase at the contribution trend rates noted above. Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016.

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

Sensitivity of the University's Proportionate Share of the ADOA's Total OPEB Liability | The following table presents the university's proportionate share of the total OPEB liability calculated using the discount rate of 3.13 percent, as well as what the university's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.13 percent) or 1 percentage point higher (4.13 percent) than the current rate:

	1% Decrease (2.13%)	**Current Discount Rate (3.13%)**	**1% Increase (4.13%)**
University's proportionate share of the total OPEB liability	$301,062,000	$250,691,000	$211,662,000

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

	1% Decrease in Trend Rates	**Current Trend Rate**	**1% Increase in Trend Rates**
University's proportionate share of the total OPEB liability	$206,617,000	$250,691,000	$308,953,000

NOTE 12. OPERATING EXPENSES BY CLASSIFICATION

Operating expenses by functional and natural classification for the year ended June 30, 2020 consist of the following:

	Personal Services and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 487,338,000	$ 75,147,000			$ 562,485,000
Research	352,780,000	142,682,000			495,462,000
Public service	63,425,000	24,940,000			88,365,000
Academic support	202,031,000	81,064,000			283,095,000
Student services	75,925,000	32,034,000	$ 874,000		108,833,000
Institutional support	137,176,000	60,033,000			197,209,000
Operation and maintenance of plant	41,307,000	66,397,000			107,704,000
Scholarships and fellowships	44,000		67,406,000		67,450,000
Auxiliary enterprises	102,208,000	67,275,000	2,623,000		172,106,000
Depreciation				$ 149,793,000	149,793,000
Total operating expenses	**$ 1,462,234,000**	**$ 549,572,000**	**$ 70,903,000**	**$ 149,793,000**	**$ 2,232,502,000**

NOTE 13. SUBSEQUENT EVENTS

On August 1, 2020, the university entered into an asset purchase and sale agreement with Zovio Inc. and its wholly owned subsidiary, Ashford University, LLC, and the University of Arizona Global Campus (UAGC), a newly formed, legally separate, tax-exempt, nonprofit corporation affiliated with the university. Upon closing of the transaction, which is anticipated to occur in December 2020, UAGC will acquire the assets of Ashford University for $1. UAGC will rename and operate Ashford University as The University of Arizona Global Campus. The University of Arizona Foundation will be the sole member of UAGC. As such, UAGC will be included with the Foundation for reporting purposes beginning in fiscal year 2021.

On October 15, 2020, the university issued the 2020A System Revenue Refunding Taxable Bonds (2020 Bonds) in the amount of $95,575,000 dated October 29, 2020, to refund a portion of the System Revenue Bonds Series 2013A and 2013B for interest expense savings. In addition, part of the proceeds will be applied to payment of the December 1, 2020 interest due on outstanding system revenue bonds, except for the Series 2018B bonds. The 2020 Bonds bear interest rates ranging from 0.532% to 2.974% and will mature in 2048.

NOTE 14. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

A. Summary of Significant Accounting Policies

The University of Arizona Foundation

Basis of Accounting

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

- *Without donor restrictions* - include assets and contributions that are not restricted by donors or for which such restrictions have expired.
- *With donor restrictions* - include temporarily and permanently restricted assets and contributions for which donor-imposed restrictions either have not been met (by the passage of time or by actions of the Foundation or university) or require that the corpus be invested in perpetuity. Donor-restricted contributions are classified as such even if restrictions are satisfied in the same reporting period in which the contributions are received. The Foundation’s endowment is included in net assets with donor restrictions.

Cash and Cash Equivalents

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

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

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

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

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

Annuities Payable and Other Trust Liabilities
Annuities payable and other trust liabilities of $21,200,000 at June 30, 2020 are stated at the actuarially-computed present value of future payments to the annuitants, which approximates fair value. The excess of the fair values of assets received (classified according to their nature in the statement of financial position) pursuant to annuity agreements over the actuarially-computed annuities payable (using market rates in effect on the contribution date) is recorded as contributions in the year received ($1,386,000 in the year ended June 30, 2020). The fair values of assets held in trust at June 30, 2020 are $33,459,000, of which $1,381,000 were without donor restrictions and $32,078,000 were with donor restrictions and are included in cash and cash equivalents and investments in marketable securities.

Net Assets Released From Restriction
Expenses are not incurred in the with donor restrictions net asset category. As the restrictions on donor-restricted net assets are met, the net assets are reported as released from restriction and reclassified to net assets without donor restrictions. Payouts made from donor-restricted net assets are reported as released from restriction and transferred to net assets without donor restrictions. The total net assets reclassified and reported as net assets released from restriction for the year ended June 30, 2020 was $82,720,000.

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

Campus Research Corporation

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

Solar Zone Development
CRC has an agreement with Tucson Electric Power (TEP) to develop a portion of the Tech Park for a series of projects focused on the advancement of solar energy technologies. Under the terms of the agreement, CRC incurred certain infrastructure costs to develop the land to facilitate the construction of a solar zone and TEP reimbursed CRC for a portion of these costs. As CRC enters into various lease agreements with lessees who will construct solar projects, each lessee is charged a prorated portion of the development costs reimbursed by TEP and those costs are refunded to TEP. Costs related to the development of the solar zone are capitalized as incurred. Reimbursements from TEP are recorded as deferred revenues. The capitalized costs and deferred revenues are allocated to the various solar projects and recognized as expenses and revenues over the term of the related leases.

Protected Water Facility Rights
CRC developed a well, well pump, one million gallon storage tank, various booster pumps, piping, valving, electrical and other equipment and improvements required to operate a well booster station and water storage facility (water project) in accordance with their master water plan. The purpose of this development is to provide water throughout the Tech Park. Once the water project is complete, title will pass to ABOR and ultimately to the City of Tucson in exchange for protected water rights. Costs related to the construction of the water project are capitalized as incurred and allocated

to specific phases of the project. These capitalized costs are expected to be reimbursed over time through the realization of the protected water rights. As each phase of the project is complete, CRC negotiates cost reimbursement from the end water user. These reimbursements are recognized as other revenue in the period that they are determined realizable. The allocated capitalized costs related to each phase are expensed in the period that the related reimbursement is recognized.

B. Investments

The University of Arizona Foundation

Investments in securities are comprised of the following amounts at June 30, 2020:

	Carrying Value	Cost
Domestic/international equity securities and mutual funds	$ 282,948,000	$ 234,820,000
Absolute return and private credit limited partnerships and funds	273,936,000	249,654,000
Private capital limited partnerships	132,034,000	114,203,000
U.S. fixed income obligations and mutual funds	113,484,000	113,192,000
Natural resources limited partnerships	86,225,000	99,177,000
REIT funds and real estate limited partnerships	67,690,000	66,764,000
International fixed income mutual funds	2,953,000	2,859,000
Totals	**$ 959,270,000**	**$ 880,669,000**

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

Level 1 – Quoted prices in active markets for identical securities

Level 2 – Other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.) and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investments.

Level 3 – Significant unobservable inputs (including investee partnership's own assumptions in determining the fair value of investments). The inputs into determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the investments. The fair values are determined using factors involving considerable judgment.

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

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

The following table presents the Foundation's investments in securities at June 30, 2020, by valuation hierarchy:

	Quoted Prices In Active Markets for Identical Securities (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	As of June 30, 2020
Domestic/international equity securities and mutual funds	$ 186,298,000			$ 186,298,000
U.S. fixed income obligations and mutual funds	57,617,000			57,617,000
Absolute return funds	42,579,000			42,579,000
REIT funds	25,777,000			25,777,000
Natural resources limited partnerships	4,683,000			4,683,000
International fixed income mutual funds	2,953,000			2,953,000
Totals	**$ 319,907,000**			319,907,000
Investments measured at NAV				639,363,000
				$ 959,270,000

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

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

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private capital limited partnerships	$ 132,034,000	$ 83,157,000	Not Applicable	N/A
Multi-strategy hedge funds	104,772,000	3,776,000	Monthly, quarterly	14-90 days
Equity long-only hedge funds	96,650,000	-	Monthly, quarterly, semi-annually, triennially	30-90 days
Natural resources limited partnerships	81,542,000	30,177,000	Not Applicable	N/A
U.S. fixed income funds	55,868,000	-	Daily	3-5 days
Equity long/short hedge funds	53,457,000	-	Quarterly, triennially	45-90 days
Private real estate limited partnerships	41,913,000	34,477,000	Not Applicable	N/A
Private credit limited partnerships	40,921,000	16,011,000	Not Applicable	N/A
Fixed income hedge funds	32,206,000	-	Quarterly	45-90 days
Totals	**$ 639,363,000**	**$ 167,598,000**		

C. Endowment

The University of Arizona Foundation

The Foundation's endowment pool, included in assets with donor restrictions, consists of approximately 2,800 individual funds (2,100 for the Foundation and 700 for the university) established for a variety of purposes. The endowment pool is subject to the Arizona Management of Charitable Funds Act. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation has also invested certain assets (a) without donor restrictions and (b) assets with donor restrictions that are temporary in its endowment pool. These invested funds, which are stated at fair value, are reported as due from the fund with donor restrictions.

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

The endowment payout rate (Payout Rate), a percentage (4% of the average fair value at the end of the twelve quarterly periods within the three previous calendar year-ends) of the fair value of each endowment account, as determined from time to time by the Foundation's Board of Trustees, is made available to support the purposes as specified by the donors of the individual endowment accounts that comprise the endowment pool. The Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds:

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

The Foundation charges an endowment fee (Endowment Fee), a percentage (1.25% in fiscal 2020) of the fair value of the endowment pool as determined from time to time by the Foundation's Board of Trustees. The Endowment Fee is used to defray the Foundation's costs of holding, managing and stewarding the endowment pool, including costs for safeguarding, investing and accounting for such funds. During fiscal year 2020, endowment fees of $8,695,000 were recognized by the Foundation and $2,429,000 in such fees were distributed to the university. The Foundation considers the following factors in setting the Endowment Fee:

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

The Foundation's goal is to manage endowment assets such that the annual nominal return exceeds the annual "hurdle rate" (the sum of the Payout Rate and the Endowment Fee) so the endowment principal is able to grow and continue to fund in perpetuity the set of activities envisioned by the donor at the time of the gift. The Foundation expects its endowment pool to provide an annual average rate of return of 7.9% with a standard deviation of 14.8% over a 20-year period. Actual returns in any given year may vary from this goal. These returns and risks reflect a broadly diversified asset allocation including domestic and international equities, domestic and international fixed income securities, private capital, private credit, absolute return, and natural resources strategies.

The Foundation holds certain endowment funds that have aggregated historic dollar value larger than fair market value. As of June 30, 2020, the Foundation had endowment funds in this category totaling $586,507,000, current fair values totaling $533,673,000 and deficiencies totaling $52,834,000. These deficiencies resulted from (1) a negative nominal rate of return generated by the endowment in 2020 and (2) the Foundation's practice (as documented in endowment gift agreements with donors and the Investment Policy Statement) that the payout will continue to be distributed even if the historic dollar value of an endowment fund exceeds its fair value.

The following shows the composition of the endowment pool by net asset type at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds		$ 847,554,000	$ 847,554,000
Board-designated endowment funds	$ 3,369,000	15,912,000	19,281,000
Totals	**$ 3,369,000**	**$ 863,466,000**	**$ 866,835,000**

The following shows the changes in endowment net assets for the fiscal year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of fiscal year	$ 3,667,000	$ 924,350,000	$ 928,017,000
Investment return:			
Investment income		15,607,000	15,607,000
Less endowment fee		(11,124,000)	(11,124,000)
Net depreciation	(298,000)	(56,195,000)	(56,493,000)
Total investment return	(298,000)	(51,712,000)	(52,010,000)
Contributions		57,503,000	57,503,000
Transfer		(40,479,000)	(40,479,000)
Appropriation for payout		(35,835,000)	(35,835,000)
Capitalization of payout*		9,639,000	9,639,000
Endowment net assets, end of fiscal year	**$ 3,369,000**	**$ 863,466,000**	**$ 866,835,000**

* During fiscal year 2020, university leadership approved the capitalization of unspent payout in excess of two years from all non-scholarship endowments.

D. Pledges Receivable

The University of Arizona Foundation

Unconditional promises are included in the financial statements as pledges receivable and contribution revenue in the period pledges are received. Pledges that are to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of an expected present value calculation using yields on U.S. Treasury obligations of equivalent maturity dates in the fiscal year in which they were received. Pledges receivable at June 30, 2020 totaled $49,147,000.

E. Property and Equipment

Campus Research Corporation

Property and equipment consisted of the following as of June 30, 2020:

Building, infrastructure and improvements	$ 42,593,000
Furniture, equipment and other property	9,453,000
Total	$ 52,046,000
Less accumulated depreciation	(20,248,000)
Property and equipment, net	**$ 31,798,000**

F. Current Liabilities

The University of Arizona Foundation

During fiscal year 2020, the Foundation applied for and received loan proceeds of $1,575,000 under the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The loan bears interest at the rate of 1% per annum.

Eller Executive Education

During fiscal year 2020, EEE was granted an unsecured PPP loan in the amount of $90,000, pursuant to the CARES Act. The loan matures in May 2022 and bears interest at a rate of 1% and is payable monthly commencing in December 2020. The loan may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, rent, utilities and interest, as defined under the CARES Act. EEE plans to use the entire loan amount for covered expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for covered expenses as described in the CARES Act.

G. Long-Term Debt

Campus Research Corporation

Bonds payable, Series A, payable in scheduled monthly installments of principal plus interest at the floating taxable bond rate (remarketed weekly) through June 2022.	$	1,536,000
Note payable, Wells Fargo Bank, payable in monthly installments of $28,000 including interest at 4.15% through December 2023.		1,125,000
Note payable, Wells Fargo Bank, payable in monthly installments of $15,000 including interest at 3.75% through December 2023.		491,000
Note payable, Wells Fargo Bank, payable in monthly installments of $22,000 including interest at 3.99% through December 2026.		1,515,000
Note payable, Wells Fargo Bank, payable in monthly installments of $26,000 including interest at 4.20% through September 2024.		1,235,000
Note payable, Wells Fargo Bank, payable in interest only payments through May 2021, then monthly installments of $12,000 including interest at 3.60% through December 2026.		646,000
Less unamortized deferred financing fees		(62,000)
Total long-term debt	**$**	**6,486,000**

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

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

In March 2020, CRC obtained a note payable to Wells Fargo Bank with available advances up to a maximum of $990,000 for financing of tenant improvements. The note will require interest only payments through May 2021 at which time it will convert to a term note, payable in monthly installments including interest at 3.60% through April 2026. Approximately $646,000 has been drawn on the note through June 30, 2020 and is included in long-term debt.

H. Interest Rate Swap Agreement

Campus Research Corporation

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

The swap was issued at market terms so that it had no value at inception. The notional amount under the agreement decreases as principal payments on the note are made. The duration of the swap agreement is structured to coincide with the maturity of the note. As required by GAAP, the carrying amount of the swap has been adjusted to fair value at June 30, 2020. CRC's derivative instrument held for risk management purposes at June 30, 2020 had a notional amount of $1,536,000 and a fair value of $80,000

I. Project Operation Agreement (POA)

Campus Research Corporation

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

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

J. Related Party Transactions

The University of Arizona Foundation

During fiscal year 2017, the university and the Foundation entered into an agreement whereby the university would pay for agreed-upon services. The Foundation received $6,200,000 for services rendered for the year ended June 30, 2020.

The University of Arizona Alumni Association

Under the Administrative Services Agreement between the Alumni Association and the Arizona Board of Regents, for and on behalf of the university, the university provided the Alumni Association with allocated support of $1,491,000 and in-kind rent of $103,000 for the year ended June 30, 2020.

Eller Executive Education

EEE has an Affiliation Agreement with the Arizona Board of Regents for and on behalf of the university through June 2022. The agreement covers policies, procedures, working relationships, respective rights and responsibilities between EEE and the university. The university provides the services of certain university employees to perform management and program support functions on a part-time basis for EEE, for which EEE must reimburse the university for all salary and employee related expenses. Program expenses relating to the university during the year ended June 30, 2020 were $640,000.

EEE also contributed $8,000 to the university or to specific colleges within the university during the year ended June 30, 2020.

Law College Association of the University of Arizona

During the year ended June 30, 2020, the Law College Association distributed funds or paid distributions on behalf of the Law College of the University of Arizona in the amount of $1,005,000.

K. Concentrations

Campus Research Corporation

CRC derives its rental revenue from leases with various tenants. At times, rental revenue from particular tenants may constitute a concentration of credit risk. Rent from two tenants comprised 75% of rental revenues in fiscal year 2020.

Eller Executive Education

At June 30, 2020, two customers comprised 33% of total revenue for the year then ended.

L. Subsequent Events

The University of Arizona Foundation

On August 31, 2020, the Foundation was named sole member of the University of Arizona Global Campus (UAGC), a newly created 501(c)(3) corporation classified as a public charity. UAGC has entered into a definitive agreement to acquire the assets of Ashford University from Zovio (a publicly-traded company), and will be a fully-online public university with its own accreditation (Ashford is accredited by WASC Senior College and University Commission), programs, and faculty in affiliation with the university. Zovio will provide education technology services to UAGC under a long-term Strategic Services Agreement. This partnership will offer nontraditional and underrepresented students access to flexible, affordable, high-quality higher education opportunities to achieve their academic and career goals.

UAGC will be overseen by a nine-person management board, of which four members will be appointed by the university President and five members will be independent of both the university and the Foundation.

Also, on August 31, 2020, the Foundation's Board of

Trustees approved a working capital loan of up to $500,000 to UAGC which will bear interest at the prime rate of interest (3.25%) in effect on that date. The working capital loan will be repaid on the closing date of the asset purchase agreement.

The University of Arizona Alumni Association

Integration with The University of Arizona Foundation - Effective July 1, 2020, the Alumni Association entered into an integration agreement (Integration Agreement) with the Foundation to create a University Alumni and Development Program (UADP) in support of the University of Arizona strategic plan. The goal of the Integration Agreement is to fully integrate the Alumni Association and the Foundation through a merger into a single nonprofit corporation whose purpose will be to operate the UADP. Simultaneously, the Alumni Association and the Foundation entered into an administrative services agreement (Administrative Services Agreement) which replaces the Alumni Association's administrative agreement with the university.

The term of the Integration Agreement and Administrative Services Agreement is July 1, 2020 through June 30, 2023 unless otherwise terminated pursuant to certain conditions set forth in the agreements. Both agreements may be extended for additional one-year terms upon written mutual consent of the parties.

Under the terms of the Integration Agreement, the Alumni Association will continue to operate as a separate nonprofit corporation. The Alumni Association shall have representation on the Foundation's Board of Trustees but will not have a controlling interest. The Alumni Association's Chief Executive will be appointed by and report to the President and CEO of the Foundation. During the term of the Integration Agreement, the Association will maintain its existing assets and continue to conduct Association programming under a unified budget while UADP will assume primary responsibility for programs that engage and build affinity with University Alumni and friends.

Photo: UA Alumni Association

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of University's Proportionate Share of the Net Pension Liability – Arizona State Retirement System

Year Ended June 30

Reporting Fiscal Year (Measurement Date)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 - 2011
University's proportion of the net pension liability	4.28%	4.05%	3.84%	3.85%	3.91%	3.94%	Information Not Available
University's proportionate share of the net pension liability	$ 622,751,000	$ 565,000,000	$ 598,493,000	$ 621,697,000	$ 608,338,000	$ 582,754,000	
University's covered payroll	$ 452,293.000	$ 403,949,000	$ 375,912,000	$ 362,043,000	$ 362,516,000	$ 365,347,000	
University's proportionate share of the net pension liability as a percentage of its covered payroll	137.69%	139.87%	159.21%	171.72%	167.81%	159.51%	
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

Schedule of University Pension Contributions – Arizona State Retirement System

Fiscal Year Ended June 30	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	$ 50,804,000	$ 50,496,000	$ 43,892,000	$ 40,395,000	$ 39,128,000	$ 39,376,000	$ 38,172,000	$ 34,946,000	$ 33,099,000	$ 28,741,000
University's contribution in relation to the statutorily required contribution	$ 50,804,000	$ 50,496,000	$ 43,892,000	$ 40,395,000	$ 39,128,000	$ 39,376,000	$ 38,172,000	$ 34,946,000	$ 33,099,000	$ 28,741,000
University's contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
University's covered payroll	$ 443,989,000	$ 452,293,000	$ 403,949,000	$ 375,912,000	$ 362,043,000	$ 362,516,000	$ 365,347,000	$ 351,279,000	$ 335,350,000	$ 318,990,000
University's contributions as a percentage of covered payroll	11.44%	11.16%	10.87%	10.75%	10.81%	10.86%	10.45%	9.95%	9.87%	9.01%

Schedule of University's Proportionate Share of the Total OPEB Liability – Arizona Department of Administration

Year Ended June 30

Reporting Fiscal Year (Measurement Date)	2020 (2019)	2019 (2018)	2018 (2017)	2017 - 2011
University's proportion of the total OPEB liability	19.70%	19.13%	19.20%	Information Not Available
University's proportionate share of the total OPEB liability	$250,691,000	$166,725,000	$161,905,000	
University's covered-employee payroll	$819,622,000	$738,315,000	$718,904,000	
University's proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	30.59%	22.58%	22.52%	

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

SUPPLEMENTARY INFORMATION

Combining Statement of Financial Position – Other Component Units

June 30, 2020 *(in thousands of dollars)*

	Other				
	Campus Research Corporation	**Law College Association**	**UA Alumni Association**	**Eller Executive Education**	**Total Nonmajor Component Units**
Assets					
Cash and cash equivalents	$ 7,414	$ 665	$ 773	$ 91	$ 8,943
Pledges receivable	-	222	10	-	232
Other receivables	1,765	1	1,850	-	3,616
Investments in marketable securities	-	12,112	7,669	-	19,781
Other investments	-	162	27	-	189
Property and equipment, net	31,798	-	134	-	31,932
Other assets	6,782	7	20	-	6,809
Total Assets	**$ 47,759**	**$ 13,169**	**$ 10,483**	**$ 91**	**$ 71,502**
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses	$ 2,863	$ 311	$ 93	$ 55	$ 3,322
Deferred revenue and deposits	1,677	-	3,051	92	4,820
Short-term and long-term debt	6,486	-	13	80	6,579
Other liabilities	80	-	-	-	80
Total Liabilities	**$ 11,106**	**$ 311**	**$ 3,157**	**$ 227**	**$ 14,801**
Net Assets					
Without donor restrictions	$ 36,653	$ 2,034	$ 7,142	$ (136)	$ 45,693
With donor restrictions	-	10,824	184	-	11,008
Total Net Assets	**$ 36,653**	**$ 12,858**	**$ 7,326**	**$ (136)**	**$ 56,701**
Total Liabilities and Net Assets	**$ 47,759**	**$ 13,169**	**$ 10,483**	**$ 91**	**$ 71,502**

Combining Statement of Activities – Other Component Units

Year Ended June 30, 2020 *(in thousands of dollars)*

	Other				
	Campus Research Corporation	Law College Association	UA Alumni Association	Eller Executive Education	Total Nonmajor Component Units
Revenues					
Sales and services	-	-	$ 584	$ 949	$ 1,533
Contributions	-	$ 1,500	313	10	1,823
Rental revenues	$ 17,078	-	-	-	17,078
Investment income	116	108	566	-	790
Other income	860	310	1,976	-	3,146
Net assets released from restriction	-	-	-	-	-
Total revenues	**$ 18,054**	**$ 1,918**	**$ 3,439**	**$ 959**	**$ 24,370**
Expenses					
Program services:					
Leasing related expenses	$ 12,396	-	-	-	$ 12,396
Payments to the university	-	-	-	$ 8	8
Payments on behalf of the university	-	$ 1,768	$ 2,926	634	5,328
Supporting services:					
Management and general	1,330	136	387	529	2,382
Fundraising	-	56	450	-	506
Total expenses	**$ 13,726**	**$ 1,960**	**$ 3,763**	**$ 1,171**	**$ 20,620**
Increase (Decrease) in Net Assets	**$ 4,328**	**$ (42)**	**$ (324)**	**$ (212)**	**$ 3,750**
Net Assets - Beginning of year	**$ 32,325**	**$ 12,900**	**$ 7,650**	**$ 76**	**$ 52,951**
Net Assets - End of year	**$ 36,653**	**$ 12,858**	**$ 7,326**	**$ (136)**	**$ 56,701**

STATISTICAL SECTION

Photo: UA Alumni Association

Statistical Section Table of Contents

June 30, 2020

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the university's financial performance has changed over time.

REVENUE CAPACITY

These schedules contain information to help the reader assess the university's revenue sources.

DEBT CAPACITY

These schedules present information to help the reader assess the university's current levels of outstanding debt.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the university's financial activities take place.

OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the university's financial information relates to the activities it performs.

Net Position by Component

As of June 30 *(in thousands of dollars)*	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net investment in capital assets	$ 951,375	$ 801,215	$ 776,373	$ 730,135	$ 687,149	$ 637,380	$ 612,081	$ 610,237	$ 578,931	$ 522,909
Restricted, Non-expendable	157,378	161,496	154,227	142,774	134,356	138,464	138,512	122,635	113,968	115,307
Restricted, Expendable	203,957	233,337	244,542	241,080	238,522	218,805	161,894	124,582	122,904	137,768
Unrestricted	(320,257)	(130,727)	(135,502)	20,756	(80,965)	(124,204)	373,103	361,244	310,258	293,103
Total Net Position	**$ 992,453**	**$ 1,065,321**	**$1,039,640**	**$ 1,134,745**	**$ 979,062**	**$ 870,445**	**$1,285,590**	**$ 1,218,698**	**$ 1,126,061**	**$1,069,087**
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	95.9	75.2	74.6	64.3	70.2	73.2	47.6	50.1	51.4	48.9
Restricted, Non-expendable	15.9	15.2	14.8	12.6	13.7	16.0	10.8	10.1	10.1	10.8
Restricted, Expendable	20.5	21.9	23.6	21.3	24.4	25.1	12.6	10.2	10.9	12.9
Unrestricted	(32.3)	(12.3)	(13.0)	1.8	(8.3)	(14.3)	29.0	29.6	27.6	27.4
Total Net Position	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Percentage increase/(decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	18.7	3.2	6.3	6.3	7.8	4.1	0.3	5.4	10.7	6.6
Restricted, Non-expendable	(2.5)	4.7	8.0	6.3	(3.0)	-	12.9	7.6	(1.2)	13.9
Restricted, Expendable	(12.6)	(4.6)	1.4	1.1	9.0	35.2	29.9	1.4	(10.8)	8.0
Unrestricted	(145.0)	3.5	(752.8)	125.6	34.8	(133.3)	3.3	16.4	5.9	15.2
Total Net Position	**(6.8)**	**2.5**	**(8.4)**	**15.9**	**12.5**	**(32.3)**	**5.5**	**8.2**	**5.3**	**9.8**

Note: The university implemented GASB 65 in FY 2014; historical data has not been restated in the statistical section.
The university implemented GASB 68/71 in FY 2015; historical data has not been restated in the statistical section.
The university implemented GASB 75/85 in FY 2018; historical data has not been restated in the statistical section.

Change in Net Position

Fiscal Year Ended June 30 *(in thousands of dollars)*	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
Operating Revenues										
Student tuition and fees, net of scholarship allowance	$ 644,352	$ 658,090	$ 653,519	$ 653,725	$ 608,679	$ 554,768	$ 484,809	$ 461,580	$ 410,507	$ 379,199
Federal grants and contracts	327,006	339,196	304,183	297,409	283,083	290,967	308,291	366,363	362,478	352,835
State grants and contracts	12,582	12,050	13,592	14,201	14,191	8,121	11,286	11,697	14,117	43,272
Local grants and contracts	3,771	2,352	2,424	2,082	1,533	1,754	1,614	2,749	26,820	-
Nongovernment grants and contracts	166,144	178,531	179,667	200,291	243,468	174,556	96,096	92,540	77,662	64,539
Sales and services of educational departments	57,622	56,083	54,180	51,753	52,934	51,436	44,321	35,951	50,721	36,731
Auxiliary enterprises	186,918	205,457	205,468	210,496	206,710	203,740	191,163	190,199	171,017	171,372
Other operating revenues *	10,792	16,116	18,558	18,485	14,172	29,749	16,387	14,285	10,906	10,674
Total Operating Revenues	**$ 1,409,187**	**$ 1,467,875**	**$ 1,431,591**	**$ 1,448,442**	**$ 1,424,770**	**$ 1,315,091**	**$ 1,153,967**	**$ 1,175,364**	**$ 1,124,228**	**$ 1,058,622**
Expenses										
Operating Expenses										
Educational and general										
Instruction	$ 562,485	$ 527,927	$ 505,879	$ 459,357	$ 460,005	$ 417,300	$ 425,722	$ 391,545	$ 388,313	$ 369,734
Research	495,462	462,112	426,873	397,512	391,122	421,973	396,680	435,536	425,993	405,271
Public Service	88,365	85,822	82,167	89,221	78,604	78,231	84,572	91,118	77,312	74,209
Academic support	283,095	295,024	302,360	314,480	344,380	264,336	203,545	173,414	158,831	123,854
Student services	108,833	91,224	74,253	56,022	53,033	47,187	46,380	42,625	39,097	32,396
Institutional support	197,209	169,176	146,222	146,185	129,501	136,347	117,956	99,886	97,558	90,525
Operation and maintenance of plant	107,704	105,311	103,087	87,925	84,418	87,079	86,097	88,757	87,393	87,119
Scholarships and fellowships	67,450	58,673	55,421	54,884	51,808	57,158	64,070	58,145	52,475	55,510
Auxiliary enterprises	172,106	167,387	175,576	164,539	164,187	167,150	160,938	156,954	148,858	158,914
Depreciation	149,793	144,250	135,565	132,726	125,455	124,870	116,781	113,345	107,561	107,770
Total Operating Expenses	**$2,232,502**	**$ 2,106,906**	**$ 2,007,403**	**$ 1,902,851**	**$ 1,882,513**	**$ 1,801,631**	**$ 1,702,741**	**$ 1,651,325**	**$ 1,583,391**	**$ 1,505,302**
Operating loss	**$ (823,315)**	**$ (639,031)**	**$ (575,812)**	**$ (454,409)**	**$ (457,743)**	**$ (486,540)**	**$ (548,774)**	**$ (475,961)**	**$ (459,163)**	**$ (446,680)**
Nonoperating Revenues (Expenses)										
State appropriations	$ 269,495	$ 252,931	$ 254,789	$ 245,146	$ 241,257	$ 270,538	$ 265,038	$ 254,654	$ 268,533	$ 330,297
Share of State sales tax revenues	30,683	30,970	28,763	27,618	25,025	24,964	23,576	20,773	20,353	19,954
Federal grants and appropriations	96,357	93,817	78,951	65,128	77,423	79,316	79,287	83,064	77,276	80,955
Federal fiscal stabilization funds	-	-	-	-	-	-	-	-	-	755
State and other government grants	20,751	25,524	25,968	21,722	5,609	14,138	16,353	17,261	1,865	3,506
Nongovernment grants and contracts	142,094	112,437	129,621	123,478	128,111	114,408	91,890	99,249	4,239	2,996
Gifts	88,956	84,578	81,746	80,060	80,890	89,975	78,287	74,530	96,201	87,355
Investment income	13,070	48,396	30,911	31,962	10,046	6,638	43,229	20,619	3,386	28,686
Interest expense on debt	(60,187)	(55,072)	(53,275)	(51,253)	(49,748)	(46,293)	(50,596)	(47,643)	(44,391)	(50,447)
Gain on Sale of Capital Assets	-	-	-	-	-	46,874	-	-	-	-
Other nonoperating revenues, net	15,015	8,404	9,040	11,072	9,480	18,103	20,009	13,440	27,644	13,849
Net Nonoperating Revenues	**$ 616,234**	**$ 601,985**	**$ 586,514**	**$ 554,933**	**$ 528,093**	**$ 618,661**	**$ 567,073**	**$ 535,947**	**$ 455,106**	**$ 517,906**
Income/(Loss) before Capital and Endowment Additions	**$ (207,081)**	**$ (37,046)**	**$ 10,702**	**$ 100,524**	**$ 70,350**	**$ 132,121**	**$ 18,299**	**$ 59,986**	**$ (4,057)**	**$ 71,226**
Capital grants, gifts and conveyances	$ 85,677	$ 11,068	$ 11,447	$ 9,304	$ 3,472	$ 36,489	$ 31,985	$ 9,697	$ 44,363	$ 7,279
Capital appropriations	25,013	24,803	14,249	21,978	9,594	11,204	14,253	14,253	14,253	14,253
Capital commitment - State Lottery Revenue	21,772	21,430	21,211	21,520	22,169	11,604	9,599	6,470	-	-
Additions to permanent endowments	1,751	5,426	4,746	2,357	3,032	2,793	4,831	2,231	2,415	2,726
Increase/(Decrease) in Net Position	**$ (72,868)**	**$ 25,681**	**$ 62,355**	**$ 155,683**	**$ 108,617**	**$ 194,211**	**$ 78,967**	**$ 92,637**	**$ 56,974**	**$ 95,484**
Total Revenues	$ 2,219,821	$ 2,187,659	$ 2,123,033	$ 2,109,787	$ 2,040,878	$ 2,042,135	$ 1,832,304	$ 1,791,605	$ 1,684,756	$ 1,651,233
Total Expenses	2,292,689	2,161,978	2,060,678	1,954,104	1,932,261	1,847,924	1,753,337	1,698,968	1,627,782	1,555,749
Increase/(Decrease) in Net Position	**$ (72,868)**	**$ 25,681**	**$ 62,355**	**$ 155,683**	**$ 108,617**	**$ 194,211**	**$ 78,967**	**$ 92,637**	**$ 56,974**	**$ 95,484**

** In compliance with Arizona Revised Statutes 35-391, the University of Arizona discloses the following: For fiscal year 2020, the university received a rebate in the amount of $2.3 million from J.P. Morgan for Purchase Card purchases for the year.*

Change in Net Position (continued)

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

Fiscal Year Ended June 30	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues	%	%	%	%	%	%	%	%	%	%
Operating Revenues										
Student tuition and fees, net of scholarship allowance	29.0	30.1	30.8	31.0	29.8	27.2	26.5	25.8	24.4	23.0
Federal grants and contracts	14.6	15.4	14.3	14.1	13.9	14.2	16.8	20.4	21.5	21.4
State grants and contracts	0.6	0.6	0.6	0.7	0.7	0.4	0.6	0.7	0.8	2.6
Local grants and contracts	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.2	1.6	-
Nongovernment grants and contracts	7.5	8.2	8.5	9.5	11.9	8.5	5.2	5.2	4.6	3.9
Sales and services of educational departments	2.6	2.6	2.6	2.5	2.6	2.5	2.4	2.0	3.0	2.2
Auxiliary enterprises	8.4	9.4	9.7	10.0	10.1	10.0	10.4	10.6	10.2	10.4
Other operating revenues	0.5	0.7	0.9	0.9	0.7	1.5	0.9	0.8	0.6	0.6
Total Operating Revenues	**63.4**	**67.1**	**67.4**	**68.7**	**69.8**	**64.4**	**63.0**	**65.6**	**66.7**	**64.1**
Expenses										
Operating Expenses										
Educational and general										
Instruction	24.6	24.5	24.5	23.5	23.8	22.6	24.3	23.0	23.9	23.8
Research	21.6	21.4	20.7	20.3	20.2	22.8	22.6	25.6	26.2	26.0
Public Service	3.9	4.0	4.0	4.6	4.1	4.2	4.8	5.4	4.7	4.8
Academic support	12.3	13.6	14.7	16.1	17.8	14.3	11.6	10.2	9.8	8.0
Student services	4.8	4.2	3.6	2.9	2.7	2.6	2.6	2.5	2.4	2.1
Institutional support	8.6	7.8	7.1	7.5	6.7	7.4	6.7	5.9	6.0	5.8
Operation and maintenance of plant	4.7	4.9	5.0	4.5	4.4	4.7	4.9	5.2	5.4	5.6
Scholarships and fellowships	2.9	2.7	2.7	2.8	2.7	3.1	3.7	3.4	3.2	3.6
Auxiliary enterprises	7.5	7.7	8.5	8.4	8.5	9.0	9.2	9.2	9.1	10.2
Depreciation	6.5	6.7	6.6	6.8	6.5	6.8	6.7	6.7	6.6	6.9
Total Operating Expenses	**97.4**	**97.5**	**97.4**	**97.4**	**97.4**	**97.5**	**97.1**	**97.2**	**97.3**	**96.8**
Operating loss	**(35.9)**	**(29.6)**	**(27.9)**	**(23.3)**	**(22.4)**	**(23.8)**	**(29.9)**	**(26.6)**	**(27.3)**	**(27.1)**
Nonoperating Revenues (Expenses)										
State operating appropriations	12.1	11.6	12.0	11.6	11.8	13.2	14.5	14.2	15.9	20.0
Share of State sales tax revenues	1.4	1.4	1.4	1.3	1.2	1.2	1.3	1.2	1.2	1.2
Federal grants and appropriations	4.3	4.3	3.7	3.1	3.8	3.9	4.3	4.6	4.6	4.9
Federal fiscal stabilization funds	-	-	-	-	-	-	-	-	-	-
State and other government grants	0.9	1.2	1.2	1.0	0.3	0.7	0.9	1.0	0.1	0.2
Nongovernment grants and contracts	6.4	5.1	6.1	5.9	6.3	5.6	5.0	5.5	0.3	0.2
Gifts	4.0	3.9	3.9	3.8	4.0	4.4	4.3	4.2	5.7	5.3
Investment income	0.6	2.2	1.5	1.5	0.5	0.3	2.4	1.2	0.2	1.7
Interest expense on debt	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.5)	(2.9)	(2.8)	(2.7)	(3.2)
Gain on Sale of Capital Assets	-	-	-	-	-	2.3	-	-	-	-
Other nonoperating revenues, net	0.7	0.4	0.4	0.5	0.5	0.9	1.1	0.8	1.6	0.8
Net Nonoperating Revenues	**27.8**	**27.5**	**27.6**	**26.3**	**25.9**	**30.3**	**30.9**	**29.9**	**27.0**	**31.4**
Income/(Loss) before Capital and Endowment Additions	**(9.3)**	**(1.7)**	**0.5**	**4.8**	**3.4**	**6.5**	**1.0**	**3.3**	**(0.2)**	**4.3**
Capital grants, gifts and conveyances	3.9	0.5	0.5	0.5	0.2	1.8	1.7	0.6	2.6	0.4
Capital appropriations	1.1	1.1	0.7	1.0	0.5	0.5	0.8	0.8	0.8	0.9
Capital commitment - State Lottery Revenue	1.0	1.0	1.0	1.0	1.1	0.6	0.5	0.4	-	-
Additions to permanent endowments	0.1	0.3	0.2	0.1	0.1	0.1	0.3	0.1	0.2	0.2
Increase/(Decrease) in Net Position	**(3.3)**	**1.2**	**2.9**	**7.4**	**5.3**	**9.5**	**4.3**	**5.2**	**3.4**	**5.8**

Change in Net Position (continued)

(Percentage increase (decrease) from prior year)

Fiscal Year Ended June 30	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues	%	%	%	%	%	%	%	%	%	%
Operating Revenues										
Student tuition and fees, net of scholarship allowance	(2.1)	0.7	-	7.4	9.7	14.4	5.0	12.4	8.3	15.1
Federal grants and contracts	(3.6)	11.5	2.3	5.1	(2.7)	(5.6)	(15.9)	1.1	2.7	8.6
State grants and contracts	4.4	(11.3)	(4.3)	0.1	74.7	(28.0)	(3.5)	(17.1)	(67.4)	50.6
Local grants and contracts	60.3	(3.0)	16.4	35.8	(12.6)	8.7	(41.3)	(89.8)	100.0	-
Nongovernment grants and contracts	(6.9)	(0.6)	(10.3)	(17.7)	39.5	81.6	3.8	19.2	20.3	(13.3)
Sales and services of educational departments	2.7	3.5	4.7	(2.2)	2.9	16.1	23.3	(29.1)	38.1	27.2
Auxiliary enterprises	(9.0)	-	(2.4)	1.8	1.5	6.6	0.5	11.2	(0.2)	3.5
Other operating revenues	(33.0)	(13.2)	0.4	30.4	(52.4)	81.5	14.7	31.0	2.2	8.9
Total Operating Revenues	**(4.0)**	**2.5**	**(1.2)**	**1.7**	**8.3**	**14.0**	**(1.8)**	**4.5**	**6.2**	**10.0**
Expenses										
Operating Expenses										
Educational and general										
Instruction	6.5	4.4	10.1	(0.1)	10.2	(2.0)	8.7	0.8	5.0	3.3
Research	7.2	8.3	7.4	1.6	(7.3)	6.4	(8.9)	2.2	5.1	2.6
Public Service	3.0	4.4	(7.9)	13.5	0.5	(7.5)	(7.2)	17.9	4.2	5.5
Academic support	(4.0)	(2.4)	(3.9)	(8.7)	30.3	29.9	17.4	9.2	28.2	23.3
Student services	19.3	22.9	32.5	5.6	12.4	1.7	8.8	9.0	20.7	17.3
Institutional support	16.6	15.7	-	12.9	(5.0)	15.6	18.1	2.4	7.8	9.0
Operation and maintenance of plant	2.3	2.2	17.2	4.2	(3.1)	1.1	(3.0)	1.6	0.3	0.9
Scholarships and fellowships	15.0	5.9	1.0	5.9	(9.4)	(10.8)	10.2	10.8	(5.5)	0.4
Auxiliary enterprises	2.8	(4.7)	6.7	0.2	(1.8)	3.9	2.5	5.4	(6.3)	10.3
Depreciation	3.8	6.4	2.1	5.8	0.5	6.9	3.0	5.4	(0.2)	6.5
Total Operating Expenses	**6.0**	**5.0**	**5.5**	**1.1**	**4.5**	**5.8**	**3.1**	**4.3**	**5.2**	**5.9**
Operating loss	**28.8**	**11.0**	**26.7**	**(0.7)**	**(5.9)**	**(11.3)**	**15.3**	**3.7**	**2.8**	**(2.8)**
Nonoperating Revenues (Expenses)										
State operating appropriations	6.5	(0.7)	3.9	1.6	(10.8)	2.1	4.1	(5.2)	(18.7)	-
Share of State sales tax revenues	(0.9)	7.7	4.1	10.4	0.2	5.9	13.5	2.1	2.0	(0.7)
Federal grants and appropriations	2.7	18.8	21.2	(15.9)	(2.4)	-	(4.5)	7.5	(4.5)	8.9
Federal fiscal stabilization funds	-	-	-	-	-	-	-	-	(100.0)	(97.3)
State and other government grants	(18.7)	(1.7)	19.5	287.3	(60.3)	(13.5)	(5.3)	825.5	(46.8)	2.7
Nongovernment grants and contracts	26.4	(13.3)	5.0	(3.6)	12.0	24.5	(7.4)	2,241.3	41.5	(24.0)
Gifts	5.2	3.5	2.1	(1.0)	(10.1)	14.9	5.0	(22.5)	10.1	10.3
Investment income	(73.0)	56.6	(3.3)	218.2	51.3	(84.6)	109.7	508.9	(88.2)	58.2
Interest expense on debt	9.3	3.4	3.9	3.0	7.5	(8.5)	6.2	7.3	(12.0)	11.9
Gain on Sale of Capital Assets	-	-	-	-	(100.0)	100.0	-	-	-	-
Other nonoperating revenues, net	78.7	(7.0)	(18.4)	16.8	(47.6)	(9.5)	48.9	(51.4)	99.6	(13.8)
Net Nonoperating Revenues	**2.4**	**2.6**	**5.7**	**5.1**	**(14.6)**	**9.1**	**5.8**	**17.8**	**(12.1)**	**(2.0)**
Income/(Loss) before Capital and Endowment Additions	**459.0**	**(446.2)**	**(89.4)**	**42.9**	**(46.8)**	**622.0**	**(69.5)**	**(1,578.6)**	**(105.7)**	**2.9**
Capital grants, gifts and conveyances	674.1	(3.3)	23.0	168.0	(90.5)	14.1	229.8	(78.1)	509.5	2.8
Capital appropriations	0.8	74.1	(35.2)	129.1	(14.4)	(21.4)	-	-	-	-
Capital commitment - State Lottery Revenue	1.6	1.0	(1.4)	(2.9)	91.0	20.9	48.4	100.0	-	-
Additions to permanent endowments	(67.7)	14.3	101.4	(22.3)	8.6	(42.2)	116.5	(7.6)	(11.4)	47.4
Increase/(Decrease) in Net Position	**(383.7)**	**(58.8)**	**(59.9)**	**43.3**	**(44.1)**	**145.9**	**(14.8)**	**62.6**	**(40.3)**	**3.3**

Operating Expenses by Natural Classification

Fiscal Year Ended June 30 *(in thousands of dollars)*	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Personal Services and Benefits	$ 1,462,234	$ 1,340,973	$ 1,283,072	$ 1,229,939	$ 1,248,749	$ 1,138,615	$ 1,048,926	$ 1,005,283	$ 981,904	$ 953,033
Supplies and Services	549,572	560,018	530,930	482,530	454,215	479,021	470,546	472,323	445,084	393,371
Scholarships and Fellowships	70,903	61,665	57,836	57,656	54,094	59,125	66,488	60,374	48,842	51,128
Depreciation	149,793	144,250	135,565	132,726	125,455	124,870	116,781	113,345	107,561	107,770
Total Operating Expenses by Natural Classification	**$ 2,232,502**	**$ 2,106,906**	**$ 2,007,403**	**$ 1,902,851**	**$ 1,882,513**	**$ 1,801,631**	**$ 1,702,741**	**$ 1,651,325**	**$ 1,583,391**	**$ 1,505,302**
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	65.5	63.6	63.9	64.6	66.3	63.2	61.6	60.9	62.0	63.3
Supplies and Services	24.6	26.6	26.4	25.4	24.1	26.6	27.6	28.5	28.1	26.1
Scholarships and Fellowships	3.2	2.9	2.9	3.0	2.9	3.3	3.9	3.7	3.1	3.4
Depreciation	6.7	6.9	6.8	7.0	6.7	6.9	6.9	6.9	6.8	7.2
Total Operating Expenses by Natural Classification	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Percentage increase/(decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	9.0	4.5	4.3	(1.5)	9.7	8.6	4.3	2.4	3.0	4.4
Supplies and Services	(1.9)	5.5	10.0	6.2	(5.2)	1.8	(0.4)	6.1	13.1	10.6
Scholarships and Fellowships	15.0	6.6	0.3	6.6	(8.5)	(11.1)	10.1	23.6	(4.5)	(1.3)
Depreciation	3.8	6.4	2.1	5.8	0.5	6.9	3.0	5.4	(0.2)	6.5
Total Operating Expenses by Natural Classification	**6.0**	**5.0**	**5.5**	**1.1**	**4.5**	**5.8**	**3.1**	**4.3**	**5.2**	**5.9**

Academic Year Tuition and Required Fees

Fiscal Year Ended June 30	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Resident Undergraduate										
University of Arizona	$ 12,691	$ 12,467	$ 12,248	$ 11,789	$ 11,424	$ 10,957	$ 10,391	$ 10,035	$ 10,035	$ 8,237
percent increase from prior year	1.8%	1.8%	3.9%	3.2%	4.3%	5.4%	3.5%	0.0%	21.8%	20.4%
Pac-12 Public Average	$ 12,126	$ 11,823	$ 11,586	$ 10,885	$ 10,866	$ 10,217	$ 10,150	$ 10,294	$ 9,831	$ 8,990
percent increase/(decrease) from prior year	2.6%	2.0%	6.4%	0.2%	6.4%	0.7%	(1.4)%	4.7%	9.4%	15.2%
ABOR Peers Average	$ 12,197	$ 12,034	$ 11,904	$ 11,613	$ 11,454	$ 11,289	$ 11,130	$ 11,012	$ 10,659	$ 9,855
percent increase from prior year	1.4%	1.1%	2.5%	1.4%	1.5%	1.4%	1.1%	3.3%	8.2%	10.4%
Non-Resident Undergraduate										
University of Arizona	$ 36,718	$ 36,366	$ 35,678	$ 34,987	$ 32,652	$ 29,421	$ 27,073	$ 26,231	$ 25,494	$ 24,597
percent increase from prior year	1.0%	1.9%	2.0%	7.2%	11.0%	8.7%	3.2%	2.9%	3.6%	10.5%
Pac-12 Public Average	$ 35,401	$ 34,447	$ 33,561	$ 31,640	$ 30,492	$ 28,088	$ 27,698	$ 28,062	$ 27,510	$ 26,753
percent increase/(decrease) from prior year	2.8%	2.6%	6.1%	3.8%	8.6%	1.4%	(1.3)%	2.0%	2.8%	6.5%
ABOR Peers Average	$ 36,430	$ 35,452	$ 34,457	$ 32,728	$ 31,480	$ 30,159	$ 29,315	$ 28,756	$ 27,918	$ 26,512
percent increase from prior year	2.8%	2.9%	5.3%	4.0%	4.4%	2.9%	1.9%	3.0%	5.3%	6.2%
Resident Graduate										
University of Arizona	$ 13,271	$ 13,044	$ 12,812	$ 12,397	$ 12,062	$ 11,723	$ 11,511	$ 11,122	$ 10,825	$ 9,027
percent increase from prior year	1.7%	1.8%	3.3%	2.8%	2.9%	1.8%	3.5%	2.7%	19.9%	18.3%
Pac-12 Public Average	$ 13,800	$ 13,427	$ 13,246	$ 13,057	$ 12,897	$ 12,007	$ 11,710	$ 11,810	$ 11,494	$ 10,321
percent increase/(decrease) from prior year	2.8%	1.4%	1.4%	1.2%	7.4%	2.5%	(0.9)%	2.8%	11.4%	5.1%
ABOR Peers Average	$ 14,993	$ 14,680	$ 14,358	$ 13,994	$ 13,760	$ 13,247	$ 13,031	$ 12,770	$ 12,339	$ 11,515
percent increase from prior year	2.1%	2.2%	2.6%	1.7%	3.9%	1.7%	2.0%	3.5%	7.2%	6.1%
Non-Resident Graduate										
University of Arizona	$ 33,398	$ 33,393	$ 32,762	$ 32,149	$ 30,384	$ 28,705	$ 27,383	$ 26,533	$ 25,787	$ 24,889
percent increase from prior year	0.0%	1.9%	1.9%	5.8%	5.8%	4.8%	3.2%	2.9%	3.6%	10.4%
Pac-12 Public Average	$ 29,877	$ 28,860	$ 28,223	$ 27,978	$ 27,336	$ 25,622	$ 24,918	$ 24,558	$ 24,051	$ 22,722
percent increase from prior year	3.5%	2.3%	0.9%	2.3%	6.7%	2.8%	1.5%	2.1%	5.8%	4.1%
ABOR Peers Average	$ 30,759	$ 30,079	$ 29,413	$ 28,673	$ 28,077	$ 27,474	$ 26,995	$ 26,456	$ 25,682	$ 24,507
percent increase from prior year	2.3%	2.3%	2.6%	2.1%	2.2%	1.8%	2.0%	3.0%	4.8%	4.4%

Sources:
University Analytics & Institutional Research (UAIR) https://uair.arizona.edu.
A complete list of the university's fifteen ABOR peers can be found at http://azregents.edu/arizonas-public-universities/peer-institutions.
Tuition rates are approved by the Arizona Board of Regents.
Some Pac-12 Tuition and Fees were acquired from universities' websites.

Principal Revenue Sources

Fiscal Year Ended June 30 *(in thousands of dollars)*	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Tuition and Fees, net of scholarship allowance	**$644,352**	**$658,090**	**$653,519**	**$653,725**	**$608,679**	**$554,768**	**$484,809**	**$461,580**	**$410,507**	**$379,199**
percent of total revenue	29%	30%	31%	31%	30%	27%	26%	26%	24%	23%
percent increase/(decrease) from prior year	(2)%	1%	0%	7%	10%	14%	5%	12%	8%	15%
State of Arizona Government										
State and local grants and contracts	$37,104	$39,926	$41,984	$38,005	$21,333	$24,013	$29,253	$31,707	$42,802	$46,778
State appropriations	269,495	252,931	254,789	245,146	241,257	270,538	265,038	254,654	268,533	330,297
Technology and research initiatives funding	30,683	30,970	28,763	27,618	25,025	24,964	23,576	20,773	20,353	19,954
Capital appropriations and capital commitments (1)	46,785	46,233	35,460	43,498	31,763	22,808	23,852	20,723	14,253	14,253
AZ State Government	**$384,067**	**$370,060**	**$360,996**	**$354,267**	**$319,378**	**$342,323**	**$341,719**	**$327,857**	**$345,951**	**$411,282**
percent of total revenue	17%	17%	17%	17%	16%	17%	19%	18%	21%	25%
percent increase/(decrease) from prior year	4%	3%	2%	11%	(7)%	0%	4%	(5)%	(16)%	4%
Federal Government										
Federal grants and contracts	$360,286	$376,132	$329,388	$312,547	$308,469	$318,118	$336,288	$399,958	$390,515	$385,608
Federal fiscal stabilization funds	-	-	-	-	-	-	-	-	-	755
Financial aid grants	63,077	56,881	53,746	49,990	52,037	52,165	51,290	49,469	49,239	48,182
Federal Government	**$423,363**	**$433,013**	**$383,134**	**$362,537**	**$360,506**	**$370,283**	**$387,578**	**$449,427**	**$439,754**	**$434,545**
percent of total revenue	19%	20%	18%	17%	18%	18%	21%	25%	26%	26%
percent increase/(decrease) from prior year	(2)%	13%	6%	1%	(3)%	(4)%	(14)%	2%	1%	2%
Total from principal revenue payers	**$1,451,782**	**$1,461,163**	**$1,397,649**	**$1,370,529**	**$1,288,563**	**$1,267,374**	**$1,214,106**	**$1,238,864**	**$1,196,202**	**$1,225,026**
percent of total revenue	65%	67%	66%	65%	63%	62%	66%	69%	71%	74%
percent increase/(decrease) from prior year	(1)%	5%	2%	6%	2%	4%	(2)%	4%	(2)%	6%

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

Long-term Debt

Fiscal Year Ended June 30 *(in thousands of dollars)*	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
System Revenue Bonds and SPEED Revenue Bonds	$ 1,168,675	$ 1,218,745	$ 1,166,915	$ 1,090,805	$ 953,005	$ 984,265	$ 788,685	$ 811,285	$ 686,090	$ 637,140
Plus Unamortized Premium/(Discount)	137,464	128,207	124,003	115,487	91,269	68,835	36,311	37,823	26,002	17,787
Less Deferred amount on Refundings *	-	-	-	-	-	-	-	(8,179)	(5,109)	(3,225)
Net System Revenue Bonds and SPEED Revenue Bonds	**$ 1,306,139**	**$ 1,346,952**	**$ 1,290,918**	**$ 1,206,292**	**$ 1,044,274**	**$ 1,053,100**	**$ 824,996**	**$ 840,929**	**$ 706,983**	**$ 651,702**
Certificates of Participation	$ 199,385	$ 232,816	$ 264,761	$ 302,176	$ 331,861	$ 354,736	$ 377,990	$ 400,720	$ 425,530	$ 459,951
Plus Unamortized Premium/(Discount)	22,899	26,330	29,760	23,959	26,478	29,001	19,145	20,864	22,878	5,313
Less Deferred amount on Refundings *	-	-	-	-	-	-	-	(13,301)	(14,575)	(8,678)
Net Certificates of Participation	**$ 222,284**	**$ 259,146**	**$ 294,521**	**$ 326,135**	**$ 358,339**	**$ 383,737**	**$ 397,135**	**$ 408,283**	**$ 433,833**	**$ 456,586**
Total Bonds Payable	$ 1,306,139	$ 1,346,952	$ 1,290,918	$ 1,206,292	$ 1,044,274	$ 1,053,100	$ 824,996	$ 840,929	$ 706,983	$ 651,702
COPs Payable	222,284	259,146	294,521	326,135	358,339	383,737	397,135	408,283	433,833	456,586
Capital and Operating Leases Payable	13,261	14,916	15,514	16,308	17,134	41,699	37,555	38,543	36,957	38,605
Total	**$ 1,541,684**	**$ 1,621,014**	**$ 1,600,953**	**$ 1,548,735**	**$ 1,419,747**	**$ 1,478,536**	**$ 1,259,686**	**$ 1,287,755**	**$ 1,177,773**	**$ 1,146,893**
Long Term Debt (whole dollars)										
per student FTE	$ 34,479	$ 36,529	$ 36,279	$ 35,546	$ 32,771	$ 34,881	$ 30,881	$ 31,943	$ 30,058	$ 30,121
per Dollar of State Appropriations and State Capital Appropriations	$ 5.23	$ 5.84	$ 5.95	$ 5.80	$ 5.66	$ 5.25	$ 4.51	$ 4.79	$ 4.16	$ 3.33
per Dollar of Total Grants and Contracts	$ 2.01	$ 2.12	$ 2.17	$ 2.13	$ 1.91	$ 2.16	$ 2.07	$ 1.89	$ 2.08	$ 2.09
Data Used in Above Calculations										
Total Student FTE	44,714	44,376	44,129	43,570	43,323	42,388	40,791	40,314	39,183	38,076
State appropriations and State Capital Appropriations	$ 294,508	$ 277,734	$ 269,038	$ 267,124	$ 250,851	$ 281,742	$ 279,291	$ 268,908	$ 282,786	$ 344,550
Grants and Contracts	$ 768,705	$ 764,429	$ 738,688	$ 726,420	$ 743,216	$ 685,400	$ 609,596	$ 682,620	$ 566,607	$ 548,103

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

Summary of Ratios

Summary of Composite Financial Index Ratios

Fiscal Year Ended June 30	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	**0.04**	**0.13**	**0.13**	**0.20**	**0.14**	**0.12**	**0.36**	**0.34**	**0.31**	**0.35**
/ Strength Factor	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133
= Ratio / Strength Factor	0.30	0.98	0.98	1.50	1.05	0.90	2.71	2.56	2.33	2.63
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.11	0.34	0.34	0.53	0.37	0.32	0.95	0.89	0.82	0.92
= Ratio 10.00 Cap Subtotal	0.11	0.34	0.34	0.53	0.37	0.32	0.95	0.89	0.82	0.92
+ Return on Net Assets Ratio	**(4.4)%**	**6.6%**	**12.7%**	**13.7%**	**6.2%**	**17.5%**	**9.3%**	**8.5%**	**1.4%**	**10.4%**
/ Strength Factor	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
= Ratio / Strength Factor	(1.00)	3.30	6.35	6.85	3.10	8.75	4.65	4.25	0.70	5.20
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	(0.20)	0.66	1.27	1.37	0.62	1.75	0.93	0.85	0.14	1.04
= Ratio 10.00 Cap Subtotal	(0.20)	0.66	1.27	1.37	0.62	1.75	0.93	0.85	0.14	1.04
+ Net Operating Revenues Ratio	**(10.5)%**	**(1.5)%**	**0.7%**	**5.5%**	**3.7%**	**7.3%**	**1.4%**	**3.8%**	**(0.3)%**	**4.6%**
/ Strength Factor	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
= Ratio / Strength Factor	(1.00)	(1.00)	0.54	4.23	2.85	5.62	1.08	2.92	(0.23)	3.54
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	(0.10)	(0.10)	0.05	0.42	0.28	0.56	0.11	0.29	(0.02)	0.35
= Ratio 10.00 Cap Subtotal	(0.10)	(0.10)	0.05	0.42	0.28	0.56	0.11	0.29	(0.02)	0.35
+ Viability Ratio	**0.1**	**0.2**	**0.2**	**0.3**	**0.2**	**0.2**	**0.6**	**0.5**	**0.5**	**0.5**
/ Strength Factor	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417
= Ratio / Strength Factor	0.24	0.48	0.48	0.72	0.48	0.48	1.44	1.20	1.20	1.20
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.08	0.17	0.17	0.25	0.17	0.17	0.50	0.42	0.42	0.42
= Ratio 10.00 Cap Subtotal	0.08	0.17	0.17	0.25	0.17	0.17	0.50	0.42	0.42	0.42
Composite Financial Index	**(0.11)**	**1.07**	**1.83**	**2.57**	**1.44**	**2.80**	**2.49**	**2.46**	**1.35**	**2.73**
Composite Financial Index with 10.00 Cap	**(0.11)**	**1.07**	**1.83**	**2.57**	**1.44**	**2.80**	**2.49**	**2.46**	**1.35**	**2.73**

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

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

Summary of Ratios (continued)

Fiscal Year Ended June 30 *(in thousands of dollars)*	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
PRIMARY RESERVE RATIO										
Unrestricted Net Assets	$ (320,257)	$ (130,727)	$ (135,502)	$ 20,756	$ (80,965)	$ (124,204)	$ 373,103	$ 361,244	$ 310,258	$ 293,103
Net Assets Without Donor Restrictions – Component Units	63,733	62,819	56,189	52,612	44,154	43,592	39,419	33,945	31,686	31,848
Expendable Restricted Net Assets	203,957	233,337	244,542	241,080	238,522	218,805	161,894	124,582	122,904	137,768
Expendable Restricted Net Assets – Component Units*	184,247	152,068	143,895	128,288	122,486	126,134	125,534	114,430	105,820	138,951
Investment in Plant - Component Units	(34,166)	(31,095)	(27,696)	(26,777)	(33,163)	(32,712)	(31,088)	(30,743)	(29,792)	(29,720)
Expendable Net Assets	**$ 97,514**	**$ 286,402**	**$ 281,428**	**$ 415,959**	**$ 291,034**	**$ 231,615**	**$ 668,862**	**$ 603,458**	**$ 540,876**	**$ 571,950**
Operating Expenses	$ 2,232,502	$ 2,106,906	$ 2,007,403	$ 1,902,851	$ 1,882,513	$ 1,801,631	$ 1,702,741	$ 1,651,325	$ 1,583,391	$ 1,505,302
Nonoperating Expenses	60,187	55,072	53,275	51,253	49,748	46,293	50,596	47,643	44,391	50,447
Component Unit Total Expenses	126,925	128,604	108,606	103,419	110,428	130,081	119,033	87,516	129,492	85,761
Total Expenses	**$ 2,419,614**	**$ 2,290,582**	**$ 2,169,284**	**$ 2,057,523**	**$ 2,042,689**	**$ 1,978,005**	**$ 1,872,370**	**$ 1,786,484**	**$ 1,757,274**	**$ 1,641,510**
Expendable Net Assets	$ 97,514	$ 286,402	$ 281,428	$ 415,959	$ 291,034	$ 231,615	$ 668,862	$ 603,458	$ 540,876	$ 571,950
Total Expenses	$ 2,419,614	$ 2,290,582	$ 2,169,284	$ 2,057,523	$ 2,042,689	$ 1,978,005	$ 1,872,370	$ 1,786,484	$ 1,757,274	$ 1,641,510
Ratio	**0.04**	**0.13**	**0.13**	**0.20**	**0.14**	**0.12**	**0.36**	**0.34**	**0.31**	**0.35**

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

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
RETURN ON NET ASSETS RATIO										
Change in Net assets	$ (89,445)	$ 125,916	$ 215,540	$ 224,673	$ 96,154	$ 229,469	$ 163,058	$ 138,868	$ 21,734	$ 151,930
Total Net Assets (Beginning of Year)	$ 2,043,894	$ 1,917,978	$ 1,702,438	$ 1,635,225	$ 1,539,071	$ 1,309,602	$ 1,755,900	$ 1,629,107	$ 1,607,373	$ 1,455,443
Ratio	**(4.4)%**	**6.6%**	**12.7%**	**13.7%**	**6.2%**	**17.5%**	**9.3%**	**8.5%**	**1.4%**	**10.4%**

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
NET OPERATING REVENUES RATIO										
Income/(Loss) before Capital and Endowment Additions	$ (207,081)	$ (37,046)	$ 10,702	$ 100,524	$ 70,350	$ 132,121	$ 18,299	$ 59,986	$ (4,057)	$ 71,226
Component Units Change in Net Assets Without Donor Restrictions Before Extraordinary or Special Items	914	6,630	3,577	8,458	562	4,173	5,474	2,259	(162)	3,670
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Units Change in Net Assets Without Donor Restrictions Before Extraordinary or Special Items	$ (206,167)	$ (30,416)	$ 14,279	$ 108,982	$ 70,912	$ 136,294	$ 23,773	$ 62,245	$ (4,219)	$ 74,896
Total Operating Revenues	$ 1,409,187	$ 1,467,875	$ 1,431,591	$ 1,448,442	$ 1,424,770	$ 1,315,091	$ 1,153,967	$ 1,175,364	$ 1,124,228	$ 1,058,622
State Appropriation and State related revenues	318,200	306,696	306,791	294,486	271,891	309,640	304,967	292,688	290,751	353,757
Non-capital Gifts and Grants, net	88,956	84,578	81,746	80,060	80,890	89,975	78,287	74,530	96,201	87,355
Financial Aid Trust Funds*	2,729	2,729	2,729	2,761	2,880	3,030	3,154	3,193	3,042	2,972
Investment Income/(Loss), net	13,070	48,396	30,911	31,962	10,046	6,638	43,229	20,619	3,386	28,686
Component Units Total Revenue Without Donor Restrictions	127,732	135,079	112,932	111,633	110,779	134,054	124,081	89,506	107,967	83,484
Adjusted Net Operating Revenues	$ 1,959,874	$ 2,045,353	$ 1,966,700	$ 1,969,344	$ 1,901,256	$ 1,858,428	$ 1,707,685	$ 1,655,900	$ 1,625,575	$ 1,614,876
Adjusted Income/(Loss) before Capital and Endowment Additions and Component Units Change in Net Assets Without Donor Restrictions Before Extraordinary or Special Items	$ (206,167)	$ (30,416)	$ 14,279	$ 108,982	$ 70,912	$ 136,294	$ 23,773	$ 62,245	$ (4,219)	$ 74,896
Adjusted Net Operating Revenues	$ 1,959,874	$ 2,045,353	$ 1,966,700	$ 1,969,344	$ 1,901,256	$ 1,858,428	$ 1,707,685	$ 1,655,900	$ 1,625,575	$ 1,614,876
Ratio	**(10.5)%**	**(1.5)%**	**0.7%**	**5.5%**	**3.7%**	**7.3%**	**1.4%**	**3.8%**	**(0.3)%**	**4.6%**

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

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

Summary of Ratios (continued)

Fiscal Year Ended June 30 *(in thousands of dollars)*	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
VIABILITY RATIO										
Unrestricted Net Assets	$ (320,257)	$ (130,727)	$ (135,502)	$ 20,756	$ (80,965)	$ (124,204)	$ 373,103	$ 361,244	$ 310,258	$ 293,103
Net Assets Without Donor Restriction – Component Units	63,733	62,819	56,189	52,612	44,154	43,592	39,419	33,945	31,686	31,848
Expendable Restricted Net Assets	203,957	233,337	244,542	241,080	238,522	218,805	161,894	124,582	122,904	137,768
Expendable Restricted Net Assets – Component Units*	184,247	152,068	143,895	128,288	122,486	126,134	125,534	114,430	105,820	138,951
Expendable Net Assets	$ 131,680	$ 317,497	$ 309,124	$ 442,736	$ 324,197	$ 264,327	$ 699,950	$ 634,201	$ 570,668	$ 601,670
University Long Term Debt	$ 1,541,684	$ 1,621,014	$ 1,600,953	$ 1,548,735	$ 1,419,747	$ 1,478,536	$ 1,259,686	$ 1,287,755	$ 1,177,773	$ 1,146,893
Component Units Long Term Debt	8,154	5,840	5,553	6,024	4,255	5,279	6,682	8,105	9,344	10,487
Total Adjusted University Debt	$ 1,549,838	$ 1,626,854	$ 1,606,506	$ 1,554,759	$ 1,424,002	$ 1,483,815	$ 1,266,368	$ 1,295,860	$ 1,187,117	$ 1,157,380
Expendable Net Assets	$ 131,680	$ 317,497	$ 309,124	$ 442,736	$ 324,197	$ 264,327	$ 699,950	$ 634,201	$ 570,668	$ 601,670
Total Adjusted University Debt	$ 1,549,838	$ 1,626,854	$ 1,606,506	$ 1,554,759	$ 1,424,002	$ 1,483,815	$ 1,266,368	$ 1,295,860	$ 1,187,117	$ 1,157,380
Ratio	**0.1**	**0.2**	**0.2**	**0.3**	**0.2**	**0.2**	**0.6**	**0.5**	**0.5**	**0.5**

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

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

Summary of Ratios – Other Ratios

Fiscal Year Ended June 30 *(in thousands of dollars)*	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
OPERATING MARGIN EXCLUDING GIFTS										
Income/(Loss) before Capital and Endowment Additions	$ (207,081)	$ (37,046)	$ 10,702	$ 100,524	$ 70,350	$ 132,121	$ 18,299	$ 59,986	$ (4,057)	$ 71,226
Capital appropriations	25,013	24,803	14,249	21,978	9,594	11,204	14,253	14,253	14,253	14,253
Less: Non-capital Gifts	(88,956)	(84,578)	(81,746)	(80,060)	(80,890)	(89,975)	(78,287)	(74,530)	(96,201)	(87,355)
Less: Net investment return	(13,070)	(48,396)	(30,911)	(31,962)	(10,046)	(6,638)	(43,229)	(20,619)	(3,386)	(28,686)
Less: Other nonoperating revenue, net	(15,015)	(8,404)	(9,040)	(11,072)	(9,480)	(18,103)	(20,009)	(13,440)	(27,644)	(13,849)
Adjusted Income/(Loss) before Capital and Endowment Additions	$ (299,109)	$ (153,621)	$ (96,746)	$ (592)	$ (20,472)	$ 28,609	$ (108,973)	$ (34,350)	$ (117,035)	$ (44,411)
Total Operating Revenues	$ 1,409,187	$ 1,467,875	$ 1,431,591	$ 1,448,442	$ 1,424,770	$ 1,315,091	$ 1,153,967	$ 1,175,364	$ 1,124,228	$ 1,058,622
Less: Scholarships and Fellowships	(67,450)	(58,673)	(55,421)	(54,884)	(51,808)	(57,158)	(64,070)	(58,145)	(52,475)	(55,510)
State Appropriation and share of sales tax	297,449	281,172	280,823	272,764	266,282	295,502	288,614	275,427	288,886	350,251
Federal fiscal stabilization funds	-	-	-	-	-	-	-	-	-	755
Financial aid grants	63,077	56,881	53,746	49,990	52,037	52,165	51,290	49,469	49,239	48,182
Grants and contracts (Nonoperating)	162,845	137,961	155,589	145,200	133,720	128,546	108,243	116,510	6,104	6,502
Financial Aid Trust Funds*	2,729	2,729	2,729	2,761	2,880	3,030	3,154	3,193	3,042	2,972
Capital appropriations	25,013	24,803	14,249	21,978	9,594	11,204	14,253	14,253	14,253	14,253
Adjust Net Operating Revenues less Non-capital Gifts and Grants	$ 1,892,850	$ 1,912,748	$ 1,883,306	$ 1,886,251	$ 1,837,475	$ 1,748,380	$ 1,555,452	$ 1,576,071	$ 1,433,277	$ 1,426,027
Adjusted Income/(Loss) before Capital and Endowment Additions	$ (299,109)	$ (153,621)	$ (96,746)	$ (592)	$ (20,472)	$ 28,609	$ (108,973)	$ (34,350)	$ (117,035)	$ (44,411)
Adjust Net Operating Revenues less Non-capital Gifts and Grants	$ 1,892,850	$ 1,912,748	$ 1,883,306	$ 1,886,251	$ 1,837,475	$ 1,748,380	$ 1,555,452	$ 1,576,071	$ 1,433,277	$ 1,426,027
Ratio	**(15.8)%**	**(8.0)%**	**(5.1)%**	**0.0%**	**(1.1)%**	**1.6%**	**(7.0)%**	**(2.2)%**	**(8.2)%**	**(3.1)%**

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

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

Summary of Ratios – Other Ratios (continued)

Fiscal Year Ended June 30 *(in thousands of dollars)*	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES										
Operating Expenses	$ 2,232,502	$ 2,106,906	$ 2,007,403	$ 1,902,851	$ 1,882,513	$ 1,801,631	$ 1,702,741	$ 1,651,325	$ 1,583,391	$ 1,505,302
Less: Scholarships and Fellowships	(67,450)	(58,673)	(55,421)	(54,884)	(51,808)	(57,158)	(64,070)	(58,145)	(52,475)	(55,510)
Interest on Debt	60,187	55,072	53,275	51,253	49,748	46,293	50,596	47,643	44,391	50,447
Total Adjusted Operating Expenses	$ 2,225,239	$ 2,103,305	$ 2,005,257	$ 1,899,220	$ 1,880,453	$ 1,790,766	$ 1,689,267	$ 1,640,823	$ 1,575,307	$ 1,500,239
Research Expenses	$ 495,462	$ 462,112	$ 426,873	$ 397,512	$ 391,122	$ 421,973	$ 396,680	$ 435,536	$ 425,993	$ 405,271
Total Adjusted Operating Expenses	$ 2,225,239	$ 2,103,305	$ 2,005,257	$ 1,899,220	$ 1,880,453	$ 1,790,766	$ 1,689,267	$ 1,640,823	$ 1,575,307	$ 1,500,239
Ratio	**22%**	**22%**	**21%**	**21%**	**21%**	**24%**	**23%**	**27%**	**27%**	**27%**

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
NET TUITION PER STUDENT										
Student Tuition and Fees, net	$ 644,352	$ 658,090	$ 653,519	$ 653,725	$ 608,679	$ 554,768	$ 484,809	$ 461,580	$ 410,507	$ 379,199
Financial Aid Grants	65,806	59,610	56,475	52,751	54,917	55,195	54,444	52,662	52,281	51,154
Less Scholarships and Fellowships	(67,450)	(58,673)	(55,421)	(54,884)	(51,808)	(57,158)	(64,070)	(58,145)	(52,475)	(55,510)
Net Tuition and Fees	$ 642,708	$ 659,027	$ 654,573	$ 651,592	$ 611,788	$ 552,805	$ 475,183	$ 456,097	$ 410,313	$ 374,843
Net Tuition and Fees	$ 642,708	$ 659,027	$ 654,573	$ 651,592	$ 611,788	$ 552,805	$ 475,183	$ 456,097	$ 410,313	$ 374,843
Undergraduate, Graduate, and Professional FTE	44,714	44,376	44,129	43,570	43,323	42,388	40,791	40,314	39,183	38,076
Net Tuition per Student (whole dollars)	**$ 14,374**	**$ 14,851**	**$ 14,833**	**$ 14,955**	**$ 14,122**	**$ 13,042**	**$ 11,649**	**$ 11,314**	**$ 10,472**	**$ 9,845**

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
STATE APPROPRIATIONS PER STUDENT										
State Appropriations	$ 269,495	$ 252,931	$ 254,789	$ 245,146	$ 241,257	$ 270,538	$ 265,038	$ 254,654	$ 268,533	$ 330,297
Capital Appropriations	25,013	24,803	14,249	21,978	9,594	11,204	14,253	14,253	14,253	14,253
Adjusted State Appropriations	$ 294,508	$ 277,734	$ 269,038	$ 267,124	$ 250,851	$ 281,742	$ 279,291	$ 268,907	$ 282,786	$ 344,550
State Appropriations	$ 294,508	$ 277,734	$ 269,038	$ 267,124	$ 250,851	$ 281,742	$ 279,291	$ 268,907	$ 282,786	$ 344,550
Undergraduate, Graduate, and Professional FTE	44,714	44,376	44,129	43,570	43,323	42,388	40,791	40,314	39,183	38,076
State Appropriation per Student (whole dollars)	**$ 6,586**	**$ 6,259**	**$ 6,097**	**$ 6,131**	**$ 5,790**	**$ 6,647**	**$ 6,847**	**$ 6,670**	**$ 7,217**	**$ 9,049**

Measures the institution's dependency on state appropriations.

Summary of Ratios – Debt Related Ratios

Fiscal Year Ended June 30 *(in thousands of dollars)*	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
EXPENDABLE RESOURCES TO DEBT										
Unrestricted Net Assets	$ (320,257)	$ (130,727)	$ (135,502)	$ 20,756	$ (80,965)	$ (124,204)	$ 373,103	$ 361,244	$ 310,258	$ 293,103
Expendable Restricted Net Assets	203,957	233,337	244,542	241,080	238,522	218,805	161,894	124,582	122,904	137,768
Expendable Net Assets	**$ (116,300)**	**$ 102,610**	**$ 109,040**	**$ 261,836**	**$ 157,557**	**$ 94,601**	**$ 534,997**	**$ 485,826**	**$ 433,162**	**$ 430,871**
Expendable Net Assets	$ (116,300)	$ 102,610	$ 109,040	$ 261,836	$ 157,557	$ 94,601	$ 534,997	$ 485,826	$ 433,162	$ 430,871
Total Adjusted University Debt	$ 1,541,684	$ 1,621,014	$ 1,600,953	$ 1,548,735	$ 1,419,747	$ 1,478,536	$ 1,259,686	$ 1,287,755	$ 1,177,773	$ 1,146,893
Ratio	**(0.08)**	**0.06**	**0.07**	**0.17**	**0.11**	**0.06**	**0.40**	**0.40**	**0.40**	**0.40**

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
TOTAL FINANCIAL RESOURCES TO DIRECT DEBT										
Unrestricted Net Assets	$ (320,257)	$ (130,727)	$ (135,502)	$ 20,756	$ (80,965)	$ (124,204)	$ 373,103	$ 361,244	$ 310,258	$ 293,103
Expendable Restricted Net Assets	203,957	233,337	244,542	241,080	238,522	218,805	161,894	124,582	122,904	137,768
Non-expendable Restricted Net Assets	157,378	161,496	154,227	142,774	134,356	138,464	138,512	122,635	113,968	115,307
Total Financial Resources	**$ 41,078**	**$ 264,106**	**$ 263,267**	**$ 404,610**	**$ 291,913**	**$ 233,065**	**$ 673,509**	**$ 608,461**	**$ 547,130**	**$ 546,178**
Total Financial Resources	$ 41,078	$ 264,106	$ 263,267	$ 404,610	$ 291,913	$ 233,065	$ 673,509	$ 608,461	$ 547,130	$ 546,178
Total Bonds, COPs and Capital Leases	$ 1,541,684	$ 1,621,014	$ 1,600,953	$ 1,548,735	$ 1,419,747	$ 1,478,536	$ 1,259,686	$ 1,287,755	$ 1,177,773	$ 1,146,893
Ratio	**0.03**	**0.16**	**0.16**	**0.26**	**0.21**	**0.16**	**0.50**	**0.50**	**0.50**	**0.50**

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
DIRECT DEBT TO ADJUSTED CASH FLOW										
Net Cash Used by Operating Activities	$ (571,080)	$ (551,720)	$ (464,708)	$ (295,594)	$ (287,171)	$ (336,897)	$ (402,380)	$ (362,458)	$ (404,778)	$ (319,362)
State Appropriations and Federal Stabilization Funds	269,495	252,931	254,789	245,146	241,257	270,538	265,038	254,654	268,533	331,052
Share of State Sales Tax - TRIF	30,683	30,970	28,763	27,618	25,025	24,964	23,576	20,773	20,353	19,954
Non-capital Grants and Contracts and Gifts (1)	348,158	316,356	316,286	290,388	292,033	297,837	265,817	274,104	179,581	175,567
Adjusted Cash Flow from Operations	**$ 77,256**	**$ 48,537**	**$ 135,130**	**$ 267,558**	**$ 271,144**	**$ 256,442**	**$ 152,051**	**$ 187,073**	**$ 63,689**	**$ 207,211**
Total Adjusted University Debt Outstanding	$ 1,541,684	$ 1,621,014	$ 1,600,953	$ 1,548,735	$ 1,419,747	$ 1,478,536	$ 1,259,686	$ 1,287,755	$ 1,177,773	$ 1,146,893
Adjusted Cash Flow from Operations	$ 77,256	$ 48,537	$ 135,130	$ 267,558	$ 271,144	$ 256,442	$ 152,051	$ 187,073	$ 63,689	$ 207,211
Ratio	**19.96**	**33.40**	**11.85**	**5.79**	**5.24**	**5.77**	**8.28**	**6.88**	**18.49**	**5.53**

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

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
DEBT SERVICE TO OPERATIONS										
Interest and Fees Paid on Debt and Leases	$ 60,187	$ 55,072	$ 53,275	$ 51,253	$ 49,748	$ 46,293	$ 50,596	$ 47,643	$ 44,391	$ 50,447
Principal Paid on Debt and Leases	285,106	67,468	132,499	79,838	254,284	197,381	47,605	120,436	241,680	42,572
Less: Principal Paid from Refinancing Activities	(210,660)	-	(65,950)	(15,685)	(181,440)	(157,050)	-	(71,115)	(199,835)	-
Debt Service	**$ 134,633**	**$ 122,540**	**$ 119,824**	**$ 115,406**	**$ 122,592**	**$ 86,624**	**$ 98,201**	**$ 96,964**	**$ 86,236**	**$ 93,019**
Debt Service	$ 134,633	$ 122,540	$ 119,824	$ 115,406	$ 122,592	$ 86,624	$ 98,201	$ 96,964	$ 86,236	$ 93,019
Operating Expenses	$ 2,232,502	$ 2,106,906	$ 2,007,403	$ 1,902,851	$ 1,882,513	$ 1,801,631	$ 1,702,741	$ 1,651,325	$ 1,583,391	$ 1,505,302
Ratio	**6.0%**	**5.8%**	**6.0%**	**6.1%**	**6.5%**	**4.8%**	**5.8%**	**5.9%**	**5.4%**	**6.2%**

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

Debt Service Coverage for Senior Lien System and Subordinate Lien System Revenue Bonds

Fiscal Year Ended June 30 *(in thousands of dollars)*	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Tuition and Fees, net of scholarship allowance	$ 644,352	$ 658,090	$ 653,519	$ 653,725	$ 608,679	$ 554,768	$ 484,809	$ 461,580	$ 410,507	$ 379,199
Receipts from Other Major Revenue Sources (Facilities Revenues)	396,227	425,920	416,819	410,659	402,760	397,917	374,153	351,162	339,498	339,520
Net Revenues Available for Debt Service	**$ 1,040,579**	**$ 1,084,010**	**$ 1,070,338**	**$ 1,064,384**	**$ 1,011,439**	**$ 952,685**	**$ 858,962**	**$ 812,742**	**$ 750,005**	**$ 718,719**
Senior Lien Bonds Debt Service										
Interest on Debt	$ 37,752	$ 37,730	$ 31,849	$ 28,936	$ 24,121	$ 23,290	$ 24,887	$ 23,379	$ 21,030	$ 22,984
Principal Paid on Debt	28,960	24,955	25,135	23,820	25,205	21,575	22,600	21,895	17,375	24,720
Senior Lien Bonds Debt Service Requirements	**$ 66,712**	**$ 62,685**	**$ 56,984**	**$ 52,756**	**$ 49,326**	**$ 44,865**	**$ 47,487**	**$ 45,274**	**$ 38,405**	**$ 47,704**
Coverage	**15.60**	**17.29**	**18.78**	**20.18**	**20.51**	**21.23**	**18.09**	**17.95**	**19.53**	**15.07**

Bond Resolution Covenant: The Gross Revenues of the university for each fiscal year will be at least 150% of the Maximum Annual Debt Service due in any fiscal year.

Subordinate Lien Bonds Debt Service										
Interest on Debt	$ 19,475	$ 19,575	$ 20,044	$ 20,458	$ 21,412	$ 14,442	$ 13,362	$ 11,176	$ 10,450	$ 5,586
Principal Paid on Debt	10,400	9,970	9,590	9,260	-	-	-	-	-	-
Subordinate Lien Bonds Debt Service Requirements	**$ 29,875**	**$ 29,545**	**$ 29,634**	**$ 29,718**	**$ 21,412**	**$ 14,442**	**$ 13,362**	**$ 11,176**	**$ 10,450**	**$ 5,586**
Combined Senior/Subordinate Lien Debt Service	**$ 96,587**	**$ 92,230**	**$ 86,618**	**$ 82,474**	**$ 70,738**	**$ 59,307**	**$ 60,849**	**$ 56,450**	**$ 48,855**	**$ 53,291**
Coverage	**10.77**	**11.75**	**12.36**	**12.91**	**14.30**	**16.06**	**14.12**	**14.40**	**15.35**	**13.49**

Debt Service Assurance Agreement and SPEED Bond Resolution Covenant: The Gross Revenues of the university for each fiscal year will be at least 100% of the annual debt service due on all outstanding parity bonds and subordinate obligations.

Admissions, Enrollment and Degrees Earned

Fall enrollment of fiscal year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
ADMISSIONS - FRESHMEN										
Applications	40,854	39,941	33,608	36,166	35,383	32,723	26,480	26,328	26,871	26,620
Accepted	34,558	33,717	28,089	28,433	27,042	24,417	20,546	20,332	19,175	20,059
Enrolled	7,684	7,750	7,360	7,753	8,037	7,744	6,881	7,401	7,300	7,025
Accepted as Percentage of Application	85%	84%	84%	79%	76%	75%	78%	77%	71%	75%
Enrolled as Percentage of Accepted	22%	23%	26%	27%	30%	32%	33%	36%	38%	35%
Average SAT scores - Total	1262	1229	1136	1123	1121	1114	1114	1116	1109	1100
Verbal	623	611	563	555	540	549	548	550	547	543
Math	639	618	575	568	567	565	565	566	562	557
ENROLLMENT										
Undergraduate, Graduate and Professional FTE	44,714	44,376	44,129	43,570	43,323	42,388	40,791	40,314	39,183	38,076
Undergraduate, Graduate and Professional Headcount	45,918	45,217	44,831	43,625	43,088	42,236	40,621	40,223	39,236	39,086
Men (Headcount)	21,383	21,456	21,673	21,011	20,833	20,345	19,518	19,258	18,726	18,732
Percentage of Total	46.6%	47.5%	48.3%	48.2%	48.3%	48.2%	48.0%	47.9%	47.7%	47.9%
Women (Headcount)	24,535	23,761	23,158	22,614	22,255	21,891	21,103	20,965	20,510	20,354
Percentage of Total	53.4%	52.5%	51.7%	51.8%	51.7%	51.8%	52.0%	52.1%	52.3%	52.1%
African American (Headcount)	1,670	1,657	1,679	1,601	1,510	1,402	1,266	1,222	1,182	1,170
Percentage of Total	3.6%	3.7%	3.7%	3.7%	3.5%	3.3%	3.1%	3.0%	3.0%	3.0%
Hispanic (Headcount)	10,869	10,729	10,753	10,161	9,790	9,405	8,676	8,106	7,504	6,957
Percentage of Total	23.7%	23.7%	24.0%	23.3%	22.7%	22.3%	21.4%	20.2%	19.1%	17.8%
White (Headcount)	21,878	21,869	22,040	22,069	22,198	22,050	21,825	22,303	22,522	23,177
Percentage of Total	47.7%	48.4%	49.2%	50.6%	51.5%	52.2%	53.7%	55.4%	57.4%	59.3%
Other (Headcount)	11,501	10,962	10,359	9,794	9,590	9,379	8,854	8,592	8,028	7,782
Percentage of Total	25.0%	24.2%	23.1%	22.4%	22.3%	22.2%	21.8%	21.4%	20.5%	19.9%
DEGREES EARNED										
Bachelor's	7,516	7,754	7,248	6,949	7,039	6,743	6,370	6,494	6,351	6,195
Master's	2,037	2,100	1,987	1,987	1,960	1,735	1,702	1,663	1,568	1,565
Doctoral	435	448	435	442	524	528	460	441	446	445
Professional	516	533	513	494	383	411	410	413	404	368

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

Demographic Data

Fiscal Year Ended June 30	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Arizona Population	7,278,717	7,171,646	7,016,270	6,931,071	6,829,397	6,731,484	6,626,624	6,553,255	6,482,505	6,413,158
Arizona Personal Income (in millions)	$ 336,514	$ 313,040	$ 292,108	$ 278,925	$ 266,756	$ 261,314	$ 249,027	$ 235,781	$ 227,287	$ 216,590
Arizona Per Capita Personal Income	$ 46,233	$ 43,650	$ 41,633	$ 40,243	$ 39,060	$ 37,895	$ 36,823	$ 35,979	$ 35,062	$ 33,773
Arizona Unemployment Rate	10.00%	4.90%	4.70%	5.00%	5.60%	5.90%	6.90%	8.00%	9.50%	10.50%

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

Principal Employers

	2020			2011		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
The University of Arizona	16,523	1	3.3%	10,481	2	2.2%
Raytheon Technologies	12,606	2	2.6%	10,500	1	2.2%
Banner - University Medical Center	7,500	3	1.5%			
Davis Monthan AFB	7,211	4	1.5%	8,462	4	1.7%
Pima County Government	6,937	5	1.4%	6,403	7	1.3%
Tucson Unified School District	6,872	6	1.4%	6,709	6	1.4%
State of Arizona	6,538	7	1.3%	8,866	3	1.8%
Wal-Mart Stores, Inc.	4,564	8	0.9%	7,308	5	1.5%
Tucson Medical Center	4,482	9	0.9%			
City of Tucson	4,025	10	0.8%	4,930	10	1.0%
Fort Huachuca				6,225	8	1.3%
UA Healthcare				5,982	9	1.2%
Total	**77,258**		**15.6%**	**75,866**		**15.6%**
Total Work Force			**494,119**			**485,800**

Sources:

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

Pima Association of Governments (PAG)- 2019

Pima County CAFR, FY 2011

Economic and Business Research Center, Eller College of Management FY 2020

Faculty and Staff

Fall employment of fiscal year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
FACULTY										
Full-time	2,414	2,447	2,320	2,281	2,363	2,343	2,297	2,246	2,229	2,160
Part-time	798	754	770	789	795	801	752	776	693	642
Total Faculty	**3,212**	**3,201**	**3,090**	**3,070**	**3,158**	**3,144**	**3,049**	**3,022**	**2,922**	**2,802**
Percentage Tenured	51.3%	51.4%	52.4%	51.4%	49.4%	49.6%	51.3%	51.6%	53.1%	55.8%
Tenured Track - Dept. Head	110	84	85	85	89	90	92	97	98	96
Tenured Track - Faculty	1,539	1,562	1,535	1,493	1,470	1,469	1,471	1,463	1,454	1,467
Total Tenured Track	1,649	1,646	1,620	1,578	1,559	1,559	1,563	1,560	1,552	1,563
STAFF										
Full-time	8,628	8,249	7,793	7,329	7,786	7,775	7,663	7,506	7,407	7,260
Part-time	4,683	4,767	4,740	4,657	4,586	4,696	4,630	4,770	4,832	4,772
Total Staff	**13,311**	**13,016**	**12,533**	**11,986**	**12,372**	**12,471**	**12,293**	**12,276**	**12,239**	**12,032**
Total Faculty and Staff	**16,523**	**16,217**	**15,623**	**15,056**	**15,530**	**15,615**	**15,342**	**15,298**	**15,161**	**14,834**

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

Capital Assets

Fiscal Year Ended June 30	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Academic/Support Facilities	622	621	646	651	651	643	647	622	621	593
Auxiliary Facilities	78	74	71	75	74	74	71	70	71	68
Total	**700**	**695**	**717**	**726**	**725**	**717**	**718**	**692**	**692**	**661**

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


Photo: UA Alumni Association

Credits

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Nicole Salazar
Vice President, Financial Services

Stacey Lemos
Assistant Vice President/Comptroller, Financial Services

Bethany Prim
Assistant Comptroller, Financial Services

Steve Kelly
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Student contributions

Wesley Bell and Jerry Diaz

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Financial Services

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