

THE UNIVERSITY OF TEXAS SYSTEM

ANNUAL FINANCIAL REPORT

PRIMARY FINANCIAL STATEMENTS

FISCAL YEAR 2019



The University of Texas at Arlington ♦ The University of Texas at Austin ♦ The University of Texas at Dallas
♦ The University of Texas at El Paso ♦ The University of Texas Permian Basin ♦ The University of Texas Rio
Grande Valley ♦ The University of Texas at San Antonio ♦ The University of Texas at Tyler ♦ The University
of Texas Southwestern Medical Center ♦ The University of Texas Medical Branch at Galveston ♦ The
University of Texas Health Science Center at Houston ♦ The University of Texas Health Science Center at San
Antonio ♦ The University of Texas M. D. Anderson Cancer Center ♦ The University of Texas Health Science
Center at Tyler ♦ The University of Texas System Administration

**THE UNIVERSITY OF TEXAS SYSTEM
PRIMARY FINANCIAL STATEMENTS
and Related Information**
As of and for the Year Ended August 31, 2019

TABLE OF CONTENTS

| | |
|--|-----|
| The University of Texas System Board of Regents..... | 1 |
| The University of Texas System Senior Administrative Officials | 3 |
| The University of Texas System Consolidated Primary Financial Statements | 5 |
| Notes to the Consolidated Financial Statements | 9 |
| Required Supplementary Information | 116 |
| THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION | 121 |
| THE UNIVERSITY OF TEXAS AT ARLINGTON | 124 |
| Dr. Vistasp M. Karbhari, President | |
| Ms. Kelly Davis, Chief Financial Officer and Vice President | |
| THE UNIVERSITY OF TEXAS AT AUSTIN | 127 |
| Mr. Gregory L. Fenves, President | |
| Mr. Darrell Bazzell, Senior Vice President and Chief Financial Officer | |
| THE UNIVERSITY OF TEXAS AT DALLAS | 130 |
| Mr. Richard C. Benson, President | |
| Mr. Terry Pankratz, Vice President for Budget and Finance | |
| THE UNIVERSITY OF TEXAS AT EL PASO | 133 |
| Dr. Heather Wilson, President | |
| Mr. Mark McGurk, Vice President for Business Affairs | |
| THE UNIVERSITY OF TEXAS PERMIAN BASIN | 136 |
| Dr. Sandra K. Woodley, President | |
| Mr. Cesario Valenzuela, Vice President for Business Affairs | |
| THE UNIVERSITY OF TEXAS RIO GRANDE VALLEY | 139 |
| Dr. Guy Bailey, President | |
| Mr. Rick Anderson, Executive Vice President for Finance and Administration | |
| THE UNIVERSITY OF TEXAS AT SAN ANTONIO | 142 |
| Dr. Taylor Eighmy, President | |
| Ms. Veronica Mendez, Vice President for Business Affairs | |
| THE UNIVERSITY OF TEXAS AT TYLER..... | 145 |
| Dr. Michael V. Tidwell, President | |
| Ms. Kim Laird, Vice President for Budget and Finance and Chief Business Officer | |
| THE UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER | 148 |
| Dr. Daniel K. Podolsky, President | |
| Mr. Arnim Dontes, Executive Vice President for Business Affairs | |
| THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON..... | 151 |
| Dr. David L. Callender, President | |
| Ms. Cheryl Sadro, Executive Vice President and Chief Business and Finance Officer | |
| THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON..... | 154 |
| Dr. Giuseppe N. Colasurdo, President | |
| Mr. Kevin Dillon, Senior Executive Vice President, Chief Operating and Financial Officer | |
| THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO | 157 |
| Dr. William L. Henrich, President | |
| Ms. Andrea Marks, Vice President and Chief Financial Officer | |
| THE UNIVERSITY OF TEXAS M. D. ANDERSON CANCER CENTER | 160 |
| Dr. Peter W. T. Pisters, President | |
| Mr. Ben Melson, Senior Vice President and Chief Financial Officer | |
| THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT TYLER | 163 |
| Dr. Kirk A. Calhoun, President | |
| Ms. Kris Kavasch, Vice President of Finance and Chief Financial Officer | |
| Supplemental Bond Schedules | 166 |

**THE UNIVERSITY OF TEXAS SYSTEM
BOARD OF REGENTS
As of August 31, 2019**

Officers

Kevin P. Eltife, Chairman
Janiece Longoria, Vice Chairman
James Conrad “Rad” Weaver, Vice Chairman
Francie A. Frederick, General Counsel to the Board of Regents

Members

*Terms scheduled to expire February 1, 2021**

| | |
|-------------------------|-----------|
| David J. Beck | Houston |
| R. Steven “Steve” Hicks | Austin |
| Nolan E. Perez | Harlingen |

*Terms scheduled to expire February 1, 2023**

| | |
|---------------------------|-------------|
| Kevin P. Eltife | Tyler |
| Janiece Longoria | Houston |
| James Conrad “Rad” Weaver | San Antonio |

*Terms scheduled to expire February 1, 2025**

| | |
|------------------------|---------|
| Christina Melton Crain | Dallas |
| Jodie Lee Jiles | Houston |
| Kelcy L. Warren | Dallas |

*Term scheduled to expire May 31, 2020**

| | |
|--------------------------------------|---------|
| Daniel R. Dominguez (Student Regent) | El Paso |
|--------------------------------------|---------|

*Each Regent’s term expires when a successor has been appointed, qualified, and taken the oath of office. The Student Regent serves a one-year term.

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THE UNIVERSITY OF TEXAS SYSTEM
SENIOR ADMINISTRATIVE OFFICIALS
As of August 31, 2019

James B. Milliken, Chancellor

Scott C. Kelley, Executive Vice Chancellor for Business Affairs

Steven W. Leslie, Executive Vice Chancellor for Academic Affairs

Amy Shaw Thomas, Executive Vice Chancellor for Health Affairs, *ad interim*

Stephanie A. Bond Huie, Vice Chancellor for Institutional Research and Analysis

David L. Lakey, Vice Chancellor for Health Affairs and Chief Medical Officer

Stacey Napier, Vice Chancellor for Governmental Relations

Randa S. Safady, Vice Chancellor for External Relations, Communications, and Advancement Services

Daniel H. Sharphorn, Vice Chancellor and General Counsel

Thomas Britton "Britt" Harris IV, President, CEO and Chief Investment Officer–UTIMCO

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The University of Texas System Consolidated
 Exhibit A Statement of Net Position
 As of August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|-----------------------------|--------------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 3,195,116,021.48 | 2,505,387,193.92 |
| Restricted Cash & Cash Equivalents | 850,441,792.45 | 690,747,230.18 |
| Balance in State Appropriations | 129,459,929.17 | 125,097,250.11 |
| Securities Lending Collateral | 453,059,220.56 | 434,189,416.14 |
| Accounts Receivable, Net: | | |
| Federal (allow. \$5,575,155.20 in 2019 & \$5,266,722.72 in 2018) | 544,123,498.63 | 534,913,932.96 |
| Other Intergov. (allow. \$1,578,065.05 in 2019 & \$832,283.25 in 2018) | 131,404,328.35 | 111,571,668.36 |
| Student (allow. \$22,609,154.74 in 2019 & \$18,146,681.04 in 2018) | 333,829,834.46 | 352,623,797.21 |
| Patient & Healthcare(allow. \$354,846,570.95 in 2019 & \$237,002,614.32 in 2018) | 1,045,994,724.20 | 976,859,606.45 |
| Interest and Dividend Receivables | 85,645,141.52 | 83,337,141.04 |
| Contributions (allow. \$4,373,017.95 in 2019 & \$3,133,056.40 in 2018) | 122,818,010.50 | 130,234,087.32 |
| Investment Trades Receivables | 720,787,537.46 | 488,068,868.16 |
| Other (allow. \$12,282,246.83 in 2019 & \$5,650,038.20 in 2018) | 487,051,701.20 | 528,365,707.97 |
| Due From Other Agencies | 65,949,711.17 | 88,015,739.24 |
| Inventories | 161,424,609.94 | 139,561,696.05 |
| Loans & Contracts (allow. \$19,167,874.26 in 2019 & \$16,845,712.88 in 2018) | 56,229,050.81 | 66,459,356.65 |
| Other Current Assets | 292,011,582.01 | 277,148,784.73 |
| Total Current Assets | 8,675,346,693.91 | 7,532,581,476.49 |
| Noncurrent Assets: | | |
| Cash and Cash Equivalents (Noncurrent Restricted) | 3,645,371.70 | 7,384,191.28 |
| Restricted Investments | 43,228,099,312.43 | 44,770,383,339.53 |
| Deposit with Brokers for Derivative Contracts | 52,885,484.06 | 45,836,427.93 |
| Loans & Contracts (allow. \$25,841,033.05 in 2019 & \$23,945,576.33 in 2018) | 55,460,018.22 | 68,811,409.60 |
| Contributions Rec. (allow. \$1,681,548.17 in 2019 & \$2,081,281.10 in 2018) | 266,538,284.12 | 238,905,828.96 |
| Unrestricted Investments | 11,219,170,548.29 | 9,236,848,167.83 |
| Hedging Derivative Asset (Noncurrent) | | 37,067,661.00 |
| Other Noncurrent Assets | 267,821,255.32 | 162,692,829.96 |
| Gross Capital/Intangible Assets | 33,636,158,664.95 | 31,688,757,852.19 |
| Accumulated Depreciation/Amortization | (16,089,318,530.12) | (14,799,472,456.98) |
| Total Noncurrent Assets | 72,640,460,408.97 | 71,457,215,251.30 |
| Total Assets | 81,315,807,102.88 | 78,989,796,727.79 |
| Total Deferred Outflows of Resources | 3,376,021,305.37 | 1,001,796,159.50 |
| Total Assets and Deferred Outflows | 84,691,828,408.25 | 79,991,592,887.29 |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 1,400,490,736.34 | 1,312,985,192.52 |
| Salaries Payable | 645,437,217.71 | 594,441,802.08 |
| Federal Payables | 49,295,202.10 | 76,921,953.65 |
| Other Intergovernmental Payables | 36,112.65 | 44,593.16 |
| Investment Trades Payables | 1,219,091,532.24 | 977,438,360.73 |
| Incurred But Not Reported Self Insurance Claims | 140,388,415.32 | 134,052,867.64 |
| Total Other Postemployment Benefits Liability | 230,593,877.00 | 202,555,282.00 |
| Securities Lending Obligations | 453,059,220.56 | 434,189,416.14 |
| Due To Other State Agencies | 25,318,479.80 | 28,515,356.43 |
| Statewide Interfund Payable | 70,717,551.81 | 63,222,909.68 |
| Unearned Revenue | 1,832,415,729.21 | 1,683,638,538.10 |
| Employees' Compensable Leave - Current Portion | 428,376,654.27 | 412,622,753.43 |
| Short-term Debt - Commercial Paper Notes | 1,490,522,000.00 | 1,185,868,000.00 |
| Notes, Loans, and Leases Payable | 6,577,975.91 | 22,701,185.08 |
| Revenue Bonds Payable | 1,789,490,557.87 | 1,826,253,298.70 |
| Assets Held for Others | 4,594,587.29 | 16,164,822.98 |
| Asset Retirement Obligation | | 611,267.79 |
| Other Current Liabilities | 229,282,748.59 | 195,646,137.27 |
| Total Current Liabilities | 10,015,688,598.67 | 9,167,873,737.38 |
| Noncurrent Liabilities: | | |
| Incurred But Not Reported Self Insurance Claims | 28,030,576.68 | 30,866,320.36 |
| Employees' Compensable Leave | 244,173,830.26 | 227,919,611.47 |
| Assets Held for Others | 991,783,583.92 | 876,684,161.84 |
| Liability to Beneficiaries | 14,041,656.69 | 14,145,426.43 |
| Total Other Postemployment Benefits Liability | 10,125,191,669.00 | 10,514,556,063.00 |
| Net Pension Liability | 4,919,537,167.00 | 2,650,044,162.00 |
| Notes, Loans, and Leases Payable | 170,301,062.92 | 3,686,524.10 |
| Revenue Bonds Payable | 7,710,948,456.03 | 7,671,716,733.84 |
| Statewide Interfund Payable | 1,225,343,489.10 | 1,215,093,640.95 |
| Hedging Derivative Liability (Noncurrent) | 325,363,093.00 | 165,354,206.00 |
| Payable to Brokers for Collateral Held | 98,277,187.32 | 111,679,000.00 |
| Investment Derivatives - Liability Positions | 103,796,598.28 | 68,043,372.89 |
| Asset Retirement Obligation | 26,309,186.53 | 24,753,139.03 |
| Other Noncurrent Liabilities | 68,834,775.03 | 67,236,561.00 |
| Total Noncurrent Liabilities | 26,051,932,331.76 | 23,641,778,922.91 |
| Total Liabilities | 36,067,620,930.43 | 32,809,652,660.29 |
| Total Deferred Inflows of Resources | 2,761,591,966.93 | 1,791,152,210.94 |
| Total Liabilities and Deferred Inflows | 38,829,212,897.36 | 34,600,804,871.23 |
| NET POSITION | | |
| Net Investment in Capital Assets | 6,747,250,462.18 | 6,632,432,232.97 |
| Restricted for: | | |
| Nonexpendable | | |
| Permanent University Fund Endowment | 20,925,167,822.76 | 21,593,348,668.03 |
| Permanent Health and True Endowments | 6,061,261,178.43 | 5,801,691,366.47 |
| Expendable | | |
| Capital Projects | 221,354,379.85 | 189,388,617.46 |
| Debt Service | 803,466.98 | 5,162,764.82 |
| Funds Functioning as Endowment (Restricted) | 623,206,716.71 | 599,347,161.51 |
| Other Expendable | 14,016,303,100.88 | 13,861,283,230.70 |
| Unrestricted | (2,732,731,616.90) | (3,291,866,025.90) |
| Total Net Position | \$ 45,862,615,510.89 | 45,390,788,016.06 |

The University of Texas System Consolidated
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|-----------------------------|---------------------------|
| Operating Revenues: | | |
| Student Tuition and Fees | \$ 2,572,447,956.91 | 2,520,372,790.04 |
| Discounts and Allowances | (761,301,656.45) | (692,100,614.53) |
| Federal Sponsored Programs | 1,492,760,271.37 | 1,407,521,814.48 |
| Federal Sponsored Programs Pass-Through from State Agencies | 63,269,296.36 | 73,368,988.22 |
| State Sponsored Programs Pass-Through from State Agencies | 347,490,742.15 | 350,567,573.86 |
| Local Sponsored Programs | 842,735,825.50 | 855,634,445.73 |
| Private Sponsored Programs | 749,105,621.15 | 610,883,905.52 |
| Sales and Services of Educational Activities | 560,505,318.09 | 490,563,834.57 |
| Discounts and Allowances Sales and Services of Educational Activities | (278,677.28) | (283,154.55) |
| Sales and Services of Hospitals | 16,469,453,112.93 | 14,818,068,529.99 |
| Discounts and Allowances Sales and Services of Hospitals | (9,452,269,547.94) | (8,500,618,907.38) |
| Professional Fees (Patient Charges) | 7,169,263,130.59 | 6,368,944,706.91 |
| Discounts and Allowances Professional Fees (Patient Charges) | (5,142,581,598.28) | (4,490,418,956.37) |
| Auxiliary Enterprises | 701,578,214.32 | 643,253,551.16 |
| Discounts and Allowances Auxiliary Enterprises | (12,191,186.38) | (17,495,295.21) |
| Other Operating Revenues | 449,332,675.76 | 446,561,020.38 |
| Total Operating Revenues | <u>16,049,319,498.80</u> | <u>14,884,824,232.82</u> |
| Operating Expenses: | | |
| Instruction | 4,465,389,597.51 | 4,314,611,735.66 |
| Research | 2,653,356,265.98 | 2,486,870,385.13 |
| Public Service | 385,189,762.03 | 338,780,207.40 |
| Hospitals / Clinics | 6,880,333,623.18 | 6,196,045,459.19 |
| Academic Support | 1,062,469,947.92 | 936,988,799.27 |
| Student Services | 299,634,472.17 | 287,841,501.73 |
| Institutional Support | 943,874,700.29 | 783,681,374.16 |
| Operations and Maintenance of Plant | 928,790,266.89 | 896,927,973.77 |
| Scholarships and Fellowships | 410,441,793.18 | 375,190,658.21 |
| Auxiliary Enterprises | 719,278,692.99 | 684,381,306.29 |
| Depreciation and Amortization | <u>1,536,019,254.06</u> | <u>1,440,561,713.77</u> |
| Total Operating Expenses | <u>20,284,778,376.20</u> | <u>18,741,881,114.58</u> |
| Operating Income (Loss) | <u>(4,235,458,877.40)</u> | <u>(3,857,056,881.76)</u> |
| Nonoperating Revenues (Expenses): | | |
| State Appropriations | 2,283,166,287.78 | 2,268,092,826.00 |
| Federal Nonexchange Sponsored Programs | 405,927,617.92 | 381,345,520.55 |
| Federal Nonexchange Pass-Through | | |
| State Nonexchange Pass-Through | 1,630,123.00 | 7,937,095.00 |
| Local Nonexchange Sponsored Programs | 35,002,047.98 | 35,000,000.00 |
| Gift Contributions for Operations | 436,649,733.85 | 448,086,349.35 |
| Investment Income | 4,040,555,107.20 | 4,279,301,660.41 |
| Net Increase (Decrease) in Fair Value of Investments | (2,322,124,761.93) | 3,105,585,290.64 |
| Interest Expense on Capital Asset Financings | (334,790,350.28) | (281,687,994.35) |
| Gain (Loss) on Sale of Capital Assets | (36,714,695.53) | (36,257,288.87) |
| Other Nonoperating Revenues | 79,920,059.09 | 62,309,694.63 |
| Other Nonoperating (Expenses) | <u>(20,038,935.34)</u> | <u>(87,387,116.35)</u> |
| Net Nonoperating Revenues (Expenses) | <u>4,569,182,233.74</u> | <u>10,182,326,037.01</u> |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | 333,723,356.34 | 6,325,269,155.25 |
| Gifts and Sponsored Programs for Capital Acquisitions | 292,781,992.85 | 253,961,645.83 |
| Additions to Permanent Endowments | 224,281,886.90 | 204,349,154.60 |
| Transfers From Other State Agencies | 150,882,536.16 | 135,363,571.49 |
| Transfers to Other State Agencies | (529,756,123.77) | 745,735,357.60 |
| Legislative Appropriations Lapsed | <u>(86,153.65)</u> | <u>(3,369,533.50)</u> |
| Change in Net Position | <u>471,827,494.83</u> | <u>6,169,838,636.07</u> |
| Beginning Net Position | <u>45,390,788,016.06</u> | <u>39,220,949,379.99</u> |
| Ending Net Position | <u>\$ 45,862,615,510.89</u> | <u>45,390,788,016.06</u> |

The University of Texas System Consolidated
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2019

| | <u>Current Year Totals</u> | <u>Prior Year Totals</u> |
|--|------------------------------|------------------------------|
| Cash Flows from Operating Activities: | | |
| Proceeds from Tuition and Fees | 1,865,803,386.35 | 1,836,744,836.90 |
| Proceeds from Patients and Customers | 8,985,690,162.35 | 8,142,533,380.70 |
| Proceeds from Sponsored Programs | 3,540,097,980.00 | 3,408,055,978.44 |
| Proceeds from Auxiliaries | 694,589,402.31 | 655,338,579.35 |
| Proceeds from Other Revenues | 951,608,298.19 | 990,361,589.33 |
| Payments to Suppliers | (6,431,325,295.92) | (5,848,344,789.74) |
| Payments to Employees | (11,396,086,921.99) | (10,722,323,531.98) |
| Payments for Loans Provided | (109,585,577.71) | (106,489,394.63) |
| Proceeds from Loan Programs | <u>129,888,611.82</u> | <u>112,136,154.73</u> |
| Net Cash Provided (Used) by Operating Activities | <u>(1,769,319,954.60)</u> | <u>(1,531,987,196.90)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from State Appropriations | 2,278,717,455.07 | 2,272,683,763.48 |
| Proceeds from Operating Gifts | 420,611,112.30 | 395,135,670.41 |
| Proceeds from Private Gifts for Endowment Purposes | 486,467,349.95 | 982,029,858.16 |
| Proceeds from Other Noncapital Financing Activities | 145,275,303.90 | 65,915,433.62 |
| Receipts for Transfers from System or Other Agencies | 621,785,681.43 | 512,646,753.96 |
| Payments for Transfers to System or Other Agencies | (1,277,440,911.30) | (2,293,783,485.95) |
| Payments for Other Uses | (28,877,255.87) | (79,355,459.52) |
| Proceeds from Nonexchange Sponsored Programs | <u>458,281,900.31</u> | <u>449,625,860.49</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>3,104,820,635.79</u> | <u>2,304,898,394.65</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Proceeds from Issuance of Capital Debt | 1,854,957,281.47 | 2,011,699,065.72 |
| Payments of Other Costs on Debt Issuance | (4,433,463.05) | (6,230,094.55) |
| Proceeds from Capital Appropriations, Grants, and Gifts | 228,706,765.14 | 241,134,923.66 |
| Proceeds from Sale of Capital Assets | 3,944,927.19 | 3,029,310.83 |
| Payments for Additions to Capital Assets | (2,052,235,223.02) | (2,027,594,521.99) |
| Payments of Principal on Capital Related Debt | (1,465,417,886.36) | (1,753,759,081.27) |
| Payments of Interest on Capital Related Debt | <u>(412,168,341.86)</u> | <u>(356,158,736.67)</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(1,846,645,940.49)</u> | <u>(1,887,879,134.27)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments | 31,989,571,615.89 | 25,256,773,283.86 |
| Proceeds from Interest and Investment Income | 2,010,674,007.56 | 2,379,211,328.19 |
| Payments to Acquire Investments | <u>(32,643,415,793.90)</u> | <u>(26,507,032,323.97)</u> |
| Net Cash Provided (Used) by Investing Activities | <u>1,356,829,829.55</u> | <u>1,128,952,288.08</u> |
| Net Increase (Decrease) in Cash | 845,684,570.25 | 13,984,351.56 |
| Cash and Cash Equivalents (Beginning of the Year) | <u>3,203,518,615.38</u> | <u>3,189,534,263.82</u> |
| Cash and Cash Equivalents (End of the Year) | <u>\$ 4,049,203,185.63</u> | <u>\$ 3,203,518,615.38</u> |
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (4,235,458,877.40) | (3,857,056,881.76) |
| Adjustments to Reconcile Operating Results to Net Cash: | | |
| Depreciation and Amortization Expense | 1,536,019,254.06 | 1,440,561,713.77 |
| Gross Loss on Impairment of Capital Assets | 33,807,631.88 | 2,466,799.57 |
| Bad Debt Expense | 364,422,782.12 | 368,794,213.67 |
| OPEB Expense | 664,784,810.00 | 843,220,745.00 |
| Pension Expense | 584,838,293.00 | 251,961,770.00 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | (444,492,296.17) | (265,366,146.58) |
| Inventories | (21,862,913.89) | (14,493,984.57) |
| Loans and Contracts | 20,308,435.29 | 5,654,005.50 |
| Other Current and Noncurrent Assets | (116,669,488.32) | (51,522,275.51) |
| Deferred Outflows-Other Postemployment Benefits | (364,048,918.00) | (8,006,018.00) |
| Deferred Outflows-Pension Related | (1,832,590,812.93) | 187,209,869.42 |
| Accounts Payable | 189,411,748.10 | 35,068,156.80 |
| Unearned Revenue | 141,837,442.03 | (30,348,820.93) |
| Assets Held for Others | (22,958,415.85) | 7,591,826.27 |
| Employees' Compensable Leave | 32,008,119.63 | 32,690,989.14 |
| Other Postemployment Benefits Obligation | (1,026,110,609.00) | (903,138,182.00) |
| Pension Related Obligations | 1,684,654,712.00 | (735,806,103.00) |
| Asset Retirement Obligations | 1,783,271.50 | 19,774,921.25 |
| Other Current and Noncurrent Liabilities | 35,234,825.35 | 109,960,706.06 |
| Deferred Inflows-Other Postemployment Benefits | 1,178,400,403.00 | 764,599,101.00 |
| Deferred Inflows-Pension Related | <u>(172,639,351.00)</u> | <u>264,196,398.00</u> |
| Total Adjustments | <u>2,466,138,922.80</u> | <u>2,325,069,684.86</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (1,769,319,954.60)</u> | <u>\$ (1,531,987,196.90)</u> |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in Fair Value of Investments | (2,392,905,074.12) | 2,881,770,871.69 |
| Donated Capital Assets | 84,142,183.58 | 58,599,451.22 |
| Capital Assets Acquired Under Capital Lease Purchases or Direct Borrowings | 150,480,838.21 | 1,382,575.13 |
| Miscellaneous Noncash Transactions | <u>(39,567,288.75)</u> | <u>(20,825,587.28)</u> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended August 31, 2019

1. The Financial Reporting Entity

The financial records of The University of Texas System (the System), reported as a business-type activity in the State of Texas' Comprehensive Annual Financial Report, reflect compliance with applicable State statutes and Governmental Accounting Standards Board (GASB) pronouncements. The significant accounting policies followed by the System in maintaining accounts and in the preparation of the consolidated financial statements are in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements and with generally accepted accounting principles in the United States of America (GAAP).

The consolidated financial statements include The University of Texas System Administration and all institutions of the System. Amounts due between and among institutions, amounts held for institutions by The University of Texas System Administration and other duplications in reporting are eliminated in consolidating the financial statements.

The System is composed of eight academic and six health-related institutions of higher education, as well as the System administrative offices. The fourteen institutions are as follows: The University of Texas at Arlington, The University of Texas at Austin, The University of Texas at Dallas, The University of Texas at El Paso, The University of Texas Permian Basin, The University of Texas Rio Grande Valley, The University of Texas at San Antonio, The University of Texas at Tyler, The University of Texas Southwestern Medical Center, The University of Texas Medical Branch at Galveston, The University of Texas Health Science Center at Houston, The University of Texas Health Science Center at San Antonio, The University of Texas M. D. Anderson Cancer Center, and The University of Texas Health Science Center at Tyler. The System is governed by a nine-member Board of Regents appointed by the Governor.

Blended Component Units

The following component units are included in the consolidated financial statements because the System appoints a voting majority of the component units' boards and the System is able to impose its will on the component units. Blended component unit financial information is available upon request.

U. T. Southwestern Health Systems is governed by a four-member board appointed by U. T. Southwestern Medical Center. U. T. Southwestern Health Systems provides support of health care services and grants to conduct research and provide educational programs to accomplish the mission of U. T. Southwestern Medical Center. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Southwestern Medical Center is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. Southwestern Health Systems, 5323 Harry Hines Boulevard, Dallas, Texas 75390.

U. T. Southwestern Moncrief Cancer Center is governed by a four-member board appointed by the president of U. T. Southwestern Medical Center. U. T. Southwestern Moncrief Cancer Center provides resources for cancer prevention, early detection and support services to cancer patients and their families within Tarrant County and surrounding areas. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Southwestern Medical Center is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. Southwestern Moncrief Cancer Center, 400 West Magnolia Avenue, Fort Worth, Texas 76104.

Moncrief Cancer Foundation is governed by a six-member board appointed by the president of U. T. Southwestern Medical Center. Moncrief Cancer Foundation supports comprehensive, multidisciplinary cancer treatment programs in Tarrant County and surrounding areas. The foundation is blended rather than discretely presented because it is organized as a not-for-profit foundation and U. T. Southwestern Medical Center is the sole corporate member. The foundation's fiscal year end is August 31. Separate financial statements may be obtained by contacting Moncrief Cancer Foundation, 5323 Harry Hines Blvd. Dallas, Texas 75390.

UTMB HealthCare Systems is governed by an eight-member board appointed by U. T. Medical Branch - Galveston. UTMB HealthCare Systems, Inc. provides temporary staffing and leased property, and manages the Medicare Select insurance product in selected markets for U. T. Medical Branch - Galveston. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Medical Branch – Galveston is the sole corporate member. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting UTMB HealthCare Systems, Inc., 301 University Boulevard, Galveston, Texas 77555.

The University Medical Branch Student Book Store, Inc. is governed by a five-member board appointed by U. T. Medical Branch - Galveston. The corporation is blended rather than discretely presented because it operates the book store for U. T. Medical Branch - Galveston and provides services entirely or almost entirely to U. T. Medical Branch - Galveston. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting The University Medical Branch Student Book Store, Inc., 301 University Boulevard, Galveston, Texas 77555.

Medical Branch Innovations, Inc. is governed by a three-member board appointed by U. T. Medical Branch – Galveston. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Medical Branch – Galveston is the sole corporate member. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting Medical Branch Innovations, Inc., 301 University Boulevard, Galveston, Texas 77555.

U. T. Physicians is governed by a five-member board appointed by U. T. Health Science Center - Houston. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Health Science Center - Houston is the sole corporate member. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. Physicians, 7000 Fannin Street, Suite 860, Houston, Texas 77030.

U. T. System Medical Foundation is governed by a three-member board appointed by U. T. Health Science Center - Houston. The foundation is blended rather than discretely presented because it provides services to support the medical residency programs entirely or almost entirely to U. T. Health Science Center - Houston. The foundation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. System Medical Foundation, 6431 Fannin, Suite J11 310, Houston, Texas 77030.

University Physicians Group is governed by a five-member board. The Dean of the School of Medicine is the Chairman of the Board, and four board members are members of and elected by the physician practice plan board. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Health Science Center - San Antonio is the sole corporate member. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting University Physicians Group, 8431 Fredericksburg Road, San Antonio, Texas 78229.

U. T. Health San Antonio Regional Physician Network is governed by a seven-member board. The Dean of the School of Medicine is the Chair of the Board of Directors. The corporation owns, operates and manages an Accountable Care Organization in accordance with the requirements of the Medicare Shared Savings Program, as set forth in section 1899 of the Social Security Act and related regulations. The corporation is a newly blended entity for the System beginning in fiscal year 2018. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Health Science Center - San Antonio is the sole corporate member. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting U. T. Health San Antonio Regional Physician Network, 1999 Bryan St, Suite 900, Dallas Texas 75201-3136.

M. D. Anderson Physician’s Network is governed by a nine-member board appointed by the president of M. D. Anderson. M. D. Anderson Physicians Network transfers programs representative of M. D. Anderson to the broad community. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and M. D. Anderson is the sole corporate member. The corporation’s fiscal year end is August 31. Separate financial statements may be obtained by contacting M. D. Anderson Physician’s Network, 7007 Bertner Avenue, Suite 10.3212, Houston, Texas 77030.

M. D. Anderson Services Corporation is governed by a seven-member board appointed by the president of M. D. Anderson. M. D. Anderson Services Corporation serves as an instrument of M. D. Anderson in its efforts to achieve its mission beyond the M. D. Anderson main campus. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and M. D. Anderson is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting M. D. Anderson Services Corporation, 7007 Bertner Avenue, Suite 10.3212, Houston, Texas 77030.

East Texas Quality Care Network, Inc. is governed by a four-member board appointed by U. T. Health Science Center - Tyler. The corporation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Health Science Center - Tyler is the sole corporate member. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting East Texas Quality Care Network, Inc., 11937 US Highway 271, Tyler, Texas 75708-3154.

The University of Texas/Texas A&M Investment Management Company (UTIMCO) is governed by a nine-member board consisting of at least three members of the U. T. System Board of Regents, four other members appointed by the U. T. System Board of Regents (one of whom may be the Chancellor of the System), and two members appointed by the Texas A&M System Board of Regents. At least three members appointed by the U. T. System Board of Regents and at least one member appointed by the Texas A&M System Board of Regents must have substantial background and expertise in investments. The corporation is blended rather than discretely presented because it provides investment management services entirely or almost entirely to the System. The corporation's fiscal year end is August 31. Separate financial statements may be obtained by contacting The University of Texas/Texas A&M Investment Management Company (UTIMCO), 210 West 7th Street, Suite 1700, Austin, Texas 78701.

The University of Texas Fine Arts Foundation is governed by a three-member board appointed by U. T. Austin. The University of Texas Fine Arts Foundation provides services to acquire the Suida-Manning Art Collection for the Blanton Museum of Art. The foundation is blended rather than discretely presented because it provides services entirely to U. T. Austin. The foundation's fiscal year end is December 31. Separate financial statements may be obtained by contacting The University of Texas Fine Arts Foundation, U. T. Austin, Main Building, P. O. Box T, Austin, Texas 78713.

The University of Texas Communication Foundation is governed by a three-member board appointed by U. T. Austin. The University of Texas Communication Foundation provides services to the U. T. Austin College of Communication to facilitate the participation by students, faculty and others in professional communication projects. The foundation is blended rather than discretely presented because it provides services entirely to U. T. Austin. The foundation's fiscal year end is August 31. Separate financial statements may be obtained by contacting The University of Texas Communication Foundation, U. T. Austin, P. O. Box 7322, Austin, Texas 78713.

Centro Global de Innovacion y Emprendimiento, A.C., Parque de Investigación e Innovación Tecnológica (PIIT), Av. Alianza Norte 300, esquina con Av. Innovación, Apodaca, Nuevo León, is governed by a two-member board appointed by U. T. Austin. Centro Global de Innovacion y Emprendimiento, A.C. promotes academic development in engineering, science, and business and cultural studies between The University of Texas at Austin and Mexico's academic institutions. The institute is blended rather than discretely presented because it is organized as a not-for-profit corporation, and U. T. Austin is the sole corporate member. Centro Global de Innovacion y Emprendimiento's fiscal year end is December 31. Separate financial statements may be obtained by contacting Centro Global de Innovacion y Emprendimiento, A.C., Carlos Ross, Director, ross@cgie.org.mx, T: +52(81)8850-3495 | 96.

The University of Texas at Austin – Mexico Institute, A.C., Centro de Ciencias de la Complejidad (Edificio C3), Planta Baja, Unidad Internacional de Sedes Universitarias, Circuito Cultural c/n, Zona Cultural, Ciudad Universitaria, Ciudad de México, México, CP. 04510, is governed by a four-member board appointed by U. T. Austin. The University of Texas at Austin – Mexico Institute, A.C. advances collaborative cross-disciplinary academic and scientific research partnerships in science, technology, engineering, and mathematics, and scholarly and cultural studies between The University of Texas at Austin and Mexico's academic institutions. The institute is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Austin is the sole corporate member. The Mexico Institute's fiscal year end is December 31. The University of Texas at Austin – Mexico Institute, A.C. had no activity through August 31, 2019. Separate financial statements may be obtained by contacting The University of Texas at Austin Jorge Rene Pinon, Director of Institutional Relations – Mexico, 2275 Speedway, Austin, TX, 78712.

The Crow Museum of Asian Art - Foundation, is governed a board of five directors appointed by U. T. Dallas. The foundation is a newly blended entity for the System beginning in fiscal year 2019. The foundation is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Dallas is the sole corporate member. The foundation's fiscal year end is December 31. Separate financial statements may be obtained by contacting the Crow Museum of Asian Art, 2010 Flora Street, Dallas, Texas 75201.

The Crow Museum of Asian Art - Trust, is governed U. T. Dallas as the sole trustee. The trust is a newly blended entity for the System beginning in fiscal year 2019. The trust is blended rather than discretely presented because it is organized as a not-for-profit corporation and U. T. Dallas is the sole corporate member. The trust's fiscal year end is December 31. Separate financial statements may be obtained by contacting the Crow Museum of Asian Art, 2010 Flora Street, Dallas, Texas 75201.

Condensed financial statement information related to the System's blended component units for the year ended August 31, 2019 is as follows:

| As of August 31, 2019 | Southwestern Health Systems | Southwestern Moncrief Cancer Center | Moncrief Cancer Foundation | UTMB HealthCare Systems | The University Medical Branch Student Book Store, Inc. |
|--|--|--|---|--|---|
| Condensed Statement of Net Position | | | | | |
| Current Assets | \$ 17,522,449.68 | 4,406,819.92 | 731,122.39 | 15,837,073.66 | 2,196,204.87 |
| Noncurrent Assets | - | 29,992,518.68 | 95,160,351.66 | 8,269,421.81 | 4,068.14 |
| Total Assets | 17,522,449.68 | 34,399,338.60 | 95,891,474.05 | 24,106,495.47 | 2,200,273.01 |
| Current Liabilities | - | 1,975,139.73 | 20,764,004.92 | 2,243,125.50 | 82,767.27 |
| Noncurrent Liabilities | - | - | - | - | - |
| Total Liabilities | - | 1,975,139.73 | 20,764,004.92 | 2,243,125.50 | 82,767.27 |
| Net Investment in Capital Assets | - | 28,017,378.95 | - | 1,700,284.46 | 4,068.14 |
| Restricted Nonexpendable | - | 1,567,922.52 | - | - | - |
| Restricted Expendable | - | - | 75,127,469.13 | - | - |
| Unrestricted | 17,522,449.68 | 2,838,897.40 | - | 20,163,085.51 | 2,113,437.60 |
| Total Net Position | \$ 17,522,449.68 | 32,424,198.87 | 75,127,469.13 | 21,863,369.97 | 2,117,505.74 |
| Condensed Statement of Revenues, Expenses and Changes in Net Position | | | | | |
| Operating Revenues | \$ 38,845.63 | 9,198,985.97 | - | 36,379,591.66 | 818,913.27 |
| Operating Expenses | (34,158.81) | (12,208,153.14) | - | (35,367,094.02) | (1,011,103.39) |
| Operating Income/(Loss) | 4,686.82 | (3,009,167.17) | - | 1,012,497.64 | (192,190.12) |
| Nonoperating Revenues (Expenses) | 1,876,014.23 | - | - | 675,354.15 | 15,968.79 |
| Income/(Loss) Before Other Changes in Net Position | 1,880,701.05 | (3,009,167.17) | - | 1,687,851.79 | (176,221.33) |
| Other Changes in Net Position | (931,000.00) | 1,791,606.73 | (3,317,061.97) | - | - |
| Change in Net Position | 949,701.05 | (1,217,560.44) | (3,317,061.97) | 1,687,851.79 | (176,221.33) |
| Net Position - August 31, 2018 | 16,572,748.63 | 33,641,759.31 | 78,444,531.10 | 20,175,518.18 | 2,293,727.07 |
| Net Position-August 31, 2019 | \$ 17,522,449.68 | 32,424,198.87 | 75,127,469.13 | 21,863,369.97 | 2,117,505.74 |
| Condensed Statement of Cash Flows | | | | | |
| Net Cash provided (used) by: | | | | | |
| Operating Activities | \$ 253,807.00 | 1,181,285.02 | 337,949.36 | 233,288.58 | (225,825.10) |
| Noncapital Financing Activities | - | - | - | - | - |
| Capital and Related Financing | - | - | - | - | - |
| Investing Activities | (25,054.00) | 84,887.00 | (902,230.68) | (415,409.22) | 66,182.42 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 228,753.00 | 1,266,172.02 | (564,281.32) | (182,120.64) | (159,642.68) |
| Cash and Cash Equivalents – August 31, 2018 | 5,518,777.60 | 1,860,465.25 | 1,221,452.02 | 6,288,338.77 | 2,084,679.45 |
| Cash and Cash Equivalents – August 31, 2019 | \$ 5,747,530.60 | 3,126,637.27 | 657,170.70 | 6,106,218.13 | 1,925,036.77 |

(Continued)

| As of August 31, 2019 | Medical Branch Innovations | U. T. Physicians | U. T. System Medical Foundation | University Physicians Group | U. T. Health San Antonio Regional Physician Network |
|--|---------------------------------------|-----------------------------|--|--|--|
| Condensed Statement of Net Position | | | | | |
| Current Assets | \$ 6,172,438.49 | 104,744,665.47 | 7,907,384.48 | - | 397.68 |
| Noncurrent Assets | - | 76,790,798.66 | 3,603,450.09 | 1,935,622.00 | - |
| Total Assets | 6,172,438.49 | 181,535,464.13 | 11,510,834.57 | 1,935,622.00 | 397.68 |
| Current Liabilities | 48,692.23 | 131,558,744.78 | 266,601.41 | - | 397.68 |
| Noncurrent Liabilities | 6,569,137.36 | - | 250,000.00 | - | - |
| Total Liabilities | 6,617,829.59 | 131,558,744.78 | 516,601.41 | - | 397.68 |
| Net Investment in Capital Assets | - | 21,080,604.65 | - | - | - |
| Restricted Nonexpendable | - | - | - | - | - |
| Restricted Expendable | - | - | - | - | - |
| Unrestricted | (445,391.10) | 28,896,114.70 | 10,994,233.16 | 1,935,622.00 | - |
| Total Net Position | \$ (445,391.10) | 49,976,719.35 | 10,994,233.16 | 1,935,622.00 | - |
| Condensed Statement of Revenues, Expenses and Changes in Net Position | | | | | |
| Operating Revenues | \$ 809,496.70 | 187,084,857.82 | 78,289,115.55 | 65,000.00 | - |
| Operating Expenses | (1,097,093.98) | (196,370,669.43) | (78,349,225.85) | (65,000.00) | (971,623.41) |
| Operating Income/(Loss) | (287,597.28) | (9,285,811.61) | (60,110.30) | - | (971,623.41) |
| Nonoperating Revenues (Expenses) | 124,406.00 | 5,122,125.89 | 358,501.24 | - | - |
| Income/(Loss) Before Other Changes in Net Position | (163,191.28) | (4,163,685.72) | 298,390.94 | - | (971,623.41) |
| Other Changes in Net Position | - | - | - | - | 1,188,243.01 |
| Change in Net Position | (163,191.28) | (4,163,685.72) | 298,390.94 | - | 216,619.60 |
| Net Position - August 31, 2018 | (282,199.82) | 54,140,405.07 | 10,695,842.22 | 1,935,622.00 | (216,619.60) |
| Net Position-August 31, 2019 | \$ (445,391.10) | 49,976,719.35 | 10,994,233.16 | 1,935,622.00 | - |
| Condensed Statement of Cash Flows | | | | | |
| Net Cash provided (used) by: | | | | | |
| Operating Activities | \$ (438,385.94) | 33,561,843.18 | 802,392.84 | - | - |
| Noncapital Financing Activities | - | - | - | - | - |
| Capital and Related Financing | - | (3,426,065.61) | - | - | - |
| Investing Activities | 124,406.00 | (18,004,437.58) | 169,728.89 | - | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | (313,979.94) | 12,131,339.99 | 972,121.73 | - | - |
| Cash and Cash Equivalents – August 31, 2018 | 5,694,767.73 | 67,560,060.40 | 6,167,067.31 | - | - |
| Cash and Cash Equivalents – August 31, 2019 | \$ 5,380,787.79 | 79,691,400.39 | 7,139,189.04 | - | - |

(Continued)

| As of August 31, 2019 | M. D. Anderson Physician's Network | M. D. Anderson Services Corp | East Texas Quality Care Network | UTIMCO | University of Texas Fine Arts Foundation |
|--|---|---|--|----------------------|---|
| Condensed Statement of Net Position | | | | | |
| Current Assets | \$ 64,727,900.01 | 97,147,720.26 | 385,626.31 | 27,379,391.00 | 435.73 |
| Noncurrent Assets | 107,964,903.41 | 670,532,354.74 | - | 2,417,290.00 | - |
| Total Assets | 172,692,803.42 | 767,680,075.00 | 385,626.31 | 29,796,681.00 | 435.73 |
| Current Liabilities | 16,835,858.42 | 121,254,980.09 | 11,175.36 | 14,431,227.00 | - |
| Noncurrent Liabilities | - | 184,230,968.11 | - | 5,461,994.00 | - |
| Total Liabilities | 16,835,858.42 | 305,485,948.20 | 11,175.36 | 19,893,221.00 | - |
| Net Investment in Capital Assets | 1,167,034.17 | 7,405.55 | - | - | - |
| Restricted Nonexpendable | - | 50,000,000.00 | - | - | - |
| Restricted Expendable | - | 383,830,518.00 | - | - | - |
| Unrestricted | 154,689,910.83 | 28,356,203.25 | 374,450.95 | 9,903,460.00 | 435.73 |
| Total Net Position | \$ 155,856,945.00 | 462,194,126.80 | 374,450.95 | 9,903,460.00 | 435.73 |
| Condensed Statement of Revenues, Expenses and Changes in Net Position | | | | | |
| Operating Revenues | \$ 52,195,211.34 | 3,187,344.04 | 45,285.31 | 43,801,512.00 | - |
| Operating Expenses | (23,929,939.69) | (2,059,113.34) | (20,225.10) | (40,952,229.00) | (60.00) |
| Operating Income/(Loss) | 28,265,271.65 | 1,128,230.70 | 25,060.21 | 2,849,283.00 | (60.00) |
| Nonoperating Revenues (Expenses) | 6,152,828.26 | 29,716,876.90 | - | 560,046.00 | 2.07 |
| Income/(Loss) Before Other Changes in Net Position | 34,418,099.91 | 30,845,107.60 | 25,060.21 | 3,409,329.00 | (57.93) |
| Other Changes in Net Position | - | - | - | - | - |
| Change in Net Position | 34,418,099.91 | 30,845,107.60 | 25,060.21 | 3,409,329.00 | (57.93) |
| Net Position - August 31, 2018 | 121,438,845.09 | 431,349,019.20 | 349,390.74 | 6,494,131.00 | 493.66 |
| Net Position-August 31, 2019 | \$ 155,856,945.00 | 462,194,126.80 | 374,450.95 | 9,903,460.00 | 435.73 |
| Condensed Statement of Cash Flows | | | | | |
| Net Cash provided (used) by: | | | | | |
| Operating Activities | \$ 33,939,413.48 | 31,876,588.08 | (165,843.62) | 5,536,394.00 | (60.00) |
| Noncapital Financing Activities | - | (29,314,671.12) | - | - | - |
| Capital and Related Financing | - | - | - | (181,060.00) | - |
| Investing Activities | (20,960,849.62) | (1,689,608.38) | - | 560,011.00 | 2.07 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 12,978,563.86 | 872,308.58 | (165,843.62) | 5,915,345.00 | (57.93) |
| Cash and Cash Equivalents – August 31, 2018 | 38,231,026.53 | 94,610,135.86 | 343,167.12 | 20,112,598.00 | 493.66 |
| Cash and Cash Equivalents – August 31, 2019 | \$ 51,209,590.39 | 95,482,444.44 | 177,323.50 | 26,027,943.00 | 435.73 |

(Concluded)

| As of August 31, 2019 | University of Texas Communication Foundation | Centro Global de Innovacion y Emprendimiento A.C. | The Crow Museum of Asian Art - Foundation | The Crow Museum of Asian Art - Trust. | Combined Blended Component Unit Total |
|--|---|--|--|--|--|
| Condensed Statement of Net Position | | | | | |
| Current Assets | \$ 211.28 | 130,643.16 | 320,894.66 | 833,032.58 | 350,444,411.63 |
| Noncurrent Assets | 177,909.96 | 33,617.53 | 40,850,016.22 | 24,494,537.19 | 1,062,226,860.09 |
| Total Assets | 178,121.24 | 164,260.69 | 41,170,910.88 | 25,327,569.77 | 1,412,671,271.72 |
| Current Liabilities | 119,020.83 | 15,652.38 | 687,752.02 | - | 310,295,139.62 |
| Noncurrent Liabilities | 39,051.62 | - | - | - | 196,551,151.09 |
| Total Liabilities | 158,072.45 | 15,652.38 | 687,752.02 | - | 506,846,290.71 |
| Net Investment in Capital Assets | - | 791,833.36 | 40,850,016.22 | - | 93,618,625.50 |
| Restricted Nonexpendable | - | - | - | - | 51,567,922.52 |
| Restricted Expendable | - | - | - | 25,327,569.77 | 484,285,556.90 |
| Unrestricted | 20,048.79 | (643,225.05) | (366,857.36) | - | 276,352,876.09 |
| Total Net Position | \$ 20,048.79 | 148,608.31 | 40,483,158.86 | 25,327,569.77 | 905,824,981.01 |
| Condensed Statement of Revenues, Expenses and Changes in Net Position | | | | | |
| Operating Revenues | \$ - | 357,178.43 | 177,107.21 | - | 412,448,444.93 |
| Operating Expenses | (787.50) | (430,616.76) | (1,099,817.23) | (60,278.72) | (394,027,189.37) |
| Operating Income/(Loss) | (787.50) | (73,438.33) | (922,710.02) | (60,278.72) | 18,421,255.56 |
| Nonoperating Revenues (Expenses) | - | - | 372,833.87 | 2,754,913.73 | 47,729,871.13 |
| Income/(Loss) Before Other Changes in Net Position | (787.50) | (73,438.33) | (549,876.15) | 2,694,635.01 | 66,151,126.69 |
| Other Changes in Net Position | - | 6,132.30 | 41,033,035.01 | 22,632,934.76 | 62,403,889.84 |
| Change in Net Position | (787.50) | (67,306.03) | 40,483,158.86 | 25,327,569.77 | 128,555,016.53 |
| Net Position - August 31, 2018 | 20,836.29 | 215,914.34 | - | - | 777,269,964.48 |
| Net Position-August 31, 2019 | \$ 20,048.79 | 148,608.31 | 40,483,158.86 | 25,327,569.77 | 905,824,981.01 |
| Condensed Statement of Cash Flows | | | | | |
| Net Cash provided (used) by: | | | | | |
| Operating Activities | \$ - | (73,438.33) | (5,100.90) | (60,278.72) | 106,754,028.93 |
| Noncapital Financing Activities | - | - | 18,312.62 | 354,521.25 | (28,941,837.25) |
| Capital and Related Financing | - | - | 48,444.01 | 22,278,413.51 | 18,719,731.91 |
| Investing Activities | - | 26,553.54 | - | (21,739,623.46) | (62,705,442.02) |
| Net Increase (Decrease) in Cash and Cash Equivalents | - | (46,884.79) | 61,655.73 | 833,032.58 | 33,826,481.57 |
| Cash and Cash Equivalents – August 31, 2018 | 211.28 | 133,758.65 | - | - | 249,826,999.63 |
| Cash and Cash Equivalents – August 31, 2019 | \$ 211.28 | 86,873.86 | 61,655.73 | 833,032.58 | 283,653,481.20 |

Condensed financial statement information related to the System's blended component units for the year ended August 31, 2018 is as follows:

| As of August 31, 2018 | | Southwestern Health Systems | Southwestern Moncrief Cancer Center | Moncrief Cancer Foundation | UTMB HealthCare Systems | The University Medical Branch Student Book Store, Inc. | Medical Branch Innovations |
|--|----|--|--|---|--|---|---------------------------------------|
| Condensed Statement of Net Position | | | | | | | |
| Current Assets | \$ | 16,585,555.00 | 2,360,563.33 | 1,296,017.93 | 14,172,149.82 | 2,400,018.95 | 6,186,496.15 |
| Noncurrent Assets | | - | 33,641,759.31 | 97,895,995.34 | 8,148,830.21 | 7,762.46 | - |
| Total Assets | | 16,585,555.00 | 36,002,322.64 | 99,192,013.27 | 22,320,980.03 | 2,407,781.41 | 6,186,496.15 |
| Current Liabilities | | 12,806.37 | 2,360,563.33 | 20,747,482.17 | 2,145,461.85 | 114,054.34 | 109,558.61 |
| Noncurrent Liabilities | | - | - | - | - | - | 6,359,137.36 |
| Total Liabilities | | 12,806.37 | 2,360,563.33 | 20,747,482.17 | 2,145,461.85 | 114,054.34 | 6,468,695.97 |
| Net Investment in Capital Assets | | - | 29,381,199.16 | - | 1,789,692.86 | 7,762.46 | - |
| Restricted Nonexpendable | | - | 1,659,170.45 | - | - | - | - |
| Restricted Expendable | | - | - | 78,444,531.10 | - | - | - |
| Unrestricted | | 16,572,748.63 | 2,601,389.70 | - | 18,385,825.32 | 2,285,964.61 | (282,199.82) |
| Total Net Position | \$ | 16,572,748.63 | 33,641,759.31 | 78,444,531.10 | 20,175,518.18 | 2,293,727.07 | (282,199.82) |
| Condensed Statement of Revenues, Expenses and Changes in Net Position | | | | | | | |
| Operating Revenues | \$ | 3,075.00 | 12,756,974.28 | 406.48 | 37,083,761.90 | 966,758.79 | 617,813.42 |
| Operating Expenses | | (20,328.00) | (12,411,642.15) | - | (36,477,821.11) | (1,085,132.62) | (789,533.98) |
| Operating Income/(Loss) | | (17,253.00) | 345,332.13 | 406.48 | 605,940.79 | (118,373.83) | (171,720.56) |
| Nonoperating Revenues (Expenses) | | 2,366,408.00 | - | 12,341,992.95 | 481,753.86 | 6,996.21 | 73,773.83 |
| Income/(Loss) Before Other Changes in Net Position | | 2,349,155.00 | 345,332.13 | 12,342,399.43 | 1,087,694.65 | (111,377.62) | (97,946.73) |
| Other Changes in Net Position | | (931,000.00) | (2,097,180.82) | (3,280,425.09) | - | - | - |
| Change in Net Position | | 1,418,155.00 | (1,751,848.69) | 9,061,974.34 | 1,087,694.65 | (111,377.62) | (97,946.73) |
| Net Position - August 31, 2017 | | 15,154,593.63 | 35,393,608.00 | 69,382,556.76 | 19,087,823.53 | 2,405,104.69 | (184,253.09) |
| Net Position-August 31, 2018 | \$ | 16,572,748.63 | 33,641,759.31 | 78,444,531.10 | 20,175,518.18 | 2,293,727.07 | (282,199.82) |
| Condensed Statement of Cash Flows | | | | | | | |
| Net Cash provided (used) by: | | | | | | | |
| Operating Activities | \$ | 1,732,353.00 | 614,643.89 | 2,374,501.74 | 2,710,447.26 | (85,512.88) | 354,672.25 |
| Noncapital Financing Activities | | - | - | - | - | - | - |
| Capital and Related Financing | | - | (6,247.02) | - | - | - | - |
| Investing Activities | | (2,258,081.00) | 53,323.00 | (2,363,096.45) | (412,724.58) | (335.79) | 73,773.83 |
| Net Increase (Decrease) in Cash and Cash Equivalents | | (525,728.00) | 661,719.87 | 11,405.29 | 2,297,722.68 | (85,848.67) | 428,446.08 |
| Cash and Cash Equivalents – August 31, 2017 | | 6,044,505.60 | 1,198,745.38 | 1,210,046.73 | 3,990,616.09 | 2,170,528.12 | 5,266,321.65 |
| Cash and Cash Equivalents – August 31, 2018 | \$ | 5,518,777.60 | 1,860,465.25 | 1,221,452.02 | 6,288,338.77 | 2,084,679.45 | 5,694,767.73 |

(Continued)

| As of August 31, 2018 | U. T. Physicians | U. T. System Medical Foundation | University Physicians Group | U. T. Health San Antonio Regional Physician Network | M. D. Anderson Physician's Network | M. D. Anderson Services Corp |
|--|-----------------------------|--|--|--|---|---|
| Condensed Statement of Net Position | | | | | | |
| Current Assets | \$ 86,844,173.34 | 14,519,324.02 | - | (216,245.68) | 50,336,308.91 | 95,933,378.76 |
| Noncurrent Assets | 54,861,654.75 | 3,422,960.49 | 1,935,622.00 | - | 86,667,272.88 | 668,838,664.65 |
| Total Assets | 141,705,828.09 | 17,942,284.51 | 1,935,622.00 | (216,245.68) | 137,003,581.79 | 764,772,043.41 |
| Current Liabilities | 87,565,423.02 | 6,996,442.29 | - | 373.92 | 15,466,154.42 | 118,947,946.97 |
| Noncurrent Liabilities | - | 250,000.00 | - | - | 98,582.28 | 214,475,077.24 |
| Total Liabilities | 87,565,423.02 | 7,246,442.29 | - | 373.92 | 15,564,736.70 | 333,423,024.21 |
| Net Investment in Capital Assets | 22,538,095.81 | - | - | - | 633,088.70 | 3,323.84 |
| Restricted Nonexpendable | - | - | - | - | - | 50,000,000.00 |
| Restricted Expendable | - | - | - | - | - | 355,864,683.90 |
| Unrestricted | 31,602,309.26 | 10,695,842.22 | 1,935,622.00 | (216,619.60) | 120,805,756.39 | 25,481,011.46 |
| Total Net Position | \$ 54,140,405.07 | 10,695,842.22 | 1,935,622.00 | (216,619.60) | 121,438,845.09 | 431,349,019.20 |
| Condensed Statement of Revenues, Expenses and Changes in Net Position | | | | | | |
| Operating Revenues | \$ 184,107,379.36 | 90,175,823.97 | 903,881.00 | - | 42,853,283.66 | 2,617,454.14 |
| Operating Expenses | (171,339,519.95) | (89,933,078.17) | (722,525.00) | (217,514.60) | (22,696,967.98) | (3,614,028.76) |
| Operating Income/(Loss) | 12,767,859.41 | 242,745.80 | 181,356.00 | (217,514.60) | 20,156,315.68 | (996,574.62) |
| Nonoperating Revenues (Expenses) | 1,627,053.97 | 207,184.96 | (181,356.00) | - | 2,685,224.35 | 61,713,137.80 |
| Income/(Loss) Before Other Changes in Net Position | 14,394,913.38 | 449,930.76 | - | (217,514.60) | 22,841,540.03 | 60,716,563.18 |
| Other Changes in Net Position | (49,999,750.00) | - | - | 895.00 | - | - |
| Change in Net Position | (35,604,836.62) | 449,930.76 | - | (216,619.60) | 22,841,540.03 | 60,716,563.18 |
| Net Position - August 31, 2017 | 89,745,241.69 | 10,245,911.46 | 1,935,622.00 | - | 98,597,305.06 | 370,632,456.02 |
| Net Position-August 31, 2018 | \$ 54,140,405.07 | 10,695,842.22 | 1,935,622.00 | (216,619.60) | 121,438,845.09 | 431,349,019.20 |
| Condensed Statement of Cash Flows | | | | | | |
| Net Cash provided (used) by: | | | | | | |
| Operating Activities | \$ (27,808,498.26) | (723,521.22) | 488,791.00 | - | 22,757,580.44 | 59,917,922.54 |
| Noncapital Financing Activities | 95,495.21 | - | - | - | - | (28,969,616.40) |
| Capital and Related Financing | (4,467,806.42) | - | (488,791.00) | - | - | - |
| Investing Activities | 26,282,669.01 | 97,392.49 | - | - | (16,320,422.92) | (31,622,713.00) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (5,898,140.46) | (626,128.73) | - | - | 6,437,157.52 | (674,406.86) |
| Cash and Cash Equivalents – August 31, 2017 | 73,458,200.86 | 6,793,196.04 | - | - | 31,793,869.01 | 95,284,542.72 |
| Cash and Cash Equivalents – August 31, 2018 | \$ 67,560,060.40 | 6,167,067.31 | - | - | 38,231,026.53 | 94,610,135.86 |

(Concluded)

| As of August 31, 2018 | East Texas Quality Care Network | UTIMCO | University of Texas Fine Arts Foundation | University of Texas Communication Foundation | Centro Global de Innovacion y Emprendimiento A.C. | Combined Blended Component Unit Total |
|--|--|-----------------------|---|---|--|--|
| Condensed Statement of Net Position | | | | | | |
| Current Assets | \$ 359,401.34 | 21,707,243.00 | 493.66 | 211.28 | 228,822.92 | 312,713,912.73 |
| Noncurrent Assets | - | 2,196,620.00 | - | 177,909.96 | 49,475.11 | 957,844,527.16 |
| Total Assets | 359,401.34 | 23,903,863.00 | 493.66 | 178,121.24 | 278,298.03 | 1,270,558,439.89 |
| Current Liabilities | 10,010.60 | 12,011,702.00 | - | 118,233.33 | 62,383.69 | 266,668,596.91 |
| Noncurrent Liabilities | - | 5,398,030.00 | - | 39,051.62 | - | 226,619,878.50 |
| Total Liabilities | 10,010.60 | 17,409,732.00 | - | 157,284.95 | 62,383.69 | 493,288,475.41 |
| Net Investment in Capital Assets | - | - | - | - | - | 54,353,162.83 |
| Restricted Nonexpendable | - | - | - | - | - | 51,659,170.45 |
| Restricted Expendable | - | - | - | - | - | 434,309,215.00 |
| Unrestricted | 349,390.74 | 6,494,131.00 | 493.66 | 20,836.29 | 215,914.34 | 236,948,416.20 |
| Total Net Position | \$ 349,390.74 | 6,494,131.00 | 493.66 | 20,836.29 | 215,914.34 | 777,269,964.48 |
| Condensed Statement of Revenues, Expenses and Changes in Net Position | | | | | | |
| Operating Revenues | \$ 44,971.20 | 45,509,801.00 | - | - | 297,202.89 | 417,938,587.09 |
| Operating Expenses | (23,971.98) | (49,157,229.00) | (775.00) | - | (291,687.78) | (388,781,756.08) |
| Operating Income/(Loss) | 20,999.22 | (3,647,428.00) | (775.00) | - | 5,515.11 | 29,156,831.01 |
| Nonoperating Revenues (Expenses) | - | 276,142.00 | 1.16 | - | (578,623.37) | 81,019,689.72 |
| Income/(Loss) Before Other Changes in Net Position | 20,999.22 | (3,371,286.00) | (773.84) | - | (573,108.26) | 110,176,520.73 |
| Other Changes in Net Position | - | - | - | - | 789,022.60 | (55,518,438.31) |
| Change in Net Position | 20,999.22 | (3,371,286.00) | (773.84) | - | 215,914.34 | 54,658,082.42 |
| Net Position - August 31, 2017 | 328,391.52 | 9,865,417.00 | 1,267.50 | 20,836.29 | - | 722,611,882.06 |
| Net Position-August 31, 2018 | \$ 349,390.74 | 6,494,131.00 | 493.66 | 20,836.29 | 215,914.34 | 777,269,964.48 |
| Condensed Statement of Cash Flows | | | | | | |
| Net Cash provided (used) by: | | | | | | |
| Operating Activities | \$ 33.34 | 14,294,619.00 | (775.00) | - | 5,515.11 | 76,632,772.21 |
| Noncapital Financing Activities | - | - | - | - | - | (28,874,121.19) |
| Capital and Related Financing | - | (13,223,283.00) | - | - | - | (18,186,127.44) |
| Investing Activities | - | 316,304.00 | 1.16 | - | 128,243.54 | (26,025,666.71) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 33.34 | 1,387,640.00 | (773.84) | - | 133,758.65 | 3,546,856.87 |
| Cash and Cash Equivalents – August 31, 2017 | 343,133.78 | 18,724,958.00 | 1,267.50 | 211.28 | - | 246,280,142.76 |
| Cash and Cash Equivalents – August 31, 2018 | \$ 343,167.12 | 20,112,598.00 | 493.66 | 211.28 | 133,758.65 | 249,826,999.63 |

ASSETS HELD BY AFFILIATED ORGANIZATIONS

GASB authoritative guidance provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the System. This guidance states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The System has defined significance as 5% of System's net position. As of August 31, 2019, none of the System's potential component units individually meet the 5% of System's net position criteria for inclusion in the System's financial statements. Based upon the most recent available information, the combined net position of these potential component units reported by the organizations total \$2,707,624,087.00 at August 31, 2019 and \$2,381,867,586.00 at August 31, 2018.

2. Related Parties

Through the normal course of operations, the System both receives funds from and provides funds to other State agencies in support of sponsored research programs. Funds received and provided during the year ended August 31, 2019, related to pass-through grants were \$412,390,161.51 and \$9,054,946.35, respectively. Funds received and provided during the year ended August 31, 2018, related to pass-through grants were \$431,873,657.08 and \$19,438,383.14, respectively.

Other related-party transactions identified in the financial statements include Due From/To Other State Agencies, State Appropriations, Capital Appropriations and Transfers From/To Other State Agencies.

3. Joint Ventures

The University of Texas Southwestern Medical Center (UTSW) is a participating member of Texas Health Resources (THR) integrated regional health network. This network, Southwestern Health Resources (SWHR), offers key advantages for patients in North Texas including: a) a broad, integrated continuum of physician-driven care utilizing UTSW's network of faculty and community-based physicians, THR's employed physicians, and independent physicians affiliated with both organizations; and b) an integrated hospital network consisting of UTSW's two university hospitals and THR's wholly-controlled and joint-ventured community hospitals, a key component of which is a new organization – a Joint Operating Company formed to bring together the three Dallas hospitals (UTSW's William P. Clements, Jr. and Zale Lipshy University Hospitals, and THR's Texas Health Presbyterian Hospital Dallas). UTSW's equity interest in SWHR at August 31, 2019 and 2018 was \$23,681,501.17 and \$26,802,017.06, respectively, or approximately 50%.

The University of Texas Southwestern Medical Center is a participating member of Texas Health Hospital Frisco (THHF). Texas Health Hospital Frisco is a joint venture entered into by UTSW and Texas Health Resources on August 27, 2018. UTSW's equity interest in Texas Health Hospital Frisco at August 31, 2019 was \$105,046,823.19, or 49%. No separate financial statements were completed for fiscal year 2019. THHF is scheduled to open in fiscal year 2020.

U. T. Southwestern Health Systems (UTSHS), a blended component unit of U. T. Southwestern Medical Center, is a participating member of U. T. Southwestern DVA Healthcare, LLP (DVA). DVA is a joint venture between UTSHS and Davita Inc. to provide care for dialysis patients in the Dallas-Fort Worth area. UTSHS's equity interest in DVA at August 31, 2019 and 2018 was \$10,597,068.69 and \$9,229,383.00, respectively, or 49%. Separate financial statements for DaVita may be obtained at DaVita Inc., 601 Hawaii Street, El Segundo, California 90245 or www.davita.com.

In April 2018, UTSHS became a participating member of Crowder Dialysis, LLC (Crowder). Crowder is a joint venture between UTSHS, Crowder, and Renal Treatment Centers-Southeast, LP, formed for the purpose of developing, establishing, owning or leasing, and operating one or more licensed outpatient dialysis and renal care service centers and for the purpose of doing such other things as are necessary, convenient, desirable or incidental to the foregoing, and for such other purposes as may be agreed upon from time to time. UTSHS's equity interest in Crowder at August 31, 2019 and 2018 was \$1,124,413.87 and \$1,596,085.00, respectively or 49%. Separate financial statements for Crowder may be obtained at c/o DaVita Inc., 2000 16th Street, Denver, Colorado, 80202 or www.DaVita.com.

U. T. Health Science Center - Houston's blended component unit, U. T. Physicians, is a participating member of Physician's Dialysis of Houston. Physician's Dialysis of Houston is a joint venture entered into by U. T. Physicians and DaVita, Inc. U. T. Physician's equity interest in Physician's Dialysis of Houston at August 31, 2019 and 2018 was \$921,147.55 and \$645,661.76, respectively, or 35.62%. Separate financial statements for Physician's Dialysis of Houston may be obtained at Physician's Dialysis of Houston, Attention: Marie Sinfield, 1423 Pacific Avenue, Tacoma, Washington 98402.

U. T. Health Science Center - Houston's blended component unit, U. T. Physicians, is a participating member of TMC Holding Company, L.L.C. (TMC Holding). TMC Holding is a Limited Liability Corporation entered into by U. T. Physicians, Baylor College of Medicine and Memorial Hermann/USP Surgery Centers III, L.L.P. U. T. Physicians' equity interest in TMC Holding at August 31, 2019 and 2018 was \$405,220.32 and \$459,211.13, respectively, or 18.1%. Separate financial statements for TMC Holding may be obtained by contacting Vanessa Smith, 3050 Post Oak Boulevard, Suite 620, Houston, Texas 77056.

U. T. Health Science Center - Houston's blended component unit, U. T. Physicians, is a participating member of Bluesky MOB, L.L.P. Bluesky MOB, L.L.P. is a Limited Liability Partnership of which U. T. Physicians purchased an 18.7% interest in for \$380,754.85 on August 1, 2012. U. T. Physicians' equity interest in Bluesky MOB, LLP at August 31, 2019 and 2018 was \$380,754.85, or 18.7%. Separate financial statements for Bluesky MOB, L.L.P. may be obtained at Moore, Reichl, & Baker, P.C., c/o Doug Reichl, CPA, 11200 Westheimer Suite 410, Houston, Texas, 77042.

U. T. Health Science Center - Houston and M. D. Anderson are participating members of the Texas Medical Center Central Heating and Cooling Services Cooperative Association (TECO). TECO was incorporated on October 2, 1975, for the purpose of operating a central heating and cooling services facility on a cooperative basis solely for the benefit of eligible institutions. On June 1, 2003, TECO transferred substantially all of its assets and operation to TECO Corporation, and TECO Corporation assumed the liabilities and obligations of TECO. TECO still renders services to member and non-member patrons at cost. Savings or margins are refunded to the member and non-member patrons on a patronage basis in the form of cash or equity by TECO. In fiscal year 2016, U. T. Health Science Center - Houston purchased the Jessie Jones Library and obtained additional patronage equity in TECO in the amount of \$301,800.00 via the Houston Academy of Medicine's shares of TECO equity. U. T. Health Science Center - Houston's equity interest in TECO at August 31, 2019 and 2018 was \$12,989,382.00 and \$12,958,172.00, respectively, or 11.6% and 11.9%, respectively. M. D. Anderson's equity interest in TECO at August 31, 2019 and 2018 was \$42,265,157.00 and \$43,318,947.00, respectively, or 37.6% and 38.5%, respectively. Separate financial statements for TECO may be obtained at Thermal Energy Corporation, 1615 Braeswood Boulevard, Houston, Texas 77030 or http://teco.tmc.edu/home/teco_home.php.

M. D. Anderson is a participating member of the Texas Medical Center Hospital Laundry Cooperative Association (the Association). The Association was established on April 30, 1971, for the purpose of acquiring, owning, and operating a laundry system on a cooperative basis solely for the benefit of members of the Association. Net earnings of the Association may be refunded to the members on a patronage basis or retained by the Association as equity allocated to the members. M. D. Anderson's equity interest in the Association at August 31, 2019 and 2018 was \$5,924,559.92 and \$5,493,728.36, respectively, or 40%. Separate financial statements for the Association may be obtained at 1601 Braeswood Boulevard, Houston, Texas 77030 or <http://www.texasmedicalcenter.org/root/en/GetToKnow/TMCInstitutions/OtherInstitutions/Laundry/Laundry>.

M. D. Anderson is a participating member of P.E.T. Net Houston, LLC (PETNet). PETNet is a joint venture entered into by M. D. Anderson and P.E.T. Pharmaceuticals, Inc. to lease and operate a facility located on M. D. Anderson's campus to produce positron radiopharmaceuticals and isotopes. Construction of the facility commenced in 2003. M. D. Anderson's equity interest in PETNet at August 31, 2019 and 2018 was \$2,849,145.47 and \$2,489,336.48, respectively, or 49%. Separate financial statements for PETNet may be obtained at Siemens Medical Solutions USA, Inc., 51 Valley Stream Parkway, Malvern, Pennsylvania 19355.

M. D. Anderson entered into an amended and restated Limited Partnership agreement dated March 30, 2010 between Proton Therapy Center-Houston LTD., L.L.P., (PTC Partnership), PTC-Houston Investors, L.L.C., (Investors), PTC-Houston Management, L.P., and M. D. Anderson. The purposes of PTC Partnership are to assume the lease formerly held by Investors with M. D. Anderson to lease approximately four acres on the M. D. Anderson's property for an initial term of 60 years, develop and/or acquire other proton therapy related business opportunities in the area and engage in any other activities that are reasonably incidental to the foregoing or that are contemplated by the agreement or the related agreements. As part of the agreement, each partner has made or is deemed to have made the Initial Contribution which equaled \$15,621,950.00 for M. D. Anderson or 51.22%. However, M. D. Anderson's only capital contribution to PTC Partnership has been through the ground lease which equals \$2,500,000.00. M. D. Anderson has recorded cash distributions and has adjusted its carrying value based on the operating results of PTC Partnership as required by the agreement, which does not equal the initial contribution. Until the carrying value of the investment equals or exceeds the initial contribution value, M. D. Anderson has elected to record the carrying value on the statement of net position. As of August 31, 2019 and 2018, M. D. Anderson's equity interest in PTC Partnership was \$0. M. D. Anderson received no cash contributions during the fiscal year ended August 31, 2019, but received cash contributions totaling \$1,225,245.00 during the fiscal year ended August 31, 2018. Separate financial statements for PTC Partnership may be obtained at <http://www.mdanderson.org/patient-and-cancer-information/proton-therapy-center/index.html>. M. D. Anderson entered into an asset purchase agreement for all the assets, including non-excluded working capital accounts, with PTC-Houston Management, LP for approximately \$156,000,000. The transaction was effective December 1, 2018. The deferred outflows created from this transaction was approximately \$23 million. As a 49% residual interest holder Investor, M. D. Anderson recovered approximately \$43,300,000.00 in distributions through the dissolution of the partnership.

M. D. Anderson is a participating member in the National Center for Therapeutics Manufacturing (the "NCTM"). M. D. Anderson entered into a Collaboration, Investment and Facility Use Agreement as of May 19, 2010 with Texas A&M University System to collaborate on the design of the NCTM and on grants and proposals relating to cancer therapeutics that could be developed at the NCTM. M. D. Anderson's cost-based interest in NCTM at August 31, 2019 and 2018 was \$1,245,000.00, or approximately 2.5%. Separate financial statements for NCTM may be obtained at <http://www.tamtu.edu/iit/nctm/>.

On March 1, 2018, U. T. Health Science Center – Tyler (UTHSC – Tyler) entered into a joint venture with AHS East Texas Health System, LLC, to form East Texas Health System, LLC, a Texas Limited Liability Company. The resulting health system, known as U. T. Health East Texas, is designed to expand medical education, research and community health in Northeast Texas. U. T. Health Science Center – Tyler's hospital and physician clinic operations are participants in the ten-hospital system, designed to advance the achievement of UTHSC – Tyler's mission through financial and clinical alignment and integration and to improve the delivery of cost effective, quality health care services in the Northeast Texas region. UTHSC – Tyler's equity interest in U. T. Health East Texas at August 31, 2019 and 2018 was \$10,457,300.00 and \$3,043,300.00, respectively, or approximately 30%.

4. Summary of Significant Accounting Policies

BASIS OF ACCOUNTING

The financial statements of the System have been prepared using the economic resources measurement focus and the accrual basis of accounting. The System reports as a business type activity, as defined by GASB. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The financial statements of the System have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

GASB STATEMENTS IMPLEMENTED IN FISCAL YEAR 2018

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective 2018, addressed reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, effective 2018, required that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement.

GASB STATEMENTS IMPLEMENTED IN FISCAL YEAR 2019

GASB Statement No. 83, *Certain Asset Retirement Obligations* (ARO), effective 2019, addressed accounting and financial reporting for AROs related to clean-up and decommissioning of items using radiation such as broadscope licenses, cyclotrons, and nuclear reactors. The effect of implementing GASB Statement No. 83 on the System's financial statements for the year ended August 31, 2018 was as follows:

Statement of Net Position as of August 31, 2018

| | As Reported in Fiscal Year 2018 | GASB Statement No. 83 Restatement | Restated Fiscal Year 2018 |
|--|------------------------------------|--------------------------------------|------------------------------|
| Assets: | | | |
| Total Current Assets | \$ 7,532,581,476.49 | - | 7,532,581,476.49 |
| Total Noncurrent Assets | 71,457,215,251.30 | - | 71,457,215,251.30 |
| Total Assets | 78,989,796,727.79 | - | 78,989,796,727.79 |
| Total Deferred Outflows of Resources | 996,206,673.93 | 5,589,485.57 | 1,001,796,159.50 |
| Total Assets and Deferred Outflows | \$ 79,986,003,401.72 | 5,589,485.57 | 79,991,592,887.29 |
| Liabilities: | | | |
| Current Asset Retirement Obligation | \$ - | 611,267.79 | 611,267.79 |
| Other Current Liabilities | 9,167,262,469.59 | - | 9,167,262,469.59 |
| Total Current Liabilities | 9,167,262,469.59 | 611,267.79 | 9,167,873,737.38 |
| Noncurrent Asset Retirement Obligation | - | 24,753,139.03 | 24,753,139.03 |
| Other Noncurrent Liabilities | 23,617,025,783.88 | - | 23,617,025,783.88 |
| Total Noncurrent Liabilities | 23,617,025,783.88 | 24,753,139.03 | 23,641,778,922.91 |
| Total Liabilities | 32,784,288,253.47 | 25,364,406.82 | 32,809,652,660.29 |
| Total Deferred Inflows of Resources | 1,791,152,210.94 | - | 1,791,152,210.94 |
| Total Liabilities and Deferred Inflows | \$ 34,575,440,464.41 | 25,364,406.82 | 34,600,804,871.23 |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ 6,632,432,232.97 | - | 6,632,432,232.97 |
| Restricted Nonexpendable | 27,395,040,034.50 | - | 27,395,040,034.50 |
| Restricted Expendable | 14,655,181,774.49 | - | 14,655,181,774.49 |
| Unrestricted | (3,272,091,104.65) | (19,774,921.25) | (3,291,866,025.90) |
| Total Net Position | \$ 45,410,562,937.31 | (19,774,921.25) | 45,390,788,016.06 |

Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended August 31, 2018

| | As Reported in Fiscal Year 2018 | GASB Statement No. 83 Restatement | Restated Fiscal Year 2018 |
|--|------------------------------------|--------------------------------------|------------------------------|
| Operating Income (Loss): | | | |
| Total Operating Revenues | \$ 14,884,824,232.82 | - | 14,884,824,232.82 |
| Less Operating Expenses: | | | |
| Asset Retirement Expense | - | 19,774,921.25 | 19,774,921.25 |
| Other Operating Expenses | 18,722,106,193.33 | - | 18,722,106,193.33 |
| Total Operating Expenses | 18,722,106,193.33 | 19,774,921.25 | 18,741,881,114.58 |
| Operating Income (Loss) | (3,837,281,960.51) | (19,774,921.25) | (3,857,056,881.76) |
| Total Net Nonoperating Revenues (Expenses) | 10,182,326,037.01 | - | 10,182,326,037.01 |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | 6,345,044,076.50 | (19,774,921.25) | 6,325,269,155.25 |
| Other Revenues/Transfers | (155,430,519.18) | - | (155,430,519.18) |
| Change in Net Position | 6,189,613,557.32 | (19,774,921.25) | 6,169,838,636.07 |
| Beginning Net Position | 39,220,949,379.99 | - | 39,220,949,379.99 |
| Ending Net Position | \$ 45,410,562,937.31 | (19,774,921.25) | 45,390,788,016.06 |

GASB Statement No. 85, *Omnibus 2017*, effective 2019, addressed practice issues that were identified during implementation and application of certain GASB statements. The implementation of Statement 85 had no effect on the System's net position or changes in net position for the years ended August 31, 2019 and 2018.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective 2019, addressed note disclosures based on liability type. The implementation of Statement 88 had no effect on the System's net position or changes in net position for the years ended August 31, 2019 and 2018. Capital lease obligations of \$7,295,156.61 were reclassified to notes from direct borrowings for August 31, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective 2021, simplifies interest expense accounting and enhances the relevance of information about capital assets. GASB Statement No. 89 discontinued the capitalization of interest costs during construction. The Texas State Comptroller's Office decided to early implement this standard in 2019. The implementation of Statement 89 resulted in more interest expense being reflected beginning in 2019.

CASH AND CASH EQUIVALENTS

Short-term, highly liquid investments with maturities of three months or less when purchased are generally considered cash and cash equivalents. It is the System's policy to exclude items that meet this definition if they are part of an investment pool, which has an investment horizon of one year or greater. Therefore, highly liquid investments that are part of the Intermediate Term Fund (ITF) and the Long Term Fund (LTF) are not considered cash and cash equivalents. Additionally, endowments invested in money market accounts are also excluded from Cash and Cash Equivalents as the intent is to invest these funds for more than one year. Cash held in the State treasury for the Permanent University Fund (PUF), the Permanent Health Fund (PHF) and the Available University Fund (AUF) are considered cash and cash equivalents. Other highly liquid investments of these major funds which are held in pooled funds and invested with custodians are not considered cash and cash equivalents according to the investment policies of the System. Restricted cash and cash equivalents include cash held in the State treasury for the PUF and PHF and restricted sources of funds used for construction of capital assets as well as funds held for debt service. The System holds bond proceeds in restricted investments to be disbursed to the institutions to support capital projects on a cost reimbursable basis.

BALANCE IN STATE APPROPRIATIONS

This item represents the balance of General Revenue funds at August 31 as calculated in the Texas State Comptroller's General Revenue Reconciliation.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are recorded at fair value. The fair value of derivatives is recorded as either an investment, an investment derivative liability, a hedging derivative asset or a hedging derivative liability on the statement of net position. The valuation of investment derivatives is discussed in the Investments disclosure below. The System has calculated the fair value of the interest rate swaps using a forecast of expected discounted future net cash flows and considered the nonperformance risk of the parties.

The System has entered into interest rate swap agreements with various counterparties, all of which are highly rated financial institutions, to manage various risks associated with the System's debt programs. Each of the System's interest rate swaps is a contractual agreement entered into between the System and a counterparty under which each party agrees to exchange periodic fixed or variable payments, based upon a stated notional amount, over the stated life of the agreement. The net differential paid or received is recognized over the life of the agreement as an adjustment to interest expense.

Interest rate swaps determined to be hedging derivatives are designated as cash flow hedges. Hedging derivative assets and hedging derivative liabilities are recorded on the System's statement of net position. Under hedge accounting, for derivatives that are determined to be effective, changes in the fair value of hedging derivatives are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values).

Changes in the fair value of derivatives that are not effective are recorded as net increase (decrease) in the fair value of investments in the statement of revenues, expenses and changes in net position.

INVESTMENTS

The majority of the investments of the System, except for PUF lands, are managed by UTIMCO, a private investment corporation that provides services to the System and its related foundations. All investments are reported as noncurrent as these funds have an investment horizon extending beyond one year. Restricted investments include investments restricted by legal or contractual requirements, including those related to donors and constitutional restrictions.

The audited financial statements of the funds managed by UTIMCO may be found on UTIMCO's website and inquiries may be directed to UTIMCO via www.utimco.org.

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date.

The System is authorized to invest funds, as provided in Section 51.0031 of the Texas Education Code and the Constitution of the State of Texas, under prudent investor investment standards. Such investments include various fixed income and equity type securities, hedge funds, public market funds, and private investments. The investments of the System are governed by various investment policies approved by the U. T. System Board of Regents.

CONTRIBUTIONS RECEIVABLE

Current and noncurrent contributions receivable are amounts pledged to the System by donors, net of allowances. Multi-year gift pledges greater than \$10,000 must be reported at the discounted present value. At the beginning of each fiscal year, the System re-establishes the scale of discount rates applicable for present valuing new multi-year gift pledges that are received during the new fiscal year. The scale of discount rates is based upon U.S. Treasury Notes and Bonds asked yields as listed in the Wall Street Journal on the first day of the fiscal year. Existing gift pledges are not recalculated since these pledges were previously calculated at historical discount rates.

INVENTORIES

Inventories, consisting primarily of supplies and merchandise for resale, are valued at cost, typically based on the specific identification, weighted average or first-in, first-out methods, which are not in excess of net realizable value.

RESTRICTED ASSETS

Restricted assets include funds restricted by legal or contractual requirements, including those related to sponsored programs, donors, constitutional restrictions, bond covenants, and loan agreements.

LOANS AND CONTRACTS

Current and noncurrent loans and contracts are receivables, net of allowances, related to student loans.

SECURITIES LENDING COLLATERAL AND OBLIGATIONS

The collateral secured for securities lent are reported as an asset on the statement of net position. The obligations for securities lent are reported as a liability on the statement of net position that directly offsets the cash collateral received from brokers or dealers in exchange for securities loaned. The costs of securities lending transactions are reported as part of investment income in the statement of revenues, expenses and changes in net position. See Note 6 for details regarding the securities lending program.

CAPITAL AND INTANGIBLE ASSETS

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation in the case of gifts. The System follows the State's capitalization policy with a cost equal to or greater than \$5,000.00 for equipment items, \$100,000.00 for buildings, building improvements and improvements other than buildings, and \$500,000.00 for infrastructure items, and an estimated useful life of greater than one year. Purchases of library books are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Outlays for construction in progress are capitalized as incurred. The thresholds for software are \$100,000.00 for purchased software and \$1,000,000.00 for internally developed software including Enterprise Resource Planning replacements. The System capitalizes but does not depreciate works of art and historical treasures that are held for exhibition, education, research and public service. These collections are protected and preserved.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, generally two to fifteen years for equipment items, five years for software, six years for Enterprise Resource Planning replacements, fifteen years for library books, ten to fifty years for buildings and their components and fifteen to forty years for infrastructure elements.

OTHER ASSETS

Other current assets are primarily made up of prepaid expenses, while other noncurrent assets are primarily made up of equity interests in joint ventures that do not meet the definition of an investment and beneficial interests in irrevocable split-interest agreements in which a third-party is the intermediary.

DEFERRED OUTFLOWS

Deferred outflows consist of the fair value of hedging derivatives in a liability position, unamortized losses on refunding of debt, unamortized interest rate lock termination payments, certain changes in the net pension and total OPEB liability, unamortized portions of asset retirement obligation, and excess consideration paid in a government acquisition. Changes in fair value for effective hedges that are achieved with derivative instruments are to be reported as deferred inflows and deferred outflows in the statement of net position. For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is amortized, using the straight-line method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the statement of revenues, expenses and changes in net position as a component of interest expense. When a Treasury Lock is used to hedge interest rate exposure on bonds, the lock termination payment is recorded as a deferred outflow and is amortized, using the straight-line method, over the remaining life of the related debt in the statement of revenues, expenses and changes in net position as a component of interest expense. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions, and employer contributions subsequent to the measurement date of the net pension liability are also required to be reported as deferred outflows of resources. Similarly, changes in the total OPEB liability not included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB, and employer contributions subsequent to the measurement date of the total OPEB liability are also required to be reported as deferred outflows of resources. For asset retirement obligations, deferred outflows are recognized for anticipated clean-up and decommissioning costs, amortized over the life of the related assets. Deferred outflows are also recognized for excess consideration paid in a government acquisition, amortized over the estimated service life.

UNEARNED REVENUE

Unearned revenue represents revenues such as tuition recorded in August for the fall semester and payments received in advance for sponsored programs.

ASSETS HELD FOR OTHERS – CURRENT AND NONCURRENT

Assets held for others represent funds held by the System as custodial or fiscal agent for students, faculty members, foundations, and others. Included in assets held for others as of August 31, 2019 and 2018 is \$516,598,582.19 and \$492,658,190.32, respectively, for the Physician's Referral Service Supplemental Retirement Plan/Retirement Benefit Plan at M. D. Anderson. As of August 31, 2019 and 2018, assets held for others also included \$222,100,542.48 and \$217,380,658.05, respectively, from foundations that invest their assets with UTIMCO.

LIABILITY TO BENEFICIARIES

The System holds numerous irrevocable charitable remainder trusts and a pooled income fund. Together, these assets are reflected in the accompanying consolidated financial statements within restricted investments.

The charitable remainder trusts designate the U. T. System Board of Regents as both trustee and remainder beneficiary. The System is required to pay to the donors (or other donor-designated income beneficiaries) either a fixed amount or the lesser of a fixed percentage of the fair value of the trusts' assets or the trusts' income during the beneficiaries' lives. Trust assets are measured at acquisition value when received and at fair value thereafter. A corresponding liability to beneficiaries is measured at the present value of expected future cash flows to be paid to the beneficiaries based upon the applicable federal rate on the gift date. Upon death of the income beneficiaries, substantially all of the principal balance passes to the System to be used in accordance with the donors' wishes.

The pooled income fund was formed with contributions from several donors. The contributed assets are invested and managed by UTIMCO. Donors (or designated beneficiaries) periodically receive, during their lives, a share of the income earned on the fund proportionate to the value of their contributions to the fund. Upon death of the income beneficiaries, substantially all of the principal balance passes to the System to be used in accordance with the donors' wishes. Contribution revenue is measured at the acquisition value of the assets received, discounted for a term equal to the life expectancies of the beneficiaries.

TOTAL OPEB LIABILITY

OPEB are provided to the System's retirees under the U. T. System Employee Group Insurance Program (EGIP). The EGIP is a single-employer defined benefit OPEB plan. The System and member contribution rates are determined annually by the System based on the recommendations of the Office of Employee Benefits staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs expected to be incurred and (i) the funds appropriated and (ii) the funding policy established by the Texas Legislature in connection with benefits provided through the EGIP. The System revises benefits when necessary to match expected benefit and administrative costs with available revenue. The plan is operated on a pay-as-you-go basis. The OPEB plan described herein is not administered through a trust.

NET PENSION LIABILITY

The System participates in a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the Teacher Retirement System of Texas (TRS). TRS is primarily funded through State and employee contributions. The System receives a proportional share of the net pension liability, pension related deferred outflows and pension related deferred inflows from the Texas Comptroller of Public Accounts.

ASSET RETIREMENT OBLIGATION

The liability related to clean-up and decommissioning of items using radiation such as broadscope licenses, cyclotrons, and nuclear reactors is reported as asset retirement obligation. The liability is measured using best estimates of expected outlays for clean-up and decommissioning costs.

DEFERRED INFLOWS

Deferred inflows consist of the fair value of hedging derivatives in an asset position, unamortized gains on refunding of debt, certain changes in the net pension and total OPEB liability, and beneficial interests in irrevocable split-interest agreements. Changes in fair value for effective hedges that are achieved with derivative instruments are to be reported as deferred inflows and deferred outflows in the statement of net position. For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is amortized, using the straight-line method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the statement of revenues, expenses and changes in net position as a component of interest expense. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Similarly, changes in the total OPEB liability not included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB. For irrevocable split-interest agreements in which U. T. System has an unconditional beneficial interest, the fair value of the gift beneficial interest is deferred and reported as deferred inflows until the resources become applicable to the reporting period.

NET POSITION

The System has classified resources into the following three net position categories:

Net Investment in Capital Assets

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted:

Nonexpendable

Net position subject to externally imposed stipulations that require the amounts be maintained in perpetuity by the System. Such assets include the System's permanent endowment funds.

Expendable

Net position whose use by the System is subject to externally imposed stipulations that can be fulfilled by actions of the System pursuant to those stipulations or that expire with the passage of time.

Unrestricted

Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for special purposes by action of management or the U. T. System Board of Regents. Substantially all unrestricted net position is designated for academic programs, patient care, research programs and initiatives, and capital programs (see Note 21 for details on unrestricted net position).

When an expense is incurred that can be paid using either restricted or unrestricted resources, the System addresses each situation on a case-by-case basis prior to determining the resources to be used to satisfy the obligation. Generally, the System's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

REVENUES AND EXPENSES

Operating revenues include activities such as student tuition and fees; net sales and services of hospitals; net professional fees; net sales and services of auxiliary enterprises; the exchange basis federal, state and local grants and contracts. Operating expenses include salaries and wages, payroll related costs, materials and supplies, depreciation, other contracted services, pension expense, postemployment benefits, scholarships and fellowships, and impairment losses and insurance recoveries received in the same year as the associated loss. In addition, all changes to incurred but not reported liabilities related to insurance programs are reflected as operating.

Nonoperating revenues include activities such as gifts and contributions, insurance recoveries received in years subsequent to the associated loss, State appropriations, investment income, the nonexchange basis federal and state grants and contracts, and other revenue sources that are defined as nonoperating revenues by GASB. The System's institutions are the named beneficiaries in certain lawsuits, wills, trusts, and insurance policies. The System does not recognize these potential refunds, gifts and contributions until realized. Nonoperating expenses include activities such as interest expense on capital asset financings, and other expenses that are defined as nonoperating expenses by GASB.

SCHOLARSHIP ALLOWANCES AND STUDENT AID

Financial aid to students is reported in the financial statements as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (student loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third-party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expense or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on an entity-wide basis by allocating cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

STATEWIDE INTERFUND TRANSFERS AND INTERFUND PAYABLES

In accordance with the provisions set forth in Article 7, Section 18 of the Texas Constitution, the System transfers one-third of the annual earnings of the PUF investments and lands to the Texas A&M University System (TAMUS). In addition to the transfer of the current year earnings in 2019 and 2018 of \$374,118,284.53 and \$324,342,156.80, respectively, the System recorded a liability of \$1,293,585,081.26 and \$1,274,923,775.54 at August 31, 2019 and 2018, respectively, for future amounts due to TAMUS from the PUF to cover principal on outstanding PUF bonds and notes issued by TAMUS. This liability is reported as current and noncurrent statewide interfund payable on the statement of net position. Additional details related to the operations of the PUF can be found in Note 8. Also included in statewide interfund payables as of August 31, 2019 and 2018 is \$2,475,959.65 and \$3,392,775.09, respectively, related to the revolving loan programs administered by the Texas State Comptroller's Office.

UNCOMPENSATED CARE AND CHARITY CARE

The System's health-related institutions provide uncompensated care to patients who meet certain criteria. Uncompensated care includes the unreimbursed costs for the uninsured and the underinsured as well as the unreimbursed costs from government-sponsored health programs. To calculate uncompensated care, charges are converted to costs and providers recognize appropriate patient specific funding and lump sum funding available to offset costs. Hospital charges are converted to cost by the application of the Medicare cost to charge ratio, as calculated in the most recent Medicare cost report. Since a standard cost report does not exist for physician charges, a proxy cost to charge ratio was developed through a process involving all Texas public academic medical centers and the State Auditor's Office. Uncompensated care costs amounted to \$952,693,885.23 and \$716,876,939.51 for 2019 and 2018, respectively.

The American Institute of Certified Public Accountants (AICPA) defines charity care as care for which hospitals never expected to be reimbursed. Charity care occurs when a patient applies to the hospital for financial assistance and the hospital waives all or part of its charges, consistent with its internal charity care policy. The cost of charity care is calculated using the uncompensated care calculation methodology discussed above. Charity care costs amounted to \$98,597,833.72 and \$81,907,494.67 for 2019 and 2018, respectively.

NET PATIENT SERVICE REVENUE

The System's health-related institutions have agreements with third-party payors that provide for payments to these institutions at amounts different from their established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

U. T. Southwestern Medical Center's, U. T. Medical Branch - Galveston's and U. T. Health Science Center - Tyler's inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are reimbursed under a prospective reimbursement methodology. Also, additional reimbursement is received for graduate medical education, disproportionate share, bad debts and other reimbursable costs, as defined, under a variety of payment methodologies.

M. D. Anderson's inpatient acute care services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology that is limited by a facility-specific amount per discharge. The final reimbursement also includes a calculation of an incentive or relief payment determined through a comparison of the facility's current year cost to the facility-specific cost per discharge. Certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Effective August 1, 2000, the Medicare program implemented a prospective payment system for outpatient services. However, as M. D. Anderson is designated as a cancer hospital, the Medicare program provides for a "hold-harmless" payment that is equal to the difference between the prospectively determined amounts and the current year adjusted cost (i.e., the current year adjusted cost is determined through application of a payment to cost ratio, which is derived from a previous Medicare cost report, to the current year actual cost). M. D. Anderson is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by M. D. Anderson and audits thereof by the Medicare fiscal intermediary.

The physician practices at other institutions – U. T. Health Science Center - Houston, U. T. Health Science Center – San Antonio, U. T. Austin Dell Medical School, and U. T. Rio Grande Valley – are reimbursed by Medicare according to the Medicare Physician Fee Schedule and/or various Medicare Alternative Payment Models.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective reimbursement methodology. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The System's health-related institutions are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System's health-related institutions and audits thereof by the Medicaid fiscal intermediary.

The System's health-related institutions have also entered into payment agreements with certain commercial, Medicaid and Medicare payors which offer benefit plans for health maintenance organizations, and preferred provider organizations. The basis for payment to the System's health-related institutions under these agreements includes prospectively determined rates for inpatient and outpatient services. The System's health-related institutions recognized bad debt expense of \$361,141,031.27 and \$364,095,857.33 in 2019 and 2018, respectively.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Disaggregation of Other Receivable Balances

Net other receivables at August 31, 2019 and 2018 are detailed by type as follows:

| <u>Net Other Receivables</u> | <u>2019</u> | <u>2018</u> |
|---|--------------------------|-----------------------|
| Receivables related to investments | \$ 159,631,321.80 | 200,483,501.72 |
| Receivables related to gifts, grants and sponsored programs | 88,121,764.74 | 66,867,599.45 |
| Receivables related to external parties/other companies | 166,346,366.37 | 170,231,123.68 |
| Receivables related to auxiliary enterprises | 17,916,998.83 | 9,556,838.15 |
| Receivables related to payroll | 2,109,943.18 | 8,531,547.85 |
| Receivables related to patents | 1,132,059.44 | 706,779.76 |
| Receivables related to travel | 1,618,533.18 | 1,374,302.17 |
| Receivables related to loan funds and financial aid | 2,927,014.52 | 2,648,370.11 |
| Receivables related to agency funds | 861,348.35 | 7,054,870.17 |
| Receivables related to other various activities | 46,386,350.79 | 60,910,774.91 |
| Total | \$ <u>487,051,701.20</u> | <u>528,365,707.97</u> |

6. Deposits, Investments and Repurchase Agreements

DEPOSITS OF CASH IN BANK

As of August 31, 2019 and 2018, the carrying amount of deposits was \$96,741,381.68 and \$151,240,335.00, respectively, as presented below:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------------|-----------------------|
| Cash and cash equivalents per statement of cash flows and Exhibit A | \$ 4,049,203,185.63 | 3,203,518,615.38 |
| Less: Cash in State Treasury | 1,223,612,049.44 | 1,144,336,003.92 |
| Repurchase agreement – Texas | | |
| Treasury Safekeeping Trust Co. | 374,109.00 | 3,955,653.26 |
| Other cash equivalent investments | 2,711,916,807.71 | 1,898,098,845.43 |
| Other | 16,558,837.80 | 5,887,777.77 |
| Deposits of cash in bank | \$ <u>96,741,381.68</u> | <u>151,240,335.00</u> |

As of August 31, 2019 and 2018, the total bank balances were \$130,672,652.97 and \$215,181,629.36, respectively.

DEPOSIT RISKS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The System maintains depository relationships with various banking institutions. The System's policy is that all deposits are governed by a bank depository agreement between the System and the respective banking institution. State law requires that the System's deposits, to the extent such deposits exceed the maximum insured limit under deposit insurance provided by the Federal Deposit Insurance Corporation, shall at all times be collateralized with government securities.

As of August 31, 2018, U. T. System held deposits that were exposed to custodial credit risk due to due unexpected inflows on August 31, 2018. As of August 31, 2018, the bank balances exposed to custodial risk as uninsured and uncollateralized deposits were \$27,159,777.00.

As of August 31, 2018, U. T. Health Science Center at Tyler's blended component unit, East Texas Quality Care Network (ETQCN), held deposits that were exposed to custodial credit risk. ETQCN has no policies regarding these deposits. As of August 31, 2018, the bank balances exposed to custodial risk as uninsured and uncollateralized deposits were \$156,024.95. As of August 31, 2019, there were no bank balances exposed to custodial risk as uninsured and uncollateralized deposits.

INVESTMENTS

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. GAAP provides a hierarchy that prioritizes the inputs of fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect management's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the hierarchy of inputs used to measure fair value are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs.

The System's investments with readily available fair values are primarily valued on the basis of market valuations provided by independent pricing services.

Debt securities held by System include U.S. government and agency obligations, corporate obligations, corporate asset and mortgage backed securities, and international obligations. U.S. government obligations valued based on unadjusted prices in active markets are categorized as Level 1. Debt securities, including corporate obligations and governmental and international obligations are valued based upon prices supplied by Intercontinental Exchange Data Services and other major fixed income pricing services, external broker quotes and internal pricing matrices. Debt securities valued based on multiple quotations or models utilizing observable market inputs are categorized as Level 2; otherwise they would be categorized as Level 3.

Fixed income money market and bond mutual funds consist primarily of money market investments, foreign currencies and other overnight funds. Investments in publicly listed money market funds are categorized as Level 1.

Mutual funds include a large portion of the holdings for the University of Texas System Governmental Retirement Arrangement (UTGRA), discussed in Note 18. A majority of the underlying investments in UTGRA are valued based on the closing price on the primary exchange on which they are traded and are classified as Level 1. The remaining holdings are classified as Levels 2 and 3.

Equity securities, including common and preferred stocks, fair values are based on the closing price on the primary exchange on which they are traded (if a closing price is not available, the average of the last reported bid and ask price is used). When these securities are actively traded, and valuation adjustments are not applied, they are categorized as Level 1. In the event that a stock is not actively traded or a closing price is unavailable on a national or international securities exchange, the last available price per the exchange would be used, and the security would be categorized as Level 2.

Other commingled funds at fair value include fixed income and U.S. equity funds. International other commingled funds at fair value include non-U.S. developed equity, emerging markets, real estate and natural resources. Fair values are based on the closing price on the primary exchange on which the security is traded (if a closing price is not available, the average of the last reported bid and ask price is used). Investments valued as such are classified as Level 1.

Real estate and other investments include real estate, commodities and the asset positions of investment derivatives. The fair value of the PUF land's interest in oil and gas is based on a third party reserve study of proved, probable, and possible reserves. The present value of the royalty cash flows is calculated by applying a ten percent discount rate to future expected production volumes of oil and gas based on the price of oil and gas on August 31. The PUF lands' surface interests are reported at the price per acre from the American Society of Farm Managers and Rural Appraisers. The PUF lands are categorized as Level 3 in the fair value hierarchy. The remaining minerals, the trust minerals, because of size, distribution, and limited production histories are generally valued at three times the previous 12 months' revenue. As a rule of thumb, this measure has been used historically to determine the selling price of these types of properties by willing parties. Other real estate holdings are reported by one of the following methods of valuation: the latest available appraised amount as determined by an independent State certified or other licensed appraiser, tax assessments use for real estate investments with values that are not significant or by any other generally accepted industry standard. All other real estate is categorized as Level 3 in the fair value hierarchy, with a small amount valued using net asset value.

Physical commodities, specifically gold, are valued using the composite closing price from Bloomberg for the XAU currency code which represents the standard for one troy ounce of gold and are categorized as Level 1.

All derivative investments are categorized as Level 2 in the fair value hierarchy, except for some of the purchased options which are categorized as Level 1. The fair values of the interest rate swaps on U. T. System's debt are calculated using a forecast of expected discounted future net cash flows. Other swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Foreign exchange contracts are fair valued at closing market prices on the valuation date.

Alternative investments include private equity securities and limited partnerships, or private investment funds. Equity securities related to non-public equity investments are valued using a variety of methods, including information from recent rounds of financing, the Guideline Public Company method, the Discounted Cash Flow method, the Common Stock Equivalent method and the Option-Pricing method. The fair value of private investment funds, which consist of non-regulated investment funds and various other investment vehicles, are estimated by management using the investment's capital account balance at the closest available reporting date, as communicated by the investment manager, adjusted for contributions and withdrawals subsequent to the latest available reporting date as well as consideration of any other information, which has been provided by the investment manager or other sources. These investments are classified as Level 3.

Miscellaneous investments primarily include municipal bonds, valued on multiple quotations or models utilizing observable market inputs, and are categorized as Level 2. Investments with fair values based on the closing price on the primary exchange on which they are traded are categorized as Level 1.

GAAP permits management to fair value certain investments that do not have a readily determinable fair value using the investment's net asset value per share or the System's ownership interest in partners' capital as a practical expedient. Investments valued in this manner are not classified in the fair value hierarchy.

The following tables reflect fair value measurements of investments as of August 31, 2019 and 2018, respectively, as categorized by level of the fair value hierarchy:

During the year ended August 31, 2019, UTIMCO reclassified the categorizations of the investment funds, or commingled funds, to align with revisions made to the investment strategy used by UTIMCO in managing PUF, effective September 1, 2018. This reclassification was approved by the U. T. Board of Regents and is reflected in the presentation of the commingled funds in the tables below. Accordingly, the August 31, 2018 commingled funds categorization was reclassified from the 2018 audited financial statements to conform to the current year presentation.

| Type of Security | Fair Value as of August 31, 2019 | Fair Value Measurement Using | | |
|--|----------------------------------|--|---|---|
| | | Quoted Prices in Active markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by Fair Value Level: | | | | |
| Debt Securities: | | | | |
| U.S. Government Treasury Securities | \$ 1,085,171,388.68 | 1,085,171,388.68 | - | - |
| U.S. Government Treasury TIPS | 50,904,129.21 | 50,904,129.21 | - | - |
| U.S. Government Agency Obligations | 979,578,924.29 | - | 979,578,924.29 | - |
| Corporate Obligations | 1,145,070,988.84 | - | 1,144,127,971.84 | 943,017.00 |
| Corporate Asset and Mortgage Backed Securities | 99,367,788.53 | - | 99,367,788.53 | - |
| International Obligations (Government and Corporate) | 2,730,210,132.34 | - | 2,730,210,132.34 | - |
| Fixed Income Money Market and Bond Mutual Funds | 2,262,520,047.82 | 2,262,520,047.82 | - | - |
| Mutual Funds | 477,544,039.17 | 467,914,143.34 | 9,629,895.83 | - |
| Equity Securities: | | | | |
| Equity | 1,580,902,757.89 | 1,569,592,964.37 | 11,309,793.52 | - |
| International Equity | 3,693,653,516.24 | 3,693,624,555.18 | 28,961.06 | - |
| Other Commingled Funds: | | | | |
| Fixed Income | 34,942,240.78 | 34,942,240.78 | - | - |
| U. S. Equity | 71,306,592.15 | 71,306,592.15 | - | - |
| Real Estate and Other: | | | | |
| PUF Lands | 7,323,051,848.00 | - | - | 7,323,051,848.00 |
| Other Real Estate | 514,930,960.26 | - | - | 514,930,960.26 |
| Physical Commodities - Gold | 691,714,404.91 | 691,714,404.91 | - | - |
| Investment Derivatives – Asset Positions | 144,420,222.31 | 2,251,717.94 | 142,168,504.37 | - |
| Alternative Investments: | | | | |
| Private Investments | 500,576,474.37 | - | - | 500,576,474.37 |
| Miscellaneous | 16,857,007.74 | 1,567,922.52 | 13,470,439.38 | 1,818,645.84 |
| Total Investments by Fair Value Level | 23,402,723,463.53 | 9,931,510,106.90 | 5,129,892,411.16 | 8,341,320,945.47 |

| Type of Security | Fair Value as of August 31, 2019 | Fair Value Measurement Using | | |
|--|-------------------------------------|---|---|---|
| | | Quoted Prices in Active markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investment Funds Fair Valued Using Net Asset Value: | | | | |
| Real Estate | 28,963,137.69 | | | |
| Hedge Funds | 10,887,909,385.50 | | | |
| Other Commingled Funds – U.S. Equity | 2,062,260,179.04 | | | |
| International Other Commingled Funds | 4,635,180,016.39 | | | |
| Private Investments | 13,249,237,891.11 | | | |
| Total Investment Funds Fair Valued Using Net Asset Value | 30,863,550,609.73 | | | |
| Investments Held in Cash (Not at Fair Value) | 180,545,315.78 | | | |
| Other Investments (Not at Fair Value) | 450,471.68 | | | |
| Total Investments | \$ 54,447,269,860.72 | | | |
| Securities Lending Collateral Investment Pool (see Securities Lending section) | \$ 453,059,220.56 | - | 453,059,220.56 | - |
| Investments Classified as Cash Equivalents: | | | | |
| Repurchase Agreement – Texas Treasury Safekeeping Trust Co. (Not at Fair Value) | \$ 374,109.00 | | | |
| Fixed Income Money Market Funds | 2,711,750,688.39 | 2,711,750,688.39 | - | - |
| Time Deposits (Not at Fair Value) | 166,119.32 | | | |
| Total Investments Classified as Cash Equivalents | \$ 2,712,290,916.71 | | | |
| Deposit with Brokers for Derivative Contracts, net (related to investments): | | | | |
| U.S. Government Direct Obligations | \$ 4,189,699.99 | 4,189,699.99 | - | - |
| Held in Cash (Not at Fair Value) | (38,251,403.25) | | | |
| Total Deposit with Brokers for Derivative Contracts, net (related to investments) | \$ (34,061,703.26) | | | |

| Type of Security | Fair Value as of August 31, 2018 | Fair Value Measurement Using | | |
|--|----------------------------------|--|---|---|
| | | Quoted Prices in Active markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by Fair Value Level: | | | | |
| Debt Securities: | | | | |
| U.S. Government Treasury Securities | \$ 1,355,784,007.69 | 1,355,784,007.69 | - | - |
| U.S. Government Treasury TIPS | 36,634,341.52 | 36,634,341.52 | - | - |
| U.S. Government Agency Obligations | 241,107,108.87 | - | 241,107,108.87 | - |
| Corporate Obligations | 928,860,249.41 | - | 927,863,199.41 | 997,050.00 |
| Corporate Asset and Mortgage Backed Securities | 90,577,060.15 | - | 90,577,060.15 | - |
| International Obligations (Government and Corporate) | 2,726,925,958.94 | - | 2,726,925,958.94 | - |
| Fixed Income Money Market and Bond Mutual Funds | 3,770,658,441.11 | 3,770,658,441.11 | - | - |
| Mutual Funds | 423,425,242.13 | 399,248,200.00 | 24,079,406.77 | 97,635.36 |
| Equity Securities: | | | | |
| Equity | 1,389,368,297.21 | 1,382,196,186.12 | 7,172,111.09 | - |
| International Equity | 3,373,694,584.08 | 3,373,665,673.02 | 28,911.06 | - |
| Other Commingled Funds: | | | | |
| Fixed Income | 31,397,434.72 | 31,397,434.72 | - | - |
| U. S. Equity | 109,540,415.33 | 109,540,415.33 | - | - |
| International Other Commingled Funds: | | | | |
| Non-U.S. Developed Equity | 3,395,033.74 | 3,395,033.74 | - | - |
| Global Developed Equity | 431,664.00 | 431,664.00 | - | - |
| Emerging Markets | 2,567,929.39 | 2,567,929.39 | - | - |
| Real Estate | 894,964.40 | 894,964.40 | - | - |
| Natural Resources | 1,050,694.44 | 1,050,694.44 | - | - |
| Real Estate and Other: | | | | |
| PUF Lands | 8,985,870,810.00 | - | - | 8,985,870,810.00 |
| Other Real Estate | 369,147,375.07 | - | - | 369,147,375.07 |
| Physical Commodities - Gold | 752,630,717.76 | 752,630,717.76 | - | - |
| Investment Derivatives – Asset Positions | 172,176,901.52 | 2,620,483.59 | 169,556,417.93 | - |
| Alternative Investments: | | | | |
| Private Investments | 392,568,308.28 | - | - | 392,568,308.28 |
| Miscellaneous | 16,297,590.60 | 1,659,170.45 | 12,951,480.92 | 1,686,939.23 |
| Total Investments by Fair Value Level | 25,175,005,130.36 | 11,224,375,357.28 | 4,200,261,655.14 | 9,750,368,117.94 |

| Type of Security | Fair Value as of August 31, 2018 | Fair Value Measurement Using | | |
|--|----------------------------------|--|---|---|
| | | Quoted Prices in Active markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investment Funds Fair Valued Using Net Asset Value: | | | | |
| Real Estate | 27,692,473.24 | | | |
| Hedge Funds | 10,111,487,953.61 | | | |
| Other Commingled Funds – U.S. Equity | 2,470,698,361.48 | | | |
| International Other Commingled Funds | 3,624,478,992.60 | | | |
| Private Investments | 12,463,514,218.66 | | | |
| Total Investment Funds Fair Valued Using Net Asset Value | 28,697,871,999.59 | | | |
| Investments Held in Cash (Not at Fair Value) | 133,917,881.33 | | | |
| Other Investments (Not at Fair Value) | 436,496.08 | | | |
| Total Investments | \$ 54,007,231,507.36 | | | |
| Securities Lending Collateral Investment Pool (see Securities Lending section) | \$ 434,189,416.14 | - | 434,189,416.14 | - |
| Investments Classified as Cash Equivalents: | | | | |
| Repurchase Agreement – Texas Treasury Safekeeping Trust Co. (Not at Fair Value) | \$ 3,955,653.26 | | | |
| Fixed Income Money Market Funds | 1,897,558,802.43 | 1,897,558,802.43 | - | - |
| Time Deposits (Not at Fair Value) | 540,043.00 | | | |
| Total Investments Classified as Cash Equivalents | \$ 1,902,054,498.69 | | | |
| Deposit with Brokers for Derivative Contracts, net (related to investments): | | | | |
| U.S. Government Direct Obligations | \$ 6,423,734.73 | 6,423,734.73 | - | - |
| Held in Cash (Not at Fair Value) | 12,823,693.20 | | | |
| Total Deposit with Brokers for Derivative Contracts, net (related to investments) | \$ 19,247,427.93 | | | |

Investment funds fair valued at net asset value per share or based on the System's ownership interest in partner's capital include externally managed funds, limited partnerships, and corporate structures which are generally unrated and may be unregulated. The composition of investment funds that are fair valued using Net Asset Value (NAV) at August 31, 2019 and 2018 is summarized in the tables below as they are included within the asset mix of the System.

| | <u>Fair Value as of August 31, 2019</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
|---|---|---------------------------------|---------------------------------|-------------------------------------|
| Investment Funds Fair Valued Using Net Asset Value | | | | |
| Real Estate | | | | |
| Redeemable Within One Year | \$ 28,963,137.69 | - | Quarterly | 60 Days |
| Hedge Funds | | | | |
| Redeemable Within One Year | 5,110,879,513.70 | | Monthly to 3 years | 5 - 90 Days |
| Redeemable Beyond One Year | 4,595,201,598.80 | | Quarterly to 3 years | 45 - 120 Days |
| Nonredeemable | <u>1,181,828,273.00</u> | | Not Applicable | Not Applicable |
| Total Hedge Funds | <u>10,887,909,385.50</u> | <u>1,098,734,077.39</u> | | |
| Other Commingled Funds – U. S. Equity | | | | |
| Redeemable Within One Year | 1,147,412,546.04 | | Daily to Annually | 1 - 90 Days |
| Redeemable Beyond One Year | <u>914,847,633.00</u> | | Annually | 1 - 90 Days |
| Total Other Commingled Funds – U. S. Equity | <u>2,062,260,179.04</u> | <u>192,202,759.00</u> | | |
| International Other Commingled Funds: | | | | |
| Non-U.S. Developed Equity | | | | |
| Redeemable Within One Year | <u>925,339,624.49</u> | | Monthly to Quarterly | 6 - 30 Days |
| Total Non-U.S. Developed Equity | <u>925,339,624.49</u> | - | | |
| Global Developed Equity | | | | |
| Redeemable Within One Year | 2,009,781,389.27 | | Monthly to Quarterly | 30 - 60 Days |
| Redeemable Beyond One Year | <u>170,671,670.00</u> | | Monthly | 60 Days |
| Total Global Developed Equity | <u>2,180,453,059.27</u> | - | | |
| Emerging Markets | | | | |
| Redeemable Within One Year | 1,286,490,016.00 | | Daily to Semi-Annually | 1 - 90 Days |
| Redeemable Beyond One Year | 188,276,345.00 | | Monthly to Quarterly | 45 - 60 Days |
| Nonredeemable | <u>54,620,971.63</u> | | Not Applicable | Not Applicable |
| Total Emerging Markets | <u>1,529,387,332.63</u> | <u>61,617,987.00</u> | | |
| Total International Other Commingled Funds | <u>4,635,180,016.39</u> | <u>61,617,987.00</u> | | |
| Limited Partnerships (Private Investments) | | | | |
| Redeemable Within One Year | 19,816,293.50 | | Quarterly | 90 days |
| Nonredeemable | <u>13,229,421,597.61</u> | | Not Applicable | Not Applicable |
| Total Limited Partnerships (Private Investments) | <u>13,249,237,891.11</u> | <u>7,524,136,004.84</u> | | |
| Total Investment Funds Fair Valued Using NAV | <u>\$ 30,863,550,609.73</u> | <u>8,876,690,828.23</u> | | |

| | Fair Value as of August 31, 2018 | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|-------------------------------------|-------------------------|-------------------------|-----------------------------|
| Investment Funds Fair Valued Using Net Asset Value | | | | |
| Real Estate | | | | |
| Redeemable Within One Year | \$ 27,692,473.24 | - | Quarterly | 60 Days |
| Hedge Funds | | | | |
| Redeemable Within One Year | 5,500,235,461.50 | | Monthly to 3 Years | 0 - 180 Days |
| Redeemable Beyond One Year | 3,592,518,679.19 | | Monthly to 3 Years | 45 - 120 Days |
| Nonredeemable | 1,018,733,812.92 | | Not Applicable | Not Applicable |
| Total Hedge Funds | <u>10,111,487,953.61</u> | <u>1,161,094,432.00</u> | | |
| Other Commingled Funds – U. S. Equity | | | | |
| Redeemable Within One Year | 2,091,820,104.48 | | Monthly to 2 Years | 1 - 90 Days |
| Redeemable Beyond One Year | 378,878,257.00 | | Quarterly to Annually | 1 - 90 Days |
| Total Other Commingled Funds – U. S. Equity | <u>2,470,698,361.48</u> | <u>32,500,000.00</u> | | |
| International Other Commingled Funds: | | | | |
| Non-U.S. Developed Equity | | | | |
| Redeemable Within One Year | 801,517,388.91 | | Monthly to Quarterly | 6 - 30 Days |
| Total Non-U.S. Developed Equity | <u>801,517,388.91</u> | <u>-</u> | | |
| Global Developed Equity | | | | |
| Redeemable Within One Year | 1,201,895,735.20 | | Monthly to Quarterly | 45 - 60 Days |
| Redeemable Beyond One Year | 103,437,920.70 | | Monthly | 60 Days |
| Total Global Developed Equity | <u>1,305,333,655.90</u> | <u>-</u> | | |
| Emerging Markets | | | | |
| Redeemable Within One Year | 1,286,210,923.00 | | Daily to Semi-Annually | 1 - 90 Days |
| Redeemable Beyond One Year | 168,122,797.00 | | Monthly/Quarterly | 45 - 90 Days |
| Nonredeemable | 63,294,227.79 | | Not Applicable | Not Applicable |
| Total Emerging Markets | <u>1,517,627,947.79</u> | <u>141,106,726.16</u> | | |
| Total International Other Commingled Funds | <u>3,624,478,992.60</u> | <u>141,106,726.16</u> | | |
| Limited Partnerships (Private Investments) | | | | |
| Redeemable Within One Year | 19,132,803.97 | | Quarterly | 180 Days |
| Nonredeemable | 12,444,381,414.69 | | Not Applicable | Not Applicable |
| Total Limited Partnerships (Private Investments) | <u>12,463,514,218.66</u> | <u>5,077,668,448.00</u> | | |
| Total Investment Funds Fair Valued Using NAV | <u>\$ 28,697,871,999.59</u> | <u>6,412,369,606.16</u> | | |

The System invests in hedge fund pools which are invested in private funds with external investment managers who invest in equity and fixed income securities of both domestic and international issuers. These investment managers may invest in both long and short securities and may utilize leverage in their portfolios. The funds invested may be subject to a lock-up restriction of typically one to three years before the investment may be withdrawn from the manager without significant penalty. The amounts shown as nonredeemable are considered illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. There are certain risks associated with these private funds, some of which include investment manager risk, market risk and liquidity risk, as well as the risk of utilizing leverage in the portfolios. The hedge fund pools have committed \$1,098,734,077.39 and \$1,161,094,432.00 of future funding to various hedge fund investments as of August 31, 2019 and 2018, respectively. Hedge funds, are fair valued by management based on net asset value information provided by the investment manager, as well as other relevant factors.

Public market funds are invested in exchange traded funds, index funds and private placements with external investment managers who invest in equity and fixed income securities of both domestic and international issuers. These funds are characterized as public market funds based on individual risk/return characteristics and their relationship to the overall asset mix of the funds. Some of these investment managers may invest in both long and short securities and may utilize modest leverage in their portfolios. The amounts shown as nonredeemable are considered illiquid in that they typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from the underlying fund investments and the timing cannot be estimated. Certain of these investments are held through limited liability companies of which UTIMCO is the sole managing member. There are certain risks associated with these investments, some of which are investment manager risk, market risk and liquidity risk, as well as the risk of utilizing leverage in the portfolios. As of August 31, 2019 and 2018, future fundings in the amount of \$253,820,746.00 and \$173,606,726.16, respectively, have been committed to certain public market funds. The fair value of private investment funds, are estimated using the investment's capital account balance at the closest available reporting date, as communicated by the investment manager, adjusted for contributions and withdrawals subsequent to the latest available reporting date as well as consideration of any other information, which has been provided by the investment manager or other sources.

The System invests in private investments through private investment pools which are invested in limited partnerships with external investment managers or general partners who invest primarily in private equity securities. These investments, domestic and international, are illiquid and typically become liquid over multi-year periods when and if the fund managers distribute proceeds realized from underlying fund investments. It is estimated that the underlying assets of the private investments will be liquidated over seven to ten years. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk and investment manager risk. Certain of these investments are held through LLCs, of which UTIMCO is the sole managing member. The System had committed \$7,524,136,004.84 and \$5,077,668,448.00 of future funding to various private investments as of August 31, 2019 and 2018, respectively.

Hedge funds, private investments and public market funds include investments in private placement vehicles that are subject to risk, which could result in the loss of invested capital. The risks include the following:

- *Key personnel risk* – The success of certain funds is substantially dependent upon key investment managers and the loss of those individuals may adversely impact the fund's performance.
- *Liquidity risk* – Many of the System's investment funds may impose lock-up periods, which would cause the System to incur penalties to redeem its units or prevent the System from redeeming its shares until a certain period of time has elapsed.
- *Limited transparency* – As private placement investment vehicles, these funds may not disclose the holdings of their portfolios.
- *Investment strategy risk* – These funds often employ sophisticated investment strategies and may use leverage, which could result in the loss of invested capital.

Investments in hedge funds, private investments and public market funds are also subject to the investment risks discussed below. Fixed income investments held by these funds would also be subject to credit risk and interest rate risk; moreover, they may invest in securities whose fair values would be sensitive to changes in interest rates.

The fair values of these various investment funds, excluding the publicly traded funds, as of August 31, 2019 and 2018 were \$30,863,550,609.73 and \$28,697,871,999.59, respectively.

INVESTMENT RISKS

(A) *Credit Risk* - Article VII, Section 11b of the Texas Constitution authorizes the U. T. System Board of Regents, subject to procedures and restrictions it establishes, to invest System funds in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the U. T. System Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the fund rather than a single investment.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The System's investment policy does not provide specific requirements and limitations regarding investment ratings. Per GASB authoritative guidance, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. In 2011, some of the U.S. government direct obligations were downgraded and thus U.S. government direct obligations are included in the credit risk disclosure. The following tables present each applicable investment type grouped by rating as of August 31, 2019 and 2018:

August 31, 2019

| Investment Type | MOODY'S | | STANDARD & POOR'S | | FITCH | |
|--|-----------------------------|--------|--------------------------|--------|--------------------------|--------|
| | Fair Value | Rating | Fair Value | Rating | Fair Value | Rating |
| Investments and Investments | | | | | | |
| Classified as Cash Equivalents: | | | | | | |
| U.S. Government Direct Obligations | \$ 1,136,075,517.89 | Aaa | 1,136,075,517.89 | AA | 1,136,075,517.89 | AAA |
| U.S. Government Agency Obligations | 976,114,655.10 | Aaa | 976,114,655.10 | AA | 976,114,655.10 | AAA |
| | 1,058,446.91 | A | 3,464,269.19 | NR | 3,464,269.19 | NR |
| | 2,405,822.28 | B | - | - | - | - |
| Corporate Obligations | 50,359,686.49 | Aaa | 28,706,211.06 | AAA | 31,130,011.83 | AAA |
| | 116,971,079.55 | Aa | 103,281,588.72 | AA | 101,794,020.04 | AA |
| | 634,304,869.17 | A | 569,704,702.03 | A | 558,135,336.63 | A |
| | 319,380,573.85 | Baa | 427,659,494.44 | BBB | 225,478,751.22 | BBB |
| | 13,519,218.64 | Ba | 4,477,734.54 | BB | 941,859.86 | BB |
| | 1,140.00 | B | 1,140.00 | B | 227,591,009.26 | NR |
| | 10,534,421.14 | NR | 5,037.50 | D | - | - |
| | - | - | 11,235,080.55 | NR | - | - |
| Corporate Asset and Mortgage Backed Securities | 57,118,812.24 | Aaa | 9,029,141.96 | AAA | 41,471,072.14 | AAA |
| | 3,733,392.23 | Aa | 6,289,112.65 | AA | 3,355,538.83 | AA |
| | 6,589,118.93 | A | 4,918,438.07 | A | 2,929,604.25 | A |
| | 6,951,502.70 | Baa | 7,820,961.07 | BBB | 4,467,661.51 | BBB |
| | 5,026,276.14 | Ba | 4,384,366.81 | BB | 1,855,430.68 | BB |
| | 230,032.41 | B | 2,220,418.42 | B | 555,884.29 | B |
| | 2,938,821.69 | Caa | 5,760,717.57 | CCC | 44,732,596.83 | NR |
| | 848,782.07 | Ca | 905,218.48 | CC | - | - |
| | 15,931,050.12 | NR | 23,259.76 | D | - | - |
| | - | - | 58,016,153.74 | NR | - | - |
| International Obligations (Government and Corporate) | 462,821,638.89 | Aaa | 316,026,141.67 | AAA | 421,894,904.38 | AAA |
| | 296,759,770.15 | Aa | 188,483,221.43 | AA | 281,043,623.07 | AA |
| | 808,213,011.73 | A | 519,524,808.66 | A | 499,653,948.41 | A |
| | 476,932,579.07 | Baa | 231,923,142.54 | BBB | 508,080,877.20 | BBB |
| | 89,529,681.34 | Ba | 167,740,801.84 | BB | 162,096,805.45 | BB |
| | 9,455,793.29 | B | 10,200,596.72 | B | 1,782,272.75 | B |
| | 586,497,657.87 | NR | 1,296,311,419.48 | NR | 855,657,701.08 | NR |
| Fixed Income Money Market and Mutual Funds | 4,828,561,995.14 | Aaa | 4,828,561,995.14 | AAA | 210,572,100.36 | AAA |
| | 326,254,056.85 | NR | 326,254,056.85 | NR | 4,944,243,951.63 | NR |
| Repurchase Agreement - Texas Treasury Safekeeping Trust Co. | 374,109.00 | NR | 374,109.00 | AA | 374,109.00 | NR |
| Miscellaneous | 1,522,215.65 | Aaa | 5,189,101.35 | AAA | 8,392,637.58 | AAA |
| | 4,618,627.10 | Aa | 4,958,984.68 | AA | 8,341.10 | AA |
| | 2,720,388.00 | A | 2,431,382.00 | A | 2,431,382.00 | A |
| | 147,009.70 | Baa | 371,765.70 | BBB | 224,756.00 | BBB |
| | 39,570,559.03 | NR | 35,627,565.75 | NR | 37,521,682.80 | NR |
| Total Investments and Investments Classified as Cash Equivalents | \$ 11,294,072,312.36 | | 11,294,072,312.36 | | 11,294,072,312.36 | |
| Deposit with Brokers for Derivative Contracts, net (related to investments): | | | | | | |
| U.S. Government Direct Obligations | \$ 4,189,699.99 | Aaa | 4,189,699.99 | AA | 4,189,699.99 | AAA |
| Cash | (38,251,403.25) | NR | (38,251,403.25) | NR | (38,251,403.25) | NR |
| Total Deposit with Brokers for Derivative Contracts, net (related to investments) | \$ (34,061,703.26) | | (34,061,703.26) | | (34,061,703.26) | |

August 31, 2018

| Investment Type | MOODY'S | | STANDARD & POOR'S | | FITCH | |
|--|-----------------------------|--------|--------------------------|--------|--------------------------|--------|
| | Fair Value | Rating | Fair Value | Rating | Fair Value | Rating |
| Investments and Investments | | | | | | |
| Classified as Cash Equivalents: | | | | | | |
| U.S. Government Direct Obligations | \$ 1,392,418,349.21 | Aaa | 1,392,418,349.21 | AA | 1,392,418,349.21 | AAA |
| U.S. Government Agency Obligations | 237,375,648.24 | Aaa | 237,375,648.24 | AA | 28,589,901.98 | AAA |
| | 1,284,549.19 | A | 3,731,460.63 | NR | 208,785,746.26 | AA |
| | 2,446,911.44 | B | - | - | 3,731,460.63 | NR |
| Corporate Obligations | 18,036,047.59 | Aaa | 12,906,972.68 | AAA | 12,054,125.94 | AAA |
| | 111,362,832.23 | Aa | 117,708,163.82 | AA | 101,270,888.02 | AA |
| | 496,234,580.85 | A | 433,643,672.84 | A | 462,717,828.58 | A |
| | 280,555,955.39 | Baa | 355,012,185.19 | BBB | 194,429,957.42 | BBB |
| | 12,819,349.50 | Ba | 4,083,619.86 | BB | 984,469.93 | BB |
| | 518,590.57 | B | 727,915.01 | B | 157,402,979.52 | NR |
| | 727,915.01 | Caa | 4,777,720.01 | NR | - | - |
| | 8,604,978.27 | NR | - | - | - | - |
| Corporate Asset and Mortgage Backed Securities | 51,143,120.16 | Aaa | 7,637,713.45 | AAA | 34,084,149.73 | AAA |
| | 5,338,911.98 | Aa | 14,366,965.40 | AA | 3,854,989.39 | AA |
| | 8,003,065.22 | A | 4,179,272.89 | A | 2,818,777.91 | A |
| | 4,963,770.58 | Baa | 2,740,422.30 | BBB | 437,130.90 | BBB |
| | 3,054,114.98 | Ba | 2,340,740.23 | BB | 2,001,188.25 | BB |
| | 421,849.55 | B | 5,689,932.66 | B | 262,641.04 | B |
| | 3,550,156.47 | Caa | 2,631,556.50 | CCC | 47,118,182.93 | NR |
| | 895,955.13 | Ca | 1,025,064.53 | CC | - | - |
| | 13,206,116.08 | NR | 39,972.04 | D | - | - |
| | - | - | 49,925,420.15 | NR | - | - |
| International Obligations (Government and Corporate) | 735,428,476.22 | Aaa | 323,025,219.86 | AAA | 543,288,282.19 | AAA |
| | 288,806,235.27 | Aa | 273,253,113.45 | AA | 395,232,760.86 | AA |
| | 809,734,682.37 | A | 585,312,495.58 | A | 462,548,755.19 | A |
| | 365,265,760.70 | Baa | 176,185,988.32 | BBB | 516,682,417.33 | BBB |
| | 96,039,226.59 | Ba | 163,174,178.19 | BB | 165,686,341.36 | BB |
| | 10,182,772.06 | B | 13,667,228.35 | B | 723,531.83 | B |
| | 376,269.20 | Caa | 376,269.20 | CCC | 642,763,870.18 | NR |
| | 421,092,536.53 | NR | 1,191,931,465.99 | NR | - | - |
| Fixed Income Money Market and Mutual Funds | 5,551,423,011.44 | Aaa | 5,438,135,999.10 | AAA | 623,987,309.22 | AAA |
| | 250,712,113.43 | NR | 363,999,125.77 | NR | 5,178,147,815.65 | NR |
| Repurchase Agreement - Texas Treasury Safekeeping Trust Co. | 3,955,653.26 | NR | 3,955,653.26 | AA | 3,955,653.26 | NR |
| Miscellaneous | 1,485,236.06 | Aaa | 5,010,096.01 | AAA | 6,532,858.37 | AAA |
| | 5,210,103.00 | Aa | 4,419,589.36 | AA | 247,018.00 | AA |
| | 2,803,955.00 | A | 2,159,885.00 | A | 2,159,885.00 | A |
| | 152,536.50 | Baa | 914,374.50 | BBB | 761,838.00 | BBB |
| | 35,237,128.08 | NR | 31,397,434.72 | BB | 35,187,359.27 | NR |
| | - | - | 987,579.05 | NR | - | - |
| Total Investments and Investments Classified as Cash Equivalents | \$ 11,230,868,463.35 | | 11,230,868,463.35 | | 11,230,868,463.35 | |
| Deposit with Brokers for Derivative Contracts, net (related to investments): | | | | | | |
| U.S. Government Direct Obligations | \$ 6,423,734.73 | Aaa | 6,423,734.73 | AA | 6,423,734.73 | AAA |
| Cash | 12,823,693.20 | NR | 12,823,693.20 | NR | 12,823,693.20 | NR |
| Total Deposit with Brokers for Derivative Contracts, net (related to investments) | \$ 19,247,427.93 | | 19,247,427.93 | | 19,247,427.93 | |

(B) *Concentrations of Credit Risk* – The System’s investment policy statements for funds managed by UTIMCO contain the limitation that no more than five percent of the fair value of fixed income securities may be invested in corporate or municipal bonds of a single issuer. As of August 31, 2019 and 2018, these funds did not hold any direct investments in any one issuer of corporate or municipal bonds that were five percent or more of the fair value of the fund’s fixed income investments.

(C) *Custodial Credit Risk* – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Texas State Statutes and the System’s investment policy statements do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. As of August 31, 2019 and 2018, the System did not have any investments that are exposed to custodial credit risk.

(D) *Interest Rate Risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the System’s investments is measured by monitoring the modified duration of the overall investment portfolio. Modified duration estimates the sensitivity of the System’s investments to changes in interest rates. The System has no specific policy statement limitations with respect to its overall modified duration. The following table summarizes the System’s modified duration in years by investment type as of August 31, 2019 and 2018:

| Investment Type | August 31, 2019 | | August 31, 2018 | |
|--|----------------------------|-------------------|-------------------------|-------------------|
| | Fair Value | Modified Duration | Fair Value | Modified Duration |
| Investments: | | | | |
| U.S. Government Guaranteed: | | | | |
| U.S. Treasury Bills | \$ 302,944,464.05 | 0.41 | - | - |
| U.S. Treasury Bonds and Notes | 782,226,924.63 | 10.40 | 1,355,784,007.69 | 6.61 |
| U.S. Treasury Inflation Protected | 50,904,129.21 | 11.34 | 36,634,341.52 | 12.10 |
| U.S. Agency Asset Backed | 12,814,861.12 | 1.83 | 15,102,082.29 | 4.37 |
| Total U.S. Government Guaranteed | 1,148,890,379.01 | 7.71 | 1,407,520,431.50 | 6.72 |
| U.S. Government Non-Guaranteed: | | | | |
| U.S. Agency | 564,562,181.44 | 2.89 | 399,324.89 | 0.08 |
| U.S. Agency Asset Backed | 402,201,881.73 | 2.23 | 225,605,701.69 | 6.16 |
| Total U.S. Government Non-Guaranteed | 966,764,063.17 | 2.62 | 226,005,026.58 | 6.15 |
| Total U.S. Government | 2,115,654,442.18 | 5.38 | 1,633,525,458.08 | 6.64 |
| Corporate Obligations: | | | | |
| Domestic | 1,244,438,777.37 | 5.00 | 1,019,437,309.56 | 4.26 |
| Foreign | 492,234,319.94 | 6.04 | 467,291,907.85 | 4.68 |
| Total Corporate Obligations | 1,736,673,097.31 | 5.30 | 1,486,729,217.41 | 4.39 |
| Foreign Government and Provincial Obligations | 2,237,975,812.40 | 4.17 | 2,259,634,051.09 | 4.24 |
| Other Debt Securities | 13,470,439.38 | 8.30 | 12,951,480.92 | 6.57 |
| Total Debt Securities | 6,103,773,791.27 | 4.92 | 5,392,840,207.50 | 5.01 |
| Other Investment Funds - Debt | 34,942,240.78 | 7.50 | 31,397,434.72 | 6.70 |
| Fixed Income Money Market and Mutual Funds | 2,443,065,363.60 | 0.31 | 3,904,576,322.44 | 0.21 |
| Total Investments | \$ 8,581,781,395.65 | 3.62 | 9,328,813,964.66 | 3.01 |
| Investments Classified as Cash Equivalents: | | | | |
| Repurchase Agreement - Texas Treasury Safekeeping Trust Co. | \$ 374,109.00 | 0.01 | 3,955,653.26 | 0.01 |
| Fixed Income Money Market Funds | 2,711,750,688.39 | 0.08 | 1,897,558,802.43 | 0.08 |
| Time Deposits | 166,119.32 | 0.00 | 540,043.00 | 0.00 |
| Total Investments Classified as Cash Equivalents | \$ 2,712,290,916.71 | 0.08 | 1,902,054,498.69 | 0.08 |
| Deposit with Brokers for Derivative Contracts, net (related to investments): | | | | |
| U.S. Government Guaranteed: | | | | |
| U.S. Government Direct Obligations | \$ 4,189,699.99 | 2.53 | 6,423,734.73 | 2.07 |
| Total U.S. Government Guaranteed | 4,189,699.99 | 2.53 | 6,423,734.73 | 2.07 |
| Cash | (38,251,403.25) | 0.00 | 12,823,693.20 | 0.00 |
| Total Deposit with Brokers for Derivative Contracts, net (related to investments) | \$ (34,061,703.26) | (0.31) | 19,247,427.93 | 0.69 |

(E) *Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes* – The System may invest in various mortgage backed securities, such as collateralized mortgage backed obligations. The System also may invest in investments that have floating rates with periodic coupon changes in market rates, zero coupon bonds and stripped treasury and agency securities created from coupon securities. No percentage of holdings limitations are specified in the investment policy statements regarding these types of securities. As of August 31, 2019 and 2018, the System’s investments included the following investments that are highly sensitive to interest rate changes:

- Collateralized mortgage obligations which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2019 and 2018, these securities amounted to \$102,229,674.86 and \$93,796,073.00, respectively.
- Mortgage backed securities which are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows will affect the fair value of these securities. As of August 31, 2019 and 2018, these securities amounted to \$411,682,114.73 and \$235,493,110.00, respectively.
- Asset backed securities which are backed by home equity loans, auto loans, equipment loans and credit card receivables. Prepayments by the obligees of the underlying assets in periods of decreasing interest rates could reduce or eliminate the stream of income that would have been received. As of August 31, 2019 and 2018 these securities amounted to \$39,822,205.81 and \$37,822,171.00, respectively.

(F) *Foreign Currency Risk* – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the System’s non-U.S. dollar investments. There are no limitations on investments in non-U.S. denominated bonds or common stocks in relation to the System’s total fixed income and developed country equity exposures in the System’s investment policy statements.

Classification between domestic common stock and foreign common stock is based on the country of domicile of the issuer, not the currency in which the security is traded. The following tables summarize the System's exposure to non-U.S. dollar investments by asset type as of August 31, 2019 and 2018.

| Investment Type | 2019 Fair Value | Investment Type | 2019 Fair Value |
|---|----------------------|---|----------------------|
| Foreign Common Stock: | | Foreign Government & Provincial Obligations (cont.): | |
| Australian Dollar | \$ 5,425,886 | Euro | \$ 451,234,471 |
| Brazilian Real | 403,826,036 | Hungarian Forint | 14,639,202 |
| British Pound | 154,628,203 | Indonesian Rupiah | 64,223,472 |
| Canadian Dollar | 10,669,542 | Japanese Yen | 439,583,954 |
| Chilean Peso | 3,221,506 | Malaysian Ringgit | 86,859,246 |
| Chinese Yuan Renminbi | 623,642,930 | Mexican Peso | 300,553,525 |
| Colombian Peso | 404,253 | New Zealand Dollar | 1,044,054 |
| Czech Koruna | 628,087 | Norwegian Krone | 25,977,277 |
| Danish Krone | 20,422,831 | Peruvian Sol | 17,611,955 |
| Egyptian Pound | 13,873,210 | Polish Zloty | 109,955,894 |
| Euro | 269,837,940 | Romanian Leu | 9,599,848 |
| Hong Kong Dollar | 210,745,392 | Russian Ruble | 944,010 |
| Hungarian Forint | 3,972,174 | Singapore Dollar | 85,299,682 |
| Indian Rupee | 87,340,129 | South African Rand | 65,334,487 |
| Indonesian Rupiah | 36,189,495 | South Korean Won | 12,227,486 |
| Japanese Yen | 413,174,868 | Total Foreign Government & Provincial Obligations | 2,134,611,644 |
| Malaysian Ringgit | 23,976,599 | Corporate Obligations: | |
| Mexican Peso | 113,128,500 | Australian Dollar | 2,927,571 |
| Norwegian Krone | 23,828,718 | British Pound | 66,846,710 |
| Peruvian Sol | 109,002 | Canadian Dollar | 1,365,625 |
| Philippine Peso | 2,031,140 | Danish Krone | 82,252,943 |
| Polish Zloty | 12,967,415 | Euro | 51,207,274 |
| Qatari Riyal | 4,087,547 | Indian Rupee | 870 |
| Saudi Riyal | 2,968,303 | South African Rand | 3,300,071 |
| Singapore Dollar | 15,663,806 | Swedish Krona | 349,138 |
| South African Rand | 41,313,039 | Total Corporate Obligations | 208,250,202 |
| South Korean Won | 353,031,003 | Investment Funds - Emerging Markets: | |
| Sri Lankan Rupee | 3,223,927 | Brazilian Real | 21,129,335 |
| Swedish Krona | 8,760,011 | Private Investments: | |
| Swiss Franc | 34,029,141 | Australian Dollar | 138,102,249 |
| Taiwan Dollar | 166,007,372 | British Pound | 90,054,764 |
| Thai Baht | 26,520,901 | Canadian Dollar | 245,915,713 |
| Turkish Lira | 45,992,854 | Euro | 357,367,937 |
| United Arab Emirates Dirham | 35,440,804 | Total Private Investments | 831,440,663 |
| Vietnamese Dong | 20,052,838 | Cash and Cash Equivalents: | |
| Total Foreign Common Stock | 3,191,135,402 | Australian Dollar | 65,364 |
| Other Equity Securities: | | Brazilian Real | 7,427,750 |
| Chinese Yuan Renminbi | 3,725,780 | British Pound | (1,207,395) |
| Malaysian Ringgit | 18,091 | Canadian Dollar | 504,445 |
| Taiwan Dollar | 9,846 | Chilean Peso | 30,689 |
| Total Other Equity Securities | 3,753,717 | Chinese Yuan Renminbi | 26,724,376 |
| Foreign Preferred Stock: | | Colombian Peso | 1,286,407 |
| Brazilian Real | 66,839,217 | Czech Koruna | 83,918 |
| Colombian Peso | 223,731 | Danish Krone | (151,810) |
| South African Rand | 115,697 | Egyptian Pound | 10,015 |
| South Korean Won | 34,381,640 | Euro | 4,336,301 |
| Total Foreign Preferred Stock | 101,560,285 | Hong Kong Dollar | 2,630,257 |
| Foreign Government & Provincial Obligations: | | Hungarian Forint | 99,434 |
| Australian Dollar | 79,612,410 | Indian Rupee | 492,900 |
| Brazilian Real | 108,522,960 | Indonesian Rupiah | 229,441 |
| British Pound | 29,063,273 | Israeli Shekel | 2,499 |
| Canadian Dollar | 141,485,939 | Japanese Yen | 25,463,593 |
| Colombian Peso | 90,838,499 | Malaysian Ringgit | 118,356 |

| Investment Type (cont.) | 2019 Fair Value | Investment Type | 2019 Fair Value |
|------------------------------------|--------------------|----------------------------------|-------------------------|
| Cash and Cash Equivalents (cont.): | | Futures: | |
| Mexican Peso | \$ 1,115,159 | Euro | \$ (100,069) |
| New Zealand Dollar | 2,480 | Foreign Exchange Contracts: | |
| Norwegian Krone | 1,519,484 | Argentina Peso | (242,815) |
| Philippine Peso | 18,184 | Australian Dollar | (32,196) |
| Polish Zloty | 642,837 | Brazilian Real | 2,733,673 |
| Peruvian Sol | 8,790 | British Pound | 3,274,028 |
| Qatari Riyal | 285,743 | Canadian Dollar | 205,789 |
| Romanian Leu | 264 | Chilean Peso | (1,753,615) |
| Russian Ruble | (72) | Chinese Yuan Renminbi | (71,218) |
| Singapore Dollar | 47,619 | Colombian Peso | 1,939,673 |
| South African Rand | 1,785,363 | Czech Koruna | (715,951) |
| South Korean Won | 7,658,895 | Danish Krone | 1,703,560 |
| Swedish Krona | 67,659 | Euro | 14,883,638 |
| Swiss Franc | 48,592 | Hong Kong Dollar | 65,949 |
| Taiwan Dollar | 1,491,515 | Hungarian Forint | 1,620,079 |
| Thai Baht | 63,037 | Indian Rupee | 509,682 |
| Turkish Lira | 125,604 | Indonesian Rupiah | 181,252 |
| United Arab Emirates Dirham | 41,961 | Israeli Shekel | 1,842 |
| Total Cash and Cash Equivalents | <u>83,069,654</u> | Japanese Yen | (13,173,604) |
| Purchased Options: | | Malaysian Ringgit | 43,157 |
| Australian Dollar | 51 | Mexican Peso | 5,521,663 |
| Brazilian Real | 178,130 | New Zealand Dollar | 1,156,106 |
| Euro | 5,708,406 | Norwegian Krone | (1,305,640) |
| Japanese Yen | 8,386 | Peruvian Sol | 666,296 |
| Swiss Franc | 438,932 | Polish Zloty | 1,240,428 |
| Total Purchased Options | <u>6,333,905</u> | Qatari Riyal | (1,088) |
| Written Options: | | Romanian Leu | 317,130 |
| Australian Dollar | (69,560) | Russian Ruble | (241,441) |
| Brazilian Real | (565,609) | Singapore Dollar | 773,655 |
| Japanese Yen | (6,621) | South African Rand | 464,928 |
| Total Written Options | <u>(641,790)</u> | South Korean Won | (1,208,668) |
| Swaps: | | Swedish Krona | (3,329,868) |
| Australian Dollar | 11,595,964 | Swiss Franc | (139,838) |
| British Pound | (2,692,953) | Taiwan Dollar | (141,399) |
| Canadian Dollar | 1,894,945 | Thai Baht | (672,500) |
| Chinese Yuan Renminbi | 453,198 | Total Foreign Exchange Contracts | <u>14,272,687</u> |
| Czech Koruna | 58,335 | | |
| Euro | 27,737,507 | Total | \$ <u>6,636,129,310</u> |
| Israeli Shekel | 649,045 | | |
| Japanese Yen | 604,048 | | |
| Mexican Peso | 27,387 | | |
| New Zealand Dollar | 9,424 | | |
| Polish Zloty | 76,855 | | |
| South Korean Won | 668,639 | | |
| South African Rand | 71,719 | | |
| Swedish Krona | 159,562 | | |
| Total Swaps | <u>41,313,675</u> | | |

| Investment Type | 2018 Fair Value | Investment Type | 2018 Fair Value |
|--|--------------------|--|--------------------|
| Domestic Common Stock: | | Foreign Government & Provincial Obligations (cont.): | |
| Australian Dollar | \$ 184,293 | Indonesian Rupiah | \$ 57,395,864 |
| Foreign Common Stock: | | Japanese Yen | 249,721,599 |
| Australian Dollar | 4,127,465 | Malaysian Ringgit | 119,415,866 |
| Brazilian Real | 301,296,544 | Mexican Peso | 273,261,418 |
| British Pound | 124,452,409 | New Zealand Dollar | 101,000,320 |
| Canadian Dollar | 21,378,794 | Norwegian Krone | 31,268,777 |
| Chilean Peso | 1,735,849 | Peruvian Sol | 38,677,929 |
| Chinese Yuan Renminbi | 449,274,805 | Polish Zloty | 154,574,605 |
| Colombian Peso | 234,056 | Romanian Leu | 5,439,316 |
| Czech Koruna | 8,951,788 | Singapore Dollar | 101,479,699 |
| Danish Krone | 20,746,741 | South African Rand | 66,456,830 |
| Egyptian Pound | 22,305,389 | South Korean Won | 29,797,454 |
| Euro | 330,574,872 | Thai Baht | 11,769,181 |
| Hong Kong Dollar | 160,237,490 | Turkish Lira | 10,000,169 |
| Hungarian Forint | 1,870,007 | Total Foreign Government & Provincial Obligations | 2,175,439,580 |
| Indian Rupee | 110,410,268 | Corporate Obligations: | |
| Indonesian Rupiah | 39,733,042 | Australian Dollar | 4,941,885 |
| Japanese Yen | 398,459,862 | British Pound | 53,333,349 |
| Malaysian Ringgit | 31,795,319 | Canadian Dollar | 2,391,222 |
| Mexican Peso | 128,737,378 | Danish Krone | 67,155,667 |
| Norwegian Krone | 3,865,391 | Euro | 36,047,434 |
| Peruvian Sol | 125,629 | Indian Rupee | 11,217,984 |
| Philippine Peso | 1,532,445 | South African Rand | 8,994,644 |
| Polish Zloty | 5,337,696 | Swedish Krona | 37,997,118 |
| Qatari Riyal | 9,390,738 | Total Corporate Obligations | 222,079,303 |
| Singapore Dollar | 26,492,686 | Investment Funds - Emerging Markets: | |
| South African Rand | 43,504,170 | Brazilian Real | 29,272,884 |
| South Korean Won | 464,928,104 | Convertible Securities: | |
| Sri Lankan Rupee | 8,815,880 | Brazilian Real | 1,702,816 |
| Swiss Franc | 24,180,314 | Private Investments: | |
| Taiwan Dollar | 153,377,493 | Australian Dollar | 122,439,273 |
| Thai Baht | 41,060,567 | British Pound | 58,068,434 |
| Turkish Lira | 18,444,640 | Canadian Dollar | 291,900,609 |
| United Arab Emirates Dirham | 36,229,065 | Euro | 404,589,583 |
| Vietnamese Dong | 15,152,560 | Total Private Investments | 876,997,899 |
| Total Foreign Common Stock | 3,008,759,456 | Cash and Cash Equivalents: | |
| Other Equity Securities: | | Australian Dollar | 16,261 |
| Australian Dollar | 4,090 | Brazilian Real | 4,475,337 |
| Malaysian Ringgit | 37,029 | British Pound | 926,038 |
| Total Other Equity Securities | 41,119 | Canadian Dollar | 5,341,017 |
| Foreign Preferred Stock: | | Chilean Peso | 291 |
| Brazilian Real | 48,493,589 | Chinese Yuan Renminbi | 70,586,046 |
| Euro | 10,577,750 | Colombian Peso | 1,255,529 |
| South African Rand | 105,693 | Czech Koruna | 42 |
| South Korean Won | 30,453,676 | Danish Krone | 6,778 |
| Total Foreign Preferred Stock | 89,630,708 | Egyptian Pound | 16,400 |
| Foreign Government & Provincial Obligations: | | Euro | 393,841 |
| Australian Dollar | 199,429,417 | Hong Kong Dollar | 436,939 |
| Brazilian Real | 86,865,296 | Hungarian Forint | 23,647 |
| British Pound | 45,607,131 | Indian Rupee | 196,333 |
| Canadian Dollar | 128,400,097 | Indonesian Rupiah | 350,872 |
| Colombian Peso | 48,572,797 | Israeli Shekel | 398 |
| Euro | 416,305,815 | Japanese Yen | 13,767,456 |

| Investment Type (cont.) | 2018 Fair Value | Investment Type | 2018 Fair Value |
|------------------------------------|--------------------|----------------------------------|--------------------------------|
| Cash and Cash Equivalents (cont.): | | Foreign Exchange Contracts: | |
| Malaysian Ringgit | \$ 904,679 | Argentina Peso | \$ (401,979) |
| Mexican Peso | 2,440,166 | Australian Dollar | 1,479,327 |
| New Zealand Dollar | 295,529 | Brazilian Real | 3,930,794 |
| Norwegian Krone | 815 | British Pound | (969,954) |
| Philippine Peso | 12,113 | Canadian Dollar | (1,088,420) |
| Polish Zloty | 450,724 | Chilean Peso | (113,984) |
| Singapore Dollar | 1,125,498 | Chinese Yuan Renminbi | (1,495,177) |
| South African Rand | 3,669,017 | Colombian Peso | (1,052,195) |
| South Korean Won | 9,067,322 | Czech Koruna | (6,539) |
| Swedish Krona | 623 | Danish Krone | (9,845) |
| Swiss Franc | 1,159 | Euro | 1,867,805 |
| Taiwan Dollar | 1,100,823 | Hong Kong Dollar | 182,801 |
| Thai Baht | 32,575 | Hungarian Forint | (35,837) |
| Turkish Lira | 95,722 | Indian Rupee | 112,561 |
| United Arab Emirates Dirham | (3,439) | Indonesian Rupiah | 85,757 |
| Total Cash and Cash Equivalents | <u>116,986,551</u> | Israeli Shekel | 28,350 |
| Purchased Options: | | Japanese Yen | 12,066,997 |
| Brazilian Real | 551,211 | Malaysian Ringgit | (90,224) |
| Euro | 162,299 | Mexican Peso | (2,068,420) |
| Total Purchased Options | <u>713,510</u> | New Zealand Dollar | 1,440,880 |
| Written Options: | | Norwegian Krone | (2,003,588) |
| Australian Dollar | (11,581) | Peruvian Sol | 85,111 |
| Brazilian Real | (144) | Polish Zloty | (634,617) |
| British Pound | (137,209) | Romanian Leu | (55,296) |
| Euro | (49,231) | Russian Ruble | (573,525) |
| Total Written Options | <u>(198,165)</u> | Singapore Dollar | 2,279,316 |
| Swaps: | | South African Rand | 1,161,629 |
| British Pound | 9,908,424 | South Korean Won | (539,346) |
| Canadian Dollar | 499,916 | Swedish Krona | (9,435,048) |
| Euro | 4,361,399 | Swiss Franc | 136,539 |
| Japanese Yen | (335,093) | Taiwan Dollar | 467,908 |
| Mexican Peso | (83,999) | Thai Baht | (303,730) |
| New Zealand Dollar | 304,929 | Turkish Lira | (560,637) |
| South Korean Won | 25,996 | Total Foreign Exchange Contracts | <u>3,887,414</u> |
| South African Rand | (386,690) | | |
| Total Swaps | <u>14,294,882</u> | | |
| Futures: | | Total | \$ <u><u>6,539,557,183</u></u> |
| Canadian Dollar | (22,508) | | |
| Euro | (212,559) | | |
| Total Futures | <u>(235,067)</u> | | |

(G) *Counterparty (Credit) Risk* – The derivative instruments utilized by the System contain varying degrees of off-statement of net position risk whereby changes in the fair values of securities underlying the financial instruments may exceed the amounts recognized in the statement of net position. The System manages these risks on an aggregate basis along with the risks associated with its other investments as part of its overall risk management process.

The System had gross counterparty exposure as of August 31, 2019 for options, swaps, and foreign currency exchange contracts as shown in the following table:

| | Notional | | Fair Value | | Counterparty Rating |
|-------------------------------------|-------------------------|----------------------|--------------------|-------------------|---------------------|
| | Assets | Liabilities | Assets | Liabilities | |
| Options | \$ 90,292,592 | - | 4,988,471 | - | AA |
| Options | 28,257,997 | 42,139,875 | 164,370 | 217,724 | A |
| Swaps | 68,797,105 | 31,107,315 | 8,612,230 | 6,419,433 | AA |
| Swaps | 390,830,439 | 738,475,144 | 30,841,650 | 36,218,577 | A |
| Foreign Currency Exchange Contracts | 854,819,016 | 341,976,218 | 18,211,712 | 4,072,944 | AA |
| Foreign Currency Exchange Contracts | 2,509,034,543 | 2,259,678,515 | 37,644,788 | 37,510,869 | A |
| | <u>\$ 3,942,031,692</u> | <u>3,413,377,067</u> | <u>100,463,221</u> | <u>84,439,547</u> | |

The System had gross counterparty exposure as of August 31, 2018 for options, swaps, and foreign currency exchange contracts as shown in the following table:

| | Notional | | Fair Value | | Counterparty Rating |
|-------------------------------------|-------------------------|----------------------|-------------------|-------------------|---------------------|
| | Assets | Liabilities | Assets | Liabilities | |
| Options | \$ - | 8,300,000 | - | 75,883 | AA |
| Options | 15,396,381 | 96,594,234 | 681,807 | 257,821 | A |
| Swaps | 5,447,916 | 5,831,797 | 1,352,265 | 564,360 | AA |
| Swaps | 757,163,605 | 310,084,015 | 27,845,967 | 15,698,816 | A |
| Foreign Currency Exchange Contracts | 1,039,529,767 | 2,841,350,645 | 24,515,008 | 31,814,241 | AA |
| Foreign Currency Exchange Contracts | 1,521,104,488 | 2,058,561,860 | 28,217,254 | 16,910,447 | A |
| Foreign Currency Exchange Contracts | 2,906,931 | 3,026,126 | 78,100 | 198,261 | BBB |
| | <u>\$ 3,341,549,088</u> | <u>5,323,748,677</u> | <u>82,690,401</u> | <u>65,519,829</u> | |

As of August 31, 2019 and 2018, the System also had investments in futures contracts, options on futures contracts and exchange-cleared swaps. Futures contracts, options on futures contracts and exchange-cleared swaps expose the System to minimal counterparty credit risk since they are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default, and therefore, they are not presented in the previous tables.

Counterparty risk for swaps, options and foreign currency exchange contracts which are traded over-the-counter is mitigated by having master netting arrangements between the System and its counterparties, and by the posting of collateral on a daily basis by the counterparty to the System to cover the System's exposure to a counterparty above the limits set in place in each master netting agreement. Collateral posted by counterparties is held by the System in one of its accounts at the System's custodian bank. As of August 31, 2019 and 2018, the System held \$86,947,187 and \$26,589,000, respectively, as collateral related to derivative instruments other than futures, and had on deposit with brokers \$49,085,725 and \$37,949,129, respectively, as collateral related to derivative instruments other than futures.

SECURITIES LENDING

In accordance with the prudent investor investment standards, the System participates in a securities lending program. The System began the program, under a contract with the System's lending agent, on September 1, 1995. The lending agent is authorized to lend any securities held by the System's custodian except those securities, which the policy guidelines prohibit lending. At August 31, 2019 and 2018, there were a total of \$782,945,046.74 and \$662,260,720.96, respectively, of securities out on loan to brokers/dealers. A combination of cash and qualified non-cash securities are held as collateral against the outstanding securities on loan. The value of cash collateral held for these securities consisted of \$453,059,220.56 at August 31, 2019 and \$434,189,416.14 at August 31, 2018. These amounts are recorded as assets, with an offsetting liability to return the collateral on the consolidated statement of net position. The qualified non-cash securities received as collateral for securities lending activities are not recorded as assets because these securities remain under the control of the transferor, except in the event of default.

In security lending transactions, the System transfers its securities to brokers/dealers for collateral, which may be cash, securities issued or guaranteed by the United States government or its agencies, and irrevocable bank letters of credit, and simultaneously agrees to return the collateral for the same securities in the future.

Cash received as collateral for securities lending activities is invested and reinvested in a non-commingled pool exclusively for the benefit of the System. The pool is managed in accordance with investment guidelines established in the securities lending contract between the System and its securities lending agent. The maturities of the investments in the pool do not necessarily match the term of the loans, rather the pool is managed to maintain a maximum dollar weighted average maturity of 60 days and an overnight liquidity of 20 percent. The System was collateralized 103 percent on August 31, 2019 and August 31, 2018 for securities on loan collateralized by cash. The System's collateral pool investments, rating by NRSRO and weighted average maturity in days as of August 31, 2019 and 2018, are shown in the following table:

| <u>Description</u> | <u>August 31, 2019</u> | | | <u>August 31, 2018</u> | | |
|------------------------------------|------------------------|---------------|-------------------------|------------------------|---------------|-------------------------|
| | <u>Fair Value</u> | <u>Rating</u> | <u>Weighted Average</u> | <u>Fair Value</u> | <u>Rating</u> | <u>Weighted Average</u> |
| Repurchase Agreements | \$ 283,087,060 | Not Rated | 3 | \$ 151,035,097 | No Rating | 4 |
| U.S. Government Agency Obligations | - | | | 7,500,000 | AA | 7 |
| Commercial Paper | 12,307,353 | P | 58 | 137,461,988 | P | 24 |
| Corporate Obligations | 22,114,656 | AA | | 3,006,929 | AA | |
| Corporate Obligations | 15,630,294 | A | | 27,430,766 | A | |
| Total Corporate Obligations | <u>37,744,950</u> | | 43 | <u>30,437,695</u> | | 42 |
| International Obligations | 67,917,573 | AA | | 72,561,174 | AA | |
| International Obligations | 52,099,574 | A | | 48,311,685 | A | |
| Total International Obligations | <u>120,017,147</u> | | 38 | <u>120,872,859</u> | | 23 |
| Other Receivables/Payables | (97,290) | Not Rated | | (13,118,223) | Not Rated | |
| Total Collateral Pool Investment | \$ <u>453,059,220</u> | | 17 | \$ <u>434,189,416</u> | | 19 |

Collateral pool investments are uninsured and are held by the securities lending agent, in its name, on behalf of the System, except for the investments in repurchase agreements, which are held in the securities lending agent's name by a third party custodian not affiliated with the System or the borrower of the associated loaned securities. Therefore, the collateral pool is not exposed to custodial credit risk, because the pool investments are not held by counterparties to the lending transactions or a counterparties' trust department or agent. All collateral pool investments are categorized as Level 2 in the fair value hierarchy and are valued based upon prices supplied by major fixed income pricing services, external broker quotes and internal pricing matrices.

Lending income is earned if the returns on those investments exceed the “rebate” paid to borrowers of the securities. The income is then shared with the lending agent based on a contractually negotiated rate split. If the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, part of the payment to the borrower would come from the System’s resources and the lending agent based on the rate split.

Loans that are collateralized with securities generate income when the borrower pays a loan premium or fee for the securities loan. This income is split with the same ratio as the earnings for cash collateral. The collateral pledged to the System by the borrower is custodied by the lending agent or through a third-party arrangement. These securities held as collateral are not available to the System for selling or pledging unless the borrower is in default of the loan. The System held collateral equal to 103 percent of the securities on loan that were collateralized by non-cash securities as of August 31, 2019 and August 31, 2018.

The collateral received must have a fair value of 102 percent of the loaned securities of United States issuers. If the fair value of the collateral held in connection with loans of securities of United States issuers is less than 100 percent at the close of trading on any business day, the borrower is required to deliver additional collateral by the close of the next business day to equal 102 percent of the fair value.

For non-U. S. issuers, the collateral should remain at 105 percent of the fair value of the loaned securities at the close of any business day. If it falls below 105 percent, the borrower must deliver additional collateral by the close of the following business day. The System was collateralized 106 percent for international loans on August 31, 2019 and 107 percent for international loans on August 31, 2018.

In the event of default, where the borrower is unable to return the securities loaned, the System has authorized the lending agent to seize the collateral held. The collateral is then used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities cannot be replaced. If the collateral is insufficient to replace the securities, the lending agent has indemnified the System from any loss due to borrower default.

At August 31, 2019 and 2018, the System had no credit risk exposure to borrowers because the amounts the System owed to borrowers exceeded the amounts the borrowers owed the System.

There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses and no recoveries of prior period losses during the years ended August 31, 2019 and 2018.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative securities are financial instruments whose value is derived, in whole or in part, from the value of any one or more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities or currencies. Derivatives cover a broad range of financial instruments, such as forwards, futures, options and swaps.

(A) *Futures Contracts* – Futures contracts are used to facilitate various trading strategies, primarily as a tool to increase or decrease market exposure to various asset classes. The fair value of the asset positions is included in investments, and the fair value of the liability positions is included in investment derivatives-liability positions on the consolidated statement of net position. Futures contracts are marked to market daily; that is, they are valued at the close of business each day and a gain or loss is recorded between the value of the contracts that day and on the previous day. The daily gain or loss difference is referred to as the daily variation margin, which is settled in cash with the broker each morning for the amount of the previous day’s mark to market. The amount that is settled in cash with the broker each morning is the fair value of the futures contracts.

The changes in fair value of open futures contracts were increases of \$9,535,220 and \$24,533,427 for the years ending August 31, 2019 and 2018, respectively, which are included in the net increase (decrease) in fair value of investments on the consolidated statements of revenues, expenses and changes in net position. The System had \$3,799,760 and \$7,887,298 on deposit with brokers for collateral as margin for the futures contracts as of August 31, 2019 and 2018, respectively. Short futures may be used by internal managers and a limited number of external managers of the System to hedge the System’s interest rate or currency risk associated with security positions. The System executes such contracts either on major exchanges or with major international financial institutions and minimizes market and credit risk associated with these contracts through the managers’ various trading and credit monitoring techniques.

During the years ended August 31, 2019 and 2018, certain of the System's investment managers trading in commodity futures on the London Metals Exchange (LME) closed out various long contract positions with offsetting short contract positions. For contracts traded and closed on the LME, cash settlement does not occur until the expiration date of the contract. The gross notional value of these long and short positions are shown below with the associated pending cash settlement amounts shown as the fair value as of August 31, 2019 and 2018.

The following discloses the type, notional value, and fair value of futures contracts at August 31, 2019:

| | Notional Value at August 31, 2019 | | Fair Value at August 31, 2019 | |
|------------------------------------|--------------------------------------|--------------------|----------------------------------|------------------|
| | Long | Short | Assets | Liabilities |
| Commodity Futures | \$ 117,896,302 | 27,562,270 | 3,565,952 | 4,195,969 |
| Domestic Fixed Income | 743,404,945 | - | 287,469 | - |
| International Fixed Income Futures | 800,474,562 | 190,396,222 | 115,259 | 215,329 |
| Totals | \$ <u>1,661,775,809</u> | <u>217,958,492</u> | <u>3,968,680</u> | <u>4,411,298</u> |

The following discloses the type, notional value, and fair value of futures contracts at August 31, 2018:

| | Notional Value at August 31, 2018 | | Fair Value at August 31, 2018 | |
|------------------------------------|--------------------------------------|----------------------|----------------------------------|-------------------|
| | Long | Short | Assets | Liabilities |
| Commodity Futures | \$ 735,892,250 | 192,833,532 | 7,177,479 | 32,051,925 |
| Domestic Fixed Income | 977,708,022 | 777,879,075 | 286,033 | 313,546 |
| International Fixed Income Futures | 776,143,821 | 305,471,592 | 412,088 | 518,155 |
| Domestic Equities | 45,272,760 | - | 1,560 | - |
| International Equities | 27,589,102 | - | - | 202,987 |
| Totals | \$ <u>2,562,605,955</u> | <u>1,276,184,199</u> | <u>7,877,160</u> | <u>33,086,613</u> |

(B) *Foreign Currency Exchange Contracts* – The System enters into forward foreign currency exchange contracts to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a forward currency contract, the System agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the System's net equity therein, representing unrealized gain or loss on the contracts, as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in investments for the asset positions and investment derivatives-liability positions for the liability positions. These instruments involve market and/or credit risk in excess of the amount recognized in the consolidated statement of net position. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

The following tables summarize, by currency, the contractual amounts of the System's foreign exchange contracts at August 31, 2019 and 2018. Foreign currency amounts are translated at exchange rates as of August 31, 2019 and 2018. The "Net Buy" amounts represent the U. S. dollar equivalent of net commitments to purchase foreign currencies and the "Net Sell" amounts represent the U. S. dollar equivalent of net commitments to sell foreign currencies.

| Currency | Net Buy August 31, 2019 | Net Sell August 31, 2019 | Unrealized Gains on Foreign Exchange Contracts August 31, 2019 | Unrealized Losses on Foreign Exchange Contracts August 31, 2019 |
|-----------------------|----------------------------|-----------------------------|--|---|
| Argentina Peso | \$ - | - | 38,001 | 280,816 |
| Australian Dollar | - | 42,780,409 | 744,343 | 776,538 |
| Brazilian Real | - | 61,593,449 | 4,937,720 | 2,204,046 |
| British Pound | - | 84,252,204 | 4,883,623 | 1,609,595 |
| Canadian Dollar | - | 135,373,785 | 1,129,778 | 923,989 |
| Chilean Peso | 43,714,771 | - | 13,688 | 1,767,303 |
| Chinese Yuan Renminbi | - | 10,752,777 | 515,795 | 587,013 |
| Colombian Peso | - | 16,073,219 | 2,350,134 | 410,461 |
| Czech Koruna | 13,420,678 | - | - | 715,951 |
| Danish Krone | - | 101,023,137 | 1,793,182 | 89,622 |
| Euro | - | 860,943,643 | 17,273,171 | 2,389,533 |
| Hong Kong Dollar | - | 14,446,799 | 134,569 | 68,621 |
| Hungarian Forint | - | 52,477,744 | 1,966,803 | 346,724 |
| Indian Rupee | - | 75,442 | 885,722 | 376,040 |
| Indonesian Rupiah | - | 27,258,143 | 403,832 | 222,581 |
| Israeli Shekel | - | 444,127 | 5,334 | 3,492 |
| Japanese Yen | - | 658,762,062 | 177,143 | 13,350,747 |
| Malaysian Ringgit | - | 4,099,636 | 43,159 | 2 |
| Mexican Peso | - | 159,458,594 | 6,126,275 | 604,612 |
| New Zealand Dollar | - | 32,187,088 | 2,246,156 | 1,090,050 |
| Norwegian Krone | 37,331,866 | - | 2,232,002 | 3,537,642 |
| Peruvian Sol | - | 57,284,617 | 717,719 | 51,422 |
| Polish Zloty | - | 37,524,646 | 2,245,556 | 1,005,128 |
| Qatari Riyal | - | 285,743 | - | 1,089 |
| Romanian Leu | - | 9,514,383 | 428,852 | 111,722 |
| Russian Ruble | 14,063,507 | - | - | 241,441 |
| Singapore Dollar | - | 98,282,973 | 1,049,075 | 275,420 |
| South African Rand | - | 70,987,653 | 1,207,268 | 742,340 |
| South Korean Won | 49,083,493 | - | 572,524 | 1,781,192 |
| Swedish Krona | 82,412,289 | - | 902,676 | 4,232,544 |
| Swiss Franc | - | 67,076,876 | 813,603 | 953,441 |
| Taiwan Dollar | - | 17,993,987 | 18,797 | 160,196 |
| Thailand Baht | - | 70,545,116 | - | 672,500 |
| TOTAL | \$ 240,026,604 | 2,691,498,252 | 55,856,500 | 41,583,813 |

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2019 was an increase in the amount of \$14,273,249, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position.

| Currency | Net Buy August 31, 2018 | Net Sell August 31, 2018 | Unrealized Gains on Foreign Exchange Contracts August 31, 2018 | Unrealized Losses on Foreign Exchange Contracts August 31, 2018 |
|-----------------------|----------------------------|-----------------------------|--|---|
| Argentina Peso | \$ 1,789,358 | - | 769,455 | 1,171,434 |
| Australian Dollar | - | 160,631,998 | 1,963,301 | 483,974 |
| Brazilian Real | - | 46,198,971 | 4,586,950 | 656,156 |
| British Pound | - | 145,907,600 | 2,894,506 | 3,864,460 |
| Canadian Dollar | - | 54,616,932 | 669,078 | 1,757,498 |
| Chilean Peso | 28,362,121 | - | - | 113,984 |
| Chinese Yuan Renminbi | - | 4,902,382 | 260,778 | 1,755,955 |
| Colombian Peso | 39,568,749 | - | 856,376 | 1,908,571 |
| Czech Koruna | 21,905 | - | - | 6,539 |
| Danish Krone | - | 70,904,791 | 242,957 | 252,802 |
| Euro | - | 921,609,644 | 4,490,994 | 2,623,189 |
| Hong Kong Dollar | - | 16,157,795 | 182,801 | - |
| Hungarian Forint | - | 39,671,032 | - | 35,837 |
| Indian Rupee | - | 4,361,646 | 655,065 | 542,504 |
| Indonesian Rupiah | - | 43,136,472 | 575,323 | 489,566 |
| Israeli Shekel | 118,323 | - | 28,376 | 26 |
| Japanese Yen | - | 555,276,710 | 14,285,745 | 2,218,748 |
| Malaysian Ringgit | - | 435,212 | 933 | 91,157 |
| Mexican Peso | - | 41,979,486 | 1,030,433 | 3,098,853 |
| New Zealand Dollar | - | 146,421,839 | 1,637,758 | 196,878 |
| Norwegian Krone | 75,584,855 | - | 239,234 | 2,242,822 |
| Peruvian Sol | - | 10,780,424 | 85,286 | 175 |
| Polish Zloty | - | 49,647,654 | 302,099 | 936,716 |
| Romanian Leu | - | 10,240,153 | 2,598 | 57,894 |
| Russian Ruble | 9,421,801 | - | - | 573,525 |
| Singapore Dollar | - | 123,838,658 | 2,525,665 | 246,349 |
| South African Rand | - | 17,107,065 | 4,472,918 | 3,311,289 |
| South Korean Won | - | 58,979,190 | 26,633 | 565,979 |
| Swedish Krona | 149,603,558 | - | 460,262 | 9,895,310 |
| Swiss Franc | - | 43,394,001 | 150,812 | 14,273 |
| Taiwan Dollar | - | 28,700,450 | 547,071 | 79,163 |
| Thailand Baht | - | 53,659,309 | 11,246 | 314,976 |
| Turkish Lira | - | 3,279,658 | 8,855,709 | 9,416,347 |
| TOTAL | \$ 304,470,670 | 2,651,839,072 | 52,810,362 | 48,922,949 |

The change in fair value of open foreign currency exchange contracts for the year ending August 31, 2018 was an increase in the amount of \$4,521,272, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position.

(C) *Written Options* – Written options are used to alter the market (systematic) exposure without trading the underlying cash market securities, and to hedge and control risks, so that the actual risk/return profile is more closely aligned with the target risk/return profile. The fair value is included on the consolidated statement of net position in investment derivatives-liability positions. The following discloses the fair values of the outstanding written call options contracts as of August 31, 2019 and 2018:

| <u>Type</u> | Fair Value | |
|-------------|---------------------------|--------------------|
| | at August 31, 2019 | |
| | Assets | Liabilities |
| Currency | \$ - | 116,558 |
| Equity | - | 514,470 |
| Commodity | - | 150,760 |
| Other | - | 303,728 |
| | \$ - | <u>1,085,516</u> |

The change in fair value of open call options for the year ending August 31, 2019, was a decrease in the amount of \$525,997, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position.

| <u>Type</u> | Fair Value | |
|-------------|---------------------------|--------------------|
| | at August 31, 2018 | |
| | Assets | Liabilities |
| Currency | \$ - | 147,602 |
| Equity | - | 159,903 |
| Commodity | - | 1,170 |
| Other | - | 6,811 |
| | \$ - | <u>315,486</u> |

The change in fair value of open call options for the year ending August 31, 2018, was an increase in the amount of \$270,624, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position.

The following discloses the fair values of the outstanding written put options contracts as of August 31, 2019 and 2018:

| <u>Type</u> | Fair Value | |
|---------------------|---------------------------|--------------------|
| | at August 31, 2019 | |
| | Assets | Liabilities |
| Currency | \$ - | 100,993 |
| Equity | - | 107,859 |
| Commodity | - | 8,160 |
| Credit Default Swap | - | 173 |
| Interest Rate Swap | - | 712,163 |
| Other | 19,947 | 5,742 |
| | \$ <u>19,947</u> | <u>935,090</u> |

The change in fair value of open put options for the year ending August 31, 2019, was an increase in the amount of \$412,328, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position.

| Type | Fair Value at August 31, 2018 | |
|----------|----------------------------------|-------------|
| | Assets | Liabilities |
| Currency | \$ - | 163,746 |
| Other | - | 15,546 |
| | \$ - | 179,292 |

The change in fair value of open put options for the year ending August 31, 2018, was an increase in the amount of \$80,132, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position.

(D) *Swaps* – Swaps are used to adjust interest rate and yield curve exposures. The fair value of the asset positions is included in investments, and the fair value of the liability positions is included in investment derivatives-liability positions on the consolidated statement of net position. The following discloses the notional amount (presented in US dollar equivalents) and the fair values of the outstanding swap contracts as of August 31, 2019:

| Type | Fair Value at August 31, 2019 | | |
|--|----------------------------------|------------|-------------|
| | USD Notional Value | Assets | Liabilities |
| Interest Rate (Pay-Fixed Receive-Variable) | \$ 2,564,897,563 | 19,795,285 | 173,784 |
| Interest Rate (Pay-Variable Receive-Fixed) | 928,497,926 | 192,659 | 14,705,522 |
| Credit Default | 279,675,125 | 4,756,134 | 2,886,957 |
| Commodity | 4,073,682 | 79,007 | 286,709 |
| Currency | 50,088,960 | 24,853,050 | 25,285,460 |
| Equity | 985,297,169 | 5,796,272 | 14,193,706 |
| Volatility | 9,700,000 | - | 897,686 |
| Fixed Income | 15,000,000 | - | 1,338,898 |
| Total | \$ 4,837,230,425 | 55,472,407 | 59,768,722 |

The change in fair value of open swap positions for the year ending August 31, 2019, was a decrease in the amount of \$6,675,200, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position.

The following discloses the notional amount (presented in US dollar equivalents) and the fair values of the outstanding swap contracts as of August 31, 2018:

| Type | Fair Value at August 31, 2018 | | |
|--|----------------------------------|------------|-------------|
| | USD Notional Value | Assets | Liabilities |
| Interest Rate (Pay-Fixed Receive-Variable) | \$ 1,296,404,652 | 4,765,260 | 2,794,622 |
| Interest Rate (Pay-Variable Receive-Fixed) | 1,215,848,507 | 10,181,087 | 1,371,877 |
| Credit Default | 130,735,750 | 1,905,129 | 829,225 |
| Commodity | 8,860,756 | 568,240 | 282,236 |
| Currency | 17,890,225 | 9,136,963 | 8,662,001 |
| Equity | 946,459,739 | 13,670,447 | 4,685,686 |
| Total | \$ 3,616,199,629 | 40,227,126 | 18,625,647 |

The change in fair value of open swap positions for the year ending August 31, 2018, was an increase in the amount of \$22,396,573, which is included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position.

7. Derivative Instruments

Derivatives are financial instruments the value of which is derived, in whole or part, from the value of any one or more underlying assets or index of asset values. Derivatives include forwards, futures, options and swaps. Hedging derivative contracts are entered into for the purpose of reducing the overall cost of borrowing long-term capital and to protect the System against the risk of rising interest rates. The hedging derivatives primarily consist of interest rate swap agreements entered into in connection with long-term bonds. The derivative contracts enable the System to issue bonds at a cost less than what the System would have paid to issue conventional fixed-rate debt. Investment derivatives are entered into with the intention of managing transaction or currency exchange risk in purchasing, selling or holding investments. Ineffective hedges are also reported as investment derivatives. All derivative instruments are categorized as Level 2 in the fair value hierarchy, except for futures contracts and some of the purchased options which are categorized as Level 1. The fair values of the interest rate swaps are calculated using a forecast of expected discounted future net cash flows. Other swaps are fair valued by using independent broker quotes or using models with primarily externally verifiable model inputs. Futures contracts and foreign exchange contracts are fair valued at closing market prices on the valuation date. The following disclosures summarize the System's derivative activity as reported in the consolidated financial statements.

| | Change in Fair Value (FV) 8/31/18 to 8/31/19 | | Fair Value at 8/31/19 | | Notional Amount |
|---|---|--------------------|-------------------------------|------------------|------------------|
| | Classification | Amount | Classification | Amount | |
| Cash Flow-Interest Rate Swaps | | | | | |
| Hedging Derivative Assets | | | Hedging Derivative Asset | \$ - | - |
| Pay-Fixed Receive-Variable | Def Inflows | \$ (37,067,661.00) | Hedging Derivative Liab | (325,363,093.00) | 1,626,205,000.00 |
| Hedging Derivative Liabilities | | | | | |
| Pay-Fixed Receive-Variable | Def Outflows | (160,008,887.00) | | | |
| Investment Derivative Assets | | | | | |
| Basis Swaps | Net Incr. (Decr.) in FV of Invest | (51,270,783.00) | Investments | 25,044,638.00 | 987,225,000.00 |
| Investment Derivative Liabilities | | | | | |
| Basis Swaps | Net Incr. (Decr.) in FV of Invest | (443,405.00) | Invest Deriv – Liab Positions | (443,405.00) | 539,890,000.00 |
| Investment Derivatives | | | | | |
| <u>Investment Derivative Assets:</u> | | | | | |
| Swaps: | | | | | |
| Pay-Fixed Receive-Variable | | 19,989,445.00 | | 19,795,285.00 | 997,521,334.00 |
| Pay-Variable Receive-Fixed | | (1,325,894.00) | | 192,659.00 | 79,700,000.00 |
| Credit Default | | 4,735,981.00 | | 4,756,134.00 | 201,153,625.00 |
| Commodity | | 79,007.00 | | 79,007.00 | 929,141.00 |
| Currency | | 24,853,050.00 | | 24,853,050.00 | 24,803,500.00 |
| Equity | | 5,468,193.00 | | 5,796,272.00 | 315,677,002.00 |
| Total Swaps | Net Incr. (Decr.) in FV of Invest | 53,799,782.00 | Investments | 55,472,407.00 | 1,619,784,602.00 |
| Futures | Net Incr. (Decr.) in FV of Invest | 3,968,680.00 | Other Accounts Receivable | 3,968,680.00 | 1,661,775,809.00 |
| Unrealized Gains on Foreign Forwards | Net Incr. (Decr.) in FV of Invest | 55,856,500.00 | Investments | 55,856,500.00 | 3,363,853,559.00 |
| Purchased Options | Net Incr. (Decr.) in FV of Invest | (3,887,162.00) | Investments | 8,046,677.31 | 242,890,177.00 |
| <u>Investment Derivative Liabilities:</u> | | | | | |
| Swaps: | | | | | |
| Pay-Fixed Receive-Variable | | (33,686.00) | | (173,784.00) | 1,567,376,229.00 |
| Pay-Variable Receive-Fixed | | (14,810,599.00) | | (14,705,522.00) | 848,797,926.00 |
| Credit Default | | (2,155,937.00) | | (2,886,957.00) | 78,521,500.00 |
| Commodity | | (286,709.00) | | (286,709.00) | 3,144,541.00 |
| Currency | | (25,285,460.00) | | (25,285,460.00) | 25,285,460.00 |
| Equity | | (15,785,586.00) | | (14,193,706.00) | 669,620,167.00 |
| Volatility | | (778,107.00) | | (897,686.00) | 9,700,000.00 |
| Fixed Income | | (1,338,898.00) | | (1,338,898.00) | 15,000,000.00 |
| Total Swaps | Net Incr. (Decr.) in FV of Invest | (60,474,982.00) | Invest Deriv – Liab Positions | (59,768,722.00) | 3,217,445,823.00 |
| Futures | Net Incr. (Decr.) in FV of Invest | (4,411,298.00) | Current Accounts Payable | (4,411,298.00) | 217,958,492.00 |
| Unrealized Losses on Foreign Forwards | Net Incr. (Decr.) in FV of Invest | (41,583,251.00) | Invest Deriv – Liab Positions | (41,583,813.00) | 2,601,654,733.00 |
| Options Written | Net Incr. (Decr.) in FV of Invest | (113,669.00) | Invest Deriv – Liab Positions | (2,000,658.28) | 335,117,858.00 |

| | Change in Fair Value (FV) 8/31/17 to 8/31/18 | | Fair Value at 8/31/18 | | Notional Amount |
|---|---|------------------|-------------------------------|------------------|------------------|
| | Classification | Amount | Classification | Amount | |
| Cash Flow-Interest Rate Swaps | | | | | |
| Hedging Derivative Assets | | | Hedging Derivative Asset | \$ 37,067,661.00 | 250,000,000.00 |
| Pay-Fixed Receive-Variable | Def Inflows | \$ 26,728,346.00 | | | |
| Hedging Derivative Liabilities | | | Hedging Derivative Liab | (165,354,206.00) | 1,154,360,000.00 |
| Pay-Fixed Receive-Variable | Def Outflows | 80,733,716.00 | | | |
| Investment Derivative Assets | Net Incr. (Decr.) in FV of Invest | 53,638,346.00 | Investments | 76,315,421.00 | 1,530,225,000.00 |
| Basis Swaps | | | | | |
| Investment Derivative Liabilities | Net Incr. (Decr.) in FV of Invest | 7,781,148.00 | Invest Deriv – Liab Positions | - | - |
| Basis Swaps | | | | | |
| Investment Derivative Liabilities | Net Incr. (Decr.) in FV of Invest | 2,877,014.00 | Invest Deriv – Liab Positions | - | - |
| Rate Lock | | | | | |
| Investment Derivatives | | | | | |
| <u>Investment Derivative Assets:</u> | | | | | |
| Swaps: | | | | | |
| Pay-Fixed Receive-Variable | | 4,773,391.00 | | 4,765,260.00 | 538,933,609.00 |
| Pay-Variable Receive-Fixed | | 11,582,938.00 | | 10,181,087.00 | 781,309,337.00 |
| Credit Default | | 628,422.00 | | 1,905,129.00 | 99,439,550.00 |
| Commodity | | 568,240.00 | | 568,240.00 | 4,291,852.00 |
| Currency | | 9,136,963.00 | | 9,136,963.00 | 9,228,225.00 |
| Equity | | 13,670,447.00 | | 13,670,447.00 | 696,286,801.00 |
| Total Swaps | Net Incr. (Decr.) in FV of Invest | 40,360,401.00 | Investments | 40,227,126.00 | 2,129,489,374.00 |
| Futures | Net Incr. (Decr.) in FV of Invest | 7,877,160.00 | Other Accounts Receivable | 7,877,160.00 | 2,562,605,955.00 |
| Unrealized Gains on Foreign Forwards | Net Incr. (Decr.) in FV of Invest | 52,810,362.00 | Investments | 52,810,362.00 | 2,563,541,186.00 |
| Purchased Options | Net Incr. (Decr.) in FV of Invest | 310,576.00 | Investments | 2,823,992.52 | 171,051,425.00 |
| <u>Investment Derivative Liabilities:</u> | | | | | |
| Swaps: | | | | | |
| Pay-Fixed Receive-Variable | | (2,794,622.00) | | (2,794,622.00) | 757,471,043.00 |
| Pay-Variable Receive-Fixed | | (1,221,176.00) | | (1,371,877.00) | 434,539,170.00 |
| Credit Default | | (318,107.00) | | (829,225.00) | 31,296,200.00 |
| Commodity | | (282,236.00) | | (282,236.00) | 4,568,904.00 |
| Currency | | (8,662,001.00) | | (8,662,001.00) | 8,662,000.00 |
| Equity | | (4,685,686.00) | | (4,685,686.00) | 250,172,938.00 |
| Total Swaps | Net Incr. (Decr.) in FV of Invest | (17,963,828.00) | Invest Deriv – Liab Positions | (18,625,647.00) | 1,486,710,255.00 |
| Futures | Net Incr. (Decr.) in FV of Invest | (33,086,613.00) | Current Accounts Payable | (33,086,613.00) | 1,276,184,199.00 |
| Unrealized Losses on Foreign Forwards | Net Incr. (Decr.) in FV of Invest | (48,289,090.00) | Invest Deriv – Liab Positions | (48,922,949.00) | 4,902,938,631.00 |
| Options Written | Net Incr. (Decr.) in FV of Invest | 350,756.00 | Invest Deriv – Liab Positions | (494,776.89) | 137,079,355.00 |

See Note 13 for more information on Cash Flow Hedges – Interest Rate Swaps and Note 6 for more information on Investment Derivatives.

8. Endowments

Investments include \$41,239,330,108.77 and \$41,448,730,564.84 of endowment funds as of August 31, 2019 and 2018, respectively. The net position classifications on the statement of net position related to endowment funds as of August 31, 2019 and 2018 are as follows:

| Net Position Classification of Endowments | 2019 | 2018 |
|---|----------------------|-------------------|
| Restricted, nonexpendable | \$ 26,986,429,001.19 | 27,395,040,034.50 |
| Restricted, expendable: | | |
| Net Appreciation on True Endowments | 11,522,342,879.98 | 11,531,875,305.81 |
| Funds Functioning as Endowments | 623,206,716.71 | 599,347,161.51 |
| Book Value of Term Endowments | 57,138,544.44 | 44,839,841.55 |
| Net Appreciation on Term Endowments | 45,596,869.69 | 44,049,457.55 |
| Unrestricted: | | |
| Funds Functioning as Endowments | 491,292,177.19 | 495,979,503.44 |
| Total | \$ 39,726,006,189.20 | 40,111,131,304.36 |

In the table above, amounts reported as “Net Appreciation” represent net appreciation on investments of donor or constitutionally restricted endowments that are available for authorization for expenditure by the U. T. System Board of Regents. For donor restricted endowments, pursuant to the Uniform Prudent Management of Institutional Funds Act, as adopted by Texas, the U. T. System Board of Regents may distribute net appreciation, realized and unrealized, in the fair value of the assets of endowment holdings over the historic dollar value of the gifts, to the extent prudent. The System’s policy is to retain all undistributed net realized and unrealized appreciation within the endowment funds. The System’s endowment distribution policy is further discussed below.

ENDOWMENTS AND SIMILAR FUNDS – STATE

These endowments are comprised of the PUF and the PHF. The PUF was established for the benefit of the System and the Texas A&M University System. The University of Texas System administers the PHF and the distributions from the PHF benefit the System’s health-related institutions, as well as for the Texas A&M University Health Science Center, the University of North Texas Health Science Center at Fort Worth, the Texas Tech University Health Science Center and Baylor College of Medicine.

The PUF was established by Chapter 7, Section 11 of the Texas Constitution of 1876 through the appropriation of land grants. Amendments to the Constitution, approved by voters in 1999, were related to the investment of the PUF and the distributions from the PUF to the AUF. The Constitution, as amended, is summarized as follows: (i) The U. T. System Board of Regents is held to a “prudent investor” rather than a “prudent person” standard; (ii) distributions to the AUF are made from the total return on all PUF investment assets; (iii) the U. T. System Board of Regents determines the amount of distributions to the AUF, which may not exceed an amount equal to 7% of the average net fair value of investment assets, except as necessary to pay debt service on PUF bonds and notes; (iv) the U. T. System Board of Regents determines the amount of distributions to the AUF in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain, over time, the purchasing power of PUF investments and annual distributions to the AUF; and (v) the expenses of managing PUF land and investments are paid by the PUF.

The U. T. System Board of Regents manages certain permanent funds for health-related institutions of higher education as more fully described in Chapter 63 of the Texas Education Code. Certain funds created by this statute were transferred to the U. T. System Board of Regents on August 30, 1999, to be managed and invested in the same manner as the U. T. System Board of Regents manages and invests other endowment funds. The PHF as defined in the statute is classified as Endowment and Similar Funds – State. These endowments provide support for programs that benefit medical research, health education or treatment at health-related institutions. The U. T. System Board of Regents determines the amount of distributions to support the programs on an annual basis.

The annual payout of the PHF is determined by the U. T. System Board of Regents. The annual payout is typically adjusted by the average consumer price index of the previous twelve quarters provided that the distribution rate remains within a range of 3.5% to 5.5% of the PHF's net position; however, the U. T. System Board of Regents may approve distribution amount above, within, or below this range.

The General Endowment Fund (GEF), created March 1, 2001, is a pooled fund established for the collective investment of long-term funds under the control and management of the U. T. System Board of Regents. The GEF is organized as a pooled investment and has two participants, the PHF and the LTF. The PHF and LTF initially purchased units of the GEF on March 1, 2001, in exchange for the contribution of their investment assets. The GEF provides for greater diversification of investments than would be possible if each account were managed separately. The annual payout of the LTF is also determined by the U. T. System Board of Regents. The annual payout is typically adjusted by the average consumer price index of the previous twelve quarters provided that the distribution rate remains within a range of 3.5% to 5.5% of the LTF's net position; however, the U. T. System Board of Regents may approve distribution amount above, within, or below this range.

ENDOWMENT AND SIMILAR FUNDS - OTHER THAN STATE

The funds are subject to restrictions of endowment and trust instruments, requiring that the principal be maintained and that only the income be utilized. Funds may include Permanent Endowments, Term Endowments and Funds Functioning as Endowments. Funds Functioning as Endowments consist of amounts that have been internally dedicated by the System for long-term investment purposes. Funds with external donor restrictions are classified as Funds Functioning as Endowments – Restricted. If no external restriction exists, the funds are classified as Funds Functioning as Endowments – Unrestricted. Endowment holdings may be invested in the LTF, or may be separately invested based upon the following three factors: (i) there are investment restrictions incorporated into the trust or endowment document; (ii) the inability to sell the gifted investment asset; or (iii) they are holdings being migrated upon liquidation into the LTF. Distributions are based upon the actual income received from the separately invested holdings.

AVAILABLE UNIVERSITY FUND

The AUF consists of distributions made to it from the total return on the PUF investment assets and surface income from PUF lands. All surface income from the PUF lands (i.e., grazing leases and land easements) is deposited to the AUF. The AUF must be used first to pay debt service on the PUF bonds and notes. After debt service requirements are met, under present Legislative authority, the AUF may be appropriated for the support and maintenance of U. T. Austin and U. T. System Administration.

9. Capital Assets

A summary of changes in the capital assets for the year ended August 31, 2019, is presented below.

| | Balance 09/01/18 | Adjustments | Reclassifications Completed CIP |
|--|-----------------------------|-------------|------------------------------------|
| <u>Nondepreciable Assets:</u> | | | |
| Land and Land Improvements | \$ 914,961,493.61 | - | - |
| Construction in Progress (CIP) | 1,405,106,614.99 | - | (1,075,970,913.93) |
| Nondepreciable Collections | 624,852,810.76 | - | 1,497,298.37 |
| Nonamortizable Intangible Assets | 20,830,789.73 | - | 1,294,918.00 |
| Total Nondepreciable/Nonamortizable Assets | <u>2,965,751,709.09</u> | <u>-</u> | <u>(1,073,178,697.56)</u> |
| <u>Depreciable Assets:</u> | | | |
| Buildings and Building Improvements | 20,540,930,285.33 | - | 904,457,742.39 |
| Infrastructure | 712,952,044.99 | - | 8,121,213.89 |
| Facilities and Other Improvements | 1,150,165,461.26 | - | 46,925,782.14 |
| Furniture and Equipment | 4,189,266,317.10 | - | 17,668,037.52 |
| Vehicles, Boats and Aircraft | 89,058,541.30 | - | 237,516.90 |
| Other Depreciable Assets (including Library Books) | 820,361,329.28 | - | 1,304,351.50 |
| Total Depreciable Assets at Historical Cost | <u>27,502,733,979.26</u> | <u>-</u> | <u>978,714,644.34</u> |
| Less Accumulated Depreciation for: | | | |
| Buildings and Building Improvements | (9,559,458,289.22) | - | - |
| Infrastructure | (232,428,275.63) | - | - |
| Facilities and Other Improvements | (531,550,562.15) | - | - |
| Furniture and Equipment | (2,908,536,764.73) | - | - |
| Vehicles, Boats and Aircraft | (68,168,885.03) | - | - |
| Other Depreciable Assets (including Library Books) | (558,960,790.54) | - | - |
| Total Accumulated Depreciation | <u>(13,859,103,567.30)</u> | <u>-</u> | <u>-</u> |
| Depreciable Assets, net | <u>13,643,630,411.96</u> | <u>-</u> | <u>978,714,644.34</u> |
| <u>Amortizable Intangible Assets:</u> | | | |
| Computer Software | 1,220,272,163.84 | - | 94,464,053.22 |
| Other Intangibles | - | - | - |
| Total Amortizable Intangible Assets | <u>1,220,272,163.84</u> | <u>-</u> | <u>94,464,053.22</u> |
| Less Accumulated Amortization for: | | | |
| Computer Software | (940,368,889.68) | - | - |
| Total Accumulated Amortization | <u>(940,368,889.68)</u> | <u>-</u> | <u>-</u> |
| Intangible Capital Assets, net | <u>279,903,274.16</u> | <u>-</u> | <u>94,464,053.22</u> |
| Capital Assets, net | <u>\$ 16,889,285,395.21</u> | <u>-</u> | <u>-</u> |

| Reclassifications Interagency Transfers - In | Reclassifications Interagency Transfers - Out | Additions | Deletions | Balance 08/31/19 |
|--|---|--------------------|------------------|---------------------|
| - | - | 23,756,295.38 | (762,336.01) | 937,955,452.98 |
| - | - | 1,229,613,915.95 | (26,580,915.57) | 1,532,168,701.44 |
| - | - | 57,912,063.79 | (3,697,835.87) | 680,564,337.05 |
| - | - | - | - | 22,125,707.73 |
| - | - | 1,311,282,275.12 | (31,041,087.45) | 3,172,814,199.20 |
| - | - | 313,387,352.88 | (8,785,163.53) | 21,749,990,217.07 |
| - | - | 983,346.02 | - | 722,056,604.90 |
| - | - | 19,556,661.66 | (41,052,222.45) | 1,175,595,682.61 |
| 336,890.92 | (85,421.32) | 550,295,297.23 | (191,884,322.22) | 4,565,596,799.23 |
| - | - | 7,268,130.01 | (3,378,922.75) | 93,185,265.46 |
| - | - | 44,934,240.36 | (2,160,963.16) | 864,438,957.98 |
| 336,890.92 | (85,421.32) | 936,425,028.16 | (247,261,594.11) | 29,170,863,527.25 |
| - | - | (915,547,294.28) | 4,638,978.50 | (10,470,366,605.00) |
| - | - | (27,744,206.45) | - | (260,172,482.08) |
| - | - | (56,317,683.12) | 41,003,778.44 | (546,864,466.83) |
| (305,494.07) | 72,078.10 | (371,663,366.19) | 160,421,873.15 | (3,120,011,673.74) |
| - | - | (6,367,371.01) | 2,971,703.08 | (71,564,552.96) |
| - | - | (38,102,395.50) | 2,160,963.16 | (594,902,222.88) |
| (305,494.07) | 72,078.10 | (1,415,742,316.55) | 211,197,296.33 | (15,063,882,003.49) |
| 31,396.85 | (13,343.22) | (479,317,288.39) | (36,064,297.78) | 14,106,981,523.76 |
| - | - | 20,215,288.14 | (43,170,566.70) | 1,291,780,938.50 |
| - | - | 700,000.00 | - | 700,000.00 |
| - | - | 20,915,288.14 | (43,170,566.70) | 1,292,480,938.50 |
| - | - | (119,976,769.68) | 34,909,132.73 | (1,025,436,526.63) |
| - | - | (119,976,769.68) | 34,909,132.73 | (1,025,436,526.63) |
| - | - | (99,061,481.54) | (8,261,433.97) | 267,044,411.87 |
| 31,396.85 | (13,343.22) | 732,903,505.19 | (75,366,819.20) | 17,546,840,134.83 |

A summary of changes in the capital assets for the year ended August 31, 2018, is presented below.

| | Balance 09/01/17 | Adjustments | Reclassifications Completed CIP |
|--|-----------------------------|-------------|------------------------------------|
| <u>Nondepreciable Assets:</u> | | | |
| Land and Land Improvements | \$ 897,590,170.15 | - | 1,398,627.97 |
| Construction in Progress (CIP) | 1,453,953,698.26 | - | (1,610,670,702.96) |
| Nondepreciable Collections | 607,758,505.73 | - | 710,647.16 |
| Nonamortizable Intangible Assets | 17,213,738.56 | - | 3,614,907.17 |
| Total Nondepreciable/Nonamortizable Assets | <u>2,976,516,112.70</u> | <u>-</u> | <u>(1,604,946,520.66)</u> |
| <u>Depreciable Assets:</u> | | | |
| Buildings and Building Improvements | 19,185,150,000.11 | - | 1,325,500,158.31 |
| Infrastructure | 571,984,839.59 | - | 141,702,155.40 |
| Facilities and Other Improvements | 1,081,510,742.53 | - | 68,879,280.22 |
| Furniture and Equipment | 3,933,692,760.39 | - | 32,327,967.70 |
| Vehicles, Boats and Aircraft | 91,307,784.39 | - | 26,954.62 |
| Other Depreciable Assets (including Library Books) | 739,564,865.57 | - | 807,452.95 |
| Total Depreciable Assets at Historical Cost | <u>25,603,210,992.58</u> | <u>-</u> | <u>1,569,243,969.20</u> |
| Less Accumulated Depreciation for: | | | |
| Buildings and Building Improvements | (8,727,064,621.60) | - | - |
| Infrastructure | (208,788,789.30) | - | - |
| Facilities and Other Improvements | (494,259,247.47) | - | - |
| Furniture and Equipment | (2,704,075,026.05) | - | - |
| Vehicles, Boats and Aircraft | (67,898,325.97) | - | - |
| Other Depreciable Assets (including Library Books) | (534,905,163.00) | - | - |
| Total Accumulated Depreciation | <u>(12,736,991,173.39)</u> | <u>-</u> | <u>-</u> |
| Depreciable Assets, net | <u>12,866,219,819.19</u> | <u>-</u> | <u>1,569,243,969.20</u> |
| <u>Amortizable Intangible Assets:</u> | | | |
| Computer Software | 1,190,834,200.78 | - | 35,702,551.46 |
| Total Amortizable Intangible Assets | <u>1,190,834,200.78</u> | <u>-</u> | <u>35,702,551.46</u> |
| Less Accumulated Amortization for: | | | |
| Computer Software | (817,115,840.62) | - | - |
| Total Accumulated Amortization | <u>(817,115,840.62)</u> | <u>-</u> | <u>-</u> |
| Intangible Capital Assets, net | <u>373,718,360.16</u> | <u>-</u> | <u>35,702,551.46</u> |
| Capital Assets, net | <u>\$ 16,216,454,292.05</u> | <u>-</u> | <u>-</u> |

| Reclassifications Interagency Transfers - In | Reclassifications Interagency Transfers - Out | Additions | Deletions | Balance 08/31/18 |
|--|---|--------------------|------------------|---------------------|
| - | - | 16,207,278.21 | (234,582.72) | 914,961,493.61 |
| - | - | 1,563,190,335.74 | (1,366,716.05) | 1,405,106,614.99 |
| - | - | 16,681,483.89 | (297,826.02) | 624,852,810.76 |
| - | - | 2,144.00 | - | 20,830,789.73 |
| - | - | 1,596,081,241.84 | (1,899,124.79) | 2,965,751,709.09 |
| - | - | 51,356,220.31 | (21,076,093.40) | 20,540,930,285.33 |
| - | - | 305,688.74 | (1,040,638.74) | 712,952,044.99 |
| - | - | 17,017,104.42 | (17,241,665.91) | 1,150,165,461.26 |
| 182,794.66 | (1,047,531.61) | 383,633,806.93 | (159,523,480.97) | 4,189,266,317.10 |
| 37,889.75 | - | 4,772,383.53 | (7,086,470.99) | 89,058,541.30 |
| - | - | 91,703,414.07 | (11,714,403.31) | 820,361,329.28 |
| 220,684.41 | (1,047,531.61) | 548,788,618.00 | (217,682,753.32) | 27,502,733,979.26 |
| - | - | (848,517,678.75) | 16,124,011.13 | (9,559,458,289.22) |
| - | - | (24,680,125.07) | 1,040,638.74 | (232,428,275.63) |
| - | - | (50,746,518.55) | 13,455,203.87 | (531,550,562.15) |
| (143,962.41) | 865,204.43 | (333,169,051.95) | 127,986,071.25 | (2,908,536,764.73) |
| (37,889.75) | - | (6,937,335.32) | 6,704,666.01 | (68,168,885.03) |
| - | - | (35,737,882.10) | 11,682,254.56 | (558,960,790.54) |
| (181,852.16) | 865,204.43 | (1,299,788,591.74) | 176,992,845.56 | (13,859,103,567.30) |
| 38,832.25 | (182,327.18) | (750,999,973.74) | (40,689,907.76) | 13,643,630,411.96 |
| - | - | 14,658,504.27 | (20,923,092.67) | 1,220,272,163.84 |
| - | - | 14,658,504.27 | (20,923,092.67) | 1,220,272,163.84 |
| - | - | (140,773,122.03) | 17,520,072.97 | (940,368,889.68) |
| - | - | (140,773,122.03) | 17,520,072.97 | (940,368,889.68) |
| - | - | (126,114,617.76) | (3,403,019.70) | 279,903,274.16 |
| 38,832.25 | (182,327.18) | 718,966,650.34 | (45,992,052.25) | 16,889,285,395.21 |

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, requires the disclosure of impairment losses and associated insurance recoveries. U. T. System Administration made the decision to discontinue the Institute for Transformational Learning resulting in the impairment of the technology platform that had been created for competency-based education for the year ended August 31, 2019:

| <u>U. T. SYSTEM ADMINISTRATION</u> | <u>2019</u> |
|--|---------------------------------|
| OPERATING IMPAIRMENT LOSSES – CAPITAL ASSETS | |
| Impairment Losses – Capital Assets | \$ <u>(8,114,384.66)</u> |
| Net Losses – Capital Assets | \$ <u><u>(8,114,384.66)</u></u> |

U. T. System Administration made the decision to impair Project Diabetes Obesity Control which was being developed to collect data and use IBM Watson artificial intelligence to offer care advice for the year ended August 31, 2019:

| <u>U. T. SYSTEM ADMINISTRATION</u> | <u>2019</u> |
|--|----------------------------------|
| OPERATING IMPAIRMENT LOSSES – CAPITAL ASSETS | |
| Impairment Losses – Capital Assets | \$ <u>(17,725,619.00)</u> |
| Net Losses – Capital Assets | \$ <u><u>(17,725,619.00)</u></u> |

U. T. Austin made the decision to abandon the implementation of Workday for financials which resulted in the following impairment losses for the year ended August 31, 2019:

| <u>U. T. AUSTIN</u> | <u>2019</u> |
|--|---------------------------------|
| OPERATING IMPAIRMENT LOSSES – CAPITAL ASSETS | |
| Impairment Losses – Capital Assets | \$ <u>(7,955,731.97)</u> |
| Net Losses – Capital Assets | \$ <u><u>(7,955,731.97)</u></u> |

U. T. Austin’s Marine Science Institute in Port Aransas suffered extensive physical damage as a result of Hurricane *Harvey*, which resulted in the following residual impairment losses for the year ended August 31, 2019:

| <u>U. T. AUSTIN</u> | <u>2019</u> |
|--|-------------------------------|
| OPERATING IMPAIRMENT LOSSES – CAPITAL ASSETS | |
| Impairment Losses – Capital Assets | \$ <u>(11,896.25)</u> |
| Net Losses – Capital Assets | <u><u>(11,896.25)</u></u> |
| OTHER NONOPERATING (REVENUE) EXPENSE | |
| Insurance Recoveries for Other than Capital Assets – Current Year Losses | <u>5,136,753.36</u> |
| Net Losses – Other than Capital Assets | \$ <u><u>5,136,753.36</u></u> |

U. T. Austin’s Marine Science Institute related impairment losses for the year ended August 31, 2018 were as follows:

| U. T. AUSTIN | <u>2018</u> |
|--|--------------------------|
| OPERATING IMPAIRMENT LOSSES – CAPITAL ASSETS | |
| Impairment Losses – Capital Assets | \$ <u>(2,466,799.57)</u> |
| Net Losses – Capital Assets | <u>(2,466,799.57)</u> |
| OTHER NONOPERATING (REVENUE) EXPENSE | |
| Insurance Recoveries for Other than Capital Assets – Current Year Losses | <u>9,152,242.21</u> |
| Net Losses – Other than Capital Assets | \$ <u>9,152,242.21</u> |

GASB Statement No. 83, *Certain Asset Retirement Obligations*, requires the disclosure of asset retirement obligations resulting from Texas Administrative Code, Title 25, Part 1, Chapter 289. Subchapter F, Rule 289.252, Licensing of Radioactive Material. The liabilities were measured using best estimates of current values of outlays expected. The Texas Administrative Code, Title 25, Part 1, Chapter 289. Subchapter F, Rule 289.252 (gg)(6)(D) exempts State licenses from providing financial assurances and no assets have been restricted for payment of the liability.

The Asset Retirement Obligation for the year ended August 31, 2019, is presented below:

| <u>Asset Retirement Obligation</u> | <u>Amount</u> | <u>Life</u> |
|------------------------------------|-------------------------|-------------|
| Broadscope | \$ 8,078,863.05 | 0-89 months |
| Cyclotron | 10,110,079.37 | 0-18 months |
| Gamma Knife | 2,346,043.25 | 0-16 months |
| Proton Therapy | 1,289,962.50 | 12 months |
| Gamma Pod | 334,752.80 | 60 months |
| Irradiator | 255,485.56 | 15 months |
| Nuclear Engineering Teaching Lab | 3,894,000.00 | 15 months |
| Total | \$ <u>26,309,186.53</u> | |

The Asset Retirement Obligation for the year ended August 31, 2018, is presented below:

| <u>Asset Retirement Obligation</u> | <u>Amount</u> | <u>Life</u> |
|------------------------------------|-------------------------|--------------|
| Broadscope | \$ 6,000,034.30 | 0-101 months |
| Cyclotron | 10,721,347.16 | 0-30 months |
| Gamma Knife | 2,868,824.50 | 0-28 months |
| Proton Therapy | 1,289,962.50 | 24 months |
| Gamma Pod | 334,752.80 | 72 months |
| Irradiator | 255,485.56 | 27 months |
| Nuclear Engineering Teaching Lab | 3,894,000.00 | 27 months |
| Total | \$ <u>25,364,406.82</u> | |

10. Short-Term Debt

The System had RFS Commercial Paper Notes and PUF Commercial Paper Notes outstanding at August 31, 2019 and 2018. The notes are issued to provide interim financing for capital improvements and to finance equipment purchases. While the interest is payable on these notes in periodic installments not to exceed 270 days, they are generally intended to be refinanced with long-term debt. Short-term debt activity for the year ended August 31, 2019, is summarized below:

| | Balance 09/01/18 | Additions | Reductions | Balance 8/31/19 |
|------------------------------------|----------------------------|-------------------------|-----------------------|-------------------------|
| <u>Commercial Paper Notes:</u> | | | | |
| Permanent University Fund CP Notes | \$ 455,000,000.00 | 295,000,000.00 | 60,000,000.00 | 690,000,000.00 |
| Revenue Financing System CP Notes | <u>730,868,000.00</u> | <u>720,132,000.00</u> | <u>650,478,000.00</u> | <u>800,522,000.00</u> |
| Total Commercial Paper Notes | \$ <u>1,185,868,000.00</u> | <u>1,015,132,000.00</u> | <u>710,478,000.00</u> | <u>1,490,522,000.00</u> |

Short-term debt activity for the year ended August 31, 2018, is summarized below:

| | Balance 09/01/17 | Additions | Reductions | Balance 8/31/18 |
|------------------------------------|--------------------------|-----------------------|-----------------------|-------------------------|
| <u>Commercial Paper Notes:</u> | | | | |
| Permanent University Fund CP Notes | \$ 180,000,000.00 | 300,000,000.00 | 25,000,000.00 | 455,000,000.00 |
| Revenue Financing System CP Notes | 384,149,000.00 | 517,147,000.00 | 170,428,000.00 | 730,868,000.00 |
| Total Commercial Paper Notes | <u>\$ 564,149,000.00</u> | <u>817,147,000.00</u> | <u>195,428,000.00</u> | <u>1,185,868,000.00</u> |

General information related to the commercial paper notes at August 31, 2019, is summarized as follows:

- Note or loan payable issue name: Permanent University Fund Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B
 Purpose: To provide interim financing for capital improvements and to finance capital equipment purchases
 Issue Date: September 1, 2018 through August 31, 2019
 Authorized Amount: Aggregate principal amount not to exceed \$1.25 billion
 Source of revenue for debt service: Available University Fund
 Terms: Interest payable in periodic installments not to exceed 270 days at interest rates established by the System's commercial paper dealers
- Note or loan payable issue name: Revenue Financing System (RFS) Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B
 Purpose: To provide interim financing for capital improvements and to finance capital equipment purchases
 Issue Date: September 1, 2018 through August 31, 2019
 Authorized Amount: Aggregate principal amount not to exceed \$1.25 billion
 Source of revenue for debt service: All pledged revenues, subject to the provisions of the Prior Encumbered Obligations, collectively: (a) the pledged tuition fee; (b) the pledged General Fee; and (c) any or all of the revenues, funds, and balances lawfully available to the U. T. System Board of Regents and derived from and attributable to any Member of the Revenue Financing System, which are lawfully available to the U. T. System Board of Regents for payments on parity debt.
 Terms: Interest payable in periodic installments not to exceed 270 days at interest rates established by the System's commercial paper dealers

11. Leases

OPERATING LEASES

The System has entered into various operating leases for buildings, equipment, vehicles and land. Rental expenses for operating leases were \$140,038,470.01 in 2019 and \$132,890,339.59 in 2018. Contingent rental expense for the period ending August 31, 2019 was \$1,138,995.49. There were no contingent rental expenses for the period ending August 31, 2018. Future minimum lease rental payments under noncancelable operating leases having an initial term in excess of one year as of August 31, 2019, were as follows:

| <u>Fiscal Year</u> | <u>Lease Payments</u> |
|-------------------------------|--------------------------|
| 2020 | \$ 117,829,357.39 |
| 2021 | 97,467,116.18 |
| 2022 | 73,857,185.76 |
| 2023 | 50,709,470.64 |
| 2024 | 38,157,841.65 |
| 2025 – 2029 | 121,559,785.34 |
| 2030 – 2034 | 21,982,123.00 |
| 2035 – 2039 | 14,714,446.92 |
| 2040 – 2044 | 16,032,139.94 |
| 2045 – 2049 | 17,476,289.72 |
| 2050 and beyond | 4,576,421.92 |
| Total Minimum Future Payments | <u>\$ 574,362,178.46</u> |

The System has also leased buildings, land, and other capital assets to outside parties under various operating leases. The cost, carrying value and accumulated depreciation of these leased assets as of August 31, 2019 and 2018 were as follows:

| <u>Assets Leased</u> | <u>2019</u> | <u>2018</u> |
|--------------------------------|--------------------------|-----------------------|
| Buildings: | | |
| Cost | \$ 253,877,983.25 | 235,957,921.93 |
| Less: Accumulated Depreciation | (78,321,572.52) | (62,954,802.02) |
| Carrying Value of Buildings | <u>175,556,410.73</u> | <u>173,003,119.91</u> |
| Land | <u>19,397,677.03</u> | <u>17,125,184.51</u> |
| Total Carrying Value | <u>\$ 194,954,087.76</u> | <u>190,128,304.42</u> |

The System reported contingent rental income in the amount of \$458,792.66 in 2019 and \$684,066.25 in 2018. Rental income from operating leases was \$34,346,629.16 in 2019 and \$28,902,051.73 in 2018. Future minimum lease rental income under noncancelable operating leases as of August 31, 2019, was as follows:

| <u>Fiscal Year</u> | <u>Lease Income</u> |
|--------------------|--------------------------|
| 2020 | \$ 32,600,356.18 |
| 2021 | 28,580,212.85 |
| 2022 | 25,970,058.83 |
| 2023 | 21,172,552.36 |
| 2024 | 18,497,739.98 |
| 2025 and beyond | 688,007,135.25 |
| Total | <u>\$ 814,828,055.45</u> |

CAPITAL LEASES

Certain leases to finance the purchase of property are capitalized at the present value of future minimum lease payments. The original capitalized cost of all such property under capital lease as of August 31, 2019 and 2018 is as follows:

| Assets Under Capital Lease | 2019 | *Restated 2018 |
|--------------------------------|-------------------|-------------------|
| Furniture and Equipment | \$ 146,166.88 | 110,902.80 |
| Less: Accumulated Depreciation | (36,329.27) | (9,574.66) |
| Buildings | 148,943,119.02 | - |
| Less: Accumulated Depreciation | (9,102,079.50) | - |
| Total | \$ 139,950,877.13 | 101,328.14 |

*August 31, 2018 capitalized cost of property under capital lease was reclassified to move a portion of capitalized cost of property under capital lease to capitalized cost of property financed with notes from direct borrowings as a result of implementing GASB Statement No. 88. See Note 4 for further details.

Capital lease obligations are due in annual installments through 2034. The following is a schedule of the future minimum lease payments for leased property at August 31, 2019.

| Fiscal Year | Principal | Interest | Total |
|------------------------------|-------------------|---------------|----------------|
| 2020 | \$ 3,551,022.24 | 5,896,149.34 | 9,447,171.58 |
| 2021 | 4,653,193.27 | 6,262,949.69 | 10,916,142.96 |
| 2022 | 6,425,334.54 | 6,034,977.30 | 12,460,311.84 |
| 2023 | 8,456,169.57 | 5,721,825.81 | 14,177,995.38 |
| 2024 | 9,549,174.98 | 5,334,452.62 | 14,883,627.60 |
| 2025 – 2029 | 58,013,779.74 | 19,820,908.86 | 77,834,688.60 |
| 2030 – 2034 | 62,272,183.97 | 5,729,993.39 | 68,002,177.36 |
| Total Minimum Lease Payments | \$ 152,920,858.31 | 54,801,257.01 | 207,722,115.32 |

12. Summary of Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2019, is summarized as follows:

| | Balance 09/01/18 | Additions | Reductions | Balance 08/31/19 | Amounts due within one year |
|--|-----------------------------|-------------------------|-------------------------|--------------------------|--------------------------------|
| <u>Bonds Payable:</u> | | | | | |
| Permanent University Fund | \$ 2,467,895,000.00 | - | 51,135,000.00 | 2,416,760,000.00 | 399,260,000.00 |
| Revenue Financing System | <u>6,484,265,000.00</u> | <u>639,150,000.00</u> | <u>699,000,000.00</u> | <u>6,424,415,000.00</u> | <u>1,303,925,000.00</u> |
| Subtotal Bonds Payable – Par | 8,952,160,000.00 | 639,150,000.00 | 750,135,000.00 | 8,841,175,000.00 | 1,703,185,000.00 |
| Unamortized Net Premiums | <u>545,810,032.54</u> | <u>210,114,187.40</u> | <u>96,660,206.04</u> | <u>659,264,013.90</u> | <u>86,305,557.87</u> |
| Total Bonds Payable | <u>9,497,970,032.54</u> | <u>849,264,187.40</u> | <u>846,795,206.04</u> | <u>9,500,439,013.90</u> | <u>1,789,490,557.87</u> |
| <u>Notes, Loans and Leases Payable:</u> | | | | | |
| Notes and Loans Payable | 19,000,000.00 | - | - | 19,000,000.00 | - |
| Notes from Direct Borrowings | 7,295,156.61 | 1,502,455.11 | 3,839,431.20 | 4,958,180.52 | 3,026,953.67 |
| Lease Obligations | <u>92,552.57</u> | <u>153,793,760.90</u> | <u>965,455.16</u> | <u>152,920,858.31</u> | <u>3,551,022.24</u> |
| Total Notes, Loans and Leases Payable | 26,387,709.18 | 155,296,216.01 | 4,804,886.36 | 176,879,038.83 | 6,577,975.91 |
| Total OPEB Liability | 10,717,111,345.00 | 1,221,531,048.00 | 1,582,856,847.00 | 10,355,785,546.00 | 230,593,877.00 |
| Net Pension Liability | 2,650,044,162.00 | 2,570,582,129.00 | 301,089,124.00 | 4,919,537,167.00 | - |
| Hedging Derivative Liability | 165,354,206.00 | 160,008,887.00 | - | 325,363,093.00 | - |
| Employee Compensable Leave Incurred But Not Reported Self-Insurance Claims | 640,542,364.90 | 341,194,893.19 | 309,186,773.56 | 672,550,484.53 | 428,376,654.27 |
| Asset Retirement Obligation | <u>25,364,406.82</u> | <u>2,078,828.75</u> | <u>1,134,049.04</u> | <u>26,309,186.53</u> | <u>-</u> |
| Total | <u>\$ 23,887,693,414.44</u> | <u>6,672,850,645.19</u> | <u>4,415,261,537.84</u> | <u>26,145,282,521.79</u> | <u>2,595,427,480.37</u> |

Long-term liability activity for the year ended August 31, 2018, is summarized as follows:

| | Balance 09/01/17 | Additions | Reductions | Balance 08/31/18 | Amounts due within one year |
|--|----------------------|------------------|------------------|---------------------|--------------------------------|
| Bonds Payable: | | | | | |
| Permanent University Fund | \$ 2,214,035,000.00 | 302,640,000.00 | 48,780,000.00 | 2,467,895,000.00 | 403,275,000.00 |
| Revenue Financing System | 6,184,540,000.00 | 874,770,000.00 | 575,045,000.00 | 6,484,265,000.00 | 1,336,280,000.00 |
| Subtotal Bonds Payable – Par | 8,398,575,000.00 | 1,177,410,000.00 | 623,825,000.00 | 8,952,160,000.00 | 1,739,555,000.00 |
| Unamortized Net Premiums | 604,150,147.46 | 51,855,472.90 | 110,195,587.82 | 545,810,032.54 | 86,698,298.70 |
| Total Bonds Payable | 9,002,725,147.46 | 1,229,265,472.90 | 734,020,587.82 | 9,497,970,032.54 | 1,826,253,298.70 |
| Notes, Loans and Leases Payable: | | | | | |
| Notes and Loans Payable | 948,657,249.63 | - | 929,657,249.63 | 19,000,000.00 | 19,000,000.00 |
| Notes from Direct Borrowings ¹ | 10,764,399.71 | 1,362,575.33 | 4,831,818.43 | 7,295,156.61 | 3,672,348.62 |
| Lease Obligations ¹ | 89,565.98 | 19,999.80 | 17,013.21 | 92,552.57 | 28,836.46 |
| Total Notes, Loans and Leases Payable | 959,511,215.32 | 1,382,575.13 | 934,506,081.27 | 26,387,709.18 | 22,701,185.08 |
| Total OPEB Liability | 10,777,028,782.00 | 995,595,635.00 | 1,055,513,072.00 | 10,717,111,345.00 | 202,555,282.00 |
| Net Pension Liability | 3,133,888,495.00 | 7,304,886.00 | 491,149,219.00 | 2,650,044,162.00 | - |
| Hedging Derivative Liability | 246,087,922.00 | - | 80,733,716.00 | 165,354,206.00 | - |
| Employee Compensable Leave Incurred But Not Reported Self-Insurance Claims | 607,851,375.76 | 316,164,099.81 | 283,473,110.67 | 640,542,364.90 | 412,622,753.43 |
| Asset Retirement Obligation ² | 25,364,406.82 | - | - | 25,364,406.82 | 611,267.79 |
| Total | \$ 24,913,593,916.36 | 3,804,851,737.30 | 4,830,752,239.22 | 23,887,693,414.44 | 2,598,796,654.64 |

¹ Includes retroactive restatements related to GASB Statement No. 88. See Note 4 for further details.

² Includes retroactive restatements related to GASB Statement No. 83. See Note 4 for further details.

PROJECTED BOND DEBT SERVICE REQUIREMENTS

The principal and interest expense for the next five years and beyond are projected below for bonds issued and outstanding:

| Fiscal Year | Principal | Interest | Total |
|--------------------|---------------------|------------------|-------------------|
| 2020 | \$ 1,703,185,000.00 | 339,473,114.49 | 2,042,658,114.49 |
| 2021 | 338,345,000.00 | 322,754,292.22 | 661,099,292.22 |
| 2022 | 337,675,000.00 | 307,000,335.20 | 644,675,335.20 |
| 2023 | 336,475,000.00 | 290,323,930.66 | 626,798,930.66 |
| 2024 | 332,550,000.00 | 273,681,677.76 | 606,231,677.76 |
| 2025 – 2029 | 1,344,815,000.00 | 1,142,228,538.80 | 2,487,043,538.80 |
| 2030 – 2034 | 950,684,000.00 | 889,453,349.10 | 1,840,137,349.10 |
| 2035 – 2039 | 952,036,000.00 | 669,042,973.92 | 1,621,078,973.92 |
| 2040 – 2044 | 904,680,000.00 | 439,757,632.40 | 1,344,437,632.40 |
| 2045 – 2049 | 1,640,730,000.00 | 181,755,046.50 | 1,822,485,046.50 |
| Total Requirements | \$ 8,841,175,000.00 | 4,855,470,891.05 | 13,696,645,891.05 |

The System’s variable rate demand bonds mature at various dates through August 1, 2045. Outstanding principal balances on variable rate demand bonds may be classified as non-current liabilities if the issuer has entered into a “take-out agreement” to convert bonds “put” but not resold into some other form of long-term obligation. In the absence of such an agreement, the total outstanding principal balances for these bonds are required to be classified as current liabilities. Although it is the System’s intent to repay its variable rate demand bonds in accordance with the maturities set forth in the bond offering circulars, the System does not have “take-out” agreements in place. Accordingly, the System has classified the total outstanding principal balances on its variable rate demand bonds as current liabilities. The obligations totaled \$1,376,205,000.00 and \$1,404,360,000.00 at August 31, 2019 and 2018, respectively.

Total interest expense for the years ended August 31, 2019 and 2018 was \$417,812,494.80 and \$412,055,260.61, respectively. Interest expense of \$54,909,689.68 associated with financing projects during the construction phase was capitalized during the year ended August 31, 2018. GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, early implemented in 2019, discontinued the capitalization of interest costs during construction. Interest expense was reduced by \$83,022,144.52 and \$75,457,576.58 for the amortization of premiums, deferred gains and losses on refundings, and interest rate lock termination payments for the years ended August 31, 2019 and 2018, respectively. The remaining amounts of \$334,790,350.28 in 2019 and \$281,687,994.35 in 2018 were reported as interest expense.

Notes and loans payable obligations are due in annual installments through 2021. General information related to notes and loans payable at August 31, 2019, which in substance are not bonds, is summarized as follows:

| Fiscal Year | Principal | Interest | Total |
|--------------------|------------------|------------|---------------|
| 2020 | \$ - | 432,816.00 | 432,816.00 |
| 2021 | 19,000,000.00 | 443,593.00 | 19,443,593.00 |
| Total Requirements | \$ 19,000,000.00 | 876,409.00 | 19,876,409.00 |

General information related to notes and loans payable at August 31, 2019, is summarized as follows:

- Note or Loan Payable issue name: JP Morgan Private Bank, Client Services
 Purpose: To provide financing for the construction of the Moncrief Cancer Center building
 Component Unit: U. T. Southwestern Medical Center's Blended Component Unit
 Issue Date: August 8, 2011, Renewed on August 28, 2019
 Authorized Amount: \$19,000,000
 Source of revenue for debt service: Assets of Luther King Capital Management
 Terms: Fixed rate of 2.49% Per Annum. Interest is paid monthly. Renewal on August 31, 2021

DIRECT BORROWINGS

Certain direct borrowings to finance the purchase of property are capitalized at the present value of future minimum direct borrowing payments. The original capitalized cost of all such property financed with direct borrowings as of August 31, 2019 and 2018 is as follows:

| Assets - Direct Borrowings | 2019 | * Restated 2018 |
|--------------------------------|------------------|--------------------|
| Furniture and Equipment | \$ 16,177,785.99 | 18,191,600.21 |
| Less: Accumulated Depreciation | (9,710,956.83) | (10,440,373.14) |
| Nondepreciable Collections | 2,239,046.40 | 1,784,831.45 |
| Total | \$ 8,705,875.56 | 9,536,058.52 |

*August 31, 2018 capitalized cost of property financed with notes from direct borrowings was reclassified from a portion of capitalized cost of property under capital lease as a result of implementing GASB Statement No. 88. See Note 4 for further details.

Direct borrowing obligations are due in annual installments through 2024. The following is a schedule of the future minimum payments for direct borrowings at August 31, 2019.

| Fiscal Year | Principal | Interest | Total |
|------------------------|-----------------|------------|--------------|
| 2020 | \$ 3,026,953.67 | 143,911.13 | 3,170,864.80 |
| 2021 | 1,391,361.83 | 51,330.12 | 1,442,691.95 |
| 2022 | 493,022.61 | 17,245.46 | 510,268.07 |
| 2023 | 45,608.50 | 2,157.50 | 47,766.00 |
| 2024 | 1,233.91 | 1.88 | 1,235.79 |
| Total Minimum Payments | \$ 4,958,180.52 | 214,646.09 | 5,172,826.61 |

POLLUTION REMEDIATION OBLIGATION

The University of Texas System Administration purchased contaminated land in 2016 and 2017 with plans to remediate. The estimated outlays for the pollution remediation are \$3,500,000.00 using the expected cash flow technique. These pollution remediation outlays qualify for capitalization and \$941,177.12 and \$474,650.88 were capitalized through August 31, 2019 and 2018 respectively. The purchase price of \$213,584,352.24 and total expected outlays did not exceed the fair market value of the uncontaminated property of \$232,290,000.00, and as such, no pollution remediation liability was established.

EMPLOYEES' COMPENSABLE LEAVE

Substantially all full-time System employees earn annual leave from eight to twenty-one hours per month depending upon the respective employee's years of State employment. State law permits employees to carry accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 532 for those employees with 35 or more years of State service. Eligible part-time employees' annual leave accrual rate and maximum carryover are proportional to the number of hours appointed to work. Employees with at least six months of continuous State service who terminate their employment are entitled to payment for all accumulated annual leave. Both an expense and a liability are recorded as the benefits accrue to employees. Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee is off due to personal or family illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid to an employee's estate is one-half of the employee's accumulated sick leave or 336 hours, whichever is less. The System's policy is to recognize the cost of sick leave when paid, and the liability is not shown in the consolidated financial statements since experience indicates the expense for sick leave to be minimal. Eligible part-time employees' sick leave accrual rate is proportional to the number of hours appointed to work. This obligation is usually paid from the same funding source(s) as the employee's salary or wage compensation.

13. Bonded Indebtedness

At August 31, 2019 and 2018, the System had outstanding bonds payable of \$8,841,175,000.00 and \$8,952,160,000.00, respectively. Permanent University Fund bonds are secured by and payable from the System's interest in the Available University Fund, which consists of distributions from the investment income of the Permanent University Fund. Revenue Financing System debt is secured by and payable from Pledged Revenues as defined in the Master Resolution establishing the Revenue Financing System. Pledged Revenues consist of all lawfully available revenues, funds and balances, with certain exceptions, pledged to secure revenue-supported indebtedness issued under the Master Resolution.

| <u>Bonded Indebtedness</u> | <u>Interest Rates</u> | <u>Maturity Dates</u> | <u>Outstanding Principal</u> |
|----------------------------|-----------------------|-----------------------|------------------------------|
| Permanent University Fund | 1.28%-5.262% | 2020-2047 | \$ 2,416,760,000 |
| Revenue Financing System | 1.28%-5.375% | 2020-2049 | 6,424,415,000 |

As of August 31, 2019, the following amounts were authorized, but unissued: Permanent University Fund bonds up to a maximum aggregate amount of \$600 million and Revenue Financing System bonds up to a maximum aggregate amount of \$750 million, each authorized to be issued on or before August 31, 2020. All bonds issued by the System are defined as revenue bonds. Segment information requirements are not applicable, due to the bond indentures' lack of specifically identifiable activities and external party imposed separate accounting requirements. General information related to bonds outstanding as of August 31, 2019, is summarized in the following table.

| Bond Series | Purpose | Issue Date | Amount Issued |
|------------------------------|---|--------------------|----------------------|
| Permanent University Fund: | | | |
| Refunding Bonds Series 2006B | To refund \$85,545,000 principal amount of Permanent University Fund Bonds, Series 2002B, maturing on July 1 in the years 2020 through 2022, both inclusive; to refund \$172,985,000 principal amount of Permanent University Fund Bonds, Series 2004B, maturing on July 1 in the years 2023, 2026 and 2028 through 2030, both inclusive; to refund \$51,905,000 principal amount of Permanent University Fund Bonds, Series 2005B, maturing on July 1 in the year 2035 | January 24, 2007 | \$284,065,000 |
| Taxable Bonds Series 2009A | To refund \$250,000,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B | September 17, 2009 | 250,000,000 |
| Bonds Series 2014A | To refund \$252,500,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B | February 10, 2014 | 240,340,000 |
| Bonds Series 2014B | To refund \$17,240,000 principal amount of Permanent University Fund Bonds, Series 2004A, maturing on July 1 in the years 2015 and 2016; and to refund \$223,535,000 principal amount of Permanent University Fund Bonds, Series 2004B, maturing on July 1 in the years 2024, 2025, 2027 and 2033 | April 2, 2014 | 221,580,000 |
| Refunding Bonds Series 2015A | To refund \$50,390,000 principal amount of Permanent University Fund Refunding Bonds, Series 2005A, maturing on July 1 in the years 2016 through 2019, both inclusive; to refund \$72,720,000 principal amount of Permanent University Fund Bonds, Series 2005B, maturing on July 1 in the years 2018, 2019, 2034 and 2035; and to refund \$87,485,000 principal amount of Permanent University Fund Bonds, Series 2006C, maturing on July 1 in the years 2017 through 2035, both inclusive | April 2, 2015 | 197,970,000 |
| Bonds Series 2015B | To refund \$252,500,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B | August 25, 2015 | 220,565,000 |
| Bonds Taxable Series 2015C | To refund \$125,500,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B | December 9, 2015 | 126,020,000 |
| Bonds Series 2016A | To refund \$137,000,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B | January 5, 2016 | 117,270,000 |
| Bonds Series 2016B | To refund \$319,000,000 principal amount of Permanent University Fund Commercial Paper Notes, Series A | September 1, 2016 | 272,350,000 |
| Taxable Bonds Series 2017A | To refund \$81,000,000 principal amount of Permanent University Fund Commercial Paper Notes, Series A, and to refund \$220,000,000 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B | November 14, 2017 | 302,640,000 |

| Bond Series | Purpose | Issue Date | Amount Issued |
|------------------------------|--|--------------------|----------------------|
| Revenue Financing System: | | | |
| Refunding Bonds Series 2002A | To advance refund \$54,575,000 principal amount of Revenue Financing System Bonds, Series 1999A maturing from 2010-2016 and 2020 to achieve debt service savings and pay the cost of issuance | September 27, 2002 | 54,430,000 |
| Refunding Bonds Series 2002B | To advance refund \$109,240,000 principal amount of Revenue Financing System Bonds, Series 1999B maturing from 2010-2017 and 2020 to achieve debt service savings and pay the cost of issuance | September 27, 2002 | 108,855,000 |
| Refunding Bonds Series 2004B | To refund \$310,460,000 principal amount of portions of Revenue Financing System Bonds, Series 1996B, 1998B, 1998D, 1999B and 2001B, and pay the cost of issuance | March 9, 2004 | 300,330,000 |
| Refunding Bonds Series 2006C | To refund \$177,835,000 principal amount of portions of Revenue Financing System Bonds, 2001C, 2003A and 2004C and pay the cost of issuance | January 4, 2007 | 175,115,000 |
| Bonds Series 2010A | To refund \$258,392,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$134,369,000 and pay the cost of issuance | March 25, 2010 | 331,415,000 |
| Refunding Bonds Series 2010B | To refund \$393,690,000 principal amount of portions of Revenue Financing System Bonds, 2006B, 2006D and 2006F and pay the cost of issuance | April 14, 2010 | 385,380,000 |
| Taxable Bonds Series 2010C | To provide new money of \$600,741,596 and pay the cost of issuance | September 23, 2010 | 604,310,000 |
| Taxable Bonds Series 2010D | To refund \$349,415,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$163,441,000 and pay the cost of issuance | June 30, 2010 | 516,245,000 |
| Refunding Bonds Series 2012A | To refund \$53,990,000 principal amount of portions of Revenue Financing System Bonds, 2003A and 2004C, to refund \$186,296,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A and pay the cost of issuance | March 1, 2012 | 195,850,000 |
| Bonds Series 2012B | To refund \$96,542,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$184,128,000 and pay the cost of issuance | March 21, 2012 | 238,135,000 |
| Bonds Series 2014A | To refund \$179,411,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$103,148,328 and pay the cost of issuance | May 1, 2014 | 259,135,000 |

| Bond Series | Purpose | Issue Date | Amount Issued |
|--|---|--------------------|----------------------|
| Revenue Financing System: (continued) | | | |
| Refunding Bonds Series 2014B | To refund \$261,840,000 principal amount of portions of Revenue Financing System Bonds, 2006B, 2006D and 2006F, and pay the cost of issuance | November 24, 2014 | 250,700,000 |
| Bonds Taxable Series 2016A | To refund \$48,494,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund \$107,630,000 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B, provide new money of \$98,745,350 and pay the cost of issuance | January 14, 2016 | 255,825,000 |
| Bonds Series 2016B | To refund \$105,478,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$118,490,125 and pay the cost of issuance | January 22, 2016 | 206,040,000 |
| Refunding Bonds Series 2016C | To refund \$87,145,000 principal amount of Revenue Financing System Bonds, Series 2008A, provide new money of \$64,800,000 and pay the cost of issuance | May 10, 2016 | 133,240,000 |
| Bonds Series 2016D | To provide new money of \$260,000,000 and pay the cost of issuance | July 1, 2016 | 213,180,000 |
| Bonds Series 2016E | To provide new money of \$245,000,000 and pay the cost of issuance | August 22, 2016 | 196,215,000 |
| Bonds Series 2016F | To refund \$465,019,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, and pay the cost of issuance | September 1, 2016 | 376,030,000 |
| Refunding Bonds Series 2016H | To refund \$266,640,000 principal amount of portions of Revenue Financing System Bonds, 2006D and 2006F, and pay the cost of issuance | November 17, 2016 | 233,350,000 |
| Refunding Bonds Series 2016I | To refund \$202,010,000 principal amount of portions of Revenue Financing System Bonds, 2006E and 2010A, and pay the cost of issuance | November 30, 2016 | 184,725,000 |
| Bonds Series 2016J | To provide new money of \$352,832,000 and pay the cost of issuance | January 4, 2017 | 306,925,000 |
| Bonds Taxable Series 2017A | To refund \$349,000,000 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B, and pay the cost of issuance | September 14, 2017 | 350,815,000 |
| Bonds Series 2017B | To refund \$87,455,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, to refund \$191,664,000 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B, and pay the cost of issuance | October 24, 2017 | 265,490,000 |
| Refunding Bonds Series 2017C | To refund \$265,855,000 principal amount of portions of Revenue Financing System Bonds, 2009D, 2012A and 2012B, and pay the cost of issuance | December 7, 2017 | 258,465,000 |
| Refunding Bonds Series 2019A | To refund \$386,785,000 principal amount of portions of Revenue Financing System Bonds, 2009B and 2014B, and pay the cost of issuance | June 13, 2019 | 320,435,000 |
| Bonds Series 2019B | To refund \$449,478,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, and pay the cost of issuance | July 18, 2019 | 318,715,000 |

DEMAND BONDS

Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, Revenue Financing System Bonds, Taxable Series 2016G, and Permanent University Fund Bonds, Series 2008A are variable rate demand bonds with an option to tender on seven days' notice. The System has entered into corresponding interest rate swap agreements to convert the System's interest rate exposure to a fixed rate. The Revenue Financing System Refunding Bonds, Series 2007B and the corresponding swap agreements extend to August 15, 2034. The Revenue Financing System Bonds, Series 2008B and the corresponding swap agreements extend to August 15, 2039. The Revenue Financing System Bonds, Taxable Series 2016G and the corresponding swap agreements extend to August 15, 2045. The Permanent University Fund Bonds, Series 2008A and the corresponding swap agreements extend to July 1, 2038. The Board of Regents is obligated to pay the purchase price of demand bonds tendered for purchase and not remarketed by using lawfully available funds. General information related to these demand bonds is summarized in the following table:

| <u>Bond Series</u> | <u>Purpose</u> | <u>Issue Date</u> | <u>Amount Issued</u> |
|------------------------------|--|--------------------|----------------------|
| Permanent University Fund: | | | |
| Bonds Series 2008A | To refund \$400,000,000 of Permanent University Fund Flexible Notes, Series A and pay costs of issuance | October 30, 2008 | \$ 400,905,000 |
| Revenue Financing System: | | | |
| Refunding Bonds Series 2007B | To refund \$169,015,000 of Revenue Financing System Bonds, Series 2003B and \$149,860,000 of Revenue Financing System Bonds, Series 2004D, and pay costs of issuance | December 20, 2007 | 345,460,000 |
| Bonds Series 2008B | To refund \$461,922,000 of Revenue Financing System Commercial Paper Notes, Series A and \$34,715,000 of Revenue Financing System Bonds, Series 1998B, provide \$182,590,000 of new money to finance the costs of campus improvements, and pay costs of issuance | March 18, 2008 | 685,485,000 |
| Bonds Taxable Series 2016G | To refund \$250,000,000 principal amount of Revenue Financing System Commercial Paper Notes, Series A, and pay the cost of issuance | September 15, 2016 | 250,000,000 |

PLEDGED FUTURE REVENUES

The following table provides the pledged future revenue information for the System's bonds:

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|-------------------|
| Pledged Revenue Required for Future Principal and Interest on Existing Bonds | \$ 13,696,645,891.05 | 13,857,865,406.24 |
| Term of Commitment Year Ending 8/31 | 2049 | 2047 |
| Percentage of Revenue Pledged | 91.7% | 82.5% |
| Current Year Pledged Revenue | \$ 12,556,776,249.83 | 11,435,782,781.54 |
| Current Year Principal and Interest Paid | \$ 746,533,594.09 | 755,260,444.90 |

BUILD AMERICA BONDS

The American Recovery and Reinvestment Act of 2009 authorized the issuance of Build America Bonds (BABs), whereby certain issuers are authorized to issue taxable bonds and receive from the federal government a subsidy equal to 35% of the interest payments on Direct Payment BABs reduced by the applicable federal sequestration reduction rate. The System did not issue any BABs during 2019 or 2018. The System had \$1,248,190,000.00 and \$1,608,280,000.00 of BABs outstanding at August 31, 2019 and 2018, respectively.

EARLY EXTINGUISHMENTS IN FISCAL YEAR 2019

Revenue Financing System Refunding Bonds, Series 2019A were issued on June 13, 2019 to current refund \$330,545,000.00 principal amount of Revenue Financing System Taxable Bonds, Series 2009B, to current refund \$56,240,000.00 principal amount of Revenue Financing System Bonds, Series 2014B, and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were \$396,559,354.15, which represents the principal amount of the 2019A Bonds of \$320,435,000.00, plus an original issue premium of \$77,249,682.25, less an underwriting discount of \$1,125,328.10. The net proceeds were used to pay costs of issuance of \$335,448.22, to purchase \$396,222,701.83 of eligible defeasance securities and to deposit \$1,204.10 with the escrow agent for the refunded bonds. These escrow funds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds.
- The refunded bonds are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of \$6,430,596.15 resulted from the transaction as the reacquisition price of \$396,223,905.93 exceeded the net carrying amount of \$386,785,000.00 par value, \$4,662,017.63 of unamortized original issue premium, and \$1,653,707.85 of unamortized loss from Revenue Financing System Bonds, Series 2014B.
- As a result of this refunding, the System reduced its future debt service payments by \$94,198,456.09 from closing through August 15, 2041, and an economic gain from the transaction resulted in a net present value savings of \$67,897,658.56 between the old and new debt service payments.

Revenue Financing System Bonds, Series 2019B were issued on July 18, 2019 to current refund \$449,478,000.00 principal amount of Revenue Financing System Commercial Paper Notes, Series A and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were \$450,577,597.16, which represents the principal amount of the 2019B Bonds of \$318,715,000.00, plus an original issue premium of \$132,864,505.15, less an underwriting discount of \$1,001,907.99. The net proceeds were used to pay costs of issuance of \$357,470.25, to purchase \$450,219,810.23 of eligible defeasance securities and to deposit \$316.68 with the escrow agent for the refunded notes.
- The refunded notes are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of \$742,126.91 resulted from the transaction as the reacquisition price of \$450,220,126.91 exceeded the net carrying amount of \$449,478,000.00 par value.

EARLY EXTINGUISHMENTS IN FISCAL YEAR 2018

Revenue Financing System Bonds, Taxable Series 2017A were issued on September 14, 2017 to current refund \$349,000,000.00 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were \$349,696,564.71, which represents the principal amount of the 2017A Bonds of \$350,815,000.00 less an underwriting discount of \$1,118,435.29. The net proceeds were used to pay costs of issuance of \$303,395.83 and to deposit \$349,393,168.88 with the issuing and paying agent for the refunded notes sufficient to provide for all future debt service payments on the refunded notes.
- The refunded notes are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of \$393,168.88 resulted from the transaction as the reacquisition price of \$349,393,168.88 exceeded the net carrying amount of \$349,000,000.00 par value.

Revenue Financing System Bonds, Series 2017B were issued on October 24, 2017 to current refund \$87,455,000.00 principal amount of Revenue Financing System Tax-Exempt Commercial Paper Notes, Series A, to current refund \$191,664,000.00 principal amount of Revenue Financing System Taxable Commercial Paper Notes, Series B and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were \$279,809,745.91, which represents the principal amount of the 2017B Bonds of \$265,490,000.00, plus a net original issue premium of \$15,393,665.45 less an underwriting discount of \$1,073,919.54. The net proceeds were used to pay costs of issuance of \$229,292.75 and to deposit \$279,580,453.16 with the issuing and paying agent for the refunded notes sufficient to provide for all future debt service payments on the refunded notes.
- The refunded notes are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of \$461,453.16 resulted from the transaction as the reacquisition price of \$279,580,453.16 exceeded the net carrying amount of \$279,119,000.00 par value.

Permanent University Fund Bonds, Taxable Series 2017A were issued on November 14, 2017 to current refund \$81,000,000.00 principal amount of Permanent University Fund Tax-Exempt Commercial Paper Notes, Series A, to current refund \$220,000,000.00 principal amount of Permanent University Fund Taxable Commercial Paper Notes, Series B and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were \$301,681,000.00, which represents the principal amount of the 2017A Bonds of \$302,640,000.00 less an underwriting discount of \$959,000.00. The net proceeds were used to pay costs of issuance of \$264,548.60 and to deposit \$301,416,451.40 with the issuing and paying agent for the refunded notes sufficient to provide for all future debt service payments on the refunded notes.
- The refunded notes are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of \$416,451.40 resulted from the transaction as the reacquisition price of \$301,416,451.40 exceeded the net carrying amount of \$301,000,000.00 par value.

Revenue Financing System Refunding Bonds, Series 2017C were issued on December 7, 2017 to advance refund \$118,900,000.00 principal amount of Revenue Financing System Bonds, Series 2009D, to advance refund \$35,985,000.00 principal amount of Revenue Financing System Refunding Bonds, Series 2012A, to advance refund \$110,970,000.00 principal amount of Revenue Financing System Bonds, Series 2012B, and to pay the costs of issuance related thereof.

- Net proceeds related to the issuance were \$294,230,447.63, which represents the principal amount of the 2017C Bonds of \$258,465,000.00, plus a net original issue premium of \$36,461,807.45 less an underwriting discount of \$696,359.82. The net proceeds along with \$624,687.22 of System funds were used to pay costs of issuance of \$283,701.08 and to deposit \$294,571,433.77 with the escrow agent for the refunded bonds. These escrow funds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds.
- The refunded bonds are considered fully defeased and the liability for these obligations has been removed from the consolidated statement of net position.
- An accounting loss of \$8,215,812.30 resulted from the transaction as the reacquisition price of \$294,571,433.77 exceeded the net carrying amount of \$265,855,000.00 par value, \$21,183,607.43 of unamortized premiums, and \$682,985.96 of unamortized loss from Revenue Financing System Bonds, Series 2009D, 2012A and 2012B.
- As a result of this refunding, the System reduced its aggregate debt service payments by \$27,943,267.96 from closing through August 15, 2035, and an economic gain from the transaction resulted in a net present value savings of \$22,988,015.94 between the old and new debt service payments.

CASH FLOW DERIVATIVES – HEDGING DERIVATIVE INTEREST RATE SWAPS

All interest rate swaps are valued using the fair value hierarchy of level 2. The System has calculated the fair value of the interest rate swaps using a forecast of expected discounted future net cash flows and considered the nonperformance risk of the parties. The following table outlines the terms of the System’s hedging derivative interest rate swap agreements in effect at August 31, 2019:

| Interest Rate Swaps - by type | Hedgeable Item | Current Notional | Effective Date | Maturity Date | Terms* | Embedded Options? | Cash Paid or Received | Counterparty Credit Rating (Moody's/S&P) | Weighted Average Maturity As of 8/31/19 |
|-------------------------------|-------------------|---------------------------|----------------|---------------|--------------------------------------|-------------------|-----------------------|--|---|
| Pay Fixed; receive variable | PUF Bonds 2008A | \$176,070,000.00 | 11/3/2008 | 7/1/2038 | Pay 3.696%; receive SIFMA | No | No | Aa2/A+ | 14.5 yrs |
| | PUF Bonds 2008A | 176,070,000.00 | 11/3/2008 | 7/1/2038 | Pay 3.6575%; receive SIFMA | No | No | Aa3/A+ | 14.5 yrs |
| | RFS Bonds 2007B | 162,470,000.00 | 12/20/2007 | 8/1/2034 | Pay 3.805%; receive SIFMA | No | No | Aa2/A+ | 9.1 yrs |
| | RFS Bonds 2007B | 162,470,000.00 | 12/20/2007 | 8/1/2034 | Pay 3.805%; receive SIFMA | No | No | Aa2/A+ | 9.1 yrs |
| | RFS Bonds 2008B | 111,180,000.00 | 3/18/2008 | 8/1/2036 | Pay 3.900%; receive SIFMA | No | No | Aa2/A+ | 11.0 yrs |
| | RFS Bonds 2008B | 111,180,000.00 | 3/18/2008 | 8/1/2036 | Pay 3.900%; receive SIFMA | No | No | A3/BBB+ | 11.0 yrs |
| | RFS Bonds 2008B | 226,765,000.00 | 3/18/2008 | 8/1/2039 | Pay 3.614%; receive SIFMA | No | No | Aa2/A+ | 10.1 yrs |
| | RFS Bonds 2016G | 250,000,000.00 | 12/1/2016 | 8/1/2045 | Pay 2.000%; receive 100% of 1M LIBOR | No | No | Aa3/A+ | 25.9 yrs |
| | RFS Bonds 2020A** | 250,000,000.00 | 11/1/2020 | 8/1/2049 | Pay 1.576%; receive 100% of 1M LIBOR | No | No | Aa3/A+ | 29.9 yrs |
| TOTAL | | \$1,626,205,000.00 | | | | | | | |

*London Interbank Offer Rate (LIBOR)

*Securities Industry and Financial Markets Association (SIFMA)

**RFS Taxable Bonds, Series 2020A expected to be issued prior to the effective date.

The following table outlines the terms of the System's hedging derivative interest rate swap agreements in effect at August 31, 2018:

| Interest Rate Swaps - by type | Hedgeable Item | Current Notional | Effective Date | Maturity Date | Terms* | Embedded Options? | Cash Paid or Received | Counterparty Credit Rating (Moody's/S&P) | Weighted Average Maturity As of 8/31/18 |
|-------------------------------|-----------------|---------------------------|----------------|---------------|--------------------------------------|-------------------|-----------------------|--|---|
| Pay Fixed; receive variable | PUF Bonds 2008A | \$179,180,000.00 | 11/3/2008 | 7/1/2038 | Pay 3.696%; receive SIFMA | No | No | Aa2/A+ | 15.2 yrs |
| | PUF Bonds 2008A | 179,180,000.00 | 11/3/2008 | 7/1/2038 | Pay 3.6575%; receive SIFMA | No | No | A1/A+ | 15.2 yrs |
| | RFS Bonds 2007B | 163,170,000.00 | 12/20/2007 | 8/1/2034 | Pay 3.805%; receive SIFMA | No | No | Aa2/A+ | 10.1 yrs |
| | RFS Bonds 2007B | 163,170,000.00 | 12/20/2007 | 8/1/2034 | Pay 3.805%; receive SIFMA | No | No | Aa3/A+ | 10.1 yrs |
| | RFS Bonds 2008B | 115,645,000.00 | 3/18/2008 | 8/1/2036 | Pay 3.900%; receive SIFMA | No | No | Aa3/A+ | 11.6 yrs |
| | RFS Bonds 2008B | 115,645,000.00 | 3/18/2008 | 8/1/2036 | Pay 3.900%; receive SIFMA | No | No | A3/BBB+ | 11.6 yrs |
| | RFS Bonds 2008B | 238,370,000.00 | 3/18/2008 | 8/1/2039 | Pay 3.614%; receive SIFMA | No | No | Aa3/A+ | 10.6 yrs |
| | RFS Bonds 2016G | 250,000,000.00 | 12/1/2016 | 8/1/2045 | Pay 2.000%; receive 100% of 1M LIBOR | No | No | A1/A+ | 26.9 yrs |
| TOTAL | | \$1,404,360,000.00 | | | | | | | |

*London Interbank Offer Rate (LIBOR)

*Securities Industry and Financial Markets Association (SIFMA)

The following is the fair value of the derivative agreements related to debt in effect at August 31, 2019 based on the zero-coupon method and the classification of change in fair value from the previous fiscal year:

| Derivatives by type | Hedgeable Item | Current Notional | Accrued Interest (through 8/31/19) | Fair Value as of 8/31/19 | Fair Value as of 8/31/18 | Change in Fair Value 8/31/18 - 8/31/19 | Change in Fair Value Recorded as |
|---|-----------------|---------------------------|------------------------------------|--------------------------|--------------------------|--|----------------------------------|
| Hedging Derivative Assets | RFS Bonds 2016G | - | - | - | 37,067,661.00 | (37,067,661.00) | Def Inflow |
| | | - | - | - | 37,067,661.00 | (37,067,661.00) | |
| Hedging Derivative Liabilities | PUF Bonds 2008A | 176,070,000.00 | 881,701.30 | (54,139,201.00) | (29,316,763.00) | (24,822,438.00) | Def Outflow |
| | PUF Bonds 2008A | 176,070,000.00 | 870,403.48 | (53,319,653.00) | (28,528,871.00) | (24,790,782.00) | Def Outflow |
| | RFS Bonds 2007B | 162,470,000.00 | 327,947.02 | (36,641,790.00) | (22,122,264.00) | (14,519,526.00) | Def Outflow |
| | RFS Bonds 2007B | 162,470,000.00 | 327,947.02 | (36,641,790.00) | (22,122,264.00) | (14,519,526.00) | Def Outflow |
| | RFS Bonds 2008B | 111,180,000.00 | 233,219.48 | (29,572,546.00) | (17,618,120.00) | (11,954,426.00) | Def Outflow |
| | RFS Bonds 2008B | 111,180,000.00 | 233,219.48 | (29,572,546.00) | (17,618,120.00) | (11,954,426.00) | Def Outflow |
| | RFS Bonds 2008B | 226,765,000.00 | 421,633.56 | (49,801,448.00) | (28,027,804.00) | (21,773,644.00) | Def Outflow |
| | RFS Bonds 2016G | 250,000,000.00 | (48,624.22) | (27,522,348.00) | - | (27,522,348.00) | Def Outflow |
| | RFS Bonds 2020A | 250,000,000.00 | - | (8,151,771.00) | - | (8,151,771.00) | Def Outflow |
| | | 1,626,205,000.00 | 3,247,447.12 | (325,363,093.00) | (165,354,206.00) | (160,008,887.00) | |
| Investment Derivatives-Asset Positions | RFS Bonds 2008B | 90,270,000.00 | (67,687.58) | 3,835,817.00 | 8,523,952.00 | (4,688,135.00) | Decr. in Fair Value of Inv |
| | RFS Bonds 2008B | 92,045,000.00 | (57,915.32) | 2,027,764.00 | 4,454,582.00 | (2,426,818.00) | Decr. in Fair Value of Inv |
| | RFS Bonds 2008B | 117,190,000.00 | (88,960.02) | 4,504,893.00 | 9,209,001.00 | (4,704,108.00) | Decr. in Fair Value of Inv |
| | PUF Bonds 2006B | - | - | - | 1,752,222.00 | (1,752,222.00) | Decr. in Fair Value of Inv |
| | PUF Bonds 2008A | 176,070,000.00 | (192,582.19) | 3,899,151.00 | 7,843,574.00 | (3,944,423.00) | Decr. in Fair Value of Inv |
| | RFS Bonds 2016A | - | - | - | 11,360,653.00 | (11,360,653.00) | Decr. in Fair Value of Inv |
| | RFS Bonds 2016A | 255,825,000.00 | (62,535.00) | 5,267,406.00 | 16,577,142.00 | (11,309,736.00) | Decr. in Fair Value of Inv |
| | RFS Bonds 2016A | 255,825,000.00 | (79,590.00) | 5,509,607.00 | 16,594,295.00 | (11,084,688.00) | Decr. in Fair Value of Inv |
| | | 987,225,000.00 | (549,270.11) | 25,044,638.00 | 76,315,421.00 | (51,270,783.00) | |
| Investment Derivatives-Liability Positions | PUF Bonds 2006B | 284,065,000.00 | (106,403.20) | (254,938.00) | - | (254,938.00) | Decr. in Fair Value of Inv |
| | RFS Bonds 2016A | 255,825,000.00 | (54,007.50) | (188,467.00) | - | (188,467.00) | Decr. in Fair Value of Inv |
| | | 539,890,000.00 | (160,410.70) | (443,405.00) | - | (443,405.00) | |
| TOTAL | | \$3,153,320,000.00 | 2,537,766.31 | (300,761,860.00) | (51,971,124.00) | (248,790,736.00) | |

The following is the fair value of the derivative agreements related to debt in effect at August 31, 2018 based on the zero-coupon method and the classification of change in fair value from the previous fiscal year:

| Derivatives by type | Hedgeable Item | Current Notional | Accrued Interest (through 8/31/18) | Fair Value as of 8/31/18 | Fair Value as of 8/31/17 | Change in Fair Value 8/31/17 - 8/31/18 | Change in Fair Value Recorded as |
|---|-----------------|---------------------------|------------------------------------|--------------------------|--------------------------|--|----------------------------------|
| Hedging Derivative Assets | RFS Bonds 2016G | \$250,000,000.00 | (22,577.85) | 37,067,661.00 | 10,339,315.00 | 26,728,346.00 | Def Inflow |
| | | 250,000,000.00 | (22,577.85) | 37,067,661.00 | 10,339,315.00 | 26,728,346.00 | |
| Hedging Derivative Liabilities | PUF Bonds 2008A | 179,180,000.00 | 863,022.18 | (29,316,763.00) | (42,503,422.00) | 13,186,659.00 | Def Outflow |
| | PUF Bonds 2008A | 179,180,000.00 | 851,716.42 | (28,528,871.00) | (41,638,181.00) | 13,109,310.00 | Def Outflow |
| | RFS Bonds 2007B | 163,170,000.00 | 314,919.65 | (22,122,264.00) | (33,127,972.00) | 11,005,708.00 | Def Outflow |
| | RFS Bonds 2007B | 163,170,000.00 | 314,919.65 | (22,122,264.00) | (33,127,972.00) | 11,005,708.00 | Def Outflow |
| | RFS Bonds 2008B | 115,645,000.00 | 232,351.18 | (17,618,120.00) | (25,951,512.00) | 8,333,392.00 | Def Outflow |
| | RFS Bonds 2008B | 115,645,000.00 | 232,351.18 | (17,618,120.00) | (25,951,512.00) | 8,333,392.00 | Def Outflow |
| | RFS Bonds 2008B | 238,370,000.00 | 422,115.80 | (28,027,804.00) | (43,787,351.00) | 15,759,547.00 | Def Outflow |
| | | 1,154,360,000.00 | 3,231,396.06 | (165,354,206.00) | (246,087,922.00) | 80,733,716.00 | |
| Investment Derivatives-Asset Positions | RFS Bonds 2008B | 90,270,000.00 | (70,883.86) | 8,523,952.00 | 6,217,067.00 | 2,306,885.00 | Incr. in Fair Value of Inv |
| | RFS Bonds 2008B | 92,045,000.00 | (60,452.10) | 4,454,582.00 | 2,767,871.00 | 1,686,711.00 | Incr. in Fair Value of Inv |
| | RFS Bonds 2008B | 117,190,000.00 | (93,181.14) | 9,209,001.00 | 6,320,603.00 | 2,888,398.00 | Incr. in Fair Value of Inv |
| | PUF Bonds 2006B | 284,065,000.00 | (56,983.36) | 1,752,222.00 | - | 1,752,222.00 | Incr. in Fair Value of Inv |
| | PUF Bonds 2008A | 179,180,000.00 | (276,420.25) | 7,843,574.00 | 4,638,619.00 | 3,204,955.00 | Incr. in Fair Value of Inv |
| | RFS Bonds 2016A | 255,825,000.00 | (54,007.50) | 11,360,653.00 | - | 11,360,653.00 | Incr. in Fair Value of Inv |
| | RFS Bonds 2016A | 255,825,000.00 | (62,535.00) | 16,577,142.00 | - | 16,577,142.00 | Incr. in Fair Value of Inv |
| | RFS Bonds 2016A | 255,825,000.00 | (79,590.00) | 16,594,295.00 | 2,732,915.00 | 13,861,380.00 | Incr. in Fair Value of Inv |
| | | 1,530,225,000.00 | (754,053.21) | 76,315,421.00 | 22,677,075.00 | 53,638,346.00 | |
| Investment Derivatives-Liability Positions | PUF Bonds 2006B | - | - | - | (1,137,070.00) | 1,137,070.00 | Incr. in Fair Value of Inv |
| | RFS Bonds 2016A | - | - | - | (4,834,011.00) | 4,834,011.00 | Incr. in Fair Value of Inv |
| | RFS Bonds 2016A | - | - | - | (1,810,067.00) | 1,810,067.00 | Incr. in Fair Value of Inv |
| | RFS Bonds 2017A | - | - | - | (2,877,014.00) | 2,877,014.00 | Incr. in Fair Value of Inv |
| | | - | - | - | (10,658,162.00) | 10,658,162.00 | |
| TOTAL | | \$2,934,585,000.00 | 2,454,765.00 | (51,971,124.00) | (223,729,694.00) | 171,758,570.00 | |

Derivative Instrument Objectives

| Derivatives by type | Hedgeable Item | Current Notional | Objective | Effective at 8/31/19? | Evaluation for Effectiveness |
|-----------------------------------|--------------------|----------------------------------|--|--------------------------|---------------------------------|
| Hedging Derivatives | PUF Bonds 2008A | \$176,070,000.00 | Hedge changes in cash flows on Series 2008A bonds | Yes | Consistent Critical Terms |
| | PUF Bonds 2008A | 176,070,000.00 | Hedge changes in cash flows on Series 2008A bonds | Yes | Consistent Critical Terms |
| | RFS Bonds 2007B | 162,470,000.00 | Hedge changes in cash flows on Series 2007B bonds | Yes | Consistent Critical Terms |
| | RFS Bonds 2007B | 162,470,000.00 | Hedge changes in cash flows on Series 2007B bonds | Yes | Consistent Critical Terms |
| | RFS Bonds 2008B | 111,180,000.00 | Hedge changes in cash flows on Series 2008B bonds | Yes | Consistent Critical Terms |
| | RFS Bonds 2008B | 111,180,000.00 | Hedge changes in cash flows on Series 2008B bonds | Yes | Consistent Critical Terms |
| | RFS Bonds 2008B | 226,765,000.00 | Hedge changes in cash flows on Series 2008B bonds | Yes | Consistent Critical Terms |
| | RFS Bonds 2016G | 250,000,000.00 | Hedge changes in cash flows on Series 2016G bonds | Yes | Consistent Critical Terms |
| | RFS Bonds 2020A | 250,000,000.00 | Hedge changes in cash flows on Series 2020A bonds | Yes | Consistent Critical Terms |
| Investment Derivatives | PUF Bonds 2006B | 284,065,000.00 | Manage changes in cash flows on Series 2006B bonds | N/A | N/A |
| | PUF Bonds 2008A | 176,070,000.00 | Manage changes in cash flows on Series 2008A bonds | N/A | N/A |
| | RFS Bonds 2008B | 90,270,000.00 | Manage changes in cash flows on Series 2008B bonds | N/A | N/A |
| | RFS Bonds 2008B | 92,045,000.00 | Manage changes in cash flows on Series 2008B bonds | N/A | N/A |
| | RFS Bonds 2008B | 117,190,000.00 | Manage changes in cash flows on Series 2008B bonds | N/A | N/A |
| | RFS Bonds 2016A | 255,825,000.00 | Manage changes in cash flows on Series 2016A bonds | N/A | N/A |
| | RFS Bonds 2016A | 255,825,000.00 | Manage changes in cash flows on Series 2016A bonds | N/A | N/A |
| | RFS Bonds 2016A | 255,825,000.00 | Manage changes in cash flows on Series 2016A bonds | N/A | N/A |
| TOTAL | | <u>\$3,153,320,000.00</u> | | | |

Derivative Instrument Objectives

| Derivatives by type | Hedgeable Item | Current Notional | Objective | Effective at 8/31/18? | Evaluation for Effectiveness |
|------------------------|-----------------|----------------------------------|--|-----------------------|------------------------------|
| Hedging Derivatives | PUF Bonds 2008A | \$179,180,000.00 | Hedge changes in cash flows on Series 2008A bonds | Yes | Consistent Critical Terms |
| | PUF Bonds 2008A | 179,180,000.00 | Hedge changes in cash flows on Series 2008A bonds | Yes | Consistent Critical Terms |
| | RFS Bonds 2007B | 163,170,000.00 | Hedge changes in cash flows on Series 2007B bonds | Yes | Consistent Critical Terms |
| | RFS Bonds 2007B | 163,170,000.00 | Hedge changes in cash flows on Series 2007B bonds | Yes | Consistent Critical Terms |
| | RFS Bonds 2008B | 115,645,000.00 | Hedge changes in cash flows on Series 2008B bonds | Yes | Consistent Critical Terms |
| | RFS Bonds 2008B | 115,645,000.00 | Hedge changes in cash flows on Series 2008B bonds | Yes | Consistent Critical Terms |
| | RFS Bonds 2008B | 238,370,000.00 | Hedge changes in cash flows on Series 2008B bonds | Yes | Consistent Critical Terms |
| | RFS Bonds 2016G | 250,000,000.00 | Hedge changes in cash flows on Series 2016G bonds | Yes | Consistent Critical Terms |
| Investment Derivatives | PUF Bonds 2006B | 284,065,000.00 | Manage changes in cash flows on Series 2006B bonds | N/A | N/A |
| | PUF Bonds 2008A | 179,180,000.00 | Manage changes in cash flows on Series 2008A bonds | N/A | N/A |
| | RFS Bonds 2008B | 90,270,000.00 | Manage changes in cash flows on Series 2008B bonds | N/A | N/A |
| | RFS Bonds 2008B | 92,045,000.00 | Manage changes in cash flows on Series 2008B bonds | N/A | N/A |
| | RFS Bonds 2008B | 117,190,000.00 | Manage changes in cash flows on Series 2008B bonds | N/A | N/A |
| | RFS Bonds 2016A | 255,825,000.00 | Manage changes in cash flows on Series 2016A bonds | N/A | N/A |
| | RFS Bonds 2016A | 255,825,000.00 | Manage changes in cash flows on Series 2016A bonds | N/A | N/A |
| | RFS Bonds 2016A | 255,825,000.00 | Manage changes in cash flows on Series 2016A bonds | N/A | N/A |
| TOTAL | | <u>\$2,934,585,000.00</u> | | | |

The fair value of interest rate swaps reported as investment derivatives-asset positions of \$25,044,638.00 and \$76,315,421.00 as of August 31, 2019 and 2018, respectively, is included on the consolidated statement of net position as noncurrent unrestricted investments and in the summary of investments in Note 6. The fair value of interest rate swaps reported as investment derivatives-liability positions of \$443,405 as of August 31, 2019 is included on the consolidated statement of net position as investment derivatives-liability positions. As of August 31, 2018, there were no interest rate swaps reported as investment derivatives-liability position. The change in fair value of interest rate swaps reported as investment derivatives are included in the net increase (decrease) in fair value of investments on the consolidated statement of revenues, expenses and changes in net position. For the year ending August 31, 2019, the change in fair value of interest rate swaps reported as investment derivatives was a decrease in the amount of \$51,714,188.00. For the year ending August 31, 2018, the change in fair value of interest rate swaps reported as investment derivatives was an increase in the amount of \$64,296,508.00.

Hedging Derivative Instrument and Investment Derivative Risks

Credit Risk: The System is exposed to credit risk if the counterparty to an interest rate swap fails to meet the terms and obligations of its contracts. Contracts with a positive fair value expose the System to credit risk. The System faces a maximum possible loss equivalent to the amount of the swap contract's fair value, less any collateral held by the System provided by the counterparty. Contracts with a negative fair value do not expose the System to credit risk. All of the counterparties associated with swap contracts with the System are creditworthy financial institutions. Additionally, each of the System's swap counterparties has agreed to provide collateral to the System to the extent the positive value before considering nonperformance risk of the parties exceeds certain threshold amounts. Should a counterparty fail to meet its contractual agreements, or if the System's credit rating falls below investment grade (Baa2 by Moody's or BBB by S&P), the System could be required to pay or receive a substantial termination payment. As of August 31, 2019, the System's credit ratings were Aaa by Moody's and AAA by S&P. The System does not have to post collateral due to changes in fair value of its swap agreements unless the System does not have a credit rating or the System commits a specified event of default and the event of default is continuing. As of August 31, 2019, the maximum loss due to credit risk was \$14,267,625.00. It is the System's policy to require counterparty collateral posting provisions in its non-exchange-traded derivative instruments. These terms require collateralization of the aggregate value of derivative instruments in asset positions, net of the effect of applicable threshold amounts based on each counterparty's credit rating. Although collateral posted can be in the form of cash, U.S. Treasury or U.S. agency securities held directly by the System or by a third-party custodian approved by the System, collateral posted is currently only in the form of cash held directly by the System. The System has not entered into master netting arrangements.

Bankruptcy Risk: The System is exposed to bankruptcy risk of its swap counterparties. The amount of any termination the System would receive, if a termination payment is owed, would be subject to the swap counterparty's ability to make the required payment. Upon the swap counterparty's bankruptcy, the System's obligation to make payments, the timing of termination, and the valuation of the swap upon termination may be affected by relevant bankruptcy law.

Interest Rate Risk: Interest rate risk involves the risk that the value of the System's interest rate swaps will fluctuate because of changes in interest rates. The value of interest rate swap agreements with a longer weighted average maturity tend to be more sensitive to changing interest rates, and therefore, more volatile than those with shorter maturities.

Basis Risk: The System is exposed to basis risk when the variable rate received under an interest rate swap does not match the variable rate paid on hedged bonds. The interest rate on the System's variable rate bonds is a tax-exempt interest rate based on the System's credit ratings. The variable receipt on the System's interest rate swaps is based on either a tax-exempt index (SIFMA) or a taxable index (LIBOR). Tax-exempt interest rates can change without a corresponding change in taxable interest rates due to factors affecting the tax-exempt market that do not have a similar effect on the taxable market.

Index Risk: The System is exposed to risk that the method of establishing LIBOR, the Thomson Municipal Market Data (MMD) or the SIFMA index could change over time. A change in LIBOR, MMD or the SIFMA index may affect the rate that the System pays or receives on certain interest rate swaps.

LIBOR Discontinuation Risk: In addition, on July 27, 2017, the Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR rates after 2021 (the "FCA Announcement"). A portion of the System's swaps use a LIBOR-based rate as a reference rate for determining payments to be received or payments to be made thereunder. It is not possible to predict the effect of the FCA Announcement, any changes in the methods pursuant to which LIBOR rates are determined, or any other reforms to LIBOR that may be enacted, any of which may adversely affect the determination of LIBOR rates or result in the phasing out of LIBOR as a reference rate. Any such effects could result in a sudden or prolonged increase or decrease in reported LIBOR rates or result in the replacement of LIBOR with other reference rates and could have a negative impact on the market value of the System's swaps and the payment obligations of the System thereunder.

Liquidity Risk: The System is exposed to risk that, under certain market conditions, the System may be unable to terminate, assign or novate an interest rate swap. The System may not amend, assign or novate a swap without the swap counterparty's consent. There can be no assurance that another party will be willing to accept an assignment or novation of the System's interest rate swap.

Termination Risk: Termination risk is the risk that the swap may be terminated prior to its scheduled maturity date as a result of certain specified events. None of the System’s interest rate swaps are subject to automatic early termination. The System is subject to termination risk if the System’s credit rating falls below investment grade (Baa2 by Moody’s or BBB by S&P), or if the System commits a specified event of default or other specified event of termination. The System has the right to optionally terminate any of its swaps at any time. At termination, if the fair value of the swap is negative, the System would be liable to pay a termination payment to the appropriate counterparty in the amount of the swap’s fair value. If the fair value of the swap is positive at termination, the counterparty would owe a termination payment to the System in the amount of the swap’s fair value.

Amortization Risk: Amortization risk is the risk caused by a mismatch between the amortization of a derivative contract and the underlying hedged bonds. The System is not exposed to amortization risk by exactly matching the notional amounts and amortization schedules of its swap contracts with the principal amounts and amortization schedules of the associated hedged bonds.

Market Access Risk: Each swap associated with underlying variable rate debt that is subject to tender at the option of the bondholder is subject to market access risk. In the event the System is unable to remarket its variable rate bonds, the System may choose to refund the variable rate bonds with fixed-rate bonds and optionally terminate the related interest rate swap agreements. Should an early termination event occur, the System could be required to pay or to receive a substantial termination payment. As of August 31, 2019, the System had market access risk associated with \$1,376,205,000.00 aggregate notional amount of pay-fixed, receive-variable interest rate swaps used to hedge interest rate risk on variable rate bonds subject to tender. As of August 31, 2019, the System’s variable rate bonds carried the highest short-term ratings from Moody’s and S&P of VMIG1 and A-1+, respectively.

Hedging Derivative Swap Scheduled Payments

The following tables reflect the scheduled payments on the hedging derivative swap agreements which differ from the presentation in the projected bond debt service requirements table for the related demand bonds. The debt service requirements reflect the entire outstanding balance of the demand bonds in 2020 because the bonds are supported by internal liquidity.

| As of August 31, 2019 | | | | |
|------------------------------|---|-----------------------------|---|----------------|
| Fiscal Year | Associated Variable Rate Bonds | | Pay-Fixed Receive-Variable Interest Rate Swaps³ | Total |
| | Principal¹ | Interest² | | |
| 2020 | \$ 27,065,000.00 | 19,992,344.00 | 26,694,834.05 | 73,752,178.05 |
| 2021 | 28,055,000.00 | 19,641,908.00 | 26,053,500.98 | 73,750,408.98 |
| 2022 | 46,425,000.00 | 19,278,654.00 | 25,388,446.73 | 91,092,100.73 |
| 2023 | 48,185,000.00 | 18,670,582.00 | 24,273,068.89 | 91,128,650.89 |
| 2024 | 49,785,000.00 | 18,039,465.00 | 23,115,222.69 | 90,939,687.69 |
| 2025-2029 | 287,690,000.00 | 79,576,197.50 | 96,076,103.86 | 463,342,301.36 |
| 2030-2034 | 297,240,000.00 | 59,857,107.50 | 59,754,629.79 | 416,851,737.29 |
| 2035-2039 | 341,760,000.00 | 39,147,324.00 | 21,498,048.66 | 402,405,372.66 |
| 2040-2044 | - | 26,500,000.00 | (1,400,000.00) | 25,100,000.00 |
| 2045-2049 | 250,000,000.00 | 5,300,000.00 | (280,000.00) | 255,020,000.00 |

¹Reflects scheduled principal and interest payments of Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, Revenue Financing System Bonds, Taxable Series 2016G, and Permanent University Fund Bonds, Series 2008A to be optionally or mandatorily redeemed in the fiscal years reflected.

²Annual debt service requirements are computed using the System’s interest rates in effect on August 31, 2019 on its Series 2008A Bonds, Series 2007B Bonds, Series 2008B, and Series 2016G Bonds.

³Reflects net payments on pay-fixed, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2019 and applied on the respective notional amounts of the swaps through their respective termination dates.

As of August 31, 2018

| Fiscal Year | Associated Variable Rate Bonds | | Pay-Fixed Receive-Variable Interest Rate | Total |
|-------------|--------------------------------|-----------------------|--|----------------|
| | Principal ¹ | Interest ² | Swaps ³ | |
| 2019 | \$ 28,155,000.00 | 22,113,551.00 | 25,030,524.10 | 75,299,075.10 |
| 2020 | 27,065,000.00 | 21,695,170.50 | 24,420,103.55 | 73,180,274.05 |
| 2021 | 28,055,000.00 | 21,292,647.50 | 23,835,606.98 | 73,183,254.48 |
| 2022 | 46,425,000.00 | 20,875,400.00 | 23,229,468.23 | 90,529,868.23 |
| 2023 | 48,185,000.00 | 20,178,410.50 | 22,211,582.89 | 90,574,993.39 |
| 2024-2028 | 278,925,000.00 | 89,292,395.00 | 94,103,731.19 | 462,321,126.19 |
| 2029-2033 | 313,440,000.00 | 67,215,210.00 | 61,752,150.69 | 442,407,360.69 |
| 2034-2038 | 374,870,000.00 | 44,153,448.50 | 27,978,944.52 | 447,002,393.02 |
| 2039-2043 | 9,240,000.00 | 23,885,828.00 | (758,710.40) | 32,367,117.60 |
| 2044-2048 | 250,000,000.00 | 9,500,000.00 | (379,400.00) | 259,120,600.00 |

¹Reflects scheduled principal and interest payments of Revenue Financing System Refunding Bonds, Series 2007B, Revenue Financing System Bonds, Series 2008B, Revenue Financing System Bonds, Taxable Series 2016G, and Permanent University Fund Bonds, Series 2008A to be optionally or mandatorily redeemed in the fiscal years reflected.

²Annual debt service requirements are computed using the System's interest rates in effect on August 31, 2018 on its Series 2008A Bonds, Series 2007B Bonds, Series 2008B, and Series 2016G Bonds.

³Reflects net payments on pay-fixed, receive-variable interest rate swaps based on static interest rate environment as of August 31, 2018 and applied on the respective notional amounts of the swaps through their respective termination dates.

14. Stewardship, Compliance and Accountability

The System had no significant violations of bond or note covenants. Per State law, the System cannot spend amounts in excess of appropriations granted by the Texas Legislature. There are no deficits reported in net position.

15. Risk Management and Related Insurance

The System has eight funded self-insurance plans providing coverage in the following areas: employee health and dental, unemployment compensation, workers' compensation, professional medical liability, property protection, directors and officers/employment practices liability, construction contractor insurance, and automobile, property and liability.

EMPLOYEE AND RETIREE INSURANCE BENEFITS

The U. T. System Employee Benefits program provides health insurance, dental insurance, vision insurance, life insurance, accidental death and dismemberment (AD&D), long-term disability, short-term disability, and flexible spending account coverage to all benefits-eligible employees and retirees of the System and its fourteen institutions. These insurance benefits are provided through both self-funded and fully-insured arrangements. A portion of the System's cost of providing group health and basic life insurance coverage is paid by the State as specified in the General Appropriations Act. The System's Office of Employee Benefits (OEB) is responsible for the overall administration of the insurance plans. The System's OEB program was established by Chapter 1601 of the *Texas Insurance Code* and complies with State laws and statutes pertinent to employee benefits for the System.

Effective January 1, 2006, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries under Medicare Part D. Medicare Part D provides sponsors of postemployment healthcare plans with various subsidies related to prescription drug benefit costs of retirees who are eligible for, but not enrolled in, Medicare Part D, if the sponsor's plan provides a prescription drug benefit that is actuarially equivalent to the Medicare Part D benefit.

The System has participated in the Medicare Part D Retiree Drug Subsidy (RDS) program since 2006 which provides a subsidy of up to 28 percent of the amount of eligible prescription drug benefit costs of retirees who are eligible for, but not enrolled in, Medicare Part D. The System recognized \$1,032,292.20 of Medicare Part D RDS revenue from the federal government in 2018. In 2019 the System was required to refund \$92,638.25 to the Medicare Part D RDS program after the annual reconciliation was performed. The annual reconciliation recognizes any payments made by the Medicare RDS program. The System significantly reduced reliance on the RDS program beginning January 1, 2017. Only a small number of eligible participants remained covered under RDS after December 31, 2016.

The System implemented an Employer Group Waiver Plan (EGWP) effective January 1, 2017, in order to access larger Medicare Part D subsidies. For most eligible participants, the EGWP replaces the RDS program previously used to access such subsidies. The System recognized \$29,090,167.99 and \$20,172,112.60 of Medicare EGWP payments from the federal government in 2019 and 2018, respectively.

UNEMPLOYMENT COMPENSATION INSURANCE

The General Appropriations Act requires the System to reimburse the Texas Workforce Commission (TWC) for 50% of the unemployment benefits paid to qualified former employees paid from general revenue funds and 100% of the unemployment benefits paid from local funds.

WORKERS' COMPENSATION INSURANCE

The Workers' Compensation Insurance (WCI) program provides coverage to all employees of the System and its fourteen institutions. Under the oversight of the System's Office of Risk Management (ORM), the System self-insures and administers the systemwide program through the use of a third-party administrator. The coverage provides income and medical benefits to all employees who have sustained compensable job-related injuries or occupational diseases. The program's statutory authority is embodied in Chapter 503 of the *Texas Labor Code*.

PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN

The coverage provided under the Professional Medical Liability Benefit Plan (the "Plan") is on an occurrence basis; thus, a participant is covered by the Plan for claims and lawsuits relating to events that occurred while enrolled in the Plan, including those filed after the participant has left the System's employment or training. The Plan covers all of the System staff physicians, dentists, residents, fellows, and medical and dental students who have been enrolled. The limits of liability of the Plan include an annual policy aggregate of \$30 million, an annual aggregate of \$1.5 million for each staff physician (\$500,000 per claim), an annual aggregate of \$300,000 for each resident or fellow (\$100,000 per claim) and a \$75,000 annual aggregate for each medical and dental student (\$25,000 per claim). Additional coverage is available outside of Texas and for approved international activities. Liability is limited to \$2 million per claim, regardless of the number of claimants or plan participants involved in an incident.

The limits of liability are prescribed by law as \$100,000 per health care liability claim per physician determined to be a public servant. U. T. institutions are covered under the Plan for actions that could have been brought against an individual plan participant. The liability of a U. T. institution is limited by law to \$250,000 per person injured and \$500,000 per occurrence for bodily injury or death.

COMPREHENSIVE PROPERTY PROTECTION PROGRAM

The Comprehensive Property Protection Plan (CPPP) uses a combination of interim financing and commercial insurance to provide Fire and All Other Perils (Fire and AOP) and Named Windstorm and Flood (Wind and Flood) coverage. All coverage is subject to the terms, exclusions, limits and conditions of the Insurance Policies. The Fire and AOP program provides a \$1.3 billion per occurrence limit for most perils, with sub-limits that do apply. The System participates in a seven percent (7%) quota share of the \$75 million layer excess of the \$25 million layer of commercial insurance coverage. Deductibles for Fire and AOP are \$5 million per occurrence with a \$15 million annual aggregate limit; institutions have a \$250,000 per occurrence deductible. The commercial insurance coverage for Named Windstorm and resulting perils provides a \$250 million per occurrence limit with the System participating in a seven percent (7%) quota share of the \$75 million layer excess of the \$25 million layer. M. D. Anderson purchases a dedicated \$100 million policy excess of the \$250 million per occurrence Named Windstorm CPPP limit. Deductibles for Wind and Flood are \$100 million per occurrence for U. T. Medical Branch - Galveston (locations in Galveston only), \$50 million per occurrence for U. T. Health Science Center - Houston (locations in Texas Medical Center only) and M. D. Anderson (locations in Texas Medical Center Only), 5% of total insurable value in other Tier 1 counties, and AOP deductibles for all other locations.

Primary insurance policies are purchased on certain flood and wind exposed properties to partially offset the large deductibles. These policies provide underlying limits (up to \$4.4 million per building/contents for wind and \$1 million maximum building/contents for flood) and are purchased through the Texas Windstorm Insurance Association (TWIA) for facilities in Tier 1 seacoast territories and the National Flood Insurance Program (NFIP) for properties located in higher risk flood zones. U. T. Medical Branch - Galveston purchases a \$50 million Named Windstorm buydown policy to reduce the \$100 million Wind and Flood deductible for locations in Galveston only. M. D. Anderson purchases a \$25 million Named Windstorm Multi Year Single Limit (MYSL) buydown policy to reduce the \$50 million Wind and Flood deductible; they have a 25% share of the \$25 million to \$50 million layer. The interim financing component of the program participates in losses resulting from physical damage that exceeds the coverage available under these primary policies and the institution's deductible. The interim financing for the Wind and Flood program is funded by annual contributions made by each institution in addition to the payment of insurance premiums.

DIRECTORS AND OFFICERS/EMPLOYMENT PRACTICES LIABILITY PLAN AND CYBER LIABILITY PROGRAM

The Directors and Officers Liability (D&O) and Employment Practices Liability (EPL) Plan (the "Plan") provides coverage for claims arising from actual or alleged wrongful acts performed by the Plan beneficiaries and for EPL claims, such as wrongful termination, failure to promote, and wrongful discipline.

Coverage applies to individual board members, employees, faculty, and other covered individuals, as well as to each of the institutions and U. T. System Administration. The limit of liability is a \$15 million annual aggregate (Coverages A, B and C combined), with an additional \$5 million self-insured annual aggregate excess limit for Coverages A and B. Self-insured retentions for the Plan are subject to a \$5 million annual aggregate. Coverage A applies to non-indemnifiable claims made against individuals and it has no deductible. Coverage B applies to a U. T. institution that is required to indemnify a covered individual with deductibles of \$100,000 per individual and \$300,000 per occurrence. Coverage C applies to a U. T. institution with a \$300,000 deductible. In the event a loss involves any or all of Coverages A, B, and C, then only the single largest deductible amount will apply.

The Cyber Liability Program, incepted September 15, 2015, provides coverage for claims arising from the following causes of loss: media liability, network security liability, privacy liability, regulatory liability, loss of digital assets, network asset protection, and Payment Card Industry Data Security Standard (PCI-DSS). The limit of liability on the commercial insurance policy is a \$50 million annual aggregate. Each claim is subject to a \$2.5 million retention except for PCI-DSS which is \$1 million; institutions have a \$250,000 per claim deductible. M. D. Anderson purchases a \$10 million standalone policy which is primary to the Cyber Liability Program.

ROLLING OWNER CONTROLLED INSURANCE PROGRAM

The Rolling Owner Controlled Insurance Program (ROCIP) was established for the centralized purchase of construction contractor insurance on various capital improvement projects. This program provides workers' compensation, employers' liability and general liability insurance coverage for all contractors enrolled on projects participating in the program. Each coverage carries a \$250,000 per occurrence deductible with a maximum \$375,000 per occurrence clash deductible, if more than one coverage is triggered by the same occurrence. Deductibles are paid through the program's self-insurance fund.

AUTOMOBILE, PROPERTY & LIABILITY PLAN

The Automobile, Property & Liability Plan provides automobile liability and physical damage coverage for owned, leased, hired, and non-owned (excess liability only) vehicles, along with general liability coverage for certain scheduled exposures. All coverages are subject to a self-insured retention of \$50,000 for liability claims and \$25,000 for physical damage claims, subject to a \$615,000 annual aggregate stop loss deductible per policy term. Institutions retain the first \$2,500 per occurrence for liability, \$1,000 per vehicle for physical damage, and \$5,000 per vehicle for vehicles valued over \$100,000.

INCURRED BUT NOT REPORTED SELF-INSURANCE CLAIMS

Insurance claims that were Incurred But Not Reported (IBNR) were actuarially determined for the employee’s health and dental, workers’ compensation, professional medical liability, directors and officers/employment practices liability and cyber liability program, rolling owner controlled, and automobile, property and liability self-insurance plans. IBNR figures for the workers’ compensation, professional medical liability, directors and officers/employment practices liability and cyber liability program, rolling owner controlled, and automobile, property and liability self-insurance plans include liabilities for unpaid reported claims and are reported on an undiscounted basis. The IBNR liability for the property protection self-insurance plan is not actuarially determined but estimated based on unpaid reported claims. Since an annual accrual is recorded for the third quarter TWC billing, no IBNR liability is recorded for Unemployment Compensation Insurance. No settlements exceeded insurance coverage in the past three fiscal years.

Since the responsibility for processing all claims for self-funded employee health and dental benefits has been fully delegated to third parties, the IBNR claims liability for those benefits does not include a provision for unallocated loss adjustment expenses (ULAE). However, it does include a provision of 5% of the projected incurred but unpaid claims for the administrative expenses associated with processing those claims. The IBNR claims liability for the workers’ compensation, professional medical liability, directors and officers/employment practices liability and cyber liability program, rolling owner controlled, and automobile, property and liability self-insurance plans includes a related accrual for allocated loss adjustment expenses (ALAE), which are the claim-specific defense and settlement costs associated with the ultimate settlement of those claims. They do not include a provision for ULAE, which are general administrative expenses associated with claims settlement, but are not specifically attributable to individual claims.

Changes in the System’s claims liabilities for the various self-insurance plans during fiscal years 2019 and 2018 were as follows:

| <u>Fiscal Year 2019</u> | | Current Year | | |
|------------------------------------|----------------------------|---------------------------------------|---------------------------|----------------------------|
| Plan | IBNR Liability 09/01/18 | Claims and Changes in Estimates | Claims Payments | IBNR Liability 08/31/19 |
| Employee Health and Dental | \$ 103,800,000.00 | 1,366,389,798.56 | (1,356,289,798.56) | 113,900,000.00 |
| Workers’ Compensation | 7,023,000.00 | 1,590,715.15 | (3,228,715.15) | 5,385,000.00 |
| Professional Medical Liability | 20,496,140.00 | 2,837,812.84 | (3,847,856.84) | 19,486,096.00 |
| Property Protection – Fire & AOP | 6,462,000.00 | (654,844.73) | (682,155.27) | 5,125,000.00 |
| Property Protection – Wind & Flood | 20,000,000.00 | (1,760,525.33) | (1,377,127.67) | 16,862,347.00 |
| Directors and Officers/EPL/Cyber | 1,618,478.00 | 1,751,562.97 | (1,151,483.97) | 2,218,557.00 |
| ROCIP | 5,141,318.00 | 2,218,522.10 | (2,370,270.10) | 4,989,570.00 |
| Automobile, Property & Liability | 378,252.00 | 521,414.28 | (447,244.28) | 452,422.00 |
| TOTAL | \$ 164,919,188.00 | 1,372,894,455.84 | (1,369,394,651.84) | 168,418,992.00 |

| <u>Fiscal Year 2018</u> | | Current Year | | |
|------------------------------------|----------------------------|---------------------------------------|---------------------------|----------------------------|
| Plan | IBNR Liability 09/01/17 | Claims and Changes in Estimates | Claims Payments | IBNR Liability 08/31/18 |
| Employee Health and Dental | \$ 95,900,000.00 | 1,243,525,768.41 | (1,235,625,768.41) | 103,800,000.00 |
| Workers’ Compensation | 7,572,000.00 | 3,327,041.78 | (3,876,041.78) | 7,023,000.00 |
| Professional Medical Liability | 20,376,564.00 | 3,812,227.55 | (3,692,651.55) | 20,496,140.00 |
| Property Protection – Fire & AOP | 10,280,704.00 | 1,244,917.51 | (5,063,621.51) | 6,462,000.00 |
| Property Protection – Wind & Flood | 20,000,000.00 | (416,319.22) | 416,319.22 | 20,000,000.00 |
| Directors and Officers/EPL/Cyber | 2,303,317.00 | 513,304.34 | (1,198,143.34) | 1,618,478.00 |
| ROCIP | 4,301,519.00 | 2,453,765.27 | (1,613,966.27) | 5,141,318.00 |
| Automobile, Property & Liability | 402,468.00 | 678,362.82 | (702,578.82) | 378,252.00 |
| TOTAL | \$ 161,136,572.00 | 1,255,139,068.46 | (1,251,356,452.46) | 164,919,188.00 |

16. Postemployment Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provides certain health and life insurance benefits for retired employees (OPEB), in accordance with State statutes. Many employees may become eligible for the health and life insurance benefits as a retired employee if they meet certain age and service requirements as defined by the State. Similar benefits for active employees are provided through the same self-funded plan. For the years ended August 31, 2019 and 2018, the State and retiree contribution rates for the self-funded plan per full-time retired employee are shown in the following table. The retiree contributes any premium charged over and above the State contributions.

| Level of Coverage | 2019 | | 2018 | |
|-------------------|-----------|---------|-----------|---------|
| | Employer | Retiree | Employer | Retiree |
| Retiree Only | \$ 598.14 | - | \$ 598.14 | - |
| Retiree/Spouse | 911.69 | 257.53 | 911.69 | 257.53 |
| Retiree/Children | 798.76 | 269.34 | 798.76 | 269.34 |
| Retiree/Family | 1,114.18 | 507.15 | 1,114.18 | 507.15 |

PLAN DESCRIPTION AND FUNDING POLICY

OPEB are provided to the System’s retirees under the U. T. System Employee Group Insurance Program (EGIP). The EGIP is a single-employer defined benefit OPEB plan; however, due to the State statute requiring appropriations for funding the plan, the State is reporting a proportionate share. Chapter 1551 of the *Texas Insurance Code*, Sections 310 and 311, require that the State contribute to the cost of each participant’s insurance coverage. The funds are appropriated under the General Appropriations Act Higher Education Employees Group Insurance (HEGI) Contributions. The State’s proportion was 20.82 and 22.83 percent of the collective OPEB related liabilities, deferred outflows and inflows and expense based on HEGI contributions by the State to total contributions as of August 31, 2019 and 2018. The System’s proportion as of August 31, 2019 and 2018 was 79.18 and 77.17 percent. At August 31, 2019 and 2018, the amount of the total OPEB liability related to the System reported by the State was \$2,723,817,586 and \$3,171,184,120, respectively. The amount reported by the State is related to the premium sharing contributions, which are recognized as State appropriation general revenue on the System’s financial statements in the fiscal year that the State contributed the amounts for OPEB on the System’s behalf.

The System and member contribution rates are determined annually by the System based on the recommendations of the OEB staff and consulting actuary. The contribution rates are determined based on the benefit and administrative costs expected to be incurred and (i) the funds appropriated and (ii) the funding policy established by the Texas Legislature in connection with benefits provided through the EGIP. The System revises benefits when necessary to match expected benefit and administrative costs with available revenue. The plan is operated on a pay-as-you-go basis and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

EMPLOYEES COVERED BY BENEFIT TERMS

The benefits provided are discussed in Note 15. The authority under which the obligations of the plan members and the System are established and may be amended is Chapter 1601, *Texas Insurance Code*. At the respective valuation dates, the following employees were covered by the benefit terms:

| | Valuation Date | |
|---|----------------|------------|
| | 12/31/2017 | 12/31/2016 |
| a. Inactive employees or beneficiaries currently receiving benefit payments | 27,597 | 25,324 |
| b. Inactive employees entitled to but not yet receiving benefit payments | 12,311 | 11,383 |
| c. Active employees | 90,605 | 87,265 |
| d. Total | 130,513 | 123,972 |

TOTAL OPEB LIABILITY

The System has elected to use a measurement date that is eight months in advance of the fiscal year end. The System's proportionate share of the total OPEB liability of \$10,355,785,546, current portion of \$230,593,877 and a noncurrent portion of \$10,125,191,669, reported for the fiscal year ended August 31, 2019 was measured as of December 31, 2018 and was determined by an actuarial valuation as of December 31, 2017 and rolled forward twelve months to December 31, 2018. The System's proportionate share of the total OPEB liability of \$10,717,111,345, current portion of \$202,555,282 and a noncurrent portion of \$10,514,556,063, reported for the fiscal year ended August 31, 2018 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that same date.

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The Total OPEB Liability as of December 31, 2018 and December 31, 2017 was determined by an actuarial valuation as of December 31, 2017 and rolled forward twelve months to December 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Inflation | 2.50% |
| Salary increases | 3.50% to 9.50% (includes inflation) |
| Discount rate | 4.10% for December 31, 2018 and 3.44% for December 31, 2017 |
| Healthcare cost trend rates | 7.00% for FY19, 8.00% for FY20, then decreasing 0.50% per year to an ultimate rate of 4.50% for FY27 and later years |

- Mortality:
- Service Retirees, Survivors and other Inactive Members:
Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014.
 - Disability Retirees:
Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.
 - Active Members:
Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale BB.

Discount Rate

- For fiscal year ended August 31, 2019: The discount rate used to measure the Total OPEB Liability as of December 31, 2018 was 4.10%. The discount rate used to determine the Total OPEB Liability as of December 31, 2017 was 3.44%.
- For fiscal year ended August 31, 2018: The discount rate used to measure the Total OPEB Liability as of December 31, 2017 was 3.44%. The discount rate used to measure the Total OPEB Liability as of December 31, 2016 was 3.78%.
- Municipal Bond Rate: 4.10% as of December 31, 2018, 3.44% as of December 31, 2017, and 3.78% as of December 31, 2016; the source of the municipal bond rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. In describing their index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Many of the actuarial assumptions used in this valuation were based on the results of an actuarial experience study performed by the TRS retirement plan actuary for the period September 1, 2010 to August 31, 2014.

The following assumptions or other inputs were changed since the previous measurement date:

The discount rate was changed as a result of requirements by GASB Statement No. 75 to utilize the yield or index rate as of the measurement date for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher.

As of the measurement date of December 31, 2018, no changes in benefit and eligibility provisions have occurred. Accordingly, the benefit and eligibility provisions used in this valuation have not been changed since the prior valuation.

Sensitivity of the System's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate

| | 1% Decrease (3.10%) | FY19 Discount Rate (4.10%) | 1% Increase (5.10%) |
|----------------------|--------------------------------|---|--------------------------------|
| Total OPEB Liability | \$ 12,565,850,208 | \$ 10,355,785,546 | \$ 8,682,139,141 |

| | 1% Decrease (2.44%) | FY18 Discount Rate (3.44%) | 1% Increase (4.44%) |
|----------------------|--------------------------------|---|--------------------------------|
| Total OPEB Liability | \$ 13,185,594,111 | \$ 10,717,111,345 | \$ 8,877,728,799 |

Sensitivity of the System's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

| | 1% Decrease | FY19 Healthcare Cost Trend Rates¹ | 1% Increase |
|----------------------|--------------------|---|--------------------|
| Total OPEB Liability | \$ 8,606,162,337 | \$ 10,355,785,546 | \$ 12,679,927,126 |

| | 1% Decrease¹ | FY18 Healthcare Cost Trend Rates¹ | 1% Increase¹ |
|----------------------|--------------------------------|---|--------------------------------|
| Total OPEB Liability | \$ 8,912,787,175 | \$ 10,717,111,345 | \$ 13,124,958,390 |

Healthcare Cost Trend Rates used for FY 19 and FY18 are shown below:

| <u>Fiscal Year</u> | <u>1% Decrease</u> | <u>FY18 Healthcare Cost Trend Rates</u> | <u>1% Increase</u> |
|--------------------|--------------------|---|--------------------|
| 2019 | 6.00% | 7.00% | 8.00% |
| 2020 | 7.00% | 8.00% | 9.00% |
| 2021 | 6.50% | 7.50% | 8.50% |
| 2022 | 6.00% | 7.00% | 8.00% |
| 2023 | 5.50% | 6.50% | 7.50% |
| 2024 | 5.00% | 6.00% | 7.00% |
| 2025 | 4.50% | 5.50% | 6.50% |
| 2026 | 4.00% | 5.00% | 6.00% |
| 2027 and beyond | 3.50% | 4.50% | 5.50% |

CHANGES IN THE SYSTEM'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY

| | | Increase (Decrease) in Total OPEB Liability | |
|--|----|---|---|
| | | For Measurement Year from 12/31/2017 to 12/31/2018 | For Measurement Year from 12/31/2016 to 12/31/2017 |
| Balance at Beginning of Measurement Year | \$ | 10,717,111,345 | 10,777,028,782 |
| Changes for the year: | | | |
| Service cost | | 548,093,347 | 569,296,804 |
| Interest | | 394,480,742 | 426,298,831 |
| Differences between expected and actual experience | | - | (136,662,956) |
| Changes of assumptions or other inputs | | (1,429,460,396) | (781,692,644) |
| Benefit payments (employer) | | (153,396,451) | (137,157,472) |
| Net changes | | (640,282,758) | (59,917,437) |
| Changes in Proportional Share | | 278,956,959 | |
| Balance at End of Measurement Year | \$ | 10,355,785,546 | 10,717,111,345 |

The System recognized OPEB expense of \$664,784,810 for the fiscal year ended August 31, 2019 and \$843,220,745 for the fiscal year ended August 31, 2018.

The changes in the total OPEB liability, including both the System’s and the State’s portion, are shown in the table below.

| | | Increase (Decrease) in Total OPEB Liability | |
|--|----|--|--|
| | | For Measurement Year from 12/31/2017 to 12/31/2018 | For Measurement Year from 12/31/2016 to 12/31/2017 |
| Balance at Beginning of Measurement Year | \$ | 13,888,295,465 | 13,965,942,420 |
| Changes for the year: | | | |
| Service cost | | 692,254,917 | 737,751,244 |
| Interest | | 498,238,547 | 552,440,292 |
| Differences between expected and actual experience | | - | (177,101,409) |
| Changes of assumptions or other inputs | | (1,805,442,436) | (1,012,994,831) |
| Benefit payments (employer) | | (193,743,361) | (177,742,251) |
| Net changes | | (808,692,333) | (77,646,955) |
| Balance at End of Measurement Year | \$ | 13,079,603,132 | 13,888,295,465 |

At each fiscal year-end, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources listed in the table below.

| | | As of 8/31/2019 | | As of 8/31/2018 | |
|--|----|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ | - | 104,127,465 | - | 119,074,416 |
| Changes of assumptions or other inputs | | - | 2,058,144,539 | - | 909,409,679 |
| Change in proportion and contribution difference | | 355,767,722 | 44,612,494 | - | - |
| Contributions subsequent to the measurement date | | 111,317,743 | - | 103,036,547 | - |
| Total | \$ | 467,085,465 | 2,206,884,498 | 103,036,547 | 1,028,484,095 |

Amounts reported as Deferred Outflows/(Inflows) of Resources will be recognized in OPEB expense as follows:

For the Fiscal Year ended August 31, 2019:

| Fiscal Year Ended August 31 | | Amount |
|-----------------------------|----|-----------------|
| 2020 | \$ | (279,677,749) |
| 2021 | | (279,677,749) |
| 2022 | | (279,677,750) |
| 2023 | | (279,677,750) |
| 2024 | | (279,677,750) |
| Thereafter | | (452,728,028) |
| Total | \$ | (1,851,116,776) |

For the Fiscal Year ended August 31, 2018:

| Fiscal Year Ended August 31 | | Amount |
|--|----|-----------------|
| 2019 | \$ | (153,756,499) |
| 2020 | | (153,756,499) |
| 2021 | | (153,756,499) |
| 2022 | | (153,756,499) |
| 2023 | | (153,756,499) |
| Thereafter | | (259,701,600) |
| Total | \$ | (1,028,484,095) |

17. Pension Plans

TEACHER RETIREMENT SYSTEM (TRS)

The State of Texas has joint contributory retirement plans for substantially all its employees. One of the primary plans in which the System participates is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the Teacher Retirement System of Texas. TRS is primarily funded through State and employee contributions. Depending upon the source of funding for a participant's salary, the System may be required to make contributions in lieu of the State.

All System personnel employed in a position on a half time or greater basis for at least 4½ months or more are eligible for membership in the TRS retirement plan. However, students employed in positions that require student status as a condition of employment do not participate. Members with at least five years of service have a vested right to unreduced retirement benefits at age 65 or provided they have a combination of age plus years of service totaling 80 or more. However, members who began TRS participation on or after September 1, 2007 must be age 60 to retire with unreduced benefits and members who are not vested in TRS on August 31, 2014 must be age 62 to retire with unreduced benefits under the second option. Members are fully vested after five years of service and are entitled to any reduced benefits for which the eligibility requirements have been met prior to meeting the eligibility requirements for unreduced benefits.

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members' average annual compensation and years of service credit. The standard annuity is 2.3 percent of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic cost of living adjustments.

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. Contributions by employees were 7.7 percent of gross earnings for 2019, 2018 and 2017. Depending upon the source of funding for the employee's compensation, the State or the System contributes a percentage of participant salaries totaling 6.8 percent of annual compensation for 2019, 2018 and 2017. The System's actual contributions excluding the State match to TRS previously reported for the years ended August 31, 2019, 2018 and 2017 were \$302,294,697.94, \$282,808,370.01, and \$262,734,718.43, respectively.

The total pension liability is determined by an annual actuarial valuation. The tables below present the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2018 and August 31, 2017 measurement dates.

| Summary of Actuarial Methods and Assumptions * – TRS Plan | |
|--|--|
| Actuarial Valuation Date | Aug 31, 2017 rolled forward to Aug 31, 2018 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Floating |
| Asset Valuation Method | Market Value |
| Actuarial Assumptions: | |
| Discount Rate | 6.907% |
| Investment Rate of Return | 8.00% |
| Long-term Expected Rate of Return | 7.25% |
| Municipal Bond Rate as of August 2018 | 3.69%** |
| Inflation | 2.30% |
| Salary Increase | 3.05% to 9.05% including inflation |
| Payroll Growth Rate | 2.50% |
| Mortality: | |
| Active | 90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality using Scale BB |
| Post-Retirement | 2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale BB |
| Ad Hoc Post-Employment Benefit Changes | None |

| Summary of Actuarial Methods and Assumptions – TRS Plan | |
|--|--|
| Actuarial Valuation Date | August 31, 2017 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Floating |
| Asset Valuation Method | Market Value |
| Actuarial Assumptions: | |
| Discount Rate | 8.00% |
| Investment Rate of Return | 8.00% |
| Inflation | 2.50% |
| Salary Increase | 3.50% to 9.50% including inflation |
| Payroll Growth Rate | 2.50% |
| Mortality: | |
| Active | 90% of the RP 2014 Employee Mortality Tables for males and females |
| Post-Retirement | 2015 TRS Healthy Pensioner Mortality Tables |
| Ad Hoc Post-Employment Benefit Changes | None |

Notes:

* The assumptions used to determine the ADC are those in effect for the Aug. 31, 2017 actuarial valuation. Due to the lag between valuation data and the measurement date, they may not be the same assumptions used to measure the Net Pension Liability.

** Source for the rate is Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

The actuarial assumptions used in valuation were primarily based on the result of an actuarial experience study for the three-year period ending August 31, 2017 and adopted July 2018. The mortality rates were based on 90% of the RP 2014 employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS Healthy Pensioner Mortality Tables.

Furthermore, assumptions, methods, and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following assumptions:

- the total pension liability as of Aug. 31, 2018 was developed using a roll forward method from the Aug. 31, 2017 valuation;
- demographic assumptions including post-retirement mortality, termination rates, and rates of retirement was updated based on the experience study performed for TRS for the period ending Aug. 31, 2017;
- economic assumptions including rates of salary increase for individual participants was updated based on the same experience study;
- the discount rate changed from 8.000% as of Aug. 31, 2017 to 6.907% as of Aug. 31, 2018;
- the long term assumed rate of return changed from 8.00% to 7.25%; and,
- the change in the long term assumed rate of return combined with the change in the discount rate was the primary reason for the increase in the net pension liability.

There have been no changes to the benefit provisions of the plan since the prior measurement date.

The discount rate of 6.907% was applied to measure the total pension liability. The discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projected cash flows into and out of the pension plan assumed that active members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and State contributions will be 7.76% of payroll. This includes a factor for the rehired retirees and the non-old age, survivor and disability insurance surcharge. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date.

The long-term expected rate of return on plan investments was developed using a building-block method, in which best estimate ranges of expected future real rates of return (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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the plan's investment portfolio as of the August 31, 2018 measurement date are presented below:

| Asset Class | Target Allocation | Long-Term Expected Geometric Real Rate of Return |
|-------------------------------|--------------------------|---|
| Global Equity | | |
| U.S. | 18% | 5.7% |
| Non-U.S. Developed | 13% | 6.9% |
| Emerging Markets | 9% | 8.95% |
| Directional Hedge Funds | 4% | 3.53% |
| Private Equity | 13% | 10.18% |
| Stable Value | | |
| U.S. Treasury | 11% | 1.11% |
| Absolute Return | 0% | 0.00% |
| Stable Value Hedge Funds | 4% | 3.09% |
| Cash | 1% | -0.30% |
| Real Return | | |
| Global Inflation Linked Bonds | 3% | 0.70% |
| Real Assets | 14% | 5.21% |
| Energy and Natural Resources | 5% | 7.48% |
| Commodities | 0% | 0.00% |
| Risk Parity | | |
| Risk Parity | 5% | 3.70% |
| Total | 100% | |

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio as of the August 31, 2017 measurement date are presented below:

| Asset Class | Target Allocation | Long-Term Expected Geometric Real Rate of Return |
|-------------------------------|--------------------------|---|
| Global Equity | | |
| U.S. | 18% | 4.6% |
| Non-U.S. Developed | 13% | 5.1% |
| Emerging Markets | 9% | 5.9% |
| Directional Hedge Funds | 4% | 3.2% |
| Private Equity | 13% | 7.0% |
| Stable Value | | |
| U.S. Treasury | 11% | 0.7% |
| Absolute Return | 0% | 1.8% |
| Stable Value Hedge Funds | 4% | 3.0% |
| Cash | 1% | -0.2% |
| Real Return | | |
| Global Inflation Linked Bonds | 3% | 0.9% |
| Real Assets | 16% | 5.1% |
| Energy and Natural Resources | 3% | 6.6% |
| Commodities | 0% | 1.2% |
| Risk Parity | | |
| Risk Parity | 5% | 6.7% |
| Total | 100% | |

Sensitivity analysis was performed on the impact of changes in the discount rate on the System's proportionate share of the net pension liability. The result of the analysis is presented in the table below:

**Sensitivity of System's Proportionate Share of the Net Pension Liability
to Changes in the Discount Rate 2019**

| 1% Decrease (5.907%) | Current Discount Rate (6.907%) | 1% Increase (7.907%) |
|---------------------------------|---|---------------------------------|
| \$7,424,761,246.14 | \$4,919,537,167.00 | \$2,891,409,695.67 |

**Sensitivity of System's Proportionate Share of the Net Pension Liability
to Changes in the Discount Rate 2018**

| 1% Decrease (7%) | Current Discount Rate (8%) | 1% Increase (9%) |
|-----------------------------|---------------------------------------|-----------------------------|
| \$4,467,450,866.68 | \$2,650,044,162.00 | \$1,136,758,113.98 |

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. More detailed information on the plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal 2018 Comprehensive Annual Financial Report. Further information regarding actuarial assumptions and conclusions, together with audited financial statements are included in the TRS' annual financial report, which may be obtained from the Teacher Retirement System of Texas, 1000 Red River Street, Austin, Texas 78701 or found on the TRS website at www.trs.state.tx.us.

As of August 31, 2019 and 2018, respectively, the System reported a liability of \$4,919,537,167.00 and \$2,650,044,162.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The System's proportion as of the August 31, 2018 and 2017 measurements dates was 8.9377185 and 8.2879633 percent, respectively. The System's proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the periods September 1, 2017 through August 31, 2018 and September 1, 2016 through August 31, 2017. At August 31, 2019 and 2018, respectively, the amount of the net pension liability related to the System reported by the State was \$1,355,571,593.31 and \$894,941,497.90. The amount reported by the State is related to the on-behalf contributions, which are recognized as State appropriation general revenue on the System's financial statements in the fiscal year that the State contributed the amounts to TRS on the System's behalf.

For the year ending August 31, 2019 and 2018, the System recognized pension expense of \$584,838,293.00 and \$251,961,770.00, respectively. At August 31, 2019 and 2018, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2019 | |
|---|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | \$ 30,664,357.00 | 120,706,016.00 |
| Changes of assumptions | 1,773,730,108.00 | 55,429,111.00 |
| Net diff between projected and actual investment return | - | 93,344,698.00 |
| Change in proportion and contribution difference | 409,961,416.00 | 242,370,998.00 |
| Contributions subsequent to the measurement date | 302,294,697.94 | - |
| Total | \$ 2,516,650,578.94 | 511,850,823.00 |

| | | 2018 | |
|---|----|-----------------------------------|----------------------------------|
| | | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | \$ | 38,771,341.00 | 142,913,399.00 |
| Changes of assumptions | | 120,713,715.00 | 69,105,787.00 |
| Net diff between projected and actual investment return | | - | 193,129,434.00 |
| Change in proportion and contribution difference | | 241,766,340.00 | 279,341,554.00 |
| Contributions subsequent to the measurement date | | 282,808,370.01 | - |
| Total | \$ | <u>684,059,766.01</u> | <u>684,490,174.00</u> |

The \$302,294,697.94 and \$282,808,370.01 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the years ending August 31, 2020 and 2019, respectively.

Amounts reported as deferred outflows and inflows of resources related to pensions as of August 31, 2019 will be recognized in pension expense in the following years:

| Fiscal Year | | Increase (Reduction) of Pension Expense |
|-------------|----|--|
| 2019 | \$ | 413,015,327.00 |
| 2020 | | 216,580,240.00 |
| 2021 | | 176,508,827.00 |
| 2022 | | 352,659,287.00 |
| 2023 | | 326,973,729.00 |
| Thereafter | | 216,767,648.00 |
| Total | \$ | <u>1,702,505,058.00</u> |

OPTIONAL RETIREMENT PROGRAM (ORP)

The State has also established an optional defined contribution retirement program for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS. ORP is available to certain eligible employees who hold faculty positions and other professional positions including but limited to director-level and above, librarians and coaches. The ORP provides for the purchase of annuity contracts and mutual funds. Participants are vested in the employer contributions after one year and one day of service. Depending upon the source of funding for the employee's compensation, the System may be required to make the employer contributions in lieu of the State. Since these are individual annuity contracts, the State and the System have no additional or unfunded liability for this program. The employee and employer contribution rates are established by the State Legislature each biennium. The State provides an option for a local supplement on top of the state base rate. Each institution within the System can decide to adopt and fund a local supplement each year to provide each ORP employee the maximum employer rate. The chancellor then approves the employer rates each fiscal year. The contributions made by participants (6.65 percent of annual compensation) and the System (6.6 percent State base rate) for the fiscal years ended August 31, 2019, 2018 and 2017, respectively, are provided in the following table.

| | | 2019 | 2018 | 2017 |
|---------------------------|----|-----------------------|-----------------------|-----------------------|
| Participant Contributions | \$ | 172,807,007.00 | 164,972,085.00 | 159,672,032.00 |
| System Contributions | | 220,698,101.00 | 210,928,114.00 | 204,107,450.00 |
| Total | \$ | <u>393,505,108.00</u> | <u>375,900,199.00</u> | <u>363,779,482.00</u> |

EMPLOYEES RETIREMENT SYSTEM (ERS)

Certain employees at U. T. Medical Branch - Galveston participate in the Employees Retirement System of Texas. The Board of Trustees of the Employees Retirement System of Texas is the administrator of the ERS, which is considered to be a single employer defined benefit pension plan. ERS covers the eligible System employees who are not covered by the TRS or the ORP. Benefits vest after five years of credited service. Employees may retire at age 60 with five years of service or any combination of age plus years of service that equals 80.

The ERS plan provides a standard monthly benefit in a life annuity at retirement as well as death and disability benefits for members. Additional payment options are available. The benefit and contribution provisions are authorized by State law and may be amended by the Texas Legislature. Contribution requirements are not actuarially determined. The ERS contribution requirement, calculated using entry age normal actuarial cost method, is established through State statute.

The funding policy requires monthly contributions by both the State and employees. For the year beginning September 1, 2015, the required contributions for the State and the employee are each 9.5 percent of pay. For Law Enforcement and Custodial Officers Supplemental Retirement Fund eligible employees, the State and the employee contribution is an additional 0.50 percent of pay, respectively.

The Texas State Comptroller's Office has decided not to allocate ERS pension to proprietary funds due to immateriality, as a result, there is no ERS pension net pension liability reported in the System's financial statements. Additional information can be obtained from the separately issued ERS *Comprehensive Annual Financial Report* which can be obtained from the Employees Retirement System of Texas, 200 East 18th Street, Austin, Texas 78701 or found on the ERS website at www.ers.texas.gov.

18. Deferred Compensation

DEFERRED COMPENSATION-457(b)

The System employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV'T. CODE ANN., Sec. 609.001. The System offers its own deferred compensation plan, created in accordance with Internal Revenue Code Section 457(b). All System employees are eligible to participate in the System's plan and cannot participate in the plan offered by the state of Texas. All investments, amounts, property, and rights held under the Deferred Compensation Trust Fund are held for the exclusive benefit of participants and beneficiaries at the fair market value of the plan account for each participant in the accounts established by the participants with the System's retirement providers. The System has no liability under the plan.

TAX-SHELTERED ANNUITY-403(b)

The System also administers the UTSaver Tax-Sheltered Annuity Program (TSA), created in accordance with IRC Section 403(b). All employees are eligible to participate. The UTSaver TSA is a private plan, and the deductions, purchased investments and earnings attributed to each employee's 403(b) plan are held by vendors chosen by the employee. The vendors may be insurance companies, banks or approved non-bank trustees such as mutual fund companies. The assets of this plan do not belong to the System or the State. Therefore, neither the System nor the State has a liability related to this plan.

THE UNIVERSITY OF TEXAS SYSTEM GOVERNMENTAL RETIREMENT ARRANGEMENT (UTGRA)

The University of Texas System Governmental Retirement Arrangement (UTGRA) is a defined contribution pension plan established by the System to provide certain participants in the ORP that portion of their benefits that would otherwise be payable under the ORP except for the \$55,000.00 limit on contributions imposed by Section 415 of the Internal Revenue Code (IRC). At August 31, 2019 and 2018, there were 615 and 658 plan members, respectively. Persons employed by the System prior to September 1, 1996, whose compensation exceeds the limit set by IRC Section 401(a)(17) and whose ORP contribution is limited by the \$55,000.00 cap under IRC Section 415(c), defer 6.65 percent of their excess compensation while the System contributes between 6.58 percent and 8.5 percent depending upon the institution and the date of employment. The System contributed \$4,755,524.46 for the year ended August 31, 2019 and \$3,605,990.79 for the year ended August 31, 2018. The participants contributed \$3,720,498.55 for the year ended August 31, 2019 and \$2,821,157.50 for the year ended August 31, 2018. Plan provisions are established and may be amended at any time by the U. T. System Board of Regents.

Plan assets are recorded at fair value and are invested in contracts and accounts in a similar manner to the ORP. Participants are immediately vested in the plan, both for the employee deferrals and the employer contributions. However, deferrals, contributions, purchased investments and earnings attributable to the plan are the property of the System and subject only to the claims of the System's general creditors. Participant's rights under the plan are equal to those of the general creditors of the System in an amount equal to the fair value of the participant's account balance. The System has no liability under the UTGRA that would exceed the aggregate value of the investments, and it is unlikely that any of UTGRA's assets will be used to satisfy the claims of general creditors in the future.

PHYSICIANS REFERRAL SERVICE SUPPLEMENTAL RETIREMENT PLAN (SRP)/RETIREMENT BENEFIT PLAN (RBP)

M. D. Anderson has established, primarily for the physicians of its Physicians Referral Service, the Physicians Referral Service Supplemental Retirement Plan (SRP)/Retirement Benefit Plan (RBP) of the Anderson Hospital (collectively “the SRP/RBP”). The SRP/RBP is a non-qualified plan described by Section 457(f) of the Internal Revenue Code of 1986, as amended. The SRP/RBP is reported on the accrual basis of accounting. Assets of the SRP/RBP remain subject to the claims of the general creditors of M. D. Anderson.

In general, only physicians hired before July 1, 1986, participate in the SRP. The remainder of eligible employees participates in the RBP. Retirement benefits are available to persons who have reached the normal retirement age (55 for the RBP, 65 for the SRP) with five years of service. Early retirement benefits are available under the SRP. Additional information can be obtained from the separately issued financial statements of the SRP/RBP.

19. Commitments and Contingent Liabilities

On August 31, 2019, various lawsuits and claims involving the System were pending. After conferring with legal counsel concerning pending litigation and claims, the System’s management believes that the outcome of pending litigation should not have a material adverse effect on the financial statements of the System.

The System continues to implement its \$3.8 billion capital improvement program, planned for fiscal years 2020 through 2025, to upgrade facilities. Contracts have been entered into for the construction and renovation of various facilities. These projects are in various stages of completion.

The System receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. The System believes that the liability, if any, for reimbursement which may arise as the result of audits, would not be material.

Based on the credit support annex agreements with all counterparties, the System does not have to post any collateral for any hedging derivative instruments.

Laws and regulations governing the Medicare and Medicaid programs and certain other third-party programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates of third-party settlements will change by a material amount in the near term. The System’s intent is to be in compliance with all applicable laws and regulations, and it is not aware of any significant pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future review and interpretation. Changes in the Medicare and Medicaid programs and a reduction of funding could have an adverse effect on the System.

20. Matrix of Operating Expenses Reported by Function

For the year ended August 31, 2019, the following table represents operating expenses for both natural and functional classifications for the System:

| Operating Expenses | Instruction | Research | Public Service | Hospitals and Clinics | Academic Support |
|---|---------------------|------------------|----------------|--------------------------|------------------|
| Cost of Goods Sold | \$ 820,909.49 | 61.17 | 1,591,185.76 | 24,976,056.78 | 417,267.14 |
| Salaries and Wages | 3,061,741,397.79 | 1,355,714,572.01 | 156,360,064.41 | 2,906,973,829.10 | 573,651,774.79 |
| Payroll Related Costs | 601,818,378.83 | 315,545,193.13 | 36,476,301.06 | 698,613,570.21 | 149,160,791.18 |
| Membership Dues | 9,814,861.57 | 2,685,603.02 | 273,198.03 | 8,596,352.76 | 3,677,263.17 |
| Registration Fees/ Meetings/Conferences | 23,501,886.22 | 12,431,539.46 | 6,423,676.25 | 5,106,742.34 | 10,759,576.38 |
| Professional Fees and Services | 42,207,393.14 | 78,501,067.69 | 21,122,449.18 | 306,361,715.46 | 37,249,842.97 |
| Other Contracted Services | 67,441,502.85 | 222,742,408.30 | 37,886,730.12 | 301,775,569.63 | 61,149,672.62 |
| Fees and Other Charges | 15,728,075.73 | 17,937,541.35 | 4,058,158.38 | 25,294,677.05 | 5,180,265.19 |
| Travel | 35,027,564.45 | 45,761,383.53 | 6,113,579.94 | 17,224,643.36 | 16,022,740.51 |
| Materials and Supplies | 90,105,446.26 | 232,998,143.95 | 39,349,641.83 | 1,870,761,797.71 | 69,514,086.67 |
| Utilities | 441,864.83 | 2,184,395.72 | 188,925.82 | 7,689,867.85 | 129,929.60 |
| Communications | 14,652,945.15 | 3,280,195.65 | 1,833,674.29 | 18,719,051.55 | 4,200,421.70 |
| Repairs and Maintenance | 1,494,087.27 | 16,142,240.23 | 1,228,823.85 | 146,717,337.61 | 8,560,294.97 |
| Rentals and Leases | 14,608,336.33 | 7,397,550.12 | 4,708,291.26 | 82,896,102.77 | 11,295,343.11 |
| Printing and Reproduction | 5,716,939.54 | 5,188,557.49 | 3,235,852.75 | 5,631,695.51 | 3,726,652.24 |
| Royalty Payments | 342,978.64 | 3,667,693.09 | 3,428.18 | 6,745,576.61 | 8,064,421.07 |
| Bad Debt Expense | - | - | - | - | - |
| Impairment of Capital Assets | - | - | 17,725,619.00 | - | 8,114,384.66 |
| Asset Retirement Expense | - | - | - | - | - |
| Insurance Costs/Premiums | 3,974,933.76 | 368,770.95 | 275,004.58 | 25,714,031.83 | 186,811.51 |
| Claims and Losses | - | - | - | - | - |
| OPEB Expense | 227,303,414.17 | 97,904,422.92 | 11,282,015.94 | 205,366,762.11 | 38,786,621.39 |
| Pension Expense | 199,968,078.00 | 86,130,511.28 | 9,925,249.26 | 180,669,511.07 | 34,122,171.72 |
| Scholarships and Fellowships | 15,343,025.76 | 51,585,217.72 | 2,249,699.67 | 2,213.50 | 2,723,195.47 |
| Depreciation and Amortization | - | - | - | - | - |
| Federal Sponsored Pass-through to State Agencies | 244,199.35 | 3,225,578.54 | 3,429,898.91 | - | - |
| State Sponsored Pass-through to State Agencies | 60,000.00 | 806,647.77 | 68,791.00 | - | - |
| Other Operating Expenses | 33,031,378.38 | 91,156,970.89 | 19,379,502.56 | 34,496,518.37 | 15,776,419.86 |
| Total Operating Expenses | \$ 4,465,389,597.51 | 2,653,356,265.98 | 385,189,762.03 | 6,880,333,623.18 | 1,062,469,947.92 |

| <u>Student Services</u> | <u>Institutional Support</u> | <u>Operations and Maintenance of Plant</u> | <u>Scholarships and Fellowships</u> | <u>Auxiliary Enterprises</u> | <u>Depreciation and Amortization</u> | <u>Total Expenses</u> |
|-------------------------|------------------------------|--|-------------------------------------|------------------------------|--------------------------------------|--------------------------|
| 2,023.13 | 529,163.22 | 159,640.16 | (8,526.50) | 29,604,741.90 | - | 58,092,522.25 |
| 120,873,279.45 | 532,419,877.29 | 265,455,119.48 | 18,020,934.12 | 243,748,057.40 | - | 9,234,958,905.84 |
| 31,298,245.37 | (41,304,249.25) | 76,780,578.14 | 1,896,112.30 | 52,804,404.45 | - | 1,923,089,325.42 |
| 692,631.24 | 4,850,612.83 | 458,375.62 | 43,647.56 | 3,220,706.93 | - | 34,313,252.73 |
| 2,479,586.39 | 5,969,628.31 | 798,492.69 | 178,899.31 | 5,849,546.62 | - | 73,499,573.97 |
| 9,523,650.79 | 84,637,404.99 | 34,936,981.40 | 600,520.64 | 17,469,758.85 | - | 632,610,785.11 |
| 60,719,801.27 | 41,964,576.67 | 61,599,496.44 | 984,339.25 | 103,429,564.91 | - | 959,693,662.06 |
| 4,720,311.87 | 9,233,313.88 | 5,156,243.17 | 569,602.45 | 7,511,397.73 | - | 95,389,586.80 |
| 4,550,686.50 | 8,555,161.24 | 1,405,035.19 | 1,267,679.67 | 32,182,852.76 | - | 168,111,327.15 |
| 16,415,068.65 | 44,230,742.08 | 82,813,466.02 | 1,133,697.79 | 44,141,816.77 | - | 2,491,463,907.73 |
| 29,701.98 | 3,270,591.38 | 226,031,105.39 | 340.60 | 36,352,089.25 | - | 276,318,812.42 |
| 1,895,642.81 | 32,502,984.10 | 3,015,722.52 | 10,184.73 | 9,499,939.03 | - | 89,610,761.53 |
| 3,355,813.03 | 35,511,128.19 | 105,218,393.19 | 66,429.42 | 28,887,553.01 | - | 347,182,100.77 |
| 4,286,258.61 | 15,921,372.41 | 21,809,489.14 | 518,029.59 | 11,870,835.48 | - | 175,311,608.82 |
| 3,199,660.32 | 6,734,964.87 | 236,008.99 | 103,803.63 | 4,893,920.38 | - | 38,668,055.72 |
| 11,822.33 | 1,935,190.29 | - | 346.33 | 19,617.13 | - | 20,791,073.67 |
| 3,281,750.85 | - | - | - | - | - | 3,281,750.85 |
| - | 7,955,731.97 | 11,896.25 | - | - | - | 33,807,631.88 |
| - | - | 2,394,539.29 | - | - | - | 2,394,539.29 |
| 771,632.10 | (2,758,877.47) | 2,271,281.15 | 952.22 | 14,702,599.91 | - | 45,507,140.54 |
| - | 65,470,962.38 | - | - | - | - | 65,470,962.38 |
| 9,451,547.62 | 37,167,326.48 | 18,324,118.63 | 1,261,338.55 | 17,937,242.19 | - | 664,784,810.00 |
| 8,314,911.67 | 32,697,611.99 | 16,120,474.03 | 1,109,650.93 | 15,780,123.05 | - | 584,838,293.00 |
| 2,538,685.92 | 326,391.50 | 802.50 | 380,143,271.64 | 17,937,803.47 | - | 472,850,307.15 |
| - | - | - | - | - | 1,536,019,254.06 | 1,536,019,254.06 |
| - | - | - | - | - | - | 6,899,676.80 |
| - | 791,830.78 | - | 428,000.00 | - | - | 2,155,269.55 |
| <u>11,221,760.27</u> | <u>15,261,260.16</u> | <u>3,793,007.50</u> | <u>2,112,538.95</u> | <u>21,434,121.77</u> | <u>-</u> | <u>247,663,478.71</u> |
| <u>299,634,472.17</u> | <u>943,874,700.29</u> | <u>928,790,266.89</u> | <u>410,441,793.18</u> | <u>719,278,692.99</u> | <u>1,536,019,254.06</u> | <u>20,284,778,376.20</u> |

For the year ended August 31, 2018, the following table represents operating expenses for both natural and functional classifications for the System, with Asset Retirement Expense added for GASB Statement No. 83. See Note 4 for further details on the restatement:

| Operating Expenses | Instruction | Research | Public Service | Hospitals and Clinics | Academic Support |
|---|----------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| Cost of Goods Sold | \$ 1,143,951.77 | 227.76 | 1,657,459.03 | 149,971,815.76 | 445,490.09 |
| Salaries and Wages | 2,964,784,549.14 | 1,276,995,866.63 | 147,154,615.57 | 2,678,658,415.30 | 505,905,185.03 |
| Payroll Related Costs | 622,814,323.97 | 308,703,073.83 | 35,755,460.28 | 664,492,325.38 | 128,929,284.23 |
| Membership Dues | 8,791,222.13 | 2,325,175.80 | 533,043.46 | 6,722,991.15 | 2,484,844.38 |
| Registration Fees/ Meetings/Conferences | 20,772,249.85 | 12,213,308.12 | 6,064,851.67 | 4,745,341.67 | 9,666,079.58 |
| Professional Fees and Services | 41,725,533.46 | 90,057,086.02 | 18,647,817.06 | 206,831,285.75 | 30,994,956.85 |
| Other Contracted Services | 42,151,712.25 | 201,202,854.82 | 37,144,808.51 | 346,113,828.06 | 52,053,189.61 |
| Fees and Other Charges | 13,347,750.76 | 12,177,148.11 | 4,228,058.91 | 22,263,985.12 | 3,931,900.51 |
| Travel | 35,436,162.96 | 43,708,751.75 | 6,130,055.85 | 16,623,774.70 | 13,911,562.39 |
| Materials and Supplies | 98,937,503.70 | 213,855,304.16 | 26,924,041.42 | 1,444,720,712.86 | 57,755,128.63 |
| Utilities | 367,841.92 | 2,212,751.51 | 300,650.14 | 8,598,307.36 | 46,940.99 |
| Communications | 19,197,383.26 | 4,571,549.17 | 2,043,193.40 | 17,290,315.14 | 6,917,373.27 |
| Repairs and Maintenance | 9,390,209.72 | 17,272,616.54 | 1,552,156.81 | 121,062,714.00 | 9,848,924.12 |
| Rentals and Leases | 16,108,861.92 | 5,863,946.20 | 4,566,658.32 | 74,192,080.59 | 10,099,938.04 |
| Printing and Reproduction | 5,710,136.66 | 5,024,945.87 | 3,279,305.94 | 5,680,911.34 | 3,824,971.73 |
| Royalty Payments | 242,250.12 | 2,573,585.43 | 6,285.20 | 5,153,504.69 | 7,903,795.74 |
| Bad Debt Expense | - | - | - | - | 1,250.10 |
| Impairment of Capital Assets | - | - | - | - | - |
| Asset Retirement Expense | - | - | - | - | - |
| Insurance Costs/Premiums | 3,122,797.79 | 268,523.97 | (20,646.99) | 22,834,118.93 | 120,468.28 |
| Claims and Losses | - | - | - | - | - |
| OPEB Expense | 281,122,258.10 | 123,126,954.51 | 14,089,339.19 | 265,761,614.13 | 52,243,434.60 |
| Pension Expense | 84,001,801.60 | 36,791,416.22 | 4,210,018.39 | 79,411,906.18 | 15,610,797.45 |
| Scholarships and Fellowships | 16,710,177.70 | 47,671,791.53 | 1,999,073.35 | 6,878.00 | 2,929,376.11 |
| Depreciation and Amortization | - | - | - | - | - |
| Federal Sponsored Pass-through to State Agencies | 797,044.30 | 6,145,507.45 | 1,330,636.31 | - | - |
| State Sponsored Pass-through to State Agencies | 147,196.06 | 770,118.23 | - | - | 9,230,625.00 |
| Other Operating Expenses | 27,788,816.52 | 73,337,881.50 | 21,183,325.58 | 54,908,633.08 | 12,133,282.54 |
| Total Operating Expenses | \$ 4,314,611,735.66 | 2,486,870,385.13 | 338,780,207.40 | 6,196,045,459.19 | 936,988,799.27 |

| Student Services | Institutional Support | Operations and Maintenance of Plant | Scholarships and Fellowships | Auxiliary Enterprises | Depreciation and Amortization | Total Expenses |
|-----------------------|-----------------------|-------------------------------------|------------------------------|-----------------------|-------------------------------|--------------------------|
| 9,962.13 | 936,810.42 | 3,098.36 | 1,771.49 | 28,200,916.14 | - | 182,371,502.95 |
| 123,279,284.91 | 484,784,250.47 | 239,006,809.46 | 16,452,005.61 | 233,960,667.43 | - | 8,670,981,649.55 |
| 32,382,995.52 | (103,286,808.39) | 71,811,274.37 | 1,867,461.05 | 52,617,954.38 | - | 1,816,087,344.62 |
| 489,542.04 | 4,952,812.29 | 300,214.85 | 39,810.28 | 2,804,383.46 | - | 29,444,039.84 |
| 2,632,818.09 | 5,036,066.29 | 709,900.66 | 204,525.28 | 5,068,337.59 | - | 67,113,478.80 |
| 5,657,954.90 | 63,915,135.49 | 27,473,583.53 | 542,813.86 | 14,822,742.11 | - | 500,668,909.03 |
| 58,951,325.30 | 42,192,546.11 | 45,290,645.85 | 1,136,314.01 | 104,276,940.11 | - | 930,514,164.63 |
| 4,349,718.94 | 5,015,538.08 | 3,507,760.17 | 477,288.84 | 5,020,876.65 | - | 74,320,026.09 |
| 3,808,992.25 | 7,865,907.56 | 1,553,350.39 | 1,010,280.14 | 28,729,489.31 | - | 158,778,327.30 |
| 15,648,627.62 | 43,932,971.86 | 83,139,819.22 | 1,279,484.35 | 43,726,532.59 | - | 2,029,920,126.41 |
| 31,483.95 | 6,666,829.82 | 225,695,868.52 | 41,236.40 | 37,334,423.29 | - | 281,296,333.90 |
| 1,755,613.52 | 23,139,355.01 | 4,084,817.60 | 13,447.23 | 9,190,293.14 | - | 88,203,340.74 |
| 1,987,829.22 | 35,495,437.40 | 109,338,196.77 | 87,261.79 | 23,227,865.63 | - | 329,263,212.00 |
| 4,355,073.26 | 17,804,033.14 | 22,050,578.45 | 1,568,609.60 | 10,369,024.61 | - | 166,978,804.13 |
| 2,569,293.31 | 5,730,727.13 | 196,785.34 | 41,168.49 | 4,843,022.66 | - | 36,901,268.47 |
| 24,768.10 | 1,581,942.42 | 17,150.05 | 304.28 | 88,141.46 | - | 17,591,727.49 |
| 3,691,959.70 | 1,005,146.54 | - | - | - | - | 4,698,356.34 |
| - | - | 2,466,799.57 | - | - | - | 2,466,799.57 |
| - | - | 19,774,921.25 | - | - | - | 19,774,921.25 |
| 1,003,365.51 | (11,681,807.89) | 4,587,158.24 | 862.19 | 11,918,707.48 | - | 32,153,547.51 |
| - | 65,456,629.91 | - | - | - | - | 65,456,629.91 |
| 12,035,331.18 | 48,068,447.34 | 22,330,388.21 | 1,692,614.09 | 22,750,363.65 | - | 843,220,745.00 |
| 3,596,262.74 | 14,363,274.56 | 6,672,516.27 | 505,767.97 | 6,798,008.62 | - | 251,961,770.00 |
| 2,207,198.17 | 2,003,774.05 | 1,300.00 | 346,178,818.61 | 19,256,838.72 | - | 438,965,226.24 |
| - | - | - | - | - | 1,440,561,713.77 | 1,440,561,713.77 |
| - | 62,449.83 | - | - | - | - | 8,335,637.89 |
| - | 954,805.96 | - | - | - | - | 11,102,745.25 |
| 7,372,101.37 | 17,685,098.76 | 6,915,036.64 | 2,048,812.65 | 19,375,777.26 | - | 242,748,765.90 |
| <u>287,841,501.73</u> | <u>783,681,374.16</u> | <u>896,927,973.77</u> | <u>375,190,658.21</u> | <u>684,381,306.29</u> | <u>1,440,561,713.77</u> | <u>18,741,881,114.58</u> |

21. Net Position

The System's net position at August 31, 2019 and 2018 were comprised of the following:

| | 2019 | *Restated 2018 |
|---|----------------------|---------------------|
| Net investment in capital assets | \$ 6,747,250,462.18 | 6,632,432,232.97 |
| Restricted | | |
| Nonexpendable | 26,986,429,001.19 | 27,395,040,034.50 |
| Expendable | 14,861,667,664.42 | 14,655,181,774.49 |
| Total restricted | 41,848,096,665.61 | 42,050,221,808.99 |
| Unrestricted net position: | | |
| Unrestricted | | |
| Reserved | | |
| Encumbrances | 1,040,911,682.32 | 1,062,651,129.64 |
| Accounts receivable (less unearned revenue portion) | 1,399,036,867.35 | 1,331,586,395.27 |
| Inventories | 161,424,303.94 | 139,561,390.05 |
| Self-insurance plans | 585,380,139.73 | 596,286,934.52 |
| Other specific purposes: | | |
| Advanced Research/Advanced Technology Programs | 3,422,082.55 | 3,431,365.46 |
| Notes Receivable | 137,003.23 | 244,797.01 |
| Deposits | 1,369,637.96 | 1,376,099.48 |
| Prepaid expenses | 160,268,219.21 | 142,444,217.29 |
| Deferred charges | 623,184.70 | 649,596.75 |
| Imprest funds | 1,141,663.00 | 1,200,612.51 |
| Travel advances | 334,524.33 | 176,187.54 |
| Unreserved | | |
| Allocated | | |
| Funds functioning as endowment-unrestricted | 491,292,177.19 | 495,979,503.44 |
| Provision for operating budgets | 50,526,494.00 | 29,473,049.00 |
| Capital projects | 2,277,599,265.34 | 2,100,091,175.12 |
| Debt service | 186,058,546.71 | 159,130,420.45 |
| Start-up/matching | 115,389,566.84 | 129,786,501.48 |
| Utilities reserve | 11,690,869.17 | 35,867,105.36 |
| Research enhancement and support | 414,686,491.47 | 357,770,676.94 |
| Market adjustments | 47,336,690.51 | 36,660,308.89 |
| Student fees | 193,995,584.10 | 137,575,137.54 |
| Texas Tomorrow Fund shortfall | 5,464,509.64 | 3,433,731.66 |
| Instructional program support | 827,867,990.36 | 777,801,158.57 |
| Dean, chair and faculty recruitment packages | 10,346,634.14 | 12,467,010.00 |
| Self-supporting enterprises | 168,948,974.43 | 147,963,126.14 |
| Patient care support | 902,703,266.94 | 792,814,806.58 |
| Practice plan minimum operating reserve of 90 days | 310,221,801.67 | 265,929,684.17 |
| Unallocated | (12,100,909,787.73) | (12,054,218,146.76) |
| Total unrestricted | (2,732,731,616.90) | (3,291,866,025.90) |
| Total net position | \$ 45,862,615,510.89 | 45,390,788,016.06 |

*August 31, 2018 unallocated unrestricted net position was restated as a result of implementing GASB Statement No. 83. See Note 4 for further details.

As of August 31, 2019 and 2018, restricted nonexpendable net position includes \$20,925,167,822.76 and \$21,593,348,668.03, respectively, of the Permanent University Fund corpus, and \$820,000,000.00 for both years of the Permanent Health Fund corpus. As of August 31, 2019 and 2018, restricted expendable net position includes \$8,090,101,757.86 and \$8,181,881,532.94, respectively, of the Permanent University Fund appreciation, and \$383,960,649.62 and \$383,666,980.14, respectively, of the Permanent Health Fund appreciation.

Unrestricted net position, detailed in the table above, is not subject to externally imposed stipulations. Unrestricted net position may be designated for special purposes by actions of the Texas Legislature, internal management, and the U. T. System Board of Regents, or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic programs, patient care, research programs and initiatives, and capital programs.

22. Termination Benefits

U. T. System Administration contracted with NextJob to provide outplacement services to employees of the System who implemented a reduction in force. U. T. System Administration incurred expenses of \$112,750.00 for 553 terminated employees of the System as of August 31, 2019 and \$211,670.00 for 462 terminated employees of the System as of August 31, 2018. While U. T. System Administration contracted with NextJob, the U. T. institutions may incur travel expenses for NextJob if they request NextJob to come to their campus or if the institution requests services that fall outside of the standard service in the contract.

In 2019, U. T. Austin Intercollegiate Athletics offered a Voluntary Exit Incentive Program (VEIP) to reduce its number of full-time employees and control expenses. Those employees who elected to participate in the VEIP received a one-time, lump-sum payment equal to \$17,000.00 or 25% of their base pay, whichever was greater. The total amount paid out to employees was \$112,746.00.

In 2019, U. T. San Antonio offered a Voluntary Separation Incentive Program (VSIP) to eligible faculty. Those employees who elected to participate in the VSIP received one lump-sum payment equal to nine months of their annual base salary. The total of \$3,435,176.49 was included in salaries payable at August 31, 2019.

In February 2018, U. T. Health Science Center – Tyler offered a Voluntary Separation Incentive Program (VSIP) to reduce the number of full-time employees and control expenses. The 107 employees who elected to participate in the VSIP received one lump-sum payment in varying amounts according to a tiered approach based on years of State service, which totaled \$2,170,042.00. In March 2018, U. T. Health Science Center – Tyler implemented a reduction in force that affected 154 employees. Similar to the VSIP program, the affected employees received a lump sum payment in varying amounts according to a tiered approach based on years of State service, which totaled \$595,367.00.

Healthcare continuation under the Consolidated Omnibus Budget Reconciliation Act (COBRA) is provided for both voluntary and involuntary terminations. COBRA participants are eligible to continue group benefits for 18 to 36 months, depending upon the circumstances leading to loss of coverage. COBRA benefits for the self-insured plans offered by the System for the years ended August 31, 2019 and 2018 are provided below:

| | 2019 | 2018 |
|--|-------------------|-----------------|
| Total Number of Participants ¹ | 2,659 | 2,835 |
| Premium Revenue | \$ 5,642,357.30 | 5,278,251.79 |
| 2% Administrative Fee Revenue ² | (110,561.91) | (106,550.91) |
| Net COBRA Premium | 5,531,795.39 | 5,171,700.88 |
| Less Claims Paid | (12,759,632.53) | (13,203,552.61) |
| Cost to System | \$ (7,227,837.14) | (8,031,851.73) |

¹The participants above are for the self-insured program.

²The 2 percent administrative fee is retained by U. T. COBRA in OEB for administering the COBRA benefit and is paid by the participant.

23. Deferred Outflows of Resources and Deferred Inflows of Resources

As of August 31, 2019 and 2018, the System reported deferred outflows of resources and deferred inflows of resources in connection with its hedging derivative instruments, unamortized (losses)/gains on refunding debt, the OPEB plan, the TRS pension plan, unamortized interest rate lock termination payments, asset retirement obligations, beneficial interests in irrevocable split-interest agreements, and acquisitions, as presented in the table below:

| | 2019 | | * Restated for GASB 83 2018 | |
|--|----------------------------|-------------------------|--------------------------------|-------------------------|
| | Deferred Outflows | Deferred Inflows | Deferred Outflows | Deferred Inflows |
| Hedging Derivatives | \$ 325,363,093.00 | - | 165,354,206.00 | 37,067,661.00 |
| Unamortized Loss/Gain on Refunding Debt | 30,243,963.59 | 6,808,659.99 | 34,716,916.33 | 8,141,954.95 |
| OPEB Related | 467,085,465.00 | 2,206,884,498.00 | 103,036,547.00 | 1,028,484,095.00 |
| Pension Related | 2,516,650,578.94 | 511,850,823.00 | 684,059,766.01 | 684,490,174.00 |
| Unamortized Interest Rate Lock Termination | 8,721,867.69 | - | 9,039,238.59 | - |
| Asset Retirement Obligation | 4,750,993.78 | - | 5,589,485.57 | - |
| Split-Interest Agreements | - | 36,047,985.94 | - | 32,968,325.99 |
| Acquisition Related | 23,205,343.37 | - | - | - |
| Total | \$ 3,376,021,305.37 | 2,761,591,966.93 | 1,001,796,159.50 | 1,791,152,210.94 |

Deferred outflows of resources of \$325,363,093.00 and \$165,354,206.00 as of August 31, 2019 and 2018, respectively, were related to hedging derivatives in a liability position. Deferred inflows of resources of \$37,067,661.00 as of August 31, 2018 were related to hedging derivatives in an asset position. The hedging derivative asset and liability are disclosed in Note 7.

Deferred outflows of resources of \$30,243,963.59 and \$34,716,916.33 as of August 31, 2019 and 2018, respectively, were related to the unamortized losses on refunding debt. Deferred inflows of resources of \$6,808,659.99 and \$8,141,954.95 as of August 31, 2019 and 2018, respectively, were related to the unamortized gains on refunding debt. For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows.

Deferred outflows of resources of \$467,085,465.00 and \$103,036,547.00 and deferred inflows of resources of \$2,206,884,498.00 and \$1,028,484,095.00 as of August 31, 2019 and 2018, respectively, were related to the OPEB plan. These deferred outflows and inflows were a result of implementing GASB Statement No. 75 in 2018. See Note 16 for additional information.

Deferred outflows of resources of \$2,516,650,578.94 and \$684,059,766.01 and deferred inflows of resources of \$511,850,823.00 and \$684,490,174.00 as of August 31, 2019 and 2018, respectively, were related to the TRS pension plan. See Note 17 for additional information.

Deferred outflows of resources of \$8,721,867.69 and \$9,039,238.59 as of August 31, 2019 and 2018, respectively, were related to unamortized interest rate lock termination payments.

Deferred outflows of resources of \$4,750,993.78 and \$5,589,485.57 as of August 31, 2019 and 2018, respectively, were related to asset retirement obligations. These deferred outflows are new as a result of implementing GASB Statement No. 83 in 2019. August 31, 2018 balances were retroactively restated as a result of implementing this statement. See Note 4 for additional information.

Deferred inflows of resources of \$36,047,985.94 and \$32,968,325.99 as of August 31, 2019 and 2018, respectively, were related to U. T. System's unconditional beneficial interests in irrevocable split-interest agreements. These deferred inflows were a result of implementing GASB Statement No. 81 in 2018.

Deferred outflows of resources of \$23,205,343.37 as of August 31, 2019, were related to unamortized excess consideration paid as a result of an asset purchase agreement with PTC- Houston Management, LP in fiscal year 2019.

24. Subsequent Events

On September 4, 2019, the U. T. System Board of Regents issued \$300,000,000 in RFS Tax-Exempt Commercial Paper Notes, Series A to finance a variety of capital projects and equipment purchases at various U. T. System institutions. Subsequent to this issuance, the System had \$1,029,042,000 of RFS Tax-Exempt Commercial Paper Notes, Series A outstanding.

On November 4, 2019, the U. T. System Board of Regents issued \$160,000,000 in PUF Tax-Exempt Commercial Paper Notes, Series A to finance a variety of capital projects and equipment purchases at various U. T. System institutions. Subsequent to this issuance, the System had \$755,000,000 of PUF Tax-Exempt Commercial Paper Notes, Series A outstanding.

25. Upcoming Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities*, effective 2020, establishes criteria for identifying fiduciary activities which should be reported in a fiduciary fund in the financial statements. The System is evaluating the effect that Statement 84 will have on its financial statements.

GASB Statement No. 87, *Leases*, effective 2021, establishes a single model for lease accounting. The System is evaluating the effect that Statement 87 will have on its financial statements.

GASB Statement No. 90, *Majority Equity Interests*, effective 2020, improves the consistency and comparability of reporting majority equity interests in a legally separate organization and improves the relevance of financial statement information for certain component units. GASB Statement No. 90 will have no effect on the System's net position or changes in net position.

GASB Statement No. 91, *Conduit Debt Obligations*, effective 2022, provides a single method of reporting conduit debt obligations. The System is evaluating the effect that Statement 91 will have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

**THE UNIVERSITY OF TEXAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF CHANGES
IN THE EMPLOYER TOTAL OPEB LIABILITY AND RELATED RATIOS
December 31, 2018**

Last 10 Fiscal Years^{1,2,3}

| | | 2018 | 2017 | 2016 |
|--|----|-----------------|----------------|----------------|
| 1. Total OPEB Liability | | | | |
| Service cost | \$ | 548,093,347 | 569,296,804 | 584,209,916 |
| Interest | | 394,480,742 | 426,298,831 | 384,344,675 |
| Changes of benefit terms ⁴ | | - | - | - |
| Differences between expected and actual experience | | - | (136,662,956) | - |
| Changes of assumptions or other inputs ⁵ | | (1,429,460,396) | (781,692,644) | (299,449,010) |
| Benefit payments (employer) | | (153,396,451) | (137,157,472) | (147,648,350) |
| Other changes | | | - | - |
| Net Change in Total OPEB Liability | | (640,282,758) | (59,917,437) | 521,457,231 |
| Total OPEB Liability – Beginning | | 10,717,111,345 | 10,777,028,782 | 10,255,571,551 |
| Changes in Proportionate Share | | 278,956,959 | | |
| Total OPEB Liability – Ending | \$ | 10,355,785,546 | 10,717,111,345 | 10,777,028,782 |
| 2. Covered-Employee Payroll | \$ | 6,062,198,170 | 4,491,860,695 | 4,619,997,871 |
| 3. Total OPEB Liability as a Percentage of Covered-Employee Payroll | | 170.83% | 238.59% | 233.27% |

Notes to Schedule:

¹ Only three years of information is presented due to GASB Statement No. 75 being implemented in 2018. Additional years will be displayed as they become available.

² Information is presented using measurement date which precedes the fiscal year end by eight months.

³ No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

⁴ Changes in benefit terms: None

⁵ Changes in assumptions or other inputs: Changes of assumptions and other inputs reflect the changes in the discount rate each period. The following are the discount rates used in each period:

| | |
|--------|-------|
| FY2019 | 4.10% |
| FY2018 | 3.44% |
| FY2017 | 3.78% |
| FY2016 | 3.57% |

In FY18, amounts reflect a 1-percentage-point decrease in the assumed rate of general inflation and adjustments to assumptions for expenses, assumed per capita health benefit costs and assumed trend for health benefit costs, retiree contributions and expenses.

**THE UNIVERSITY OF TEXAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN
August 31, 2019**

**Schedule of the System's Proportionate Share of the Total OPEB Liability
as of the December 31 Measurement Date**

| | 2018 | 2017 | 2016 |
|---|-------------------|----------------|----------------|
| System's proportion of the total OPEB liability | 79.1750747% | 77.1664987% | 77.1664987% |
| System's proportionate share of the total OPEB liability | \$ 10,355,785,546 | 10,717,111,345 | 10,777,028,782 |
| State's proportionate share of the total OPEB liability related to System | 2,723,817,586 | 3,171,184,120 | 3,188,913,639 |
| Total OPEB liability related to System | \$ 13,079,603,132 | 13,888,295,465 | 13,965,942,421 |
| System's covered payroll | \$ 6,062,198,170 | 5,820,998,450 | 5,987,051,307 |
| System's proportionate share of the total OPEB liability as a percentage of its covered payroll | 170.83% | 184.11% | 180.01% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% | 0.00% | 0.00% |

Only three years of information is presented due to GASB Statement 75 being implemented in 2017. Additional years will be displayed as they become available.

**THE UNIVERSITY OF TEXAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
TEACHER RETIREMENT SYSTEM PENSION PLAN
August 31, 2019**

**Schedule of the System's Proportionate Share of the Net Pension Liability
as of the August 31 Measurement Date**

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|------------------|------------------|------------------|------------------|
| System's proportion of the net pension liability | 8.9377185% | 8.2879633% | 8.2932305% | 7.7646311% | 8.6199871% |
| System's proportionate share of the net pension liability | \$ 4,919,537,167.00 | 2,650,044,162.00 | 3,133,888,495.00 | 2,744,693,745.00 | 2,302,987,540.82 |
| State's proportionate share of the net pension liability related to System | 1,355,571,593.31 | 894,941,497.90 | 893,178,321.45 | 786,436,008.85 | 892,687,939.18 |
| Total net pension liability related to System | \$ 6,275,108,760.31 | 3,544,985,659.90 | 4,027,066,816.45 | 3,531,129,753.85 | 3,195,675,480.00 |
| System's covered payroll | \$ 5,106,576,133.12 | 4,891,473,913.38 | 4,635,793,582.08 | 4,472,632,859.92 | 4,018,776,650.31 |
| System's proportionate share of the net pension liability as a percentage of its covered payroll | 96.34% | 54.18% | 67.60% | 61.37% | 57.31% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.74% | 82.17% | 78.00% | 78.43% | 83.25% |

Schedule of the System's Contributions as of August 31

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------------|------------------|------------------|------------------|------------------|
| Statutorily required contributions | \$ 369,615,856.09 | 347,247,177.05 | 332,620,226.11 | 315,233,963.58 | 304,139,034.47 |
| Contributions in relation to the statutorily required contributions | \$ 302,294,697.94 | 282,808,370.01 | 262,734,718.43 | 262,370,366.30 | 244,723,300.51 |
| Contribution deficiency (excess) | \$ 67,321,158.15 | 64,438,807.04 | 69,885,507.68 | 52,863,597.28 | 59,415,733.96 |
| System's covered payroll | \$ 5,435,527,295.45 | 5,106,576,133.12 | 4,891,473,913.38 | 4,635,793,582.08 | 4,472,632,859.92 |
| Contributions as a percentage of covered payroll | 5.56% | 5.54% | 5.37% | 5.66% | 5.47% |

Contributions by the State of Texas on behalf of the System substantially resolve the contribution deficiency.

Only five years of information is presented due to GASB Statement 68 being implemented in 2015. Additional years will be displayed as they become available.

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The University of Texas System Administration
Exhibit A Statement of Net Position
As of August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|-----------------------------|----------------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 1,178,224,738.18 | 1,139,959,675.89 |
| Restricted Cash & Cash Equivalents | 24,032,174.30 | 124,699,192.83 |
| Securities Lending Collateral | 453,059,220.56 | 434,189,416.14 |
| Accounts Receivable, Net: | | |
| Federal (allow. \$0.00 in 2019 & \$0.00 in 2018) | 16,512,513.17 | 10,842,694.43 |
| Interest and Dividend Receivables | 60,044,437.74 | 57,850,067.06 |
| Contributions (allow. \$48.78 in 2019 & \$41.44 in 2018) | 10,523.08 | 8,676.43 |
| Investment Trades Receivables | 720,787,537.46 | 488,068,868.16 |
| Other (allow. \$0.00 in 2019 & \$0.00 in 2018) | 213,346,036.62 | 239,649,975.85 |
| Due From Other Funds | 183,595,096.72 | 184,788,349.56 |
| Due From Other Institutions | 121,591,155.20 | 116,986,894.94 |
| Due From Other Agencies | 65,657.88 | 417,003.64 |
| Other Current Assets | <u>28,136,312.58</u> | <u>30,500,893.70</u> |
| Total Current Assets | <u>2,999,405,403.49</u> | <u>2,827,961,708.63</u> |
| Noncurrent Assets: | | |
| Cash and Cash Equivalents (Noncurrent Restricted) | 809,446.23 | 2,369,592.12 |
| Restricted Investments | 44,246,023,730.56 | 43,037,378,581.18 |
| Deposit with Brokers for Derivative Contracts | 52,885,484.06 | 45,836,427.93 |
| Contributions Rec. (allow. \$51.22 in 2019 & \$58.56 in 2018) | 11,050.81 | 12,258.01 |
| Unrestricted Investments | 9,526,747,721.50 | 10,342,397,373.42 |
| Hedging Derivative Asset (Noncurrent) | | 37,067,661.00 |
| Other Noncurrent Assets | 31,455,611.11 | 26,614,201.95 |
| Gross Capital/Intangible Assets | 11,475,104,587.04 | 11,179,671,124.11 |
| Accumulated Depreciation/Amortization | <u>(146,305,886.38)</u> | <u>(128,512,308.89)</u> |
| Total Noncurrent Assets | <u>65,186,731,744.93</u> | <u>64,542,834,910.83</u> |
| Total Assets | <u>68,186,137,148.42</u> | <u>67,370,796,619.46</u> |
| Total Deferred Outflows of Resources | <u>3,348,064,968.22</u> | <u>996,206,673.93</u> |
| Total Assets and Deferred Outflows | <u>71,534,202,116.64</u> | <u>68,367,003,293.39</u> |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 213,848,402.19 | 214,633,158.97 |
| Salaries Payable | 4,379,571.03 | 5,123,384.12 |
| Investment Trades Payables | 1,219,091,532.24 | 977,438,360.73 |
| Incurred But Not Reported Self Insurance Claims | 140,388,415.32 | 134,052,867.64 |
| Total Other Postemployment Benefits Liability | 230,593,877.00 | 202,555,282.00 |
| Securities Lending Obligations | 453,059,220.56 | 434,189,416.14 |
| Due To Other Funds | 183,595,096.72 | 184,788,349.56 |
| Due To Other Institutions | 824,382,339.07 | 992,561,108.23 |
| Due To Other State Agencies | 20,930,644.66 | 23,454,878.66 |
| Statewide Interfund Payable | 69,302,167.78 | 61,865,000.00 |
| Unearned Revenue | 682,627.42 | 618,124.83 |
| Employees' Compensable Leave - Current Portion | 2,729,655.81 | 2,686,725.82 |
| Short-term Debt - Commercial Paper Notes | 1,490,522,000.00 | 1,185,868,000.00 |
| Notes, Loans, and Leases Payable | | |
| Revenue Bonds Payable | 1,789,490,557.87 | 1,826,253,298.70 |
| Other Current Liabilities | <u>11,403.83</u> | <u>481,036.41</u> |
| Total Current Liabilities | <u>6,643,007,511.50</u> | <u>6,246,568,991.81</u> |
| Noncurrent Liabilities: | | |
| Incurred But Not Reported Self Insurance Claims | 28,030,576.68 | 30,866,320.36 |
| Employees' Compensable Leave | 4,892,050.24 | 5,360,546.02 |
| Assets Held for Others | 11,813,794,296.66 | 11,048,542,136.29 |
| Liability to Beneficiaries | 14,041,656.69 | 14,145,426.43 |
| Total Other Postemployment Benefits Liability | 10,125,191,669.00 | 10,514,556,063.00 |
| Net Pension Liability | 4,919,537,167.00 | 2,650,044,162.00 |
| Notes, Loans, and Leases Payable | | |
| Revenue Bonds Payable | 7,710,948,456.03 | 7,671,716,733.84 |
| Statewide Interfund Payable | 1,224,282,913.48 | 1,213,058,775.54 |
| Hedging Derivative Liability (Noncurrent) | 325,363,093.00 | 165,354,206.00 |
| Payable to Brokers for Collateral Held | 98,277,187.32 | 111,679,000.00 |
| Investment Derivatives - Liability Positions | 103,796,598.28 | 68,043,372.89 |
| Other Noncurrent Liabilities | <u>3,204,474.70</u> | <u>2,541,010.34</u> |
| Total Noncurrent Liabilities | <u>36,371,360,139.08</u> | <u>33,495,907,752.71</u> |
| Total Liabilities | <u>43,014,367,650.58</u> | <u>39,742,476,744.52</u> |
| Total Deferred Inflows of Resources | <u>2,761,591,966.93</u> | <u>1,791,152,210.94</u> |
| Total Liabilities and Deferred Inflows | <u>45,775,959,617.51</u> | <u>41,533,628,955.46</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 376,470,254.61 | 410,104,970.02 |
| Restricted for: | | |
| Nonexpendable | | |
| Permanent University Fund Endowment | 20,925,167,822.76 | 21,593,348,668.03 |
| Permanent Health and True Endowments Held for Institutions | 5,110,976,793.10 | 4,856,357,845.54 |
| Permanent Health and True Endowments | 395,749,739.77 | 394,407,314.11 |
| Expendable | | |
| Capital Projects | 5,012,725.70 | 5,657,402.85 |
| Debt Service | 803,466.98 | 5,162,764.82 |
| Funds Functioning as Endowment (Restricted) | 8,252,548.75 | 9,147,677.98 |
| Funds Functioning as Endowments (Restricted Held for Institutions) | 614,954,167.96 | 590,199,483.53 |
| Other Expendable | 11,544,007,139.18 | 11,532,703,453.34 |
| Unrestricted | <u>(13,223,152,159.68)</u> | <u>(12,563,715,242.29)</u> |
| Total Net Position | <u>\$ 25,758,242,499.13</u> | <u>26,833,374,337.93</u> |

The University of Texas System Administration
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|-----------------------------|--------------------------|
| Operating Revenues: | | |
| Federal Sponsored Programs | 28,997,529.74 | 21,204,404.80 |
| State Sponsored Programs Pass-Through from State Agencies | | 10,765,963.15 |
| Sales and Services of Educational Activities | 24,369,617.14 | 33,360,537.21 |
| Other Operating Revenues | 235,314,677.83 | 259,712,351.57 |
| Total Operating Revenues | <u>288,681,824.71</u> | <u>325,043,256.73</u> |
| Operating Expenses: | | |
| Instruction | | |
| Research | | |
| Public Service | 21,844,804.68 | 2,742,506.48 |
| Academic Support | 16,575,160.06 | 14,537,676.66 |
| Student Services | | |
| Institutional Support | 1,135,270,986.63 | 1,013,621,304.72 |
| Operations and Maintenance of Plant | 2,772,590.97 | 1,219,376.25 |
| Scholarships and Fellowships | 1,755,991.00 | 1,605,200.00 |
| Auxiliary Enterprises | | |
| Depreciation and Amortization | 23,804,107.72 | 25,237,328.52 |
| Total Operating Expenses | <u>1,202,023,641.06</u> | <u>1,058,963,392.63</u> |
| Operating Income (Loss) | <u>(913,341,816.35)</u> | <u>(733,920,135.90)</u> |
| Nonoperating Revenues (Expenses): | | |
| State Appropriations | 8,870,153.00 | 9,516,706.00 |
| Federal Nonexchange Sponsored Programs | 25,603,646.87 | 27,198,469.88 |
| Federal Nonexchange Pass-Through | | |
| State Nonexchange Pass-Through | | |
| Gift Contributions for Operations | 1,020,239.86 | 1,099,748.75 |
| Investment Income | 2,973,817,829.04 | 3,414,061,644.90 |
| Net Increase (Decrease) in Fair Value of Investments | (2,451,854,554.83) | 3,097,600,082.24 |
| Interest Expense on Capital Asset Financings | (328,566,699.61) | (281,615,701.59) |
| Gain (Loss) on Sale of Capital Assets | (53,572.12) | (4,654,132.18) |
| Other Nonoperating Revenues | 448,343.40 | 1,458,602.40 |
| Other Nonoperating (Expenses) | (8,147,640.52) | (9,300,624.70) |
| Net Nonoperating Revenues (Expenses) | <u>221,137,745.09</u> | <u>6,255,364,795.70</u> |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | (692,204,071.26) | 5,521,444,659.80 |
| Gifts and Sponsored Programs for Capital Acquisitions | 2,000,000.00 | 3,495,000.00 |
| Additions to Permanent Endowments | 219,482,452.03 | 203,371,729.70 |
| Reclass from/(to) Other Institutions | 140,837,905.33 | 112,512,047.88 |
| Change in Proceeds of Bonds Payable | 311,274,600.85 | 189,981,009.85 |
| Transfers Between Institutions & System, Debt Service - Mandatory | 742,558,162.67 | 706,062,395.72 |
| Transfers Between Institutions & System Admin. - Non mandatory | (1,406,301,298.17) | (1,297,971,219.88) |
| Transfers From Other State Agencies | | 12,405.60 |
| Transfers to Other State Agencies | (392,779,590.25) | 622,749,812.48 |
| Legislative Appropriations Lapsed | | (0.50) |
| Change in Net Position | <u>(1,075,131,838.80)</u> | <u>4,816,158,215.69</u> |
| Beginning Net Position | <u>26,833,374,337.93</u> | <u>22,017,216,122.24</u> |
| Ending Net Position | <u>\$ 25,758,242,499.13</u> | <u>26,833,374,337.93</u> |

The University of Texas System Administration
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|----------------------------|----------------------------|
| Cash Flows from Operating Activities: | | |
| Proceeds from Sponsored Programs | 23,368,256.50 | 28,829,037.06 |
| Proceeds from Other Revenues | 251,377,346.29 | 278,084,140.14 |
| Payments to Suppliers | (352,148,982.49) | (295,789,446.96) |
| Payments to Employees | (73,706,558.95) | (77,525,344.97) |
| Net Cash Provided (Used) by Operating Activities | <u>(151,109,938.65)</u> | <u>(66,401,614.73)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from State Appropriations | 8,870,153.00 | 9,516,705.50 |
| Proceeds from Operating Gifts | 1,024,600.41 | 1,100,522.96 |
| Proceeds from Private Gifts for Endowment Purposes | 481,667,915.08 | 981,052,433.26 |
| Proceeds from Other Noncapital Financing Activities | 448,343.40 | 1,458,602.40 |
| Receipts for Transfers from System or Other Agencies | 420,755.45 | 2,228,830.16 |
| Payments for Transfers to System or Other Agencies | (927,419,475.16) | (904,761,177.57) |
| Payments for Other Uses | (3,714,177.47) | (3,070,530.15) |
| Proceeds from Nonexchange Sponsored Programs | 25,914,447.13 | 27,204,263.80 |
| Net Cash Provided by Noncapital Financing Activities | <u>(412,787,438.16)</u> | <u>114,729,650.36</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Proceeds from Issuance of Capital Debt | 1,854,957,281.47 | 2,011,465,262.13 |
| Nonmandatory Capital Related Transfers | (1,113,567,309.89) | (1,140,106,005.41) |
| Payments of Other Costs on Debt Issuance | (4,433,463.05) | (6,230,094.55) |
| Proceeds from Capital Appropriations, Grants, and Gifts | 2,000,000.00 | 3,000,000.00 |
| Proceeds from Sale of Capital Assets | 33,975.00 | - |
| Payments for Additions to Capital Assets | (14,441,650.39) | (34,773,876.04) |
| Payments of Principal on Capital Related Debt | (1,460,613,000.00) | (1,748,372,000.00) |
| Mandatory Transfers to System for Capital Related Debt | 742,558,162.67 | 706,062,395.72 |
| Payments of Interest on Capital Related Debt | (410,760,068.99) | (356,086,443.91) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(404,266,073.18)</u> | <u>(565,040,762.06)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments | 31,931,245,458.16 | 25,189,228,435.43 |
| Proceeds from Interest and Investment Income | 1,498,147,763.96 | 1,976,085,338.40 |
| Payments to Acquire Investments | (32,525,191,874.26) | (26,448,201,921.29) |
| Net Cash Provided (Used) by Investing Activities | <u>904,201,347.86</u> | <u>717,111,852.54</u> |
| Net Increase (Decrease) in Cash | (63,962,102.13) | 200,399,126.11 |
| Cash and Cash Equivalents (Beginning of the Year) | 1,267,028,460.84 | 1,066,629,334.73 |
| Cash and Cash Equivalents (End of the Year) | <u>\$ 1,203,066,358.71</u> | <u>\$ 1,267,028,460.84</u> |
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (913,341,816.35) | (733,920,135.90) |
| Adjustments to Reconcile Operating Results to Net Cash: | | |
| Depreciation and Amortization Expense | 23,804,107.72 | 25,237,328.52 |
| Gross Loss on Impairment of Capital Assets | 25,840,003.66 | - |
| OPEB Expense | 664,784,810.00 | 843,220,745.00 |
| Pension Expense | 584,838,293.00 | 251,961,770.00 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | (13,376,658.49) | (15,058,950.85) |
| Other Current and Noncurrent Assets | 844,906.28 | (1,407,841.64) |
| Deferred Outflows-Other Postemployment Benefits | (364,048,918.00) | (8,006,018.00) |
| Deferred Outflows-Pension Related | (1,832,590,812.93) | 187,209,869.42 |
| Accounts Payable | 12,648,637.96 | 3,117,107.15 |
| Due to System | (4,645,165.08) | (4,115,648.61) |
| Unearned Revenue | 59,502.59 | (1,748,229.93) |
| Employees' Compensable Leave | (425,565.79) | (42,350.51) |
| Other Postemployment Benefits Obligation | (1,026,110,609.00) | (903,138,182.00) |
| Pension Related Obligations | 1,684,654,712.00 | (735,806,103.00) |
| Other Current and Noncurrent Liabilities | 193,581.78 | (2,700,473.38) |
| Deferred Inflows-Other Postemployment Benefits | 1,178,400,403.00 | 764,599,101.00 |
| Deferred Inflows-Pension Related | (172,639,351.00) | 264,196,398.00 |
| Total Adjustments | <u>762,231,877.70</u> | <u>667,518,521.17</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (151,109,938.65)</u> | <u>\$ (66,401,614.73)</u> |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in Fair Value of Investments | (2,507,665,285.20) | 2,912,825,277.88 |
| Donated Capital Assets | - | 495,000.00 |
| Miscellaneous Noncash Transactions | (25,893,575.78) | (4,641,726.58) |

The University of Texas at Arlington
 Exhibit A Statement of Net Position
 As of August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|----------------------------|-------------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 235,499,656.78 | 186,916,582.79 |
| Restricted Cash & Cash Equivalents | (66,912,949.99) | (48,789,896.52) |
| Balance in State Appropriations | 12,942,028.92 | 15,084,486.36 |
| Accounts Receivable, Net: | | |
| Federal (allow. \$2,677,808.59 in 2019 & \$2,677,808.59 in 2018) | 57,664,409.27 | 57,720,568.69 |
| Other Intergov. (allow. \$516,659.48 in 2019 & \$494,309.56 in 2018) | 18,721.34 | 2,164,783.14 |
| Student (allow. \$4,091,945.86 in 2019 & \$3,495,433.21 in 2018) | 60,852,099.62 | 54,114,574.90 |
| Interest and Dividend Receivables | 680.80 | 190.25 |
| Contributions (allow. \$9,874.69 in 2019 & \$9,039.73 in 2018) | 483,871.76 | 442,946.31 |
| Other (allow. \$76,522.25 in 2019 & \$71,172.73 in 2018) | 10,876,128.72 | 11,639,038.90 |
| Due From System Administration | 4,790,785.14 | 7,157,941.29 |
| Due From Other Institutions | 181,550.61 | 81,525.30 |
| Due From Other Agencies | 3,189,573.87 | 2,761,804.49 |
| Inventories | 192,686.53 | 213,382.09 |
| Loans & Contracts (allow. \$4,983,416.09 in 2019 & \$4,144,240.20 in 2018) | 12,146,017.37 | 10,224,311.67 |
| Other Current Assets | 5,044,885.69 | 4,616,832.67 |
| Total Current Assets | 336,970,146.43 | 304,349,072.33 |
| Noncurrent Assets: | | |
| Restricted Investments | 26,763,367.19 | 19,719,517.73 |
| Loans & Contracts (allow. \$782,755.67 in 2019 & \$763,583.30 in 2018) | 1,442,738.52 | 1,126,972.61 |
| Funds Held by System Administration (Restricted) | 140,299,044.18 | 159,842,497.52 |
| Contributions Rec. (allow. \$6,394.15 in 2019 & \$12,483.27 in 2018) | 313,313.21 | 611,680.00 |
| Unrestricted Investments | 424,921,666.56 | 386,133,540.77 |
| Funds Held by System Administration (Unrestricted) | 22,392,584.78 | |
| Gross Capital/Intangible Assets | 1,354,424,928.79 | 1,330,819,839.94 |
| Accumulated Depreciation/Amortization | (632,327,935.96) | (582,429,374.54) |
| Total Noncurrent Assets | 1,338,229,707.27 | 1,315,824,674.03 |
| Total Assets | 1,675,199,853.70 | 1,620,173,746.36 |
| Total Deferred Outflows of Resources | 152,780.70 | 173,380.35 |
| Total Assets and Deferred Outflows | 1,675,352,634.40 | 1,620,347,126.71 |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 23,688,386.34 | 32,330,590.30 |
| Salaries Payable | 21,323,902.66 | 28,547,474.76 |
| Due To System Administration | 3,961,104.55 | 3,809,195.46 |
| Due To Other Institutions | 266,263.70 | 237,777.08 |
| Due To Other State Agencies | 341,870.71 | 189,476.65 |
| Statewide Interfund Payable | 1,273,392.16 | 1,216,729.76 |
| Unearned Revenue | 160,246,607.66 | 150,561,281.44 |
| Employees' Compensable Leave - Current Portion | 5,217,692.44 | 4,874,490.12 |
| Notes, Loans, and Leases Payable | | |
| Other Current Liabilities | 1,227,733.29 | 611,276.88 |
| Total Current Liabilities | 217,546,953.51 | 222,378,292.45 |
| Noncurrent Liabilities: | | |
| Employees' Compensable Leave | 7,770,295.41 | 7,757,089.05 |
| Assets Held for Others | 456,730.25 | 3,745,999.45 |
| Liability to Beneficiaries | 26,974.54 | 29,191.07 |
| Notes, Loans, and Leases Payable | | |
| Statewide Interfund Payable | 851,061.49 | 1,683,659.42 |
| Asset Retirement Obligation | 193,980.00 | 193,980.00 |
| Other Noncurrent Liabilities | 2,550,552.27 | 2,525,065.69 |
| Total Noncurrent Liabilities | 11,849,593.96 | 15,934,984.68 |
| Total Liabilities | 229,396,547.47 | 238,313,277.13 |
| Total Deferred Inflows of Resources | 80,050.30 | 81,444.00 |
| Total Liabilities and Deferred Inflows | 229,476,597.77 | 238,394,721.13 |
| NET POSITION | | |
| Net Investment in Capital Assets | 722,096,992.83 | 748,390,465.40 |
| Restricted for: | | |
| Nonexpendable | | |
| Permanent Health and True Endowments | 100,711,420.17 | 96,482,445.16 |
| Expendable | | |
| Capital Projects | 38,574,025.93 | 15,939,088.38 |
| Funds Functioning as Endowment (Restricted) | 4,626,716.47 | 4,600,743.93 |
| Other Expendable | 60,056,763.48 | 59,192,392.92 |
| Unrestricted | 519,810,117.75 | 457,347,269.79 |
| Total Net Position | \$ 1,445,876,036.63 | 1,381,952,405.58 |

The University of Texas at Arlington
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|----------------------------|-------------------------|
| Operating Revenues: | | |
| Student Tuition and Fees | \$ 449,946,181.37 | 425,993,225.82 |
| Discounts and Allowances | (122,469,614.26) | (110,330,622.58) |
| Federal Sponsored Programs | 47,611,097.14 | 42,255,947.20 |
| Federal Sponsored Programs Pass-Through from State Agencies | 5,805,314.35 | 5,530,020.67 |
| State Sponsored Programs Pass-Through from State Agencies | 22,339,802.57 | 20,660,457.03 |
| Local Sponsored Programs | 1,466,417.68 | 1,807,645.53 |
| Private Sponsored Programs | 5,931,754.82 | 2,189,543.04 |
| Sales and Services of Educational Activities | 32,882,974.15 | 26,554,975.07 |
| Auxiliary Enterprises | 50,367,537.01 | 46,761,707.10 |
| Other Operating Revenues | <u>12,421,039.14</u> | <u>5,247,447.38</u> |
| Total Operating Revenues | <u>506,302,503.97</u> | <u>466,670,346.26</u> |
| Operating Expenses: | | |
| Instruction | 186,376,761.61 | 177,945,481.38 |
| Research | 96,479,805.21 | 85,527,903.77 |
| Public Service | 14,459,423.04 | 15,711,842.15 |
| Academic Support | 50,643,635.00 | 47,167,762.42 |
| Student Services | 93,479,922.73 | 87,257,962.26 |
| Institutional Support | 51,039,043.10 | 45,531,152.99 |
| Operations and Maintenance of Plant | 36,101,605.59 | 34,261,741.79 |
| Scholarships and Fellowships | 32,236,352.88 | 33,816,494.86 |
| Auxiliary Enterprises | 58,709,592.05 | 52,835,554.58 |
| Depreciation and Amortization | <u>55,273,125.24</u> | <u>50,900,521.08</u> |
| Total Operating Expenses | <u>674,799,266.45</u> | <u>630,956,417.28</u> |
| Operating Income (Loss) | <u>(168,496,762.48)</u> | <u>(164,286,071.02)</u> |
| Nonoperating Revenues (Expenses): | | |
| State Appropriations | 131,658,250.47 | 126,975,739.71 |
| Federal Nonexchange Sponsored Programs | 60,638,840.76 | 59,448,680.35 |
| Federal Nonexchange Pass-Through | | |
| State Nonexchange Pass-Through | 513,500.00 | 2,511,500.00 |
| Gift Contributions for Operations | 12,525,734.32 | 4,628,256.17 |
| Investment Income | 26,663,703.77 | 21,311,768.39 |
| Net Increase (Decrease) in Fair Value of Investments | 2,727,807.76 | 2,336,421.04 |
| Interest Expense on Capital Asset Financings | (50,959.83) | (72,292.76) |
| Gain (Loss) on Sale of Capital Assets | (1,384,198.49) | (320,436.40) |
| Other Nonoperating Revenues | 3,824,186.97 | 489,700.63 |
| Other Nonoperating (Expenses) | <u>(555,401.54)</u> | <u>(3,684,829.80)</u> |
| Net Nonoperating Revenues (Expenses) | <u>236,561,464.19</u> | <u>213,624,507.33</u> |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | 68,064,701.71 | 49,338,436.31 |
| Gifts and Sponsored Programs for Capital Acquisitions | 4,382,122.57 | 2,725,234.63 |
| Additions to Permanent Endowments | 3,267,366.14 | 4,176,119.09 |
| Reclass from/(to) Other Institutions | 12,217,974.12 | 98,800,102.10 |
| Transfers Between Institutions & System, Debt Service - Mandatory | (33,833,206.51) | (31,848,429.58) |
| Transfers Between Institutions & System Admin. - Non mandatory | 8,840,097.83 | (27,767,009.25) |
| Transfers From Other State Agencies | 988,731.79 | 677,564.00 |
| Transfers to Other State Agencies | (3,632.10) | 273,008.97 |
| Legislative Appropriations Lapsed | <u>(524.50)</u> | <u>(1,289,039.50)</u> |
| Change in Net Position | <u>63,923,631.05</u> | <u>94,539,968.83</u> |
| Beginning Net Position | <u>1,381,952,405.58</u> | <u>1,287,412,436.75</u> |
| Ending Net Position | <u>\$ 1,445,876,036.63</u> | <u>1,381,952,405.58</u> |

The University of Texas at Arlington
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2019

| | <u>Current Year Totals</u> | <u>Prior Year Totals</u> |
|--|----------------------------|----------------------------|
| Cash Flows from Operating Activities: | | |
| Proceeds from Tuition and Fees | 331,953,885.70 | 306,956,907.41 |
| Proceeds from Sponsored Programs | 72,891,540.34 | 69,855,746.43 |
| Proceeds from Auxiliaries | 50,543,319.02 | 46,434,766.39 |
| Proceeds from Other Revenues | 47,360,232.79 | 32,314,666.54 |
| Payments to Suppliers | (241,974,074.29) | (226,737,846.03) |
| Payments to Employees | (382,255,902.98) | (345,245,939.76) |
| Payments for Loans Provided | (40,199,562.94) | (5,378,071.51) |
| Proceeds from Loan Programs | <u>37,042,352.85</u> | <u>5,413,964.29</u> |
| Net Cash Provided (Used) by Operating Activities | <u>(124,638,209.51)</u> | <u>(116,385,806.24)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from State Appropriations | 133,800,183.41 | 133,587,245.43 |
| Proceeds from Operating Gifts | 12,535,480.56 | 4,583,702.61 |
| Proceeds from Private Gifts for Endowment Purposes | 3,267,366.14 | 4,176,119.09 |
| Proceeds from Other Noncapital Financing Activities | 3,748,339.17 | - |
| Receipts for Transfers from System or Other Agencies | 1,148,390.50 | 2,274,748.48 |
| Payments for Transfers to System or Other Agencies | (779,567.63) | (27,331,930.15) |
| Payments for Other Uses | (118,236.10) | (3,293,341.94) |
| Proceeds from Nonexchange Sponsored Programs | <u>69,522,568.49</u> | <u>61,960,180.35</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>223,124,524.54</u> | <u>175,956,723.87</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Nonmandatory Capital Related Transfers | 23,398,890.62 | 142,885,225.51 |
| Proceeds from Capital Appropriations, Grants, and Gifts | 4,006,998.67 | 3,344,805.67 |
| Payments for Additions to Capital Assets | (41,628,025.88) | (151,867,267.58) |
| Mandatory Transfers to System for Capital Related Debt | (33,833,206.51) | (31,848,429.58) |
| Payments of Interest on Capital Related Debt | <u>(50,959.83)</u> | <u>(72,292.76)</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(48,106,302.93)</u> | <u>(37,557,958.74)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments Invested by System | - | - |
| Proceeds from Interest and Investment Income | 1,293,339.37 | 998,908.36 |
| Proceeds from Interest and Investment Income Invested by System | 24,743,578.21 | 20,571,063.32 |
| Payments to Acquire Investments Invested by System | <u>(45,956,909.16)</u> | <u>(96,853,806.80)</u> |
| Net Cash Provided (Used) by Investing Activities | <u>(19,919,991.58)</u> | <u>(75,283,835.12)</u> |
| Net Increase (Decrease) in Cash | 30,460,020.52 | (53,270,876.23) |
| Cash and Cash Equivalents (Beginning of the Year) | <u>138,126,686.27</u> | <u>191,397,562.50</u> |
| Cash and Cash Equivalents (End of the Year) | <u>\$ 168,586,706.79</u> | <u>\$ 138,126,686.27</u> |
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (168,496,762.48) | (164,286,071.02) |
| Adjustments to Reconcile Operating Results to Net Cash: | | |
| Depreciation and Amortization Expense | 55,273,125.24 | 50,900,521.08 |
| Bad Debt Expense | 919,738.48 | 1,042,497.90 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | (12,670,415.74) | (15,937,431.17) |
| Inventories | 20,695.56 | (87,760.86) |
| Loans and Contracts | (3,157,210.09) | 35,892.78 |
| Other Current and Noncurrent Assets | (428,053.02) | 1,875,677.31 |
| Accounts Payable | (5,739,904.31) | 3,385,591.29 |
| Due to System | 151,909.09 | 189,406.42 |
| Unearned Revenue | 9,685,326.22 | 2,480,993.52 |
| Assets Held for Others | (1,215,609.78) | 644,400.96 |
| Employees' Compensable Leave | 356,408.68 | 1,444,970.18 |
| Asset Retirement Obligations | 20,599.65 | 20,599.65 |
| Other Current and Noncurrent Liabilities | <u>641,942.99</u> | <u>1,904,905.72</u> |
| Total Adjustments | <u>43,858,552.97</u> | <u>47,900,264.78</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (124,638,209.51)</u> | <u>\$ (116,385,806.24)</u> |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in Fair Value of Investments | 2,727,807.76 | 2,336,421.04 |
| Donated Capital Assets | 622,819.00 | 123,123.96 |
| Miscellaneous Noncash Transactions | (1,802,912.86) | (234,629.23) |

The University of Texas at Austin
 Exhibit A Statement of Net Position
 As of August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|-----------------------------|---------------------------|
| <hr/> | | |
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 373,811,784.83 | 301,771,382.19 |
| Restricted Cash & Cash Equivalents | 92,424,541.06 | 66,465,802.50 |
| Balance in State Appropriations | 7,973,209.84 | 5,494,629.12 |
| Accounts Receivable, Net: | | |
| Federal (allow. \$0.00 in 2019 & \$0.00 in 2018) | 70,167,041.26 | 58,122,623.60 |
| Other Intergov. (allow. \$0.00 in 2019 & \$0.00 in 2018) | 6,766,237.81 | 9,080,023.66 |
| Student (allow. \$1,042,987.95 in 2019 & \$1,373,724.85 in 2018) | 91,872,511.22 | 100,557,595.05 |
| Interest and Dividend Receivables | 8,785,399.25 | 9,022,606.97 |
| Contributions (allow. \$1,363,582.32 in 2019 & \$65,307.84 in 2018) | 69,065,717.24 | 56,866,630.71 |
| Other (allow. \$106,523.97 in 2019 & \$92,554.43 in 2018) | 37,868,162.01 | 15,443,624.88 |
| Due From Other Funds | 66,979,866.52 | 55,652,831.38 |
| Due From System Administration | 609,047,934.52 | 620,072,695.96 |
| Due From Other Institutions | 818,162.02 | 621,024.50 |
| Due From Other Agencies | 7,552,311.77 | 13,101,021.26 |
| Inventories | 6,057,262.17 | 5,874,637.42 |
| Loans & Contracts (allow. \$0.00 in 2019 & \$0.00 in 2018) | 7,857,714.40 | 8,244,705.23 |
| Other Current Assets | 68,682,103.21 | 67,482,730.63 |
| Total Current Assets | <u>1,525,729,959.13</u> | <u>1,393,874,565.06</u> |
| Noncurrent Assets: | | |
| Cash and Cash Equivalents (Noncurrent Restricted) | 63,417.80 | |
| Restricted Investments | 350,965,965.98 | 416,205,156.55 |
| Loans & Contracts (allow. \$20,187,497.73 in 2019 & \$19,071,515.06 in 2018) | 33,076,545.77 | 42,782,373.67 |
| Funds Held by System Administration (Restricted) | 4,342,019,763.53 | 4,066,679,825.28 |
| Contributions Rec. (allow. \$1,667.89 in 2019 & \$11,523.11 in 2018) | 197,818,307.65 | 152,113,497.55 |
| Unrestricted Investments | 968,055,952.62 | 1,132,872,252.04 |
| Funds Held by System Administration (Unrestricted) | 370,420,462.87 | 36,345,682.85 |
| Other Noncurrent Assets | 8,573,725.96 | 11,719,864.96 |
| Gross Capital/Intangible Assets | 7,962,885,540.14 | 7,586,936,903.84 |
| Accumulated Depreciation/Amortization | <u>(3,817,999,998.41)</u> | <u>(3,525,424,217.36)</u> |
| Total Noncurrent Assets | <u>10,415,879,683.91</u> | <u>9,920,231,339.38</u> |
| Total Assets | <u>11,941,609,643.04</u> | <u>11,314,105,904.44</u> |
| Total Deferred Outflows of Resources | <u>1,497,692.30</u> | <u>2,951,527.97</u> |
| Total Assets and Deferred Outflows | <u>11,943,107,335.34</u> | <u>11,317,057,432.41</u> |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 121,919,667.73 | 99,171,494.99 |
| Salaries Payable | 103,996,089.17 | 87,844,218.32 |
| Due To Other Funds | 66,979,866.52 | 55,652,831.38 |
| Due To System Administration | 20,881,547.00 | 20,702,838.81 |
| Due To Other Institutions | 465,110.97 | 626,607.37 |
| Due To Other State Agencies | 485,714.44 | 608,926.00 |
| Unearned Revenue | 571,373,850.17 | 558,438,951.96 |
| Employees' Compensable Leave - Current Portion | 39,376,659.70 | 40,523,999.99 |
| Notes, Loans, and Leases Payable | 640,336.53 | 572,096.66 |
| Other Current Liabilities | 7,340,364.36 | 5,010,969.37 |
| Total Current Liabilities | <u>933,459,206.59</u> | <u>869,152,934.85</u> |
| Noncurrent Liabilities: | | |
| Employees' Compensable Leave | 24,619,040.37 | 24,203,540.08 |
| Assets Held for Others | 10,151,941.71 | 10,366,755.90 |
| Liability to Beneficiaries | 8,615,975.53 | 8,460,884.47 |
| Notes, Loans, and Leases Payable | 424,687.50 | 505,150.79 |
| Asset Retirement Obligation | 4,456,500.00 | 4,456,500.00 |
| Other Noncurrent Liabilities | 42,718,656.85 | 42,389,660.64 |
| Total Noncurrent Liabilities | <u>90,986,801.96</u> | <u>90,382,491.88</u> |
| Total Liabilities | <u>1,024,446,008.55</u> | <u>959,535,426.73</u> |
| Total Deferred Inflows of Resources | <u>12,185,176.56</u> | <u>15,303,607.43</u> |
| Total Liabilities and Deferred Inflows | <u>1,036,631,185.11</u> | <u>974,839,034.16</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 4,143,820,517.70 | 4,060,435,439.03 |
| Restricted for: | | |
| Nonexpendable | | |
| Permanent Health and True Endowments | 2,169,432,258.52 | 2,046,557,969.50 |
| Expendable | | |
| Capital Projects | 32,092,268.35 | 69,057,047.00 |
| Funds Functioning as Endowment (Restricted) | 307,212,037.19 | 295,442,739.39 |
| Other Expendable | 2,494,975,640.64 | 2,301,124,758.60 |
| Unrestricted | 1,758,943,427.83 | 1,569,600,444.73 |
| Total Net Position | <u>\$ 10,906,476,150.23</u> | <u>10,342,218,398.25</u> |

The University of Texas at Austin
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|-----------------------------|---------------------------|
| Operating Revenues: | | |
| Student Tuition and Fees | \$ 698,441,077.39 | 678,935,508.94 |
| Discounts and Allowances | (182,861,093.61) | (169,909,244.08) |
| Federal Sponsored Programs | 442,717,142.06 | 437,417,698.64 |
| Federal Sponsored Programs Pass-Through from State Agencies | 14,496,940.26 | 26,373,316.41 |
| State Sponsored Programs Pass-Through from State Agencies | 61,464,223.75 | 61,519,511.09 |
| Local Sponsored Programs | 14,553,434.46 | 9,156,435.87 |
| Private Sponsored Programs | 132,730,882.26 | 111,710,529.83 |
| Sales and Services of Educational Activities | 308,290,630.88 | 270,553,794.85 |
| Discounts and Allowances Sales and Services of Educational Activities | (13,563.81) | (71,143.88) |
| Professional Fees (Patient Charges) | 10,187,945.87 | 4,274,645.40 |
| Discounts and Allowances Professional Fees (Patient Charges) | (4,158,945.97) | (1,930,759.03) |
| Auxiliary Enterprises | 361,815,872.84 | 335,037,743.43 |
| Discounts and Allowances Auxiliary Enterprises | (12,191,186.38) | (16,179,288.70) |
| Other Operating Revenues | 10,377,101.43 | 9,318,535.52 |
| Total Operating Revenues | <u>1,855,850,461.43</u> | <u>1,756,207,284.29</u> |
| Operating Expenses: | | |
| Instruction | 676,702,611.58 | 679,721,935.80 |
| Research | 516,252,929.11 | 491,326,099.46 |
| Public Service | 126,117,790.68 | 124,346,227.05 |
| Hospitals / Clinics | 33,615,386.58 | 18,740,042.74 |
| Academic Support | 351,620,955.32 | 306,355,538.88 |
| Student Services | 52,333,306.58 | 54,627,143.20 |
| Institutional Support | 183,972,733.19 | 163,688,977.71 |
| Operations and Maintenance of Plant | 223,019,080.25 | 217,836,537.30 |
| Scholarships and Fellowships | 122,587,499.25 | 113,949,505.78 |
| Auxiliary Enterprises | 323,388,375.29 | 320,880,411.89 |
| Depreciation and Amortization | 346,250,532.88 | 298,956,976.14 |
| Total Operating Expenses | <u>2,955,861,200.71</u> | <u>2,790,429,395.95</u> |
| Operating Income (Loss) | <u>(1,100,010,739.28)</u> | <u>(1,034,222,111.66)</u> |
| Nonoperating Revenues (Expenses): | | |
| State Appropriations | 355,860,024.18 | 358,321,173.90 |
| Federal Nonexchange Sponsored Programs | 45,771,675.83 | 45,574,792.91 |
| Federal Nonexchange Pass-Through | | |
| State Nonexchange Pass-Through | | |
| Local Nonexchange Sponsored Programs | 35,002,047.98 | 35,000,000.00 |
| Gift Contributions for Operations | 173,651,718.89 | 160,556,387.45 |
| Investment Income | 277,991,421.13 | 258,570,050.32 |
| Net Increase (Decrease) in Fair Value of Investments | 123,032,572.56 | 236,985,666.72 |
| Interest Expense on Capital Asset Financings | (20,995.59) | |
| Gain (Loss) on Sale of Capital Assets | (25,034,194.92) | (21,723,900.75) |
| Other Nonoperating Revenues | 38,181,497.40 | 28,144,227.06 |
| Other Nonoperating (Expenses) | (695,197.58) | (45,161,242.80) |
| Net Nonoperating Revenues (Expenses) | <u>1,023,740,569.88</u> | <u>1,056,267,154.81</u> |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | (76,270,169.40) | 22,045,043.15 |
| Gifts and Sponsored Programs for Capital Acquisitions | 145,865,179.20 | 147,898,200.70 |
| Additions to Permanent Endowments | 121,040,429.78 | 111,936,388.40 |
| Reclass from/(to) Other Institutions | (182,228,542.53) | (131,205,305.43) |
| Transfers Between Institutions & System, Debt Service - Mandatory | (150,335,347.26) | (137,584,581.10) |
| Transfers Between Institutions & System Admin. - Non mandatory | 704,401,417.00 | 634,029,479.97 |
| Transfers From Other State Agencies | 1,922,484.98 | 1,884,419.26 |
| Transfers to Other State Agencies | (134,389.79) | 366,865.06 |
| Legislative Appropriations Lapsed | (3,310.00) | |
| Change in Net Position | <u>564,257,751.98</u> | <u>648,636,779.89</u> |
| Beginning Net Position | <u>10,342,218,398.25</u> | <u>9,693,581,618.36</u> |
| Ending Net Position | <u>\$ 10,906,476,150.23</u> | <u>10,342,218,398.25</u> |

The University of Texas at Austin
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2019

| | <u>Current Year Totals</u> | <u>Prior Year Totals</u> |
|---|----------------------------|----------------------------|
| Cash Flows from Operating Activities: | | |
| Proceeds from Tuition and Fees | 521,789,049.32 | 508,819,535.27 |
| Proceeds from Patients and Customers | 6,028,999.90 | 2,343,886.37 |
| Proceeds from Sponsored Programs | 658,046,430.97 | 676,115,804.19 |
| Proceeds from Auxiliaries | 346,328,328.61 | 331,533,128.47 |
| Proceeds from Other Revenues | 325,284,630.88 | 322,021,801.44 |
| Payments to Suppliers | (891,466,593.29) | (914,150,872.99) |
| Payments to Employees | (1,676,481,137.48) | (1,579,646,549.38) |
| Payments for Loans Provided | (18,416,164.74) | (24,676,001.62) |
| Proceeds from Loan Programs | 27,303,197.72 | 29,106,678.73 |
| Net Cash Provided (Used) by Operating Activities | <u>(701,583,258.11)</u> | <u>(648,532,589.52)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from State Appropriations | 353,378,133.46 | 357,309,052.58 |
| Proceeds from Operating Gifts | 115,747,822.26 | 108,404,669.07 |
| Proceeds from Private Gifts for Endowment Purposes | 121,040,429.78 | 111,936,388.40 |
| Proceeds from Other Noncapital Financing Activities | 8,623,985.58 | 10,116,066.56 |
| Receipts for Transfers from System or Other Agencies | 361,197,457.60 | 264,940,438.77 |
| Payments for Transfers to System or Other Agencies | (298,047.29) | (1,688,070.88) |
| Payments for Other Uses | (307,897.94) | (44,173,819.61) |
| Proceeds from Nonexchange Sponsored Programs | 80,576,840.89 | 79,211,150.40 |
| Net Cash Provided by Noncapital Financing Activities | <u>1,039,958,724.34</u> | <u>886,055,875.29</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Nonmandatory Capital Related Transfers | 172,877,723.36 | 113,656,442.99 |
| Proceeds from Capital Appropriations, Grants, and Gifts | 108,227,707.62 | 90,702,180.80 |
| Proceeds from Sale of Capital Assets | 1,173,543.80 | 585,134.14 |
| Payments for Additions to Capital Assets | (394,468,031.90) | (380,144,699.05) |
| Payments of Principal on Capital Related Debt | (572,096.52) | (913,709.66) |
| Mandatory Transfers to System for Capital Related Debt | (150,335,347.26) | (137,584,581.10) |
| Payments of Interest on Capital Related Debt | (20,995.59) | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(263,117,496.49)</u> | <u>(313,699,231.88)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments Invested by System | - | - |
| Proceeds from Interest and Investment Income | 222,953,709.34 | 213,345,478.55 |
| Proceeds from Interest and Investment Income Invested by System | 55,994,736.45 | 44,946,343.68 |
| Payments to Acquire Investments Invested by System | (256,143,856.53) | (180,478,478.66) |
| Net Cash Provided (Used) by Investing Activities | <u>22,804,589.26</u> | <u>77,813,343.57</u> |
| Net Increase (Decrease) in Cash | 98,062,559.00 | 1,637,397.46 |
| Cash and Cash Equivalents (Beginning of the Year) | 368,237,184.69 | 366,599,787.23 |
| Cash and Cash Equivalents (End of the Year) | <u>\$ 466,299,743.69</u> | <u>\$ 368,237,184.69</u> |
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (1,100,010,739.28) | (1,034,222,111.66) |
| Adjustments to Reconcile Operating Results to Net Cash: | | |
| Depreciation and Amortization Expense | 346,250,532.88 | 298,956,976.14 |
| Gross Loss on Impairment of Capital Assets | 7,967,628.22 | 2,466,799.57 |
| Bad Debt Expense | 1,205,785.75 | 269,407.61 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | (17,921,630.22) | 928,664.88 |
| Inventories | (182,624.75) | 309,820.42 |
| Loans and Contracts | 8,887,032.98 | 4,430,677.11 |
| Other Current and Noncurrent Assets | (1,199,372.58) | (6,323,039.26) |
| Accounts Payable | 36,885,230.80 | 7,737,174.82 |
| Due to System | 219,613.01 | 703,142.75 |
| Unearned Revenue | 12,934,898.21 | 28,109,892.56 |
| Employees' Compensable Leave | (731,840.00) | 3,306,109.20 |
| Asset Retirement Obligations | 1,453,835.67 | 1,504,972.03 |
| Other Current and Noncurrent Liabilities | 2,658,391.20 | 43,288,924.31 |
| Total Adjustments | <u>398,427,481.17</u> | <u>385,689,522.14</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (701,583,258.11)</u> | <u>\$ (648,532,589.52)</u> |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in Fair Value of Investments | 123,032,572.56 | 236,985,666.72 |
| Donated Capital Assets | 37,637,471.58 | 57,196,019.90 |
| Capital Assets Acquired Under Capital Lease Purchases or Direct Borrowings | 559,873.10 | 1,006,771.83 |
| Miscellaneous Noncash Transactions | (3,610,744.48) | (7,009,887.75) |

The University of Texas at Dallas
Exhibit A Statement of Net Position
As of August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|----------------------------|-------------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 110,825,257.21 | 70,511,561.32 |
| Restricted Cash & Cash Equivalents | 16,522,854.56 | (3,249,446.44) |
| Balance in State Appropriations | 9,075,617.16 | 7,329,140.23 |
| Accounts Receivable, Net: | | |
| Federal (allow. \$0.00 in 2019 & \$0.00 in 2018) | 11,255,098.18 | 18,084,569.84 |
| Other Intergov. (allow. \$0.00 in 2019 & \$0.00 in 2018) | 448,877.56 | 462,533.37 |
| Student (allow. \$2,521,425.82 in 2019 & \$2,555,079.49 in 2018) | 34,483,960.81 | 34,569,820.64 |
| Interest and Dividend Receivables | 655,365.37 | 649,565.57 |
| Contributions (allow. \$502,374.05 in 2019 & \$573,450.62 in 2018) | 9,545,107.03 | 10,895,561.86 |
| Other (allow. \$1,536,530.43 in 2019 & \$430,990.55 in 2018) | 7,040,152.19 | 7,748,447.81 |
| Due From System Administration | 14,037,495.59 | 23,361,906.89 |
| Due From Other Institutions | 409,656.02 | 437,425.05 |
| Due From Other Agencies | 9,410,401.73 | 8,157,016.56 |
| Inventories | 416,135.24 | 232,719.66 |
| Loans & Contracts (allow. \$135,689.69 in 2019 & \$195,209.54 in 2018) | 7,549,683.29 | 10,096,328.10 |
| Other Current Assets | 7,972,256.21 | 8,749,099.87 |
| Total Current Assets | 239,647,918.15 | 198,036,250.33 |
| Noncurrent Assets: | | |
| Restricted Investments | 48,506,816.79 | 35,989,937.08 |
| Loans & Contracts (allow. \$675,377.01 in 2019 & \$379,782.70 in 2018) | 729,784.40 | 1,266,026.86 |
| Funds Held by System Administration (Restricted) | 505,100,198.34 | 531,369,496.92 |
| Contributions Rec. (allow. \$16,941.44 in 2019 & \$33,222.85 in 2018) | 321,887.32 | 631,234.14 |
| Unrestricted Investments | 200,340,096.56 | 215,230,569.77 |
| Funds Held by System Administration (Unrestricted) | 53,366,120.45 | |
| Other Noncurrent Assets | 2.00 | 2.00 |
| Gross Capital/Intangible Assets | 1,855,638,688.79 | 1,738,877,963.19 |
| Accumulated Depreciation/Amortization | (709,237,704.14) | (631,215,593.49) |
| Total Noncurrent Assets | 1,954,765,890.51 | 1,892,149,636.47 |
| Total Assets | 2,194,413,808.66 | 2,090,185,886.80 |
| Total Deferred Outflows of Resources | | 20,546.25 |
| Total Assets and Deferred Outflows | 2,194,413,808.66 | 2,090,206,433.05 |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 16,187,640.74 | 18,674,876.12 |
| Salaries Payable | 29,587,594.66 | 28,718,010.98 |
| Due To System Administration | 3,749,278.85 | 3,988,387.79 |
| Due To Other Institutions | 155,909.14 | 142,449.26 |
| Due To Other State Agencies | | 28,652.98 |
| Unearned Revenue | 159,728,155.83 | 148,392,877.89 |
| Employees' Compensable Leave - Current Portion | 6,058,404.73 | 6,041,119.46 |
| Notes, Loans, and Leases Payable | 79,185.26 | 143,749.38 |
| Assets Held for Others | 181,035.23 | 445,704.84 |
| Other Current Liabilities | 330,657.26 | 112,258.50 |
| Total Current Liabilities | 216,057,861.70 | 206,688,087.20 |
| Noncurrent Liabilities: | | |
| Employees' Compensable Leave | 4,396,980.52 | 4,380,529.72 |
| Notes, Loans, and Leases Payable | | 40,629.46 |
| Asset Retirement Obligation | 41,092.50 | 41,092.50 |
| Other Noncurrent Liabilities | 483,914.40 | 693,582.50 |
| Total Noncurrent Liabilities | 4,921,987.42 | 5,155,834.18 |
| Total Liabilities | 220,979,849.12 | 211,843,921.38 |
| Total Liabilities and Deferred Inflows | 220,979,849.12 | 211,843,921.38 |
| NET POSITION | | |
| Net Investment in Capital Assets | 1,146,321,799.39 | 1,107,477,990.86 |
| Restricted for: | | |
| Nonexpendable | | |
| Permanent Health and True Endowments | 283,644,782.71 | 275,963,582.15 |
| Expendable | | |
| Capital Projects | 38,856,611.49 | 47,293,328.80 |
| Funds Functioning as Endowment (Restricted) | 45,918,962.48 | 38,863,408.60 |
| Other Expendable | 282,004,319.55 | 246,500,825.20 |
| Unrestricted | 176,687,483.92 | 162,263,376.06 |
| Total Net Position | \$ 1,973,433,959.54 | 1,878,362,511.67 |

The University of Texas at Dallas
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|----------------------------|----------------------------|
| Operating Revenues: | | |
| Student Tuition and Fees | \$ 415,793,803.81 | 423,588,621.04 |
| Discounts and Allowances | (122,517,998.00) | (101,644,269.00) |
| Federal Sponsored Programs | 49,202,229.37 | 40,388,585.28 |
| Federal Sponsored Programs Pass-Through from State Agencies | 1,703,616.19 | 2,048,277.40 |
| State Sponsored Programs Pass-Through from State Agencies | 15,245,698.34 | 11,865,602.82 |
| Local Sponsored Programs | 2,357.24 | 50,753.10 |
| Private Sponsored Programs | 11,171,811.31 | 11,779,507.08 |
| Sales and Services of Educational Activities | 38,566,025.18 | 19,872,533.66 |
| Auxiliary Enterprises | 62,449,552.60 | 35,320,539.06 |
| Other Operating Revenues | <u>5,728,442.84</u> | <u>5,927,209.17</u> |
| Total Operating Revenues | <u>477,345,538.88</u> | <u>449,197,359.61</u> |
| Operating Expenses: | | |
| Instruction | 198,889,758.09 | 197,171,847.70 |
| Research | 99,779,383.33 | 94,549,599.04 |
| Public Service | 13,600,096.60 | 12,726,440.85 |
| Academic Support | 63,485,370.56 | 64,232,144.98 |
| Student Services | 19,146,219.64 | 19,353,129.57 |
| Institutional Support | 48,073,537.41 | 45,008,992.23 |
| Operations and Maintenance of Plant | 45,690,129.82 | 37,925,126.63 |
| Scholarships and Fellowships | 42,531,644.06 | 43,905,800.84 |
| Auxiliary Enterprises | 60,918,531.69 | 50,600,216.64 |
| Depreciation and Amortization | <u>82,144,698.75</u> | <u>80,250,469.37</u> |
| Total Operating Expenses | <u>674,259,369.95</u> | <u>645,723,767.85</u> |
| Operating Income (Loss) | <u>(196,913,831.07)</u> | <u>(196,526,408.24)</u> |
| Nonoperating Revenues (Expenses): | | |
| State Appropriations | 108,550,781.41 | 108,844,759.57 |
| Federal Nonexchange Sponsored Programs | 31,584,416.00 | 28,606,286.00 |
| Federal Nonexchange Pass-Through | | 150,000.00 |
| State Nonexchange Pass-Through | | 150,000.00 |
| Gift Contributions for Operations | 10,925,414.21 | 14,891,971.61 |
| Investment Income | 37,192,760.77 | 32,448,011.51 |
| Net Increase (Decrease) in Fair Value of Investments | 22,638,312.20 | 34,225,009.79 |
| Interest Expense on Capital Asset Financings | (4,999.41) | |
| Gain (Loss) on Sale of Capital Assets | (489,253.35) | (483,814.09) |
| Other Nonoperating Revenues | 256,635.90 | 3,582,958.02 |
| Other Nonoperating (Expenses) | | <u>(805,841.00)</u> |
| Net Nonoperating Revenues (Expenses) | <u>210,654,067.73</u> | <u>221,459,341.41</u> |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | 13,740,236.66 | 24,932,933.17 |
| Gifts and Sponsored Programs for Capital Acquisitions | 64,248,074.98 | 28,033,785.10 |
| Additions to Permanent Endowments | 6,204,569.52 | 8,946,150.50 |
| Reclass from/(to) Other Institutions | 54,350,938.64 | (7,860,710.12) |
| Transfers Between Institutions & System, Debt Service - Mandatory | (62,557,310.52) | (63,869,459.91) |
| Transfers Between Institutions & System Admin. - Non mandatory | 10,968,628.67 | 111,268,077.20 |
| Transfers From Other State Agencies | 8,328,168.09 | 8,032,969.84 |
| Transfers to Other State Agencies | (211,249.02) | 4,350.47 |
| Legislative Appropriations Lapsed | <u>(609.15)</u> | <u>(299.50)</u> |
| Change in Net Position | <u>95,071,447.87</u> | <u>109,479,095.81</u> |
| Beginning Net Position | <u>1,878,362,511.67</u> | <u>1,768,883,415.86</u> |
| Ending Net Position | <u>\$ 1,973,433,959.54</u> | <u>\$ 1,878,362,511.67</u> |

The University of Texas at Dallas
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|----------------------------|----------------------------|
| Cash Flows from Operating Activities: | | |
| Proceeds from Tuition and Fees | 296,094,242.65 | 324,647,969.26 |
| Proceeds from Sponsored Programs | 75,154,733.29 | 48,023,354.08 |
| Proceeds from Auxiliaries | 71,110,568.93 | 51,383,347.30 |
| Proceeds from Other Revenues | 43,951,873.70 | 26,969,301.12 |
| Payments to Suppliers | (187,817,472.76) | (176,763,258.28) |
| Payments to Employees | (400,074,820.64) | (388,937,003.68) |
| Payments for Loans Provided | (18,691,973.05) | (28,523,550.79) |
| Proceeds from Loan Programs | 20,246,629.31 | 29,731,984.24 |
| Net Cash Provided (Used) by Operating Activities | <u>(100,026,218.57)</u> | <u>(113,467,856.75)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from State Appropriations | 106,803,695.33 | 107,074,376.27 |
| Proceeds from Operating Gifts | 12,585,215.86 | 11,723,108.85 |
| Proceeds from Private Gifts for Endowment Purposes | 6,204,569.52 | 8,946,150.50 |
| Proceeds from Other Noncapital Financing Activities | - | 3,582,958.02 |
| Receipts for Transfers from System or Other Agencies | 14,483,935.37 | 16,798,713.88 |
| Payments for Transfers to System or Other Agencies | (401,684.10) | (604,350.47) |
| Payments for Other Uses | - | (805,841.00) |
| Proceeds from Nonexchange Sponsored Programs | 38,763,906.00 | 28,756,286.00 |
| Net Cash Provided by Noncapital Financing Activities | <u>178,439,637.98</u> | <u>175,471,402.05</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Nonmandatory Capital Related Transfers | 71,140,988.47 | 100,157,474.20 |
| Proceeds from Capital Appropriations, Grants, and Gifts | 22,860,518.72 | 28,033,785.10 |
| Proceeds from Sale of Capital Assets | 35,488.86 | 17,643.57 |
| Payments for Additions to Capital Assets | (82,498,258.33) | (120,181,923.37) |
| Payments of Principal on Capital Related Debt | (105,193.58) | (42,814.65) |
| Mandatory Transfers to System for Capital Related Debt | (62,557,310.52) | (63,869,459.91) |
| Payments of Interest on Capital Related Debt | (4,999.41) | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(51,128,765.79)</u> | <u>(55,885,295.06)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments Invested by System | 22,409,621.02 | - |
| Proceeds from Interest and Investment Income | 3,143,625.27 | 10,296.63 |
| Proceeds from Interest and Investment Income Invested by System | 31,157,697.17 | 32,223,164.91 |
| Payments to Acquire Investments | (23,909,600.19) | - |
| Payments to Acquire Investments Invested by System | - | (76,336,189.64) |
| Net Cash Provided (Used) by Investing Activities | <u>32,801,343.27</u> | <u>(44,102,728.10)</u> |
| Net Increase (Decrease) in Cash | 60,085,996.89 | (37,984,477.86) |
| Cash and Cash Equivalents (Beginning of the Year) | 67,262,114.88 | 105,246,592.74 |
| Cash and Cash Equivalents (End of the Year) | <u>\$ 127,348,111.77</u> | <u>\$ 67,262,114.88</u> |
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (196,913,831.07) | (196,526,408.24) |
| Adjustments to Reconcile Operating Results to Net Cash: | | |
| Depreciation and Amortization Expense | 82,144,698.75 | 80,250,469.37 |
| Bad Debt Expense | 1,528,231.01 | - |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | (2,098,266.20) | (7,371,298.68) |
| Inventories | (183,415.58) | 46,656.80 |
| Loans and Contracts | 1,554,656.26 | 1,208,433.45 |
| Other Current and Noncurrent Assets | 776,843.66 | 1,847,514.77 |
| Accounts Payable | 2,270,352.23 | (2,746,049.50) |
| Due to System | (239,108.94) | 165,326.40 |
| Unearned Revenue | 11,335,277.94 | 8,517,322.71 |
| Assets Held for Others | (264,669.61) | (149,034.40) |
| Employees' Compensable Leave | 33,736.07 | 462,823.32 |
| Asset Retirement Obligations | 20,546.25 | 20,546.25 |
| Other Current and Noncurrent Liabilities | 8,730.66 | 805,841.00 |
| Total Adjustments | <u>96,887,612.50</u> | <u>83,058,551.49</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (100,026,218.57)</u> | <u>\$ (113,467,856.75)</u> |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in Fair Value of Investments | 22,638,312.20 | 34,225,009.79 |
| Donated Capital Assets | 41,387,556.26 | - |
| Capital Assets Acquired Under Capital Lease Purchases or Direct Borrowings | - | 121,999.91 |
| Miscellaneous Noncash Transactions | (394,257.98) | (483,814.09) |

The University of Texas at El Paso
Exhibit A Statement of Net Position
As of August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|--------------------------|-------------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 54,947,409.76 | 53,969,479.30 |
| Restricted Cash & Cash Equivalents | 14,132,278.29 | 16,958,296.16 |
| Balance in State Appropriations | 2,492,770.55 | 2,069,025.40 |
| Accounts Receivable, Net: | | |
| Federal (allow. \$0.00 in 2019 & \$0.00 in 2018) | 18,251,151.06 | 16,946,547.71 |
| Other Intergov. (allow. \$0.00 in 2019 & \$0.00 in 2018) | 4,537,751.98 | 3,813,533.78 |
| Student (allow. \$2,374,032.46 in 2019 & \$1,900,461.82 in 2018) | 34,874,920.89 | 34,722,501.75 |
| Interest and Dividend Receivables | 265,085.76 | 298,751.04 |
| Contributions (allow. \$689,894.56 in 2019 & \$793,557.84 in 2018) | 3,909,402.49 | 4,496,827.92 |
| Other (allow. \$1,436,443.48 in 2019 & \$1,472,463.96 in 2018) | 15,046,272.05 | 18,019,382.85 |
| Due From System Administration | 14,412,716.43 | 16,660,145.47 |
| Due From Other Institutions | 49,073.42 | 29,669.41 |
| Due From Other Agencies | 110,988.14 | 223,697.21 |
| Inventories | 260,056.02 | 402,651.95 |
| Loans & Contracts (allow. \$930,600.05 in 2019 & \$1,180,061.42 in 2018) | 2,451,700.55 | 2,751,399.08 |
| Other Current Assets | 17,634,371.85 | 15,222,215.10 |
| Total Current Assets | 183,375,949.24 | 186,584,124.13 |
| Noncurrent Assets: | | |
| Cash and Cash Equivalents (Noncurrent Restricted) | | 10,239.77 |
| Restricted Investments | 12,593,788.25 | 14,068,973.33 |
| Loans & Contracts (allow. \$204,278.06 in 2019 & \$241,699.33 in 2018) | 555,553.35 | 569,748.53 |
| Funds Held by System Administration (Restricted) | 268,178,577.01 | 266,381,617.24 |
| Contributions Rec. (allow. \$66,748.44 in 2019 & \$50,537.33 in 2018) | 3,387,157.67 | 286,378.21 |
| Unrestricted Investments | 76,709,078.90 | 63,981,908.12 |
| Funds Held by System Administration (Unrestricted) | 3,577,883.05 | |
| Other Noncurrent Assets | 1,914,590.00 | 1,956,570.00 |
| Gross Capital/Intangible Assets | 956,783,561.78 | 900,269,186.40 |
| Accumulated Depreciation/Amortization | (426,424,504.15) | (399,883,269.42) |
| Total Noncurrent Assets | 897,275,685.86 | 847,641,352.18 |
| Total Assets | 1,080,651,635.10 | 1,034,225,476.31 |
| Total Assets and Deferred Outflows | 1,080,651,635.10 | 1,034,225,476.31 |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 18,165,716.29 | 14,725,794.77 |
| Salaries Payable | 10,569,968.44 | 10,242,867.89 |
| Due To System Administration | 2,541,774.59 | 2,470,421.07 |
| Due To Other Institutions | 179,251.26 | 291,449.02 |
| Due To Other State Agencies | 106,240.68 | 141,400.81 |
| Unearned Revenue | 98,230,361.31 | 91,356,128.88 |
| Employees' Compensable Leave - Current Portion | 3,666,215.45 | 3,294,063.85 |
| Notes, Loans, and Leases Payable | | |
| Assets Held for Others | 995,341.56 | 7,779,487.22 |
| Other Current Liabilities | 9,598,097.33 | 8,138,924.98 |
| Total Current Liabilities | 144,052,966.91 | 138,440,538.49 |
| Noncurrent Liabilities: | | |
| Employees' Compensable Leave | 5,349,883.64 | 5,145,835.66 |
| Liability to Beneficiaries | 2,691,022.16 | 2,832,814.96 |
| Notes, Loans, and Leases Payable | | |
| Other Noncurrent Liabilities | 2,833,827.65 | 1,555,879.00 |
| Total Noncurrent Liabilities | 10,874,733.45 | 9,534,529.62 |
| Total Liabilities | 154,927,700.36 | 147,975,068.11 |
| Total Deferred Inflows of Resources | 3,079,270.80 | 3,112,854.84 |
| Total Liabilities and Deferred Inflows | 158,006,971.16 | 151,087,922.95 |
| NET POSITION | | |
| Net Investment in Capital Assets | 530,359,057.63 | 500,385,916.98 |
| Restricted for: | | |
| Nonexpendable | | |
| Permanent Health and True Endowments | 136,196,293.90 | 131,769,839.02 |
| Expendable | | |
| Capital Projects | 10,754,089.04 | 14,766,225.81 |
| Funds Functioning as Endowment (Restricted) | 20,353,082.39 | 20,182,921.20 |
| Other Expendable | 159,396,541.12 | 160,443,979.07 |
| Unrestricted | 65,585,599.86 | 55,588,671.28 |
| Total Net Position | \$ 922,644,663.94 | 883,137,553.36 |

The University of Texas at El Paso
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|--------------------------|-------------------------|
| Operating Revenues: | | |
| Student Tuition and Fees | \$ 192,952,720.48 | 177,820,889.55 |
| Discounts and Allowances | (55,271,705.00) | (50,704,220.00) |
| Federal Sponsored Programs | 50,102,097.05 | 55,402,054.82 |
| Federal Sponsored Programs Pass-Through from State Agencies | 940,154.49 | 932,464.03 |
| State Sponsored Programs Pass-Through from State Agencies | 24,380,772.47 | 23,485,608.37 |
| Local Sponsored Programs | 1,493,976.97 | 778,496.92 |
| Private Sponsored Programs | 6,949,968.75 | 6,812,367.93 |
| Sales and Services of Educational Activities | 7,099,175.79 | 7,982,923.96 |
| Auxiliary Enterprises | 38,482,113.22 | 34,086,716.26 |
| Other Operating Revenues | <u>288,665.63</u> | <u>304,933.24</u> |
| Total Operating Revenues | <u>267,417,939.85</u> | <u>256,902,235.08</u> |
| Operating Expenses: | | |
| Instruction | 112,587,434.15 | 123,831,378.70 |
| Research | 86,244,325.57 | 70,224,863.84 |
| Public Service | 5,488,288.92 | 8,577,755.42 |
| Hospitals / Clinics | | |
| Academic Support | 24,428,090.69 | 23,403,446.87 |
| Student Services | 18,248,295.32 | 18,006,686.91 |
| Institutional Support | 31,549,871.60 | 31,579,995.85 |
| Operations and Maintenance of Plant | 28,669,636.41 | 28,472,065.40 |
| Scholarships and Fellowships | 59,025,925.86 | 54,115,634.80 |
| Auxiliary Enterprises | 53,037,495.99 | 48,228,536.85 |
| Depreciation and Amortization | <u>30,772,804.29</u> | <u>30,581,579.18</u> |
| Total Operating Expenses | <u>450,052,168.80</u> | <u>437,021,943.82</u> |
| Operating Income (Loss) | <u>(182,634,228.95)</u> | <u>(180,119,708.74)</u> |
| Nonoperating Revenues (Expenses): | | |
| State Appropriations | 107,836,564.80 | 107,290,679.64 |
| Federal Nonexchange Sponsored Programs | 63,971,200.15 | 61,120,566.00 |
| Federal Nonexchange Pass-Through | | |
| State Nonexchange Pass-Through | | 50,000.00 |
| Gift Contributions for Operations | 5,085,691.86 | 6,007,016.91 |
| Investment Income | 16,700,545.38 | 15,682,638.10 |
| Net Increase (Decrease) in Fair Value of Investments | 2,378,923.87 | 13,650,349.63 |
| Gain (Loss) on Sale of Capital Assets | (114,698.99) | (509,080.57) |
| Other Nonoperating Revenues | | 6,963.30 |
| Other Nonoperating (Expenses) | <u>(1,507,853.75)</u> | <u>(1,584,650.00)</u> |
| Net Nonoperating Revenues (Expenses) | <u>194,350,373.32</u> | <u>201,714,483.01</u> |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | 11,716,144.37 | 21,594,774.27 |
| Gifts and Sponsored Programs for Capital Acquisitions | 6,079,835.64 | 3,965,556.68 |
| Additions to Permanent Endowments | 3,873,211.20 | 6,215,039.08 |
| Reclass from/(to) Other Institutions | 18,000,327.89 | 4,044,951.88 |
| Transfers Between Institutions & System, Debt Service - Mandatory | (28,126,499.74) | (28,629,589.10) |
| Transfers Between Institutions & System Admin. - Non mandatory | 27,559,459.69 | 10,877,534.44 |
| Transfers From Other State Agencies | 500,638.00 | 468,756.00 |
| Transfers to Other State Agencies | (96,006.47) | 188,655.86 |
| Legislative Appropriations Lapsed | | <u>(999.00)</u> |
| Change in Net Position | <u>39,507,110.58</u> | <u>18,347,368.39</u> |
| Beginning Net Position | <u>883,137,553.36</u> | <u>864,790,184.97</u> |
| Ending Net Position | <u>\$ 922,644,663.94</u> | <u>883,137,553.36</u> |

The University of Texas at El Paso
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|----------------------------|----------------------------|
| Cash Flows from Operating Activities: | | |
| Proceeds from Tuition and Fees | 143,414,203.33 | 129,309,998.98 |
| Proceeds from Sponsored Programs | 79,666,982.16 | 89,001,256.21 |
| Proceeds from Auxiliaries | 39,450,717.11 | 32,823,101.26 |
| Proceeds from Other Revenues | 7,492,409.44 | 13,001,505.01 |
| Payments to Suppliers | (171,783,209.28) | (160,710,292.43) |
| Payments to Employees | (247,887,469.05) | (245,342,369.48) |
| Payments for Loans Provided | (4,327,146.11) | (4,485,786.45) |
| Proceeds from Loan Programs | 4,927,922.46 | 4,734,025.94 |
| Net Cash Provided (Used) by Operating Activities | <u>(149,045,589.94)</u> | <u>(141,668,560.96)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from State Appropriations | 107,412,819.65 | 107,851,463.22 |
| Proceeds from Operating Gifts | 5,581,254.31 | 7,726,962.34 |
| Proceeds from Private Gifts for Endowment Purposes | 3,873,211.20 | 6,215,039.08 |
| Receipts for Transfers from System or Other Agencies | 654,350.00 | 2,149,264.22 |
| Payments for Transfers to System or Other Agencies | (248,253.47) | (297,297.44) |
| Payments for Other Uses | (1,507,853.75) | (1,584,650.00) |
| Proceeds from Nonexchange Sponsored Programs | 64,524,435.37 | 61,170,566.00 |
| Net Cash Provided by Noncapital Financing Activities | <u>180,289,963.31</u> | <u>183,231,347.42</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Nonmandatory Capital Related Transfers | 47,859,078.39 | 23,376,791.62 |
| Proceeds from Capital Appropriations, Grants, and Gifts | 3,031,716.56 | 3,945,363.93 |
| Payments for Additions to Capital Assets | (58,166,578.16) | (32,339,183.09) |
| Mandatory Transfers to System for Capital Related Debt | (28,126,499.74) | (28,629,589.10) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(35,402,282.95)</u> | <u>(33,646,616.64)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments Invested by System | - | - |
| Proceeds from Interest and Investment Income | 1,240,389.36 | 731,272.81 |
| Proceeds from Interest and Investment Income Invested by System | 15,440,494.53 | 14,850,085.27 |
| Payments to Acquire Investments Invested by System | (14,381,301.49) | (9,437,532.60) |
| Net Cash Provided (Used) by Investing Activities | <u>2,299,582.40</u> | <u>6,143,825.48</u> |
| Net Increase (Decrease) in Cash | (1,858,327.18) | 14,059,995.30 |
| Cash and Cash Equivalents (Beginning of the Year) | <u>70,938,015.23</u> | <u>56,878,019.93</u> |
| Cash and Cash Equivalents (End of the Year) | <u>\$ 69,079,688.05</u> | <u>\$ 70,938,015.23</u> |
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (182,634,228.95) | (180,119,708.74) |
| Adjustments to Reconcile Operating Results to Net Cash: | | |
| Depreciation and Amortization Expense | 30,772,804.29 | 30,581,579.18 |
| Bad Debt Expense | (286,882.64) | 332,408.10 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | 331,939.95 | 782,900.18 |
| Inventories | 142,595.93 | (46,525.05) |
| Loans and Contracts | 600,776.35 | 248,239.49 |
| Other Current and Noncurrent Assets | (2,412,156.75) | 691,945.19 |
| Accounts Payable | 964,801.01 | (1,320,662.14) |
| Due to System | 71,353.52 | 73,496.97 |
| Unearned Revenue | 6,874,232.43 | 5,104,427.06 |
| Assets Held for Others | (6,784,145.66) | (797,281.94) |
| Employees' Compensable Leave | 576,199.58 | 295,884.40 |
| Other Current and Noncurrent Liabilities | 2,737,121.00 | 2,504,736.34 |
| Total Adjustments | <u>33,588,639.01</u> | <u>38,451,147.78</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (149,045,589.94)</u> | <u>\$ (141,668,560.96)</u> |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in Fair Value of Investments | 2,378,923.87 | 13,650,349.63 |
| Donated Capital Assets | 39,202.60 | 20,192.75 |
| Miscellaneous Noncash Transactions | (114,698.99) | (545,722.69) |

The University of Texas Permian Basin
Exhibit A - Statement of Net Position
As of August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|--------------------------|-----------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 12,402,758.43 | 9,041,704.45 |
| Restricted Cash & Cash Equivalents | 17,467,799.93 | 5,317,242.10 |
| Balance in State Appropriations | 674,192.35 | 1,057,928.42 |
| Accounts Receivable, Net: | | |
| Federal (allow. \$0.00 in 2019 & \$0.00 in 2018) | (896,456.33) | 6,684,427.26 |
| Other Intergov. (allow. \$0.00 in 2019 & \$0.00 in 2018) | 3,429,895.20 | 1,817,681.82 |
| Student (allow. \$2,194,062.60 in 2019 & \$441,417.34 in 2018) | (3,368,129.56) | 22,097,911.42 |
| Contributions (allow. \$364,700.00 in 2019 & \$371,474.68 in 2018) | 3,282,300.00 | 3,343,272.16 |
| Other (allow. \$2,958.00 in 2019 & \$2,958.00 in 2018) | 15,665,794.75 | 26,105,414.06 |
| Due From System Administration | 8,899,800.09 | 12,221,763.68 |
| Due From Other Institutions | | 49,708.60 |
| Due From Other Agencies | 28,372.90 | 1,098,947.47 |
| Inventories | 361,956.94 | 387,193.56 |
| Loans & Contracts (allow. \$269,984.89 in 2019 & \$269,984.89 in 2018) | 19,281.53 | 129,446.94 |
| Other Current Assets | 1,045,113.69 | 229,787.66 |
| Total Current Assets | 59,012,679.92 | 89,582,429.60 |
| Noncurrent Assets: | | |
| Restricted Investments | | 4,058,925.68 |
| Funds Held by System Administration (Restricted) | 49,258,519.87 | 48,659,257.25 |
| Contributions Rec. (allow. \$951,019.04 in 2019 & \$1,055,427.67 in 2018) | 8,559,171.31 | 9,498,849.04 |
| Unrestricted Investments | 3,777,432.46 | 9,023,016.43 |
| Gross Capital/Intangible Assets | 427,436,838.07 | 381,859,454.00 |
| Accumulated Depreciation/Amortization | (170,582,716.83) | (154,817,385.65) |
| Total Noncurrent Assets | 318,449,244.88 | 298,282,116.75 |
| Total Assets | 377,461,924.80 | 387,864,546.35 |
| Total Assets and Deferred Outflows | 377,461,924.80 | 387,864,546.35 |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 15,417,053.01 | 9,446,117.69 |
| Salaries Payable | 415,207.39 | 3,158,694.12 |
| Other Intergovernmental Payables | (7,178.66) | |
| Due To System Administration | 635,070.07 | 614,634.55 |
| Unearned Revenue | 28,320,418.42 | 26,450,977.68 |
| Employees' Compensable Leave - Current Portion | 512,806.34 | 559,616.24 |
| Notes, Loans, and Leases Payable | | |
| Assets Held for Others | | |
| Other Current Liabilities | (1,117,087.60) | 428,126.85 |
| Total Current Liabilities | 44,176,288.97 | 40,658,167.13 |
| Noncurrent Liabilities: | | |
| Employees' Compensable Leave | 1,123,488.15 | 948,071.06 |
| Assets Held for Others | 64,791.60 | (448,170.80) |
| Notes, Loans, and Leases Payable | | |
| Total Noncurrent Liabilities | 1,188,279.75 | 499,900.26 |
| Total Liabilities | 45,364,568.72 | 41,158,067.39 |
| Total Liabilities and Deferred Inflows | 45,364,568.72 | 41,158,067.39 |
| NET POSITION | | |
| Net Investment in Capital Assets | 256,854,121.24 | 227,042,068.35 |
| Restricted for: | | |
| Nonexpendable | | |
| Permanent Health and True Endowments | 35,055,692.27 | 34,247,217.54 |
| Expendable | | |
| Capital Projects | (2,309,951.98) | 7,179,592.81 |
| Funds Functioning as Endowment (Restricted) | 820,717.64 | 529,467.35 |
| Other Expendable | 47,450,657.67 | 44,054,344.52 |
| Unrestricted | (5,773,880.76) | 33,653,788.39 |
| Total Net Position | \$ 332,097,356.08 | 346,706,478.96 |

The University of Texas Permian Basin
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|--------------------------|------------------------|
| Operating Revenues: | | |
| Student Tuition and Fees | \$ 19,122,416.28 | 51,523,767.89 |
| Discounts and Allowances | (27,552,471.00) | (18,324,318.08) |
| Federal Sponsored Programs | 809,407.89 | 993,770.01 |
| Federal Sponsored Programs Pass-Through from State Agencies | (161,423.23) | 2,164,208.10 |
| State Sponsored Programs Pass-Through from State Agencies | 8,130,551.58 | 6,734,546.95 |
| Local Sponsored Programs | 4,535,963.89 | 528,221.99 |
| Private Sponsored Programs | 176,043.34 | 384,012.65 |
| Sales and Services of Educational Activities | 1,842,129.11 | 3,304,759.93 |
| Auxiliary Enterprises | 4,397,451.56 | 10,281,896.90 |
| Discounts and Allowances Auxiliary Enterprises | | (1,316,006.51) |
| Other Operating Revenues | 1,080,256.08 | 876,944.10 |
| Total Operating Revenues | <u>12,380,325.50</u> | <u>57,151,803.93</u> |
| Operating Expenses: | | |
| Instruction | 25,924,706.38 | 26,984,012.93 |
| Research | 1,508,785.68 | 972,679.26 |
| Public Service | 4,423,170.56 | 3,490,442.96 |
| Academic Support | 9,530,293.61 | 7,648,118.08 |
| Student Services | 4,187,996.92 | 3,265,898.49 |
| Institutional Support | 9,755,072.80 | 10,310,491.85 |
| Operations and Maintenance of Plant | 12,082,265.20 | 11,394,158.08 |
| Scholarships and Fellowships | 4,537,231.43 | 3,044,400.56 |
| Auxiliary Enterprises | 10,436,407.07 | 9,240,417.86 |
| Depreciation and Amortization | <u>16,161,863.63</u> | <u>15,912,664.96</u> |
| Total Operating Expenses | <u>98,547,793.28</u> | <u>92,263,285.03</u> |
| Operating Income (Loss) | <u>(86,167,467.78)</u> | <u>(35,111,481.10)</u> |
| Nonoperating Revenues (Expenses): | | |
| State Appropriations | 35,719,306.70 | 35,581,174.83 |
| Federal Nonexchange Sponsored Programs | 9,564,775.79 | 7,054,875.38 |
| Federal Nonexchange Pass-Through | | |
| State Nonexchange Pass-Through | | |
| Gift Contributions for Operations | 2,792,420.80 | 14,927,098.11 |
| Investment Income | 3,090,069.45 | 2,849,747.52 |
| Net Increase (Decrease) in Fair Value of Investments | (242,543.82) | 1,889,345.44 |
| Gain (Loss) on Sale of Capital Assets | (30,203.95) | (617,487.26) |
| Other Nonoperating Revenues | 467,934.38 | 642,996.99 |
| Other Nonoperating (Expenses) | <u>(145,260.48)</u> | <u>(7,659.67)</u> |
| Net Nonoperating Revenues (Expenses) | <u>51,216,498.87</u> | <u>62,320,091.34</u> |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | (34,950,968.91) | 27,208,610.24 |
| Gifts and Sponsored Programs for Capital Acquisitions | 2,310,003.67 | (299,103.99) |
| Additions to Permanent Endowments | 956,499.62 | 383,913.50 |
| Reclass from/(to) Other Institutions | 15,082,366.54 | (5,348,575.59) |
| Transfers Between Institutions & System, Debt Service - Mandatory | (18,730,583.52) | (18,743,296.52) |
| Transfers Between Institutions & System Admin. - Non mandatory | 20,640,528.00 | 32,064,053.69 |
| Transfers From Other State Agencies | 83,031.72 | 74,344.00 |
| Transfers to Other State Agencies | | 34,993.42 |
| Legislative Appropriations Lapsed | | <u>(357.00)</u> |
| Change in Net Position | <u>(14,609,122.88)</u> | <u>35,304,594.91</u> |
| Beginning Net Position | <u>346,706,478.96</u> | <u>311,401,884.05</u> |
| Ending Net Position | <u>\$ 332,097,356.08</u> | <u>346,706,478.96</u> |

The University of Texas Permian Basin
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|---------------------------|---------------------------|
| Cash Flows from Operating Activities: | | |
| Proceeds from Tuition and Fees | 18,470,533.49 | 32,827,691.54 |
| Proceeds from Sponsored Programs | 16,376,148.00 | 3,415,164.84 |
| Proceeds from Auxiliaries | 4,773,512.59 | 9,444,326.43 |
| Proceeds from Other Revenues | 16,469,049.08 | (4,025,644.26) |
| Payments to Suppliers | (35,778,184.91) | (42,593,120.33) |
| Payments to Employees | (49,419,970.07) | (42,657,474.58) |
| Payments for Loans Provided | (223,236.55) | 715,709.24 |
| Proceeds from Loan Programs | 333,401.96 | (424,971.11) |
| Net Cash Provided (Used) by Operating Activities | <u>(28,998,746.41)</u> | <u>(43,298,318.23)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from State Appropriations | 36,103,042.77 | 35,635,496.39 |
| Proceeds from Operating Gifts | 3,793,070.69 | 6,632,302.35 |
| Proceeds from Private Gifts for Endowment Purposes | 956,499.62 | 383,913.50 |
| Proceeds from Other Noncapital Financing Activities | 394,792.85 | 25,509.73 |
| Receipts for Transfers from System or Other Agencies | 3,195,094.96 | 5,303,554.50 |
| Payments for Transfers to System or Other Agencies | - | (34,993.42) |
| Payments for Other Uses | (473,500.52) | (888.67) |
| Proceeds from Nonexchange Sponsored Programs | 9,564,775.79 | 7,054,875.38 |
| Net Cash Provided by Noncapital Financing Activities | <u>53,533,776.16</u> | <u>54,999,769.76</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Nonmandatory Capital Related Transfers | 35,932,794.89 | 27,574,431.68 |
| Proceeds from Capital Appropriations, Grants, and Gifts | - | (304,353.99) |
| Payments for Additions to Capital Assets | (37,778,401.97) | (22,888,807.94) |
| Mandatory Transfers to System for Capital Related Debt | (18,730,583.52) | (18,743,296.52) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(20,576,190.60)</u> | <u>(14,362,026.77)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments Invested by System | 8,462,703.21 | - |
| Proceeds from Interest and Investment Income | 251,179.61 | 141,539.54 |
| Proceeds from Interest and Investment Income Invested by System | 2,838,889.84 | 2,708,207.98 |
| Payments to Acquire Investments Invested by System | - | (4,968,429.33) |
| Net Cash Provided (Used) by Investing Activities | <u>11,552,772.66</u> | <u>(2,118,681.81)</u> |
| Net Increase (Decrease) in Cash | 15,511,611.81 | (4,779,257.05) |
| Cash and Cash Equivalents (Beginning of the Year) | 14,358,946.55 | 19,138,203.60 |
| Cash and Cash Equivalents (End of the Year) | <u>\$ 29,870,558.36</u> | <u>\$ 14,358,946.55</u> |
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (86,167,467.78) | (35,111,481.10) |
| Adjustments to Reconcile Operating Results to Net Cash: | | |
| Depreciation and Amortization Expense | 16,161,863.63 | 15,912,664.96 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | 42,994,613.67 | (27,020,205.51) |
| Inventories | 25,236.62 | 57,500.08 |
| Loans and Contracts | 110,165.41 | 290,738.13 |
| Other Current and Noncurrent Assets | (815,326.03) | 1,506,359.02 |
| Accounts Payable | (2,294,063.33) | (1,558,891.01) |
| Due to System | 20,435.52 | 79,209.13 |
| Unearned Revenue | 1,869,440.74 | 2,742,642.95 |
| Assets Held for Others | 512,962.40 | (244,437.34) |
| Employees' Compensable Leave | 128,607.19 | 120,614.98 |
| Other Current and Noncurrent Liabilities | (1,545,214.45) | (73,032.52) |
| Total Adjustments | <u>57,168,721.37</u> | <u>(8,186,837.13)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (28,998,746.41)</u> | <u>\$ (43,298,318.23)</u> |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in Fair Value of Investments | (242,543.82) | 1,889,345.44 |
| Donated Capital Assets | 2,310,003.67 | 5,250.00 |
| Miscellaneous Noncash Transactions | 42,937.58 | (6,771.00) |

The University of Texas Rio Grande Valley
Exhibit A Statement of Net Position
As of August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|---------------------------------|--------------------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 81,095,198.60 | 87,182,472.45 |
| Restricted Cash & Cash Equivalents | (429,190.45) | (15,398,727.51) |
| Balance in State Appropriations | 13,456,730.58 | 12,560,493.44 |
| Accounts Receivable, Net: | | |
| Federal (allow. \$0.00 in 2019 & \$0.00 in 2018) | 31,764,924.65 | 27,932,313.89 |
| Other Intergov. (allow. \$0.00 in 2019 & \$0.00 in 2018) | 4,266,843.85 | 5,269,432.73 |
| Student (allow. \$4,703,807.50 in 2019 & \$3,255,594.60 in 2018) | 11,376,737.22 | 15,021,979.28 |
| Patient & Healthcare(allow. \$34,749,297.23 in 2019 & \$24,862,773.57 in 2018) | 5,180,479.42 | 5,528,075.73 |
| Interest and Dividend Receivables | 309,406.55 | 288,428.82 |
| Contributions (allow. \$31,065.62 in 2019 & \$32,857.75 in 2018) | 6,030,383.45 | 6,588,384.38 |
| Other (allow. \$153,420.71 in 2019 & \$0.00 in 2018) | 18,540,074.60 | 18,792,812.66 |
| Due From System Administration | 17,709,411.55 | 19,468,316.64 |
| Due From Other Institutions | 368,858.56 | 373,884.03 |
| Due From Other Agencies | 797,447.31 | 806,304.03 |
| Inventories | 357,887.96 | 227,531.99 |
| Loans & Contracts (allow. \$9,600,588.40 in 2019 & \$7,233,937.75 in 2018) | 12,117,959.18 | 18,088,730.71 |
| Other Current Assets | <u>523,615.83</u> | <u>396,089.21</u> |
| Total Current Assets | <u>203,466,768.86</u> | <u>203,126,522.48</u> |
| Noncurrent Assets: | | |
| Restricted Investments | 3,129,213.21 | 2,973,056.28 |
| Loans & Contracts (allow. \$1,050,184.02 in 2019 & \$1,030,992.84 in 2018) | 118,934.41 | 287,905.95 |
| Funds Held by System Administration (Restricted) | 43,153,808.03 | 62,253,725.41 |
| Contributions Rec. (allow. \$157,557.61 in 2019 & \$158,413.32 in 2018) | 7,020,269.26 | 7,746,413.29 |
| Unrestricted Investments | 116,111,783.77 | 110,295,466.96 |
| Funds Held by System Administration (Unrestricted) | 21,115,825.98 | |
| Other Noncurrent Assets | 470,026.00 | 1.00 |
| Gross Capital/Intangible Assets | 1,161,553,060.73 | 1,104,160,995.09 |
| Accumulated Depreciation/Amortization | <u>(512,362,497.36)</u> | <u>(464,108,458.76)</u> |
| Total Noncurrent Assets | <u>840,310,424.03</u> | <u>823,609,105.22</u> |
| Total Assets | <u>1,043,777,192.89</u> | <u>1,026,735,627.70</u> |
| Total Assets and Deferred Outflows | <u>1,043,777,192.89</u> | <u>1,026,735,627.70</u> |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 34,884,658.78 | 42,310,794.45 |
| Salaries Payable | 17,903,243.34 | 20,100,531.53 |
| Federal Payables | | 1,126,982.25 |
| Other Intergovernmental Payables | 15,982.89 | |
| Due To System Administration | 3,921,765.93 | 3,575,480.82 |
| Due To Other Institutions | 94,224.72 | 159,960.85 |
| Due To Other State Agencies | 2,431,406.41 | 2,086,214.24 |
| Unearned Revenue | 87,542,937.03 | 66,092,728.83 |
| Employees' Compensable Leave - Current Portion | 3,637,232.42 | 3,193,100.37 |
| Notes, Loans, and Leases Payable | | |
| Other Current Liabilities | <u>1,967,561.95</u> | <u>690,967.81</u> |
| Total Current Liabilities | <u>152,399,013.47</u> | <u>139,336,761.15</u> |
| Noncurrent Liabilities: | | |
| Employees' Compensable Leave | 6,970,199.47 | 5,865,228.48 |
| Assets Held for Others | | 3,508,546.98 |
| Liability to Beneficiaries | 147,728.79 | 148,889.70 |
| Notes, Loans, and Leases Payable | | |
| Total Noncurrent Liabilities | <u>7,117,928.26</u> | <u>9,522,665.16</u> |
| Total Liabilities | <u>159,516,941.73</u> | <u>148,859,426.31</u> |
| Total Deferred Inflows of Resources | <u>649,217.61</u> | <u>169,061.00</u> |
| Total Liabilities and Deferred Inflows | <u>160,166,159.34</u> | <u>149,028,487.31</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 649,190,563.37 | 640,052,536.33 |
| Restricted for: | | |
| Nonexpendable | | |
| Permanent Health and True Endowments | 29,024,890.50 | 26,648,778.11 |
| Expendable | | |
| Capital Projects | 3,275,273.08 | (4,544,697.33) |
| Funds Functioning as Endowment (Restricted) | 1,769,303.25 | 1,714,792.48 |
| Other Expendable | 44,912,581.82 | 51,727,026.68 |
| Unrestricted | <u>155,438,421.53</u> | <u>162,108,704.12</u> |
| Total Net Position | <u>\$ 883,611,033.55</u> | <u>877,707,140.39</u> |

The University of Texas Rio Grande Valley
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|--------------------------|-------------------------|
| Operating Revenues: | | |
| Student Tuition and Fees | \$ 220,509,262.93 | 208,711,662.98 |
| Discounts and Allowances | (115,292,048.66) | (114,960,061.01) |
| Federal Sponsored Programs | 41,110,393.94 | 39,504,804.25 |
| Federal Sponsored Programs Pass-Through from State Agencies | 2,050,875.99 | 2,128,300.43 |
| State Sponsored Programs Pass-Through from State Agencies | 42,154,061.10 | 43,874,022.72 |
| Local Sponsored Programs | 26,469,754.37 | 27,123,031.77 |
| Private Sponsored Programs | 8,754,078.73 | 6,116,357.10 |
| Sales and Services of Educational Activities | 7,736,328.44 | 6,751,251.15 |
| Professional Fees (Patient Charges) | 17,819,013.52 | 14,435,048.56 |
| Discounts and Allowances Professional Fees (Patient Charges) | (12,602,275.15) | (9,970,724.21) |
| Auxiliary Enterprises | 9,425,690.20 | 9,680,546.68 |
| Other Operating Revenues | 13,411,107.46 | 14,752,357.23 |
| Total Operating Revenues | 261,546,242.87 | 248,146,597.65 |
| Operating Expenses: | | |
| Instruction | 153,791,028.41 | 156,907,599.17 |
| Research | 44,386,004.15 | 21,701,258.17 |
| Public Service | 19,015,671.86 | 19,192,994.05 |
| Hospitals / Clinics | 29,320,229.18 | 26,329,255.96 |
| Academic Support | 53,187,981.91 | 49,496,430.06 |
| Student Services | 30,497,238.16 | 32,623,673.28 |
| Institutional Support | 37,830,799.59 | 36,612,328.52 |
| Operations and Maintenance of Plant | 36,575,818.87 | 33,481,190.91 |
| Scholarships and Fellowships | 53,491,586.16 | 38,771,697.92 |
| Auxiliary Enterprises | 28,221,315.45 | 27,447,537.97 |
| Depreciation and Amortization | 48,650,301.97 | 41,228,680.33 |
| Total Operating Expenses | 534,967,975.71 | 483,792,646.34 |
| Operating Income (Loss) | (273,421,732.84) | (235,646,048.69) |
| Nonoperating Revenues (Expenses): | | |
| State Appropriations | 141,965,152.03 | 143,176,044.61 |
| Federal Nonexchange Sponsored Programs | 89,883,953.60 | 78,328,085.08 |
| Federal Nonexchange Pass-Through | | |
| State Nonexchange Pass-Through | | |
| Gift Contributions for Operations | 4,644,752.66 | 2,668,953.79 |
| Investment Income | 9,695,568.19 | 8,668,636.33 |
| Net Increase (Decrease) in Fair Value of Investments | 2,076,315.19 | 2,404,221.36 |
| Gain (Loss) on Sale of Capital Assets | (7,796.01) | (15,008.05) |
| Other Nonoperating (Expenses) | (80,000.00) | (806,472.12) |
| Net Nonoperating Revenues (Expenses) | 248,177,945.66 | 234,424,461.00 |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | (25,243,787.18) | (1,221,587.69) |
| Gifts and Sponsored Programs for Capital Acquisitions | 1,263,922.00 | 2,543,529.33 |
| Additions to Permanent Endowments | 2,375,149.29 | 1,436,112.20 |
| Reclass from/(to) Other Institutions | 38,529,479.73 | 46,584,236.49 |
| Transfers Between Institutions & System, Debt Service - Mandatory | (25,529,026.11) | (25,521,481.96) |
| Transfers Between Institutions & System Admin. - Non mandatory | 14,100,093.43 | 32,761,565.21 |
| Transfers From Other State Agencies | 410,532.00 | 475,325.00 |
| Legislative Appropriations Lapsed | (2,470.00) | (748,494.00) |
| Change in Net Position | 5,903,893.16 | 56,309,204.58 |
| Beginning Net Position | 877,707,140.39 | 821,397,935.81 |
| Ending Net Position | \$ 883,611,033.55 | 877,707,140.39 |

The University of Texas Rio Grande Valley
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2019

| | <u>Current Year Totals</u> | <u>Prior Year Totals</u> |
|--|----------------------------|----------------------------|
| Cash Flows from Operating Activities: | | |
| Proceeds from Tuition and Fees | 110,095,577.59 | 95,504,737.31 |
| Proceeds from Patients and Customers | 5,564,334.68 | 3,067,262.99 |
| Proceeds from Sponsored Programs | 141,661,024.53 | 111,749,049.54 |
| Proceeds from Auxiliaries | 9,390,826.66 | 11,311,011.46 |
| Proceeds from Other Revenues | 20,695,101.20 | 22,482,224.87 |
| Payments to Suppliers | (164,537,599.85) | (134,641,758.06) |
| Payments to Employees | (329,892,411.43) | (300,110,560.00) |
| Payments for Loans Provided | (10,875,671.35) | (17,183,380.06) |
| Proceeds from Loan Programs | 17,097,476.62 | 13,362,873.29 |
| Net Cash Provided (Used) by Operating Activities | <u>(200,801,341.35)</u> | <u>(194,458,538.66)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from State Appropriations | 141,066,444.89 | 154,891,679.95 |
| Proceeds from Operating Gifts | 5,928,897.62 | 5,728,998.77 |
| Proceeds from Private Gifts for Endowment Purposes | 2,375,149.29 | 1,436,112.20 |
| Proceeds from Other Noncapital Financing Activities | (49,601.36) | 49,601.36 |
| Receipts for Transfers from System or Other Agencies | 784,000.88 | 2,715,417.43 |
| Payments for Transfers to System or Other Agencies | - | (1,215,470.84) |
| Payments for Other Uses | (80,000.00) | (806,472.12) |
| Proceeds from Nonexchange Sponsored Programs | 88,108,238.29 | 102,687,678.33 |
| Net Cash Provided by Noncapital Financing Activities | <u>238,133,129.61</u> | <u>265,487,545.08</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Nonmandatory Capital Related Transfers | 54,018,898.55 | 84,460,162.03 |
| Proceeds from Capital Appropriations, Grants, and Gifts | - | 2,500,000.00 |
| Proceeds from Sale of Capital Assets | 9,653.83 | 14,943.75 |
| Payments for Additions to Capital Assets | (60,716,655.15) | (100,042,694.49) |
| Mandatory Transfers to System for Capital Related Debt | (25,529,026.11) | (25,521,481.96) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(32,217,128.88)</u> | <u>(38,589,070.67)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments Invested by System | - | - |
| Proceeds from Interest and Investment Income | 1,754,207.84 | 1,108,307.26 |
| Proceeds from Interest and Investment Income Invested by System | 7,916,493.44 | 7,547,613.78 |
| Payments to Acquire Investments Invested by System | (5,903,097.45) | (8,353,965.72) |
| Net Cash Provided (Used) by Investing Activities | <u>3,767,603.83</u> | <u>301,955.32</u> |
| Net Increase (Decrease) in Cash | 8,882,263.21 | 32,741,891.07 |
| Cash and Cash Equivalents (Beginning of the Year) | 71,783,744.94 | 39,041,853.87 |
| Cash and Cash Equivalents (End of the Year) | <u>\$ 80,666,008.15</u> | <u>\$ 71,783,744.94</u> |
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (273,421,732.84) | (235,646,048.69) |
| Adjustments to Reconcile Operating Results to Net Cash: | | |
| Depreciation and Amortization Expense | 48,650,301.97 | 41,228,680.33 |
| Bad Debt Expense | (82,062.20) | 2,858,080.55 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | 3,205,152.05 | (8,376,944.37) |
| Inventories | (130,355.97) | (34,108.28) |
| Loans and Contracts | 6,221,805.27 | (3,820,506.77) |
| Other Current and Noncurrent Assets | (127,525.62) | 155,438.19 |
| Accounts Payable | (6,230,567.52) | 2,308,960.66 |
| Due to System | 346,285.11 | 265,770.79 |
| Unearned Revenue | 21,450,208.20 | 3,685,082.70 |
| Assets Held for Others | (3,508,546.98) | 2,365,786.90 |
| Employees' Compensable Leave | 1,549,103.04 | 952,426.12 |
| Other Current and Noncurrent Liabilities | 1,276,594.14 | (401,156.79) |
| Total Adjustments | <u>72,620,391.49</u> | <u>41,187,510.03</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (200,801,341.35)</u> | <u>\$ (194,458,538.66)</u> |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in Fair Value of Investments | 2,076,315.19 | 2,404,221.36 |
| Donated Capital Assets | 1,263,922.00 | 43,529.33 |
| Miscellaneous Noncash Transactions | (7,796.01) | (15,008.05) |

The University of Texas at San Antonio
Exhibit A Statement of Net Position
As of August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|----------------------------|-------------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 54,184,132.66 | 49,905,050.65 |
| Restricted Cash & Cash Equivalents | 48,513,572.20 | 19,762,771.38 |
| Balance in State Appropriations | 1,852,720.89 | 4,872,695.58 |
| Accounts Receivable, Net: | | |
| Federal (allow. \$539,535.82 in 2019 & \$1,148,456.03 in 2018) | 16,418,746.20 | 28,520,634.05 |
| Other Intergov. (allow. \$913,813.52 in 2019 & \$82,895.06 in 2018) | 3,923,735.62 | 4,313,791.40 |
| Student (allow. \$1,352,000.00 in 2019 & \$1,046,000.00 in 2018) | 47,045,218.49 | 41,399,408.05 |
| Interest and Dividend Receivables | 1,025,991.09 | 965,742.75 |
| Contributions (allow. \$2,713.57 in 2019 & \$6,376.62 in 2018) | 549,670.32 | 1,292,537.01 |
| Other (allow. \$0.00 in 2019 & \$0.00 in 2018) | 4,251,995.29 | 3,818,532.60 |
| Due From System Administration | 22,421,764.92 | 16,913,831.31 |
| Due From Other Institutions | 376,473.55 | 239,718.31 |
| Due From Other Agencies | 1,028,231.97 | 155,696.82 |
| Inventories | 649,720.48 | 621,573.08 |
| Loans & Contracts (allow. \$707,277.20 in 2019 & \$1,004,739.22 in 2018) | 3,288,948.48 | 6,992,222.09 |
| Other Current Assets | 28,653,383.76 | 25,468,891.26 |
| Total Current Assets | <u>234,184,305.92</u> | <u>205,243,096.39</u> |
| Noncurrent Assets: | | |
| Restricted Investments | 2,000,000.00 | 2,000,000.00 |
| Loans & Contracts (allow. \$933,655.95 in 2019 & \$578,681.40 in 2018) | 4,341,644.68 | 4,027,183.24 |
| Funds Held by System Administration (Restricted) | 153,001,814.08 | 164,342,746.95 |
| Contributions Rec. (allow. \$1,300.68 in 2019 & \$2,356.16 in 2018) | 263,470.01 | 477,593.12 |
| Unrestricted Investments | 282,918,805.81 | 271,116,413.83 |
| Funds Held by System Administration (Unrestricted) | 19,097,467.70 | |
| Other Noncurrent Assets | 100,001.00 | 1.00 |
| Gross Capital/Intangible Assets | 1,372,475,202.14 | 1,309,266,869.18 |
| Accumulated Depreciation/Amortization | <u>(663,252,371.51)</u> | <u>(615,424,797.26)</u> |
| Total Noncurrent Assets | <u>1,170,946,033.91</u> | <u>1,135,806,010.06</u> |
| Total Assets | <u>1,405,130,339.83</u> | <u>1,341,049,106.45</u> |
| Total Assets and Deferred Outflows | <u>1,405,130,339.83</u> | <u>1,341,049,106.45</u> |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 27,646,468.06 | 15,818,292.83 |
| Salaries Payable | 19,734,870.18 | 21,180,362.07 |
| Due To System Administration | 3,420,779.20 | 3,277,795.05 |
| Due To Other Institutions | 179,978.34 | 56,434.94 |
| Due To Other State Agencies | 291,239.74 | 314,947.44 |
| Unearned Revenue | 151,952,313.60 | 139,147,485.52 |
| Employees' Compensable Leave - Current Portion | 5,308,493.66 | 5,247,790.51 |
| Notes, Loans, and Leases Payable | | |
| Assets Held for Others | 2,352,067.00 | 2,463,856.04 |
| Other Current Liabilities | 2,307,186.17 | 4,084,153.42 |
| Total Current Liabilities | <u>213,193,395.95</u> | <u>191,591,117.82</u> |
| Noncurrent Liabilities: | | |
| Employees' Compensable Leave | 5,289,272.26 | 4,906,546.92 |
| Liability to Beneficiaries | 139,526.75 | 150,180.68 |
| Notes, Loans, and Leases Payable | | |
| Other Noncurrent Liabilities | <u>967,879.34</u> | <u>1,159,860.56</u> |
| Total Noncurrent Liabilities | <u>6,396,678.35</u> | <u>6,216,588.16</u> |
| Total Liabilities | <u>219,590,074.30</u> | <u>197,807,705.98</u> |
| Total Deferred Inflows of Resources | <u>158,460.87</u> | <u>160,970.00</u> |
| Total Liabilities and Deferred Inflows | <u>219,748,535.17</u> | <u>197,968,675.98</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 709,222,830.63 | 693,842,071.92 |
| Restricted for: | | |
| Nonexpendable | | |
| Permanent Health and True Endowments | 119,142,828.50 | 112,997,107.40 |
| Expendable | | |
| Capital Projects | 9,007,067.12 | 8,339,640.50 |
| Funds Functioning as Endowment (Restricted) | 1,932,418.32 | 1,824,444.68 |
| Other Expendable | 106,428,219.85 | 91,591,123.69 |
| Unrestricted | <u>239,648,440.24</u> | <u>234,486,042.28</u> |
| Total Net Position | <u>\$ 1,185,381,804.66</u> | <u>1,143,080,430.47</u> |

The University of Texas at San Antonio
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|----------------------------|-------------------------|
| Operating Revenues: | | |
| Student Tuition and Fees | \$ 305,348,983.50 | 296,806,782.26 |
| Discounts and Allowances | (97,607,117.42) | (91,975,489.49) |
| Federal Sponsored Programs | 45,284,349.51 | 42,071,385.16 |
| Federal Sponsored Programs Pass-Through from State Agencies | 1,942,372.05 | 1,574,641.84 |
| State Sponsored Programs Pass-Through from State Agencies | 26,537,277.96 | 22,849,988.52 |
| Local Sponsored Programs | 811,110.97 | 3,335,347.62 |
| Private Sponsored Programs | 6,131,946.79 | 5,088,775.96 |
| Sales and Services of Educational Activities | 12,410,675.42 | 13,549,432.11 |
| Discounts and Allowances Sales and Services of Educational Activities | (265,113.47) | (212,010.67) |
| Auxiliary Enterprises | 46,993,268.19 | 45,000,117.49 |
| Other Operating Revenues | 5,438,067.40 | 5,161,144.64 |
| Total Operating Revenues | <u>353,025,820.90</u> | <u>343,250,115.44</u> |
| Operating Expenses: | | |
| Instruction | 139,892,414.84 | 139,146,959.50 |
| Research | 67,458,953.45 | 57,008,168.01 |
| Public Service | 16,091,029.54 | 15,669,394.64 |
| Academic Support | 64,572,707.59 | 57,948,509.58 |
| Student Services | 30,906,138.28 | 28,530,544.16 |
| Institutional Support | 44,412,665.07 | 42,087,200.98 |
| Operations and Maintenance of Plant | 45,381,303.09 | 42,050,051.48 |
| Scholarships and Fellowships | 51,062,580.88 | 48,050,635.44 |
| Auxiliary Enterprises | 58,147,884.23 | 60,142,111.49 |
| Depreciation and Amortization | 49,952,039.84 | 49,168,441.77 |
| Total Operating Expenses | <u>567,877,716.81</u> | <u>539,802,017.05</u> |
| Operating Income (Loss) | <u>(214,851,895.91)</u> | <u>(196,551,901.61)</u> |
| Nonoperating Revenues (Expenses): | | |
| State Appropriations | 130,954,493.81 | 127,181,756.59 |
| Federal Nonexchange Sponsored Programs | 62,709,249.34 | 58,649,085.00 |
| Federal Nonexchange Pass-Through | | |
| State Nonexchange Pass-Through | 1,116,623.00 | 5,225,595.00 |
| Gift Contributions for Operations | 7,032,168.92 | 6,676,378.12 |
| Investment Income | 20,916,820.02 | 20,332,352.94 |
| Net Increase (Decrease) in Fair Value of Investments | 6,603,086.55 | 3,239,853.14 |
| Gain (Loss) on Sale of Capital Assets | (136,007.20) | |
| Other Nonoperating Revenues | 803,167.07 | 10,062,030.55 |
| Other Nonoperating (Expenses) | (83,885.13) | (1,448,927.77) |
| Net Nonoperating Revenues (Expenses) | <u>229,915,716.38</u> | <u>229,918,123.57</u> |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | 15,063,820.47 | 33,366,221.96 |
| Gifts and Sponsored Programs for Capital Acquisitions | 10,554,771.63 | 523,586.33 |
| Additions to Permanent Endowments | 3,713,114.55 | 3,225,910.85 |
| Reclass from/(to) Other Institutions | 192,442.65 | 6,064,905.73 |
| Transfers Between Institutions & System, Debt Service - Mandatory | (37,657,015.89) | (40,175,459.40) |
| Transfers Between Institutions & System Admin. - Non mandatory | 48,654,861.93 | 12,697,434.47 |
| Transfers From Other State Agencies | 1,780,269.00 | 1,670,088.95 |
| Transfers to Other State Agencies | (3.65) | 6,921.26 |
| Legislative Appropriations Lapsed | (886.50) | (761.50) |
| Change in Net Position | <u>42,301,374.19</u> | <u>17,365,006.13</u> |
| Beginning Net Position | <u>1,143,080,430.47</u> | <u>1,125,715,424.34</u> |
| Ending Net Position | <u>\$ 1,185,381,804.66</u> | <u>1,143,080,430.47</u> |

The University of Texas at San Antonio
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2019

| | <u>Current Year Totals</u> | <u>Prior Year Totals</u> |
|--|----------------------------|----------------------------|
| Cash Flows from Operating Activities: | | |
| Proceeds from Tuition and Fees | 215,252,939.91 | 207,350,395.65 |
| Proceeds from Sponsored Programs | 94,337,085.81 | 68,737,490.95 |
| Proceeds from Auxiliaries | 45,141,590.78 | 44,397,812.27 |
| Proceeds from Other Revenues | 16,362,128.42 | 20,571,245.92 |
| Payments to Suppliers | (183,930,782.45) | (175,011,244.96) |
| Payments to Employees | (334,472,965.02) | (309,081,003.82) |
| Payments for Loans Provided | (13,790,993.62) | (20,655,680.52) |
| Proceeds from Loan Programs | 17,116,892.08 | 21,450,681.74 |
| Net Cash Provided (Used) by Operating Activities | <u>(143,984,104.09)</u> | <u>(142,240,302.77)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from State Appropriations | 133,973,582.00 | 123,085,171.48 |
| Proceeds from Operating Gifts | 7,989,158.72 | 7,297,835.45 |
| Proceeds from Private Gifts for Endowment Purposes | 3,713,114.55 | 3,225,910.85 |
| Proceeds from Other Noncapital Financing Activities | 803,167.07 | 9,944,148.89 |
| Receipts for Transfers from System or Other Agencies | 3,454,384.93 | 5,739,929.26 |
| Payments for Transfers to System or Other Agencies | (3.65) | (263,463.24) |
| Payments for Other Uses | (83,885.13) | (1,448,927.77) |
| Proceeds from Nonexchange Sponsored Programs | 62,566,803.00 | 65,466,889.00 |
| Net Cash Provided by Noncapital Financing Activities | <u>212,416,321.49</u> | <u>213,047,493.92</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Nonmandatory Capital Related Transfers | 41,671,597.08 | 24,739,990.92 |
| Proceeds from Capital Appropriations, Grants, and Gifts | 10,000,000.00 | - |
| Proceeds from Sale of Capital Assets | 47,362.20 | 51,207.37 |
| Payments for Additions to Capital Assets | (57,345,504.33) | (52,482,353.72) |
| Mandatory Transfers to System for Capital Related Debt | (37,657,015.89) | (40,175,459.40) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(43,283,560.94)</u> | <u>(67,866,614.83)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments Invested by System | - | 5,609,850.94 |
| Proceeds from Interest and Investment Income | 1,316,357.86 | 598,107.11 |
| Proceeds from Interest and Investment Income Invested by System | 19,533,871.83 | 19,638,628.29 |
| Payments to Acquire Investments Invested by System | (12,969,003.32) | - |
| Net Cash Provided (Used) by Investing Activities | <u>7,881,226.37</u> | <u>25,846,586.34</u> |
| Net Increase (Decrease) in Cash | 33,029,882.83 | 28,787,162.66 |
| Cash and Cash Equivalents (Beginning of the Year) | <u>69,667,822.03</u> | <u>40,880,659.37</u> |
| Cash and Cash Equivalents (End of the Year) | <u>\$ 102,697,704.86</u> | <u>\$ 69,667,822.03</u> |
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (214,851,895.91) | (196,551,901.61) |
| Adjustments to Reconcile Operating Results to Net Cash: | | |
| Depreciation and Amortization Expense | 49,952,039.84 | 49,168,441.77 |
| Bad Debt Expense | 57,512.53 | 89,962.78 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | 6,662,449.45 | (7,462,460.80) |
| Inventories | (28,147.40) | 95,337.79 |
| Loans and Contracts | 3,331,299.64 | 802,246.62 |
| Other Current and Noncurrent Assets | (3,284,492.50) | 3,477,246.13 |
| Accounts Payable | 2,866,627.05 | 1,943,878.98 |
| Due to System | 142,984.15 | 58,031.10 |
| Unearned Revenue | 12,804,828.08 | 2,071,027.14 |
| Assets Held for Others | (111,789.04) | (285,055.32) |
| Employees' Compensable Leave | 443,428.49 | 620,953.88 |
| Other Current and Noncurrent Liabilities | (1,968,948.47) | 3,731,988.77 |
| Total Adjustments | <u>70,867,791.82</u> | <u>54,311,598.84</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (143,984,104.09)</u> | <u>\$ (142,240,302.77)</u> |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in Fair Value of Investments | 6,603,086.55 | 3,239,853.14 |
| Donated Capital Assets | 554,771.63 | 523,586.33 |
| Miscellaneous Noncash Transactions | (136,007.20) | 38,999.23 |

The University of Texas at Tyler
Exhibit A Statement of Net Position
As of August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|--------------------------|-----------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 32,118,876.55 | 35,596,717.42 |
| Restricted Cash & Cash Equivalents | 1,697,358.60 | (1,537,619.43) |
| Balance in State Appropriations | 2,111,585.80 | 1,896,687.86 |
| Accounts Receivable, Net: | | |
| Federal (allow. \$0.00 in 2019 & \$0.00 in 2018) | 9,723,792.72 | 11,272,814.45 |
| Other Intergov. (allow. \$0.00 in 2019 & \$0.00 in 2018) | 1,992,955.97 | 2,102,578.08 |
| Student (allow. \$2,079,284.95 in 2019 & \$2,049,241.40 in 2018) | 10,721,680.39 | 8,328,845.36 |
| Interest and Dividend Receivables | 98,693.16 | 102,023.20 |
| Contributions (allow. \$75,900.00 in 2019 & \$93,200.00 in 2018) | 1,346,444.80 | 1,770,602.13 |
| Other (allow. \$0.00 in 2019 & \$0.00 in 2018) | 5,303,987.44 | 5,057,099.69 |
| Due From System Administration | 2,742,223.12 | 4,146,160.20 |
| Due From Other Institutions | 8,420.36 | 94,852.08 |
| Due From Other Agencies | 20,890.72 | 246.23 |
| Loans & Contracts (allow. \$2,230,825.01 in 2019 & \$2,512,752.46 in 2018) | 2,125,192.41 | 2,381,577.48 |
| Other Current Assets | 2,440,531.16 | 3,309,049.35 |
| Total Current Assets | 72,452,633.20 | 74,521,634.10 |
| Noncurrent Assets: | | |
| Funds Held by System Administration (Restricted) | 87,871,031.42 | 87,765,877.06 |
| Contributions Rec. (allow. \$900.00 in 2019 & \$55,200.00 in 2018) | 104,781.84 | 1,033,349.15 |
| Unrestricted Investments | 44,159,107.01 | 37,464,872.33 |
| Funds Held by System Administration (Unrestricted) | 176,994.17 | |
| Gross Capital/Intangible Assets | 411,998,522.16 | 396,391,462.55 |
| Accumulated Depreciation/Amortization | (195,729,101.82) | (178,545,199.05) |
| Total Noncurrent Assets | 348,581,334.78 | 344,110,362.04 |
| Total Assets | 421,033,967.98 | 418,631,996.14 |
| Total Assets and Deferred Outflows | 421,033,967.98 | 418,631,996.14 |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 12,122,653.24 | 5,576,115.83 |
| Salaries Payable | 4,746,485.79 | 4,491,167.02 |
| Due To System Administration | 1,205,657.83 | 1,134,207.17 |
| Due To Other Institutions | 527.50 | 2,893.89 |
| Unearned Revenue | 34,670,651.67 | 34,566,456.84 |
| Employees' Compensable Leave - Current Portion | 1,099,202.64 | 1,003,587.96 |
| Notes, Loans, and Leases Payable | | |
| Other Current Liabilities | 264,982.36 | 299,375.21 |
| Total Current Liabilities | 54,110,161.03 | 47,073,803.92 |
| Noncurrent Liabilities: | | |
| Employees' Compensable Leave | 1,425,248.89 | 1,340,448.93 |
| Assets Held for Others | 742,937.25 | 2,525,715.63 |
| Notes, Loans, and Leases Payable | | |
| Other Noncurrent Liabilities | 378,595.62 | 378,595.62 |
| Total Noncurrent Liabilities | 2,546,781.76 | 4,244,760.18 |
| Total Liabilities | 56,656,942.79 | 51,318,564.10 |
| Total Liabilities and Deferred Inflows | 56,656,942.79 | 51,318,564.10 |
| NET POSITION | | |
| Net Investment in Capital Assets | 216,269,420.34 | 217,846,263.50 |
| Restricted for: | | |
| Nonexpendable | | |
| Permanent Health and True Endowments | 43,333,550.05 | 42,399,121.81 |
| Expendable | | |
| Capital Projects | 2,224,671.96 | 3,448,491.38 |
| Funds Functioning as Endowment (Restricted) | 1,942,128.65 | 1,956,982.87 |
| Other Expendable | 58,325,807.18 | 56,442,174.17 |
| Unrestricted | 42,281,447.01 | 45,220,398.31 |
| Total Net Position | \$ 364,377,025.19 | 367,313,432.04 |

The University of Texas at Tyler
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|--------------------------|------------------------|
| Operating Revenues: | | |
| Student Tuition and Fees | \$ 80,155,808.19 | 74,893,784.97 |
| Discounts and Allowances | (28,236,259.38) | (24,431,531.57) |
| Federal Sponsored Programs | 4,078,628.99 | 2,179,301.89 |
| Federal Sponsored Programs Pass-Through from State Agencies | (276,794.04) | 2,281,355.34 |
| State Sponsored Programs Pass-Through from State Agencies | 9,917,684.49 | 7,841,505.69 |
| Private Sponsored Programs | 1,364,978.93 | 1,659,247.87 |
| Sales and Services of Educational Activities | 11,225,447.69 | 11,829,045.16 |
| Auxiliary Enterprises | 10,553,752.20 | 10,700,006.45 |
| Other Operating Revenues | 280,997.98 | 336,142.45 |
| Total Operating Revenues | <u>89,064,245.05</u> | <u>87,288,858.25</u> |
| Operating Expenses: | | |
| Instruction | 56,531,783.83 | 55,371,344.42 |
| Research | 2,071,915.96 | 1,892,779.59 |
| Public Service | 596,655.38 | 254,563.64 |
| Academic Support | 17,154,652.49 | 18,593,482.31 |
| Student Services | 11,944,337.33 | 10,954,142.47 |
| Institutional Support | 13,679,287.93 | 12,831,971.22 |
| Operations and Maintenance of Plant | 12,224,090.76 | 10,734,960.79 |
| Scholarships and Fellowships | 9,152,272.99 | 6,105,488.24 |
| Auxiliary Enterprises | 13,307,990.64 | 11,377,084.43 |
| Depreciation and Amortization | <u>17,202,653.52</u> | <u>15,950,274.04</u> |
| Total Operating Expenses | <u>153,865,640.83</u> | <u>144,066,091.15</u> |
| Operating Income (Loss) | <u>(64,801,395.78)</u> | <u>(56,777,232.90)</u> |
| Nonoperating Revenues (Expenses): | | |
| State Appropriations | 43,955,396.92 | 43,861,159.40 |
| Federal Nonexchange Sponsored Programs | 12,157,348.00 | 10,891,259.00 |
| Federal Nonexchange Pass-Through | | |
| State Nonexchange Pass-Through | | |
| Gift Contributions for Operations | 2,491,978.58 | 1,470,449.08 |
| Investment Income | 6,509,591.09 | 6,031,063.66 |
| Net Increase (Decrease) in Fair Value of Investments | 543,563.09 | 3,425,089.29 |
| Gain (Loss) on Sale of Capital Assets | (4,201.51) | (131,726.11) |
| Other Nonoperating Revenues | 5,875.00 | |
| Other Nonoperating (Expenses) | <u>(3,604.85)</u> | |
| Net Nonoperating Revenues (Expenses) | <u>65,655,946.32</u> | <u>65,547,294.32</u> |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | 854,550.54 | 8,770,061.42 |
| Gifts and Sponsored Programs for Capital Acquisitions | 105,261.18 | 3,787.73 |
| Additions to Permanent Endowments | 923,105.97 | 1,459,254.59 |
| Reclass from/(to) Other Institutions | 9,437,735.84 | 21,543,348.64 |
| Transfers Between Institutions & System, Debt Service - Mandatory | (15,924,267.95) | (15,278,114.81) |
| Transfers Between Institutions & System Admin. - Non mandatory | 1,358,104.57 | 21,905,660.74 |
| Transfers From Other State Agencies | 309,433.00 | 242,141.00 |
| Transfers to Other State Agencies | | 88,536.00 |
| Legislative Appropriations Lapsed | <u>(330.00)</u> | <u>(58,050.50)</u> |
| Change in Net Position | <u>(2,936,406.85)</u> | <u>38,499,552.81</u> |
| Beginning Net Position | <u>367,313,432.04</u> | <u>328,813,879.23</u> |
| Ending Net Position | <u>\$ 364,377,025.19</u> | <u>367,313,432.04</u> |

The University of Texas at Tyler
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2019

| | <u>Current Year Totals</u> | <u>Prior Year Totals</u> |
|--|----------------------------|---------------------------|
| Cash Flows from Operating Activities: | | |
| Proceeds from Tuition and Fees | 49,509,822.64 | 54,337,909.40 |
| Proceeds from Sponsored Programs | 15,878,657.11 | 17,922,788.19 |
| Proceeds from Auxiliaries | 10,437,150.91 | 11,225,273.07 |
| Proceeds from Other Revenues | 9,752,085.11 | 12,924,974.90 |
| Payments to Suppliers | (43,368,042.36) | (42,389,351.07) |
| Payments to Employees | (88,824,113.49) | (88,459,250.14) |
| Payments for Loans Provided | (1,041,827.95) | (1,722,152.49) |
| Proceeds from Loan Programs | 1,580,140.47 | 1,680,013.13 |
| Net Cash Provided (Used) by Operating Activities | <u>(46,076,127.56)</u> | <u>(34,479,795.01)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from State Appropriations | 43,740,168.98 | 46,284,758.57 |
| Proceeds from Operating Gifts | 3,108,464.40 | 2,159,942.28 |
| Proceeds from Private Gifts for Endowment Purposes | 923,105.97 | 1,459,254.59 |
| Proceeds from Other Noncapital Financing Activities | 5,875.00 | - |
| Receipts for Transfers from System or Other Agencies | 579,783.63 | 1,046,987.96 |
| Payments for Transfers to System or Other Agencies | - | (88,536.00) |
| Payments for Other Uses | (173,482.07) | - |
| Proceeds from Nonexchange Sponsored Programs | 12,963,438.33 | 12,670,489.67 |
| Net Cash Provided by Noncapital Financing Activities | <u>61,147,354.24</u> | <u>63,532,897.07</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Nonmandatory Capital Related Transfers | 11,928,466.69 | 54,374,193.23 |
| Proceeds from Capital Appropriations, Grants, and Gifts | 841,500.00 | 39,500.00 |
| Payments for Additions to Capital Assets | (12,240,849.44) | (58,137,584.40) |
| Mandatory Transfers to System for Capital Related Debt | (15,924,267.95) | (15,278,114.81) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(15,395,150.70)</u> | <u>(19,002,005.98)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments Invested by System | - | - |
| Proceeds from Interest and Investment Income | 2,071,615.95 | 1,647,200.18 |
| Proceeds from Interest and Investment Income Invested by System | 4,442,265.35 | 4,366,038.71 |
| Payments to Acquire Investments Invested by System | (6,432,820.12) | (10,326,937.45) |
| Net Cash Provided (Used) by Investing Activities | <u>81,061.18</u> | <u>(4,313,698.56)</u> |
| Net Increase (Decrease) in Cash | (242,862.84) | 5,737,397.52 |
| Cash and Cash Equivalents (Beginning of the Year) | 34,059,097.99 | 28,321,700.47 |
| Cash and Cash Equivalents (End of the Year) | <u>\$ 33,816,235.15</u> | <u>\$ 34,059,097.99</u> |
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (64,801,395.78) | (56,777,232.90) |
| Adjustments to Reconcile Operating Results to Net Cash: | | |
| Depreciation and Amortization Expense | 17,202,653.52 | 15,950,274.04 |
| Bad Debt Expense | (273,438.53) | 242,465.93 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | (1,729,870.96) | 5,258,040.51 |
| Loans and Contracts | 538,312.52 | (42,139.36) |
| Other Current and Noncurrent Assets | 868,518.19 | (2,719,700.25) |
| Accounts Payable | 3,580,204.58 | (264,138.29) |
| Due to System | 71,450.66 | 7,987.29 |
| Unearned Revenue | 104,194.83 | 3,864,735.23 |
| Assets Held for Others | (1,782,778.38) | 31,467.95 |
| Employees' Compensable Leave | 180,414.64 | (14,052.66) |
| Other Current and Noncurrent Liabilities | (34,392.85) | (17,502.50) |
| Total Adjustments | <u>18,725,268.22</u> | <u>22,297,437.89</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (46,076,127.56)</u> | <u>\$ (34,479,795.01)</u> |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in Fair Value of Investments | 543,563.09 | 3,425,089.29 |
| Miscellaneous Noncash Transactions | (4,201.51) | (131,726.11) |

The University of Texas Southwestern Medical Center
 Exhibit A Statement of Net Position
 As of August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|----------------------------|-------------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 179,719,272.42 | 101,096,643.39 |
| Restricted Cash & Cash Equivalents | 65,039,686.09 | 24,894,309.17 |
| Balance in State Appropriations | 41,480,467.55 | 37,447,393.98 |
| Accounts Receivable, Net: | | |
| Federal (allow. \$0.00 in 2019 & \$0.00 in 2018) | 37,256,092.58 | 61,664,129.74 |
| Other Intergov. (allow. \$0.00 in 2019 & \$0.00 in 2018) | 41,128,216.80 | 32,164,697.31 |
| Patient & Healthcare(allow. \$141,915,853.17 in 2019 & \$63,451,546.34 in 2018) | 367,373,315.03 | 342,778,503.97 |
| Interest and Dividend Receivables | 51,272.95 | 52,269.00 |
| Contributions (allow. \$0.00 in 2019 & \$0.00 in 2018) | 18,133,624.75 | 16,384,919.32 |
| Other (allow. \$6,405,102.96 in 2019 & \$2,844,267.38 in 2018) | 71,098,584.22 | 91,827,826.51 |
| Due From System Administration | 88,144,612.63 | 123,035,680.66 |
| Due From Other Institutions | 439,930.73 | 375,720.07 |
| Due From Other Agencies | 8,081,086.76 | 1,401,257.22 |
| Inventories | 44,019,891.58 | 36,837,385.02 |
| Loans & Contracts (allow. \$36,814.37 in 2019 & \$33,185.02 in 2018) | 1,144,096.96 | 1,271,805.54 |
| Other Current Assets | 16,975,971.40 | 14,759,914.96 |
| Total Current Assets | 980,086,122.45 | 885,992,455.86 |
| Noncurrent Assets: | | |
| Cash and Cash Equivalents (Noncurrent Restricted) | 2,835,925.47 | 5,014,599.16 |
| Restricted Investments | 610,567,869.71 | 589,593,713.29 |
| Loans & Contracts (allow. \$89,086.25 in 2019 & \$97,054.15 in 2018) | 2,768,574.12 | 3,719,570.65 |
| Funds Held by System Administration (Restricted) | 1,180,508,586.95 | 1,199,508,691.34 |
| Contributions Rec. (allow. \$0.00 in 2019 & \$0.00 in 2018) | 33,131,037.30 | 46,704,686.98 |
| Unrestricted Investments | 807,524,535.07 | 1,078,919,696.88 |
| Funds Held by System Administration (Unrestricted) | 307,256,305.29 | 50,237,568.99 |
| Other Noncurrent Assets | 145,966,048.92 | 45,894,940.18 |
| Gross Capital/Intangible Assets | 4,022,767,905.69 | 3,730,059,814.62 |
| Accumulated Depreciation/Amortization | (1,689,246,215.26) | (1,527,068,814.21) |
| Total Noncurrent Assets | 5,424,080,573.26 | 5,222,584,467.88 |
| Total Assets | 6,404,166,695.71 | 6,108,576,923.74 |
| Total Deferred Outflows of Resources | 1,111,411.72 | 1,584,056.00 |
| Total Assets and Deferred Outflows | 6,405,278,107.43 | 6,110,160,979.74 |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 304,175,921.48 | 231,986,684.90 |
| Salaries Payable | 77,273,525.23 | 75,417,799.19 |
| Due To System Administration | 18,634,124.72 | 17,690,355.48 |
| Due To Other Institutions | 878,403.13 | 575,962.81 |
| Due To Other State Agencies | 221,379.50 | 77,607.77 |
| Unearned Revenue | 54,749,104.98 | 55,334,763.75 |
| Employees' Compensable Leave - Current Portion | 55,526,890.72 | 52,619,749.20 |
| Notes, Loans, and Leases Payable | | 19,000,000.00 |
| Assets Held for Others | | (362,538.72) |
| Other Current Liabilities | 72,442.42 | 72,442.42 |
| Total Current Liabilities | 511,531,792.18 | 452,412,826.80 |
| Noncurrent Liabilities: | | |
| Employees' Compensable Leave | 72,781,188.80 | 70,709,953.54 |
| Notes, Loans, and Leases Payable | 19,000,000.00 | |
| Asset Retirement Obligation | 2,056,700.28 | 2,056,700.28 |
| Other Noncurrent Liabilities | 3,005,868.77 | 2,642,845.31 |
| Total Noncurrent Liabilities | 96,843,757.85 | 75,409,499.13 |
| Total Liabilities | 608,375,550.03 | 527,822,325.93 |
| Total Deferred Inflows of Resources | 4,111,129.00 | 4,390,111.00 |
| Total Liabilities and Deferred Inflows | 612,486,679.03 | 532,212,436.93 |
| NET POSITION | | |
| Net Investment in Capital Assets | 2,333,521,690.43 | 2,202,991,000.41 |
| Restricted for: | | |
| Nonexpendable | | |
| Permanent Health and True Endowments | 694,633,691.07 | 670,278,301.38 |
| Expendable | | |
| Capital Projects | 229,348,874.06 | 176,616,059.74 |
| Funds Functioning as Endowment (Restricted) | 59,451,133.42 | 59,619,151.43 |
| Other Expendable | 1,181,723,328.16 | 1,122,201,578.27 |
| Unrestricted | 1,294,112,711.26 | 1,346,242,451.58 |
| Total Net Position | \$ 5,792,791,428.40 | 5,577,948,542.81 |

The University of Texas Southwestern Medical Center
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|----------------------------|-------------------------|
| Operating Revenues: | | |
| Student Tuition and Fees | \$ 27,620,700.58 | 27,910,816.95 |
| Discounts and Allowances | (1,458,836.64) | (883,288.50) |
| Federal Sponsored Programs | 200,727,516.12 | 197,855,690.72 |
| Federal Sponsored Programs Pass-Through from State Agencies | 4,750,480.91 | 3,152,572.60 |
| State Sponsored Programs Pass-Through from State Agencies | 45,300,011.19 | 42,040,697.54 |
| Local Sponsored Programs | 130,062,815.80 | 209,031,878.70 |
| Private Sponsored Programs | 209,825,053.44 | 93,794,420.85 |
| Sales and Services of Educational Activities | 14,137,740.54 | 9,620,653.84 |
| Sales and Services of Hospitals | 3,700,778,521.69 | 3,227,619,488.39 |
| Discounts and Allowances Sales and Services of Hospitals | (2,224,402,714.66) | (1,919,470,517.49) |
| Professional Fees (Patient Charges) | 2,257,074,398.83 | 2,098,385,918.59 |
| Discounts and Allowances Professional Fees (Patient Charges) | (1,550,660,604.62) | (1,432,670,968.24) |
| Auxiliary Enterprises | 24,046,598.59 | 26,351,427.99 |
| Other Operating Revenues | 121,778,540.27 | 142,638,680.99 |
| Total Operating Revenues | <u>2,959,580,222.04</u> | <u>2,725,377,472.93</u> |
| Operating Expenses: | | |
| Instruction | 966,468,295.60 | 951,791,831.70 |
| Research | 377,797,166.20 | 363,136,706.68 |
| Public Service | 32,314,761.26 | 31,194,856.29 |
| Hospitals / Clinics | 1,392,876,326.45 | 1,210,667,716.31 |
| Academic Support | 62,776,862.51 | 23,866,870.15 |
| Student Services | 6,436,410.49 | 4,004,421.73 |
| Institutional Support | 84,544,966.21 | 70,995,818.54 |
| Operations and Maintenance of Plant | 92,371,394.65 | 84,196,916.37 |
| Scholarships and Fellowships | 2,429,870.02 | 4,460,128.98 |
| Auxiliary Enterprises | 27,112,447.81 | 24,066,743.06 |
| Depreciation and Amortization | 183,365,468.02 | 174,313,878.20 |
| Total Operating Expenses | <u>3,228,493,969.22</u> | <u>2,942,695,888.01</u> |
| Operating Income (Loss) | <u>(268,913,747.18)</u> | <u>(217,318,415.08)</u> |
| Nonoperating Revenues (Expenses): | | |
| State Appropriations | 194,086,167.57 | 191,120,330.82 |
| Federal Nonexchange Sponsored Programs | | |
| Federal Nonexchange Pass-Through | | |
| State Nonexchange Pass-Through | | |
| Gift Contributions for Operations | 65,375,900.03 | 77,117,576.25 |
| Investment Income | 186,628,868.65 | 133,254,943.22 |
| Net Increase (Decrease) in Fair Value of Investments | (24,515,680.99) | 39,942,269.32 |
| Gain (Loss) on Sale of Capital Assets | (1,553,225.64) | (3,197,446.27) |
| Other Nonoperating Revenues | 1,874,561.75 | 280,481.20 |
| Other Nonoperating (Expenses) | (8,166,581.59) | (7,759,542.32) |
| Net Nonoperating Revenues (Expenses) | <u>413,730,009.78</u> | <u>430,758,612.22</u> |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | 144,816,262.60 | 213,440,197.14 |
| Gifts and Sponsored Programs for Capital Acquisitions | 8,078,738.21 | 1,508,797.15 |
| Additions to Permanent Endowments | 13,796,205.35 | 20,133,261.95 |
| Reclass from/(to) Other Institutions | (261,477,149.40) | 10,303,331.45 |
| Transfers Between Institutions & System, Debt Service - Mandatory | (107,981,841.47) | (101,745,766.11) |
| Transfers Between Institutions & System Admin. - Non mandatory | 417,669,083.81 | 88,835,665.19 |
| Transfers From Other State Agencies | 28,207.00 | 51,069.51 |
| Transfers to Other State Agencies | (84,289.51) | 147,101.96 |
| Legislative Appropriations Lapsed | (2,331.00) | (1,731.00) |
| Change in Net Position | <u>214,842,885.59</u> | <u>232,377,723.32</u> |
| Beginning Net Position | 5,577,948,542.81 | 5,345,570,819.49 |
| Ending Net Position | <u>\$ 5,792,791,428.40</u> | <u>5,577,948,542.81</u> |

The University of Texas Southwestern Medical Center
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2019

| | <u>Current Year Totals</u> | <u>Prior Year Totals</u> |
|---|----------------------------|---------------------------|
| Cash Flows from Operating Activities: | | |
| Proceeds from Tuition and Fees | 24,960,534.04 | 25,556,954.59 |
| Proceeds from Patients and Customers | 2,156,051,246.05 | 1,962,356,528.30 |
| Proceeds from Sponsored Programs | 620,688,458.01 | 599,984,116.89 |
| Proceeds from Auxiliaries | 23,840,194.30 | 26,539,201.83 |
| Proceeds from Other Revenues | 36,979,725.04 | 126,053,426.49 |
| Payments to Suppliers | (976,044,773.38) | (980,895,330.36) |
| Payments to Employees | (1,986,466,171.59) | (1,818,414,368.92) |
| Payments for Loans Provided | (510.71) | (106,346.91) |
| Proceeds from Loan Programs | 1,029,843.52 | 1,346,889.34 |
| Net Cash Provided (Used) by Operating Activities | <u>(98,961,454.72)</u> | <u>(57,578,928.75)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from State Appropriations | 190,050,763.00 | 182,146,805.00 |
| Proceeds from Operating Gifts | 79,148,872.91 | 59,944,635.88 |
| Proceeds from Private Gifts for Endowment Purposes | 13,796,205.35 | 20,133,261.95 |
| Proceeds from Other Noncapital Financing Activities | 1,149.17 | 23,898,440.20 |
| Receipts for Transfers from System or Other Agencies | 2,169,145.79 | 4,013,808.11 |
| Payments for Transfers to System or Other Agencies | (13,505.50) | (63,988.72) |
| Payments for Other Uses | (20,725,286.00) | (7,759,542.32) |
| Net Cash Provided by Noncapital Financing Activities | <u>264,427,344.72</u> | <u>282,313,420.10</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Nonmandatory Capital Related Transfers | 187,064,233.91 | 184,317,449.35 |
| Proceeds from Capital Appropriations, Grants, and Gifts | 6,018,209.58 | 4,328,306.85 |
| Proceeds from Sale of Capital Assets | 379,472.41 | 802,997.06 |
| Payments for Additions to Capital Assets | (310,754,141.60) | (260,124,607.19) |
| Mandatory Transfers to System for Capital Related Debt | (107,981,841.47) | (101,745,766.11) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(225,274,067.17)</u> | <u>(172,421,620.04)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments Invested by System | - | - |
| Proceeds from Interest and Investment Income | 134,692,335.72 | 87,750,150.34 |
| Proceeds from Interest and Investment Income Invested by System | 53,818,481.22 | 49,094,589.86 |
| Payments to Acquire Investments Invested by System | (12,113,307.51) | (210,727,934.95) |
| Net Cash Provided (Used) by Investing Activities | <u>176,397,509.43</u> | <u>(73,883,194.75)</u> |
| Net Increase (Decrease) in Cash | 116,589,332.26 | (21,570,323.44) |
| Cash and Cash Equivalents (Beginning of the Year) | <u>131,005,551.72</u> | <u>152,575,875.16</u> |
| Cash and Cash Equivalents (End of the Year) | <u>\$ 247,594,883.98</u> | <u>\$ 131,005,551.72</u> |
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (268,913,747.18) | (217,318,415.08) |
| Adjustments to Reconcile Operating Results to Net Cash: | | |
| Depreciation and Amortization Expense | 183,365,468.02 | 174,313,878.20 |
| Bad Debt Expense | 49,372.30 | (49,800.21) |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | 4,834,908.70 | 42,117,710.98 |
| Inventories | (7,182,506.56) | (1,902,221.15) |
| Loans and Contracts | 1,029,332.81 | 1,240,542.43 |
| Other Current and Noncurrent Assets | (102,566,147.18) | (28,336,503.19) |
| Accounts Payable | 83,887,170.66 | (47,818,996.23) |
| Due to System | 943,769.24 | 832,252.44 |
| Unearned Revenue | (585,658.77) | 9,978,627.60 |
| Assets Held for Others | 362,538.72 | (18,268.45) |
| Employees' Compensable Leave | 4,978,376.78 | 8,422,892.38 |
| Asset Retirement Obligations | 472,644.28 | 472,644.28 |
| Other Current and Noncurrent Liabilities | 363,023.46 | 486,727.25 |
| Total Adjustments | <u>169,952,292.46</u> | <u>159,739,486.33</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (98,961,454.72)</u> | <u>\$ (57,578,928.75)</u> |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in Fair Value of Investments | (24,515,680.99) | 39,942,269.32 |
| Donated Capital Assets | 112,500.00 | 28,200.00 |
| Miscellaneous Noncash Transactions | 246,280.43 | (3,027,554.27) |

The University of Texas Medical Branch at Galveston

Exhibit A - Statement of Net Position

As of August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|----------------------------|-------------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 158,780,061.00 | 111,188,827.32 |
| Restricted Cash & Cash Equivalents | 11,879,754.29 | 8,530,358.22 |
| Balance in State Appropriations | (1,336,529.65) | 1,579,230.62 |
| Accounts Receivable, Net: | | |
| Federal (allow. \$2,357,810.79 in 2019 & \$1,440,458.10 in 2018) | 10,904,365.48 | 15,111,237.94 |
| Other Intergov. (allow. \$0.00 in 2019 & \$0.00 in 2018) | 2,470,960.19 | 4,518,063.52 |
| Student (allow. \$1,398,229.86 in 2019 & \$1,163,709.69 in 2018) | 15,235,836.57 | 12,294,488.33 |
| Patient & Healthcare(allow. \$59,976,466.95 in 2019 & \$50,718,155.05 in 2018) | 131,115,171.36 | 114,990,426.20 |
| Interest and Dividend Receivables | 1,407,261.89 | 1,184,368.02 |
| Contributions (allow. \$14,245.01 in 2019 & \$15,263.97 in 2018) | 45,336.70 | 85,571.31 |
| Other (allow. \$0.00 in 2019 & \$4,167.33 in 2018) | 13,536,119.12 | 14,208,862.77 |
| Due From System Administration | 9,019,748.42 | 56,444,176.97 |
| Due From Other Institutions | 1,695,779.37 | 5,000,514.71 |
| Due From Other Agencies | 25,592,126.14 | 43,570,939.09 |
| Inventories | 27,391,689.71 | 22,143,194.81 |
| Loans & Contracts (allow. \$0.00 in 2019 & \$0.00 in 2018) | 1,542,352.70 | 212,803.76 |
| Other Current Assets | 18,375,057.95 | 15,506,462.10 |
| Total Current Assets | 427,655,091.24 | 426,569,525.69 |
| Noncurrent Assets: | | |
| Restricted Investments | 26,809,471.22 | 24,769,194.51 |
| Loans & Contracts (allow. \$1,417,658.25 in 2019 & \$1,245,808.36 in 2018) | 4,579,019.25 | 5,905,079.02 |
| Funds Held by System Administration (Restricted) | 582,404,870.26 | 610,291,269.12 |
| Contributions Rec. (allow. \$58.09 in 2019 & \$322.55 in 2018) | 2,293.67 | 12,736.08 |
| Unrestricted Investments | 426,014,217.65 | 393,252,172.74 |
| Funds Held by System Administration (Unrestricted) | 30,527,973.99 | |
| Other Noncurrent Assets | 2,200,795.15 | 3,381,338.41 |
| Gross Capital/Intangible Assets | 3,768,015,207.79 | 3,434,641,233.70 |
| Accumulated Depreciation/Amortization | (1,664,915,338.99) | (1,550,512,455.54) |
| Total Noncurrent Assets | 3,175,638,509.99 | 2,921,740,568.04 |
| Total Assets | 3,603,293,601.23 | 3,348,310,093.73 |
| Total Assets and Deferred Outflows | 3,603,293,601.23 | 3,348,310,093.73 |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 247,797,838.86 | 233,471,181.12 |
| Salaries Payable | 38,036,998.71 | 32,320,259.72 |
| Due To System Administration | 16,980,002.61 | 16,454,809.10 |
| Due To Other Institutions | 3,013,239.05 | 425,660.61 |
| Due To Other State Agencies | 152,356.88 | 188,091.97 |
| Unearned Revenue | 62,977,765.02 | 59,705,713.86 |
| Employees' Compensable Leave - Current Portion | 51,027,831.76 | 48,646,744.94 |
| Notes, Loans, and Leases Payable | 5,487,905.33 | 2,883,180.04 |
| Assets Held for Others | 157,459.23 | 2,101,173.23 |
| Total Current Liabilities | 425,631,397.45 | 396,196,814.59 |
| Noncurrent Liabilities: | | |
| Employees' Compensable Leave | 26,525,407.03 | 27,303,265.83 |
| Liability to Beneficiaries | 27,776.09 | 30,200.29 |
| Notes, Loans, and Leases Payable | 150,423,940.42 | 2,995,802.75 |
| Asset Retirement Obligation | 512,836.25 | 512,836.25 |
| Other Noncurrent Liabilities | 2,287,358.42 | 2,270,434.42 |
| Total Noncurrent Liabilities | 179,777,318.21 | 33,112,539.54 |
| Total Liabilities | 605,408,715.66 | 429,309,354.13 |
| Total Deferred Inflows of Resources | 263,654.74 | 243,991.55 |
| Total Liabilities and Deferred Inflows | 605,672,370.40 | 429,553,345.68 |
| NET POSITION | | |
| Net Investment in Capital Assets | 1,947,188,023.05 | 1,884,128,778.16 |
| Restricted for: | | |
| Nonexpendable | | |
| Permanent Health and True Endowments | 335,099,017.96 | 328,537,373.78 |
| Expendable | | |
| Capital Projects | 2,512,596.10 | 19,581,752.70 |
| Funds Functioning as Endowment (Restricted) | 36,488,959.57 | 36,090,945.00 |
| Other Expendable | 251,728,783.43 | 255,670,453.00 |
| Unrestricted | 424,603,850.72 | 394,747,445.41 |
| Total Net Position | \$ 2,997,621,230.83 | 2,918,756,748.05 |

The University of Texas Medical Branch at Galveston
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|----------------------------|-------------------------|
| Operating Revenues: | | |
| Student Tuition and Fees | \$ 47,756,477.21 | 44,075,226.49 |
| Discounts and Allowances | (3,745,442.59) | (2,706,263.99) |
| Federal Sponsored Programs | 121,943,781.69 | 118,480,881.00 |
| Federal Sponsored Programs Pass-Through from State Agencies | 9,867,146.04 | 10,282,376.66 |
| State Sponsored Programs Pass-Through from State Agencies | 10,906,152.03 | 10,962,890.01 |
| Local Sponsored Programs | 787,103.62 | 1,046,267.08 |
| Private Sponsored Programs | 58,424,099.37 | 62,157,648.40 |
| Sales and Services of Educational Activities | 13,685,164.63 | 13,451,814.62 |
| Sales and Services of Hospitals | 3,889,695,927.04 | 3,769,452,987.21 |
| Discounts and Allowances Sales and Services of Hospitals | (2,601,820,032.03) | (2,575,019,791.19) |
| Professional Fees (Patient Charges) | 619,596,041.06 | 574,898,684.73 |
| Discounts and Allowances Professional Fees (Patient Charges) | (402,292,059.89) | (375,350,592.02) |
| Auxiliary Enterprises | 14,605,583.59 | 12,933,001.19 |
| Other Operating Revenues | 45,712,578.05 | 46,607,158.64 |
| Total Operating Revenues | <u>1,825,122,519.82</u> | <u>1,711,272,288.83</u> |
| Operating Expenses: | | |
| Instruction | 367,614,547.12 | 337,210,597.14 |
| Research | 109,642,787.17 | 110,635,769.75 |
| Public Service | 19,200,220.98 | 18,195,325.38 |
| Hospitals / Clinics | 1,385,571,467.74 | 1,289,997,414.72 |
| Academic Support | 37,626,761.52 | 35,259,762.72 |
| Student Services | 6,909,864.28 | 6,718,483.23 |
| Institutional Support | 92,403,217.60 | 87,090,538.01 |
| Operations and Maintenance of Plant | 57,135,166.51 | 59,568,911.34 |
| Scholarships and Fellowships | 9,277,220.01 | 8,013,307.43 |
| Auxiliary Enterprises | 12,878,621.75 | 11,935,904.66 |
| Depreciation and Amortization | 179,980,597.41 | 158,831,879.36 |
| Total Operating Expenses | <u>2,278,240,472.09</u> | <u>2,123,457,893.74</u> |
| Operating Income (Loss) | <u>(453,117,952.27)</u> | <u>(412,185,604.91)</u> |
| Nonoperating Revenues (Expenses): | | |
| State Appropriations | 372,131,702.51 | 369,420,210.03 |
| Federal Nonexchange Sponsored Programs | 1,006,996.00 | 980,574.00 |
| Federal Nonexchange Pass-Through | | |
| State Nonexchange Pass-Through | | |
| Gift Contributions for Operations | 10,226,233.00 | 9,104,609.80 |
| Investment Income | 66,915,691.05 | 60,349,285.54 |
| Net Increase (Decrease) in Fair Value of Investments | 5,058,276.58 | 26,768,238.49 |
| Interest Expense on Capital Asset Financings | (6,102,789.26) | |
| Gain (Loss) on Sale of Capital Assets | (3,438,493.82) | (2,909,199.66) |
| Other Nonoperating Revenues | 2,367,073.04 | 12,256,829.77 |
| Other Nonoperating (Expenses) | (234,351.51) | (4,064,780.67) |
| Net Nonoperating Revenues (Expenses) | <u>447,930,337.59</u> | <u>471,905,767.30</u> |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | (5,187,614.68) | 59,720,162.39 |
| Gifts and Sponsored Programs for Capital Acquisitions | 46,496,483.11 | 62,260,041.17 |
| Additions to Permanent Endowments | 3,197,505.88 | 3,840,858.99 |
| Reclass from/(to) Other Institutions | 78,911,426.92 | (76,705,902.11) |
| Transfers Between Institutions & System, Debt Service - Mandatory | (89,465,329.36) | (84,310,082.68) |
| Transfers Between Institutions & System Admin. - Non mandatory | 44,829,552.58 | 218,354,008.12 |
| Transfers From Other State Agencies | 68,698,506.77 | 52,983,859.68 |
| Transfers to Other State Agencies | (68,613,289.44) | 53,048,937.24 |
| Legislative Appropriations Lapsed | (2,759.00) | |
| Change in Net Position | <u>78,864,482.78</u> | <u>183,094,008.32</u> |
| Beginning Net Position | <u>2,918,756,748.05</u> | <u>2,735,662,739.73</u> |
| Ending Net Position | <u>\$ 2,997,621,230.83</u> | <u>2,918,756,748.05</u> |

The University of Texas Medical Branch at Galveston
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2019

| | <u>Current Year Totals</u> | <u>Prior Year Totals</u> |
|--|----------------------------|----------------------------|
| Cash Flows from Operating Activities: | | |
| Proceeds from Tuition and Fees | 41,904,638.06 | 44,119,850.48 |
| Proceeds from Patients and Customers | 1,502,158,857.95 | 1,385,260,786.06 |
| Proceeds from Sponsored Programs | 207,150,330.17 | 212,761,739.48 |
| Proceeds from Auxiliaries | 14,917,905.79 | 12,724,454.02 |
| Proceeds from Other Revenues | 59,011,761.03 | 59,403,342.01 |
| Payments to Suppliers | (675,638,639.40) | (613,274,103.49) |
| Payments to Employees | (1,386,765,217.84) | (1,363,237,304.94) |
| Payments for Loans Provided | (351,845.28) | (1,908,186.26) |
| Proceeds from Loan Programs | 348,356.11 | 2,210,175.73 |
| Net Cash Provided (Used) by Operating Activities | <u>(237,263,853.41)</u> | <u>(261,939,246.91)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from State Appropriations | 375,044,703.78 | 374,020,987.96 |
| Proceeds from Operating Gifts | 11,143,090.99 | 9,115,561.14 |
| Proceeds from Private Gifts for Endowment Purposes | 3,197,505.88 | 3,840,858.99 |
| Proceeds from Other Noncapital Financing Activities | 2,367,073.04 | 12,256,829.77 |
| Receipts for Transfers from System or Other Agencies | 91,095,457.78 | 76,242,664.91 |
| Payments for Transfers to System or Other Agencies | (91,114,267.44) | (74,826,162.98) |
| Payments for Other Uses | (234,351.51) | (4,064,780.67) |
| Proceeds from Nonexchange Sponsored Programs | 1,005,323.00 | 980,574.00 |
| Net Cash Provided by Noncapital Financing Activities | <u>392,504,535.52</u> | <u>397,566,533.12</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Proceeds from Issuance of Capital Debt | - | 233,803.59 |
| Nonmandatory Capital Related Transfers | 176,447,593.66 | 128,227,443.15 |
| Proceeds from Capital Appropriations, Grants, and Gifts | 70,023,691.82 | 103,928,914.52 |
| Proceeds from Sale of Capital Assets | 461,287.95 | 181,576.02 |
| Payments for Additions to Capital Assets | (291,090,913.84) | (260,290,310.77) |
| Payments of Principal on Capital Related Debt | (3,725,633.86) | (2,992,267.80) |
| Mandatory Transfers to System for Capital Related Debt | (89,465,329.36) | (84,310,082.68) |
| Payments of Interest on Capital Related Debt | (1,287,411.46) | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(138,636,715.09)</u> | <u>(115,020,923.97)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments | 2,604,898.03 | 3,183,639.00 |
| Proceeds from Sales of Investments Invested by System | - | - |
| Proceeds from Interest and Investment Income | 17,407,229.75 | 13,900,345.28 |
| Proceeds from Interest and Investment Income Invested by System | 49,297,814.16 | 46,196,251.70 |
| Payments to Acquire Investments | (2,604,898.03) | - |
| Payments to Acquire Investments Invested by System | (32,368,381.18) | (58,477,892.48) |
| Net Cash Provided (Used) by Investing Activities | <u>34,336,662.73</u> | <u>4,802,343.50</u> |
| Net Increase (Decrease) in Cash | 50,940,629.75 | 25,408,705.74 |
| Cash and Cash Equivalents (Beginning of the Year) | 119,719,185.54 | 94,310,479.80 |
| Cash and Cash Equivalents (End of the Year) | <u>\$ 170,659,815.29</u> | <u>\$ 119,719,185.54</u> |
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (453,117,952.27) | (412,185,604.91) |
| Adjustments to Reconcile Operating Results to Net Cash: | | |
| Depreciation and Amortization Expense | 179,980,597.41 | 158,831,879.36 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | (9,114,013.47) | 5,905,812.37 |
| Inventories | (5,248,494.90) | 1,624,351.02 |
| Loans and Contracts | (3,489.17) | 301,989.47 |
| Other Current and Noncurrent Assets | (1,688,052.59) | (5,567,795.35) |
| Accounts Payable | 55,460,346.98 | (21,295,188.56) |
| Due to System | 525,193.51 | 323,603.09 |
| Unearned Revenue | (3,734,426.93) | 4,157,756.37 |
| Assets Held for Others | (1,943,714.00) | 465,908.36 |
| Employees' Compensable Leave | 1,603,228.02 | 3,584,351.18 |
| Asset Retirement Obligations | - | 512,836.25 |
| Other Current and Noncurrent Liabilities | 16,924.00 | 1,400,854.44 |
| Total Adjustments | <u>215,854,098.86</u> | <u>150,246,358.00</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (237,263,853.41)</u> | <u>\$ (261,939,246.91)</u> |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in Fair Value of Investments | 5,058,276.58 | 26,768,238.49 |
| Capital Assets Acquired Under Capital Lease Purchases or Direct Borrowings | 148,943,119.02 | 233,803.59 |
| Miscellaneous Noncash Transactions | (3,416,973.49) | (3,036,095.22) |

The University of Texas Health Science Center at Houston
 Exhibit A Statement of Net Position
 As of August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|----------------------------|-------------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 173,111,789.80 | 145,762,315.92 |
| Restricted Cash & Cash Equivalents | 117,267,376.67 | 19,940,879.68 |
| Balance in State Appropriations | 17,625,539.40 | 14,021,942.73 |
| Accounts Receivable, Net: | | |
| Federal (allow. \$0.00 in 2019 & \$0.00 in 2018) | 19,753,757.20 | 13,022,437.99 |
| Other Intergov. (allow. \$147,592.05 in 2019 & \$255,078.63 in 2018) | 47,942,188.87 | 31,504,470.72 |
| Student (allow. \$851,377.74 in 2019 & \$866,018.64 in 2018) | 17,697,298.90 | 16,918,562.75 |
| Patient & Healthcare(allow. \$6,378,221.96 in 2019 & \$5,057,431.69 in 2018) | 54,858,268.74 | 56,174,028.33 |
| Interest and Dividend Receivables | 1,411,197.52 | 1,438,374.97 |
| Contributions (allow. \$96,812.74 in 2019 & \$139,544.50 in 2018) | 3,949,164.31 | 5,692,268.30 |
| Other (allow. \$20,899.44 in 2019 & \$165,024.23 in 2018) | 26,844,527.28 | 25,314,892.26 |
| Due From System Administration | 8,883,744.55 | 30,259,851.03 |
| Due From Other Institutions | 1,577,775.11 | 277,460.84 |
| Due From Other Agencies | 3,170,546.96 | 3,656,074.86 |
| Inventories | 772,149.13 | 549,182.34 |
| Loans & Contracts (allow. \$260,431.95 in 2019 & \$262,146.21 in 2018) | 5,259,267.22 | 5,207,944.10 |
| Other Current Assets | 3,997,869.25 | 3,623,910.78 |
| Total Current Assets | 504,122,460.91 | 373,364,597.60 |
| Noncurrent Assets: | | |
| Restricted Investments | 66,709,633.54 | 74,577,902.16 |
| Loans & Contracts (allow. \$488,000.73 in 2019 & \$523,287.28 in 2018) | 5,382,704.65 | 6,050,668.61 |
| Funds Held by System Administration (Restricted) | 392,508,950.57 | 528,994,063.67 |
| Contributions Rec. (allow. \$119,807.20 in 2019 & \$139,228.10 in 2018) | 4,887,148.78 | 5,679,362.26 |
| Unrestricted Investments | 334,634,963.82 | 435,440,326.25 |
| Funds Held by System Administration (Unrestricted) | 327,224,230.86 | 10,047,513.78 |
| Other Noncurrent Assets | 16,030,744.27 | 15,230,978.71 |
| Gross Capital/Intangible Assets | 1,365,086,080.01 | 1,300,926,384.65 |
| Accumulated Depreciation/Amortization | (764,270,540.70) | (707,351,648.36) |
| Total Noncurrent Assets | 1,748,193,915.80 | 1,669,595,551.73 |
| Total Assets | 2,252,316,376.71 | 2,042,960,149.33 |
| Total Assets and Deferred Outflows | 2,252,316,376.71 | 2,042,960,149.33 |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 83,035,763.32 | 80,107,320.99 |
| Salaries Payable | 42,498,346.61 | 38,436,793.85 |
| Due To System Administration | 11,131,582.92 | 9,468,007.61 |
| Due To Other Institutions | 600,180.20 | 934,915.51 |
| Due To Other State Agencies | 146,273.01 | 156,534.09 |
| Unearned Revenue | 76,957,722.94 | 72,034,342.93 |
| Employees' Compensable Leave - Current Portion | 39,174,020.26 | 37,141,381.04 |
| Notes, Loans, and Leases Payable | | |
| Assets Held for Others | | 611,267.79 |
| Asset Retirement Obligation | | 86,662,038.92 |
| Other Current Liabilities | 102,658,063.51 | 86,662,038.92 |
| Total Current Liabilities | 356,201,952.77 | 325,552,602.73 |
| Noncurrent Liabilities: | | |
| Employees' Compensable Leave | 33,170,207.43 | 31,305,231.50 |
| Assets Held for Others | 100,570,201.05 | 8,806,432.43 |
| Liability to Beneficiaries | 190,411.48 | 204,114.97 |
| Notes, Loans, and Leases Payable | | |
| Asset Retirement Obligation | 975,121.25 | 975,121.25 |
| Other Noncurrent Liabilities | 3,101,952.99 | 2,451,100.67 |
| Total Noncurrent Liabilities | 138,007,894.20 | 43,742,000.82 |
| Total Liabilities | 494,209,846.97 | 369,294,603.55 |
| Total Deferred Inflows of Resources | 704,057.03 | 691,916.00 |
| Total Liabilities and Deferred Inflows | 494,913,904.00 | 369,986,519.55 |
| NET POSITION | | |
| Net Investment in Capital Assets | 600,815,539.31 | 593,574,736.29 |
| Restricted for: | | |
| Nonexpendable | | |
| Permanent Health and True Endowments | 282,765,217.46 | 248,327,557.47 |
| Expendable | | |
| Capital Projects | 2,043,714.78 | 12,143,970.09 |
| Funds Functioning as Endowment (Restricted) | 29,407,122.77 | 28,679,648.24 |
| Other Expendable | 195,017,616.53 | 193,705,986.38 |
| Unrestricted | 647,353,261.86 | 596,541,731.31 |
| Total Net Position | \$ 1,757,402,472.71 | 1,672,973,629.78 |

The University of Texas Health Science Center at Houston
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|----------------------------|-------------------------|
| Operating Revenues: | | |
| Student Tuition and Fees | \$ 61,104,402.84 | 58,096,401.71 |
| Discounts and Allowances | (1,411,910.11) | (1,459,460.24) |
| Federal Sponsored Programs | 134,765,581.28 | 132,042,285.16 |
| Federal Sponsored Programs Pass-Through from State Agencies | 23,941,860.19 | 22,610,633.98 |
| State Sponsored Programs Pass-Through from State Agencies | 23,103,659.51 | 18,810,880.42 |
| Local Sponsored Programs | 480,170,478.13 | 436,379,381.84 |
| Private Sponsored Programs | 147,796,003.51 | 138,157,932.06 |
| Sales and Services of Educational Activities | 39,268,166.12 | 37,579,866.63 |
| Sales and Services of Hospitals | 137,995,649.93 | 131,758,593.83 |
| Discounts and Allowances Sales and Services of Hospitals | (63,449,925.70) | (59,772,773.28) |
| Professional Fees (Patient Charges) | 1,922,452,456.97 | 1,532,078,015.31 |
| Discounts and Allowances Professional Fees (Patient Charges) | (1,538,965,192.01) | (1,163,204,592.95) |
| Auxiliary Enterprises | 27,154,291.34 | 27,162,589.57 |
| Other Operating Revenues | 70,534,713.07 | 76,397,328.95 |
| Total Operating Revenues | <u>1,464,460,235.07</u> | <u>1,386,637,082.99</u> |
| Operating Expenses: | | |
| Instruction | 745,849,630.43 | 717,084,884.13 |
| Research | 204,772,051.64 | 199,048,552.32 |
| Public Service | 33,696,444.30 | 31,435,558.93 |
| Hospitals / Clinics | 448,537,362.77 | 430,638,401.71 |
| Academic Support | 56,879,366.56 | 55,340,893.92 |
| Student Services | 10,531,008.68 | 9,150,309.99 |
| Institutional Support | 76,655,259.13 | 77,137,845.80 |
| Operations and Maintenance of Plant | 43,659,044.15 | 45,529,183.20 |
| Scholarships and Fellowships | 10,570,159.08 | 9,668,011.63 |
| Auxiliary Enterprises | 17,498,942.41 | 17,062,069.31 |
| Depreciation and Amortization | 68,136,690.82 | 64,775,812.47 |
| Total Operating Expenses | <u>1,716,785,959.97</u> | <u>1,656,871,523.41</u> |
| Operating Income (Loss) | <u>(252,325,724.90)</u> | <u>(270,234,440.42)</u> |
| Nonoperating Revenues (Expenses): | | |
| State Appropriations | 216,741,048.21 | 214,803,755.73 |
| Federal Nonexchange Sponsored Programs | 1,304,635.00 | 1,719,424.44 |
| Federal Nonexchange Pass-Through | | |
| State Nonexchange Pass-Through | | |
| Gift Contributions for Operations | 16,941,361.72 | 26,224,140.98 |
| Investment Income | 67,099,424.90 | 57,171,455.42 |
| Net Increase (Decrease) in Fair Value of Investments | (3,486,189.32) | 10,585,431.98 |
| Gain (Loss) on Sale of Capital Assets | (488,647.90) | (427,889.13) |
| Other Nonoperating Revenues | 4,407,335.79 | |
| Other Nonoperating (Expenses) | (41,500.49) | (2,951,836.50) |
| Net Nonoperating Revenues (Expenses) | <u>302,477,467.91</u> | <u>307,124,482.92</u> |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | 50,151,743.01 | 36,890,042.50 |
| Gifts and Sponsored Programs for Capital Acquisitions | | 15,519.75 |
| Additions to Permanent Endowments | 24,176,512.46 | 19,439,073.07 |
| Reclass from/(to) Other Institutions | 21,953,421.33 | 15,639,934.14 |
| Transfers Between Institutions & System, Debt Service - Mandatory | (32,452,538.08) | (31,448,049.97) |
| Transfers Between Institutions & System Admin. - Non mandatory | 20,675,590.32 | 15,764,785.09 |
| Transfers From Other State Agencies | 54,494.00 | 51,400.00 |
| Transfers to Other State Agencies | (58,875.11) | 65,171.66 |
| Legislative Appropriations Lapsed | (71,505.00) | (861.00) |
| Change in Net Position | <u>84,428,842.93</u> | <u>56,286,671.92</u> |
| Beginning Net Position | <u>1,672,973,629.78</u> | <u>1,616,686,957.86</u> |
| Ending Net Position | <u>\$ 1,757,402,472.71</u> | <u>1,672,973,629.78</u> |

The University of Texas Health Science Center at Houston
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2019

| | <u>Current Year Totals</u> | <u>Prior Year Totals</u> |
|--|----------------------------|----------------------------|
| Cash Flows from Operating Activities: | | |
| Proceeds from Tuition and Fees | 60,538,505.51 | 58,674,702.36 |
| Proceeds from Patients and Customers | 459,348,748.78 | 437,969,398.88 |
| Proceeds from Sponsored Programs | 775,967,833.81 | 774,958,658.42 |
| Proceeds from Auxiliaries | 27,248,065.05 | 27,759,615.84 |
| Proceeds from Other Revenues | 128,356,790.29 | 136,735,230.83 |
| Payments to Suppliers | (391,168,278.63) | (393,459,702.70) |
| Payments to Employees | (1,245,282,585.31) | (1,191,748,018.00) |
| Payments for Loans Provided | (1,666,645.41) | (2,298,525.60) |
| Proceeds from Loan Programs | 2,283,286.25 | 2,529,778.41 |
| Net Cash Provided (Used) by Operating Activities | <u>(184,374,279.66)</u> | <u>(148,878,861.56)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from State Appropriations | 213,065,946.54 | 210,385,055.27 |
| Proceeds from Operating Gifts | 19,476,679.19 | 21,150,020.92 |
| Proceeds from Private Gifts for Endowment Purposes | 24,176,512.46 | 19,439,073.07 |
| Proceeds from Other Noncapital Financing Activities | 101,648,731.59 | (22,970.74) |
| Receipts for Transfers from System or Other Agencies | 6,604,958.04 | 564,186.38 |
| Payments for Transfers to System or Other Agencies | (247,049.39) | (185,530.18) |
| Payments for Other Uses | (41,500.36) | (2,951,836.50) |
| Proceeds from Nonexchange Sponsored Programs | 2,571,968.44 | 689,485.05 |
| Net Cash Provided by Noncapital Financing Activities | <u>367,256,246.51</u> | <u>249,067,483.27</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Nonmandatory Capital Related Transfers | 57,664,050.01 | 49,662,343.41 |
| Proceeds from Capital Appropriations, Grants, and Gifts | - | 19,758.02 |
| Proceeds from Sale of Capital Assets | 124,101.51 | 111,986.82 |
| Payments for Additions to Capital Assets | (75,138,171.14) | (73,408,909.74) |
| Mandatory Transfers to System for Capital Related Debt | (32,452,538.08) | (31,448,049.97) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(49,802,557.70)</u> | <u>(55,062,871.46)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments Invested by System | - | - |
| Proceeds from Interest and Investment Income | 3,070,796.79 | 3,020,767.23 |
| Proceeds from Interest and Investment Income Invested by System | 64,045,534.64 | 54,202,747.80 |
| Payments to Acquire Investments | (108,739.25) | (49,999.89) |
| Payments to Acquire Investments Invested by System | (75,411,030.46) | (98,055,964.08) |
| Net Cash Provided (Used) by Investing Activities | <u>(8,403,438.28)</u> | <u>(40,882,448.94)</u> |
| Net Increase (Decrease) in Cash | 124,675,970.87 | 4,243,301.31 |
| Cash and Cash Equivalents (Beginning of the Year) | 165,703,195.60 | 161,459,894.29 |
| Cash and Cash Equivalents (End of the Year) | <u>\$ 290,379,166.47</u> | <u>\$ 165,703,195.60</u> |
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (252,325,724.90) | (270,234,440.42) |
| Adjustments to Reconcile Operating Results to Net Cash: | | |
| Depreciation and Amortization Expense | 68,136,690.82 | 64,775,812.47 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | (26,018,685.75) | 18,351,013.94 |
| Inventories | (222,966.79) | 170,383.22 |
| Loans and Contracts | 616,640.84 | 231,252.81 |
| Other Current and Noncurrent Assets | (1,159,679.03) | 639,251.56 |
| Accounts Payable | 5,473,472.98 | (395,426.52) |
| Due to System | 1,663,575.31 | 182,684.88 |
| Unearned Revenue | 4,923,380.01 | 6,904,288.48 |
| Assets Held for Others | (5,394,207.42) | 5,522,062.54 |
| Employees' Compensable Leave | 3,897,615.15 | 5,444,352.16 |
| Asset Retirement Obligations | (611,267.79) | 1,586,389.04 |
| Other Current and Noncurrent Liabilities | 16,646,876.91 | 17,943,514.28 |
| Total Adjustments | <u>67,951,445.24</u> | <u>121,355,578.86</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (184,374,279.66)</u> | <u>\$ (148,878,861.56)</u> |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in Fair Value of Investments | (3,486,189.32) | 10,585,431.98 |
| Miscellaneous Noncash Transactions | (499,598.62) | (432,905.61) |

The University of Texas Health Science Center at San Antonio
 Exhibit A Statement of Net Position
 As of August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|----------------------------|-------------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 97,998,404.91 | 88,841,723.82 |
| Restricted Cash & Cash Equivalents | 47,976,928.54 | 34,698,773.95 |
| Balance in State Appropriations | 19,105,432.62 | 20,686,237.13 |
| Accounts Receivable, Net: | | |
| Federal (allow. \$0.00 in 2019 & \$0.00 in 2018) | 18,388,192.45 | 12,641,372.69 |
| Other Intergov. (allow. \$0.00 in 2019 & \$0.00 in 2018) | 14,477,943.16 | 14,360,078.83 |
| Student (allow. \$0.00 in 2019 & \$0.00 in 2018) | 13,029,217.33 | 12,574,256.58 |
| Patient & Healthcare(allow. \$4,482,380.72 in 2019 & \$2,766,068.92 in 2018) | 29,427,073.55 | 26,380,580.92 |
| Interest and Dividend Receivables | 1,096,369.81 | 1,063,761.33 |
| Contributions (allow. \$20,336.14 in 2019 & \$150,486.70 in 2018) | 1,718,014.84 | 15,197,946.44 |
| Other (allow. \$0.00 in 2019 & \$0.00 in 2018) | 10,523,708.21 | 11,151,408.40 |
| Due From System Administration | 12,957,837.56 | 28,343,553.48 |
| Due From Other Institutions | 328,380.77 | 236,809.75 |
| Due From Other Agencies | 562,991.63 | 593,102.52 |
| Inventories | 5,356,395.28 | 3,757,514.56 |
| Loans & Contracts (allow. \$12,246.61 in 2019 & \$9,456.17 in 2018) | 726,836.72 | 858,081.95 |
| Other Current Assets | 1,127,729.43 | 915,202.91 |
| Total Current Assets | <u>274,801,456.81</u> | <u>272,300,405.26</u> |
| Noncurrent Assets: | | |
| Restricted Investments | 70,446,245.95 | 69,490,075.42 |
| Loans & Contracts (allow. \$12,539.38 in 2019 & \$13,171.91 in 2018) | 2,464,519.07 | 3,075,880.46 |
| Funds Held by System Administration (Restricted) | 599,645,946.51 | 594,039,368.84 |
| Contributions Rec. (allow. \$45,002.33 in 2019 & \$38,415.39 in 2018) | 4,750,493.77 | 4,140,028.03 |
| Unrestricted Investments | 327,938,434.27 | 323,555,698.11 |
| Funds Held by System Administration (Unrestricted) | 18,863,901.28 | |
| Other Noncurrent Assets | 1,410,771.00 | 1,579,710.11 |
| Gross Capital/Intangible Assets | 1,429,538,702.37 | 1,341,029,731.74 |
| Accumulated Depreciation/Amortization | <u>(737,308,786.85)</u> | <u>(685,798,868.81)</u> |
| Total Noncurrent Assets | <u>1,717,750,227.37</u> | <u>1,651,111,623.90</u> |
| Total Assets | <u>1,992,551,684.18</u> | <u>1,923,412,029.16</u> |
| Total Assets and Deferred Outflows | <u>1,992,551,684.18</u> | <u>1,923,412,029.16</u> |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 36,249,255.86 | 37,116,580.53 |
| Salaries Payable | 40,160,453.93 | 32,658,629.26 |
| Federal Payables | 714,520.04 | 714,520.04 |
| Due To System Administration | 7,199,332.42 | 6,938,761.95 |
| Due To Other Institutions | 522,757.29 | 201,165.89 |
| Due To Other State Agencies | 85,969.65 | 65,579.01 |
| Statewide Interfund Payable | 141,991.87 | 141,179.92 |
| Unearned Revenue | 53,315,209.06 | 49,863,026.35 |
| Employees' Compensable Leave - Current Portion | 27,884,323.12 | 27,059,098.52 |
| Notes, Loans, and Leases Payable | 370,548.79 | 102,159.00 |
| Assets Held for Others | 13,894.58 | 355,593.13 |
| Other Current Liabilities | <u>5,084,212.92</u> | <u>4,790,939.26</u> |
| Total Current Liabilities | <u>171,742,469.53</u> | <u>160,007,232.86</u> |
| Noncurrent Liabilities: | | |
| Employees' Compensable Leave | 32,537,423.38 | 32,744,351.90 |
| Liability to Beneficiaries | 313,129.12 | 342,861.64 |
| Notes, Loans, and Leases Payable | 452,435.00 | 144,941.10 |
| Statewide Interfund Payable | 209,514.13 | 351,205.99 |
| Asset Retirement Obligation | 1,215,785.00 | 1,215,785.00 |
| Other Noncurrent Liabilities | <u>3,470,754.68</u> | <u>3,418,774.36</u> |
| Total Noncurrent Liabilities | <u>38,199,041.31</u> | <u>38,217,919.99</u> |
| Total Liabilities | <u>209,941,510.84</u> | <u>198,225,152.85</u> |
| Total Deferred Inflows of Resources | <u>2,215,655.12</u> | <u>2,402,166.50</u> |
| Total Liabilities and Deferred Inflows | <u>212,157,165.96</u> | <u>200,627,319.35</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 691,406,931.73 | 654,983,762.83 |
| Restricted for: | | |
| Nonexpendable | | |
| Permanent Health and True Endowments | 413,656,658.75 | 390,693,451.24 |
| Expendable | | |
| Capital Projects | 4,501,239.14 | 25,095,928.44 |
| Funds Functioning as Endowment (Restricted) | 27,119,759.58 | 24,080,414.45 |
| Other Expendable | 287,769,819.57 | 285,001,224.95 |
| Unrestricted | <u>355,940,109.45</u> | <u>342,929,927.90</u> |
| Total Net Position | <u>\$ 1,780,394,518.22</u> | <u>1,722,784,709.81</u> |

The University of Texas Health Science Center at San Antonio
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|----------------------------|-------------------------|
| Operating Revenues: | | |
| Student Tuition and Fees | \$ 51,588,294.01 | 50,699,227.94 |
| Discounts and Allowances | (2,847,740.56) | (4,751,424.96) |
| Federal Sponsored Programs | 111,929,098.86 | 98,305,235.21 |
| Federal Sponsored Programs Pass-Through from State Agencies | 9,143,648.87 | 4,254,776.55 |
| State Sponsored Programs Pass-Through from State Agencies | 14,611,695.15 | 14,963,645.58 |
| Local Sponsored Programs | 182,382,412.37 | 166,396,985.31 |
| Private Sponsored Programs | 27,727,595.34 | 30,917,434.35 |
| Sales and Services of Educational Activities | 41,387,631.60 | 30,442,160.45 |
| Professional Fees (Patient Charges) | 738,971,185.99 | 621,318,695.98 |
| Discounts and Allowances Professional Fees (Patient Charges) | (498,801,319.15) | (404,925,594.03) |
| Auxiliary Enterprises | 5,270,528.47 | 5,480,026.52 |
| Other Operating Revenues | 29,334,815.37 | 34,459,562.43 |
| Total Operating Revenues | 710,697,846.32 | 647,560,731.33 |
| Operating Expenses: | | |
| Instruction | 419,188,827.34 | 380,969,176.63 |
| Research | 136,963,943.19 | 126,561,477.34 |
| Public Service | 42,922,576.71 | 29,457,888.14 |
| Hospitals / Clinics | 135,932,925.99 | 131,112,226.39 |
| Academic Support | 46,407,373.66 | 43,260,127.89 |
| Student Services | 2,250,833.68 | 2,118,895.70 |
| Institutional Support | 47,374,794.74 | 47,841,835.15 |
| Operations and Maintenance of Plant | 36,651,385.56 | 38,807,180.34 |
| Scholarships and Fellowships | 7,392,270.84 | 4,882,941.26 |
| Auxiliary Enterprises | 5,671,555.00 | 5,845,168.44 |
| Depreciation and Amortization | 58,318,282.24 | 55,459,097.91 |
| Total Operating Expenses | 939,074,768.95 | 866,316,015.19 |
| Operating Income (Loss) | (228,376,922.63) | (218,755,283.86) |
| Nonoperating Revenues (Expenses): | | |
| State Appropriations | 172,545,475.01 | 170,277,881.33 |
| Federal Nonexchange Sponsored Programs | 1,124,721.09 | 1,079,134.00 |
| Federal Nonexchange Pass-Through | | |
| State Nonexchange Pass-Through | | |
| Gift Contributions for Operations | 12,424,586.69 | 8,332,710.29 |
| Investment Income | 48,386,253.01 | 44,640,215.72 |
| Net Increase (Decrease) in Fair Value of Investments | 4,240,196.66 | 26,096,012.34 |
| Interest Expense on Capital Asset Financings | (43,906.58) | |
| Gain (Loss) on Sale of Capital Assets | (4,247,059.12) | (456,857.88) |
| Other Nonoperating (Expenses) | (177,500.00) | (5,867,886.72) |
| Net Nonoperating Revenues (Expenses) | 234,252,766.76 | 244,101,209.08 |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | 5,875,844.13 | 25,345,925.22 |
| Gifts and Sponsored Programs for Capital Acquisitions | 224,114.85 | 664,517.95 |
| Additions to Permanent Endowments | 23,221,398.18 | 9,978,439.63 |
| Reclass from/(to) Other Institutions | 47,253,903.39 | (2,193,207.79) |
| Transfers Between Institutions & System, Debt Service - Mandatory | (30,486,216.84) | (30,480,757.04) |
| Transfers Between Institutions & System Admin. - Non mandatory | 11,526,825.41 | 74,915,052.55 |
| Transfers From Other State Agencies | 66,697.79 | 68,209.00 |
| Transfers to Other State Agencies | (72,045.00) | 49,988.05 |
| Legislative Appropriations Lapsed | (713.50) | (1,065,000.00) |
| Change in Net Position | 57,609,808.41 | 77,183,191.47 |
| Beginning Net Position | 1,722,784,709.81 | 1,645,601,518.34 |
| Ending Net Position | \$ 1,780,394,518.22 | 1,722,784,709.81 |

The University of Texas Health Science Center at San Antonio
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|----------------------------|----------------------------|
| Cash Flows from Operating Activities: | | |
| Proceeds from Tuition and Fees | 49,673,008.21 | 46,782,673.99 |
| Proceeds from Patients and Customers | 237,123,374.21 | 212,276,120.11 |
| Proceeds from Sponsored Programs | 342,419,453.15 | 308,783,743.27 |
| Proceeds from Auxiliaries | 5,270,528.47 | 5,480,026.52 |
| Proceeds from Other Revenues | 70,824,744.17 | 67,708,377.18 |
| Payments to Suppliers | (249,212,182.98) | (218,300,595.49) |
| Payments to Employees | (622,731,000.33) | (591,164,555.59) |
| Payments for Loans Provided | - | (267,421.66) |
| Proceeds from Loan Programs | 579,112.47 | 994,061.00 |
| Net Cash Provided (Used) by Operating Activities | <u>(166,052,962.63)</u> | <u>(167,707,570.67)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from State Appropriations | 174,125,566.02 | 169,428,973.98 |
| Proceeds from Operating Gifts | 24,609,165.09 | 16,270,713.01 |
| Proceeds from Private Gifts for Endowment Purposes | 23,221,398.18 | 9,978,439.63 |
| Proceeds from Other Noncapital Financing Activities | - | (778,657.28) |
| Receipts for Transfers from System or Other Agencies | 2,215,729.83 | 2,371,988.51 |
| Payments for Transfers to System or Other Agencies | (72,045.00) | (49,988.05) |
| Payments for Other Uses | (177,499.99) | (5,867,898.72) |
| Proceeds from Nonexchange Sponsored Programs | 1,592,996.09 | 1,079,134.00 |
| Net Cash Provided by Noncapital Financing Activities | <u>225,515,310.22</u> | <u>192,432,705.08</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Nonmandatory Capital Related Transfers | 72,055,974.71 | 73,268,391.01 |
| Proceeds from Capital Appropriations, Grants, and Gifts | 762,127.46 | 578,800.36 |
| Payments for Additions to Capital Assets | (101,605,889.09) | (102,313,842.91) |
| Payments of Principal on Capital Related Debt | (401,962.40) | (1,438,289.16) |
| Mandatory Transfers to System for Capital Related Debt | (30,486,216.84) | (30,480,757.04) |
| Payments of Interest on Capital Related Debt | (43,906.58) | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(59,719,872.74)</u> | <u>(60,385,697.74)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments Invested by System | - | - |
| Proceeds from Interest and Investment Income | 2,002,183.45 | 1,110,092.01 |
| Proceeds from Interest and Investment Income Invested by System | 46,308,437.26 | 43,478,286.41 |
| Payments to Acquire Investments Invested by System | (25,618,259.88) | (2,693,552.48) |
| Net Cash Provided (Used) by Investing Activities | <u>22,692,360.83</u> | <u>41,894,825.94</u> |
| Net Increase (Decrease) in Cash | 22,434,835.68 | 6,234,262.61 |
| Cash and Cash Equivalents (Beginning of the Year) | 123,540,497.77 | 117,306,235.16 |
| Cash and Cash Equivalents (End of the Year) | <u>\$ 145,975,333.45</u> | <u>\$ 123,540,497.77</u> |
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (228,376,922.63) | (218,755,283.86) |
| Adjustments to Reconcile Operating Results to Net Cash: | | |
| Depreciation and Amortization Expense | 58,318,282.24 | 55,459,097.91 |
| Bad Debt Expense | 163,494.15 | (86,666.32) |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | (9,186,224.40) | (10,417,802.80) |
| Inventories | (1,598,880.72) | (1,818,818.60) |
| Loans and Contracts | 579,112.47 | 726,639.34 |
| Other Current and Noncurrent Assets | (210,760.41) | 1,056,327.84 |
| Accounts Payable | 9,924,331.98 | (1,229,344.68) |
| Due to System | 260,570.47 | 282,472.62 |
| Unearned Revenue | 3,452,182.71 | 619,599.10 |
| Assets Held for Others | (341,698.55) | 807.11 |
| Employees' Compensable Leave | 618,296.08 | 2,780,492.02 |
| Asset Retirement Obligations | - | 1,215,785.00 |
| Other Current and Noncurrent Liabilities | 345,253.98 | 2,459,124.65 |
| Total Adjustments | <u>62,323,960.00</u> | <u>51,047,713.19</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (166,052,962.63)</u> | <u>\$ (167,707,570.67)</u> |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in Fair Value of Investments | 4,240,196.66 | 26,096,012.34 |
| Donated Capital Assets | 64,926.84 | 164,517.95 |
| Capital Assets Acquired Under Capital Lease Purchases or Direct Borrowings | 977,846.09 | 19,999.80 |
| Miscellaneous Noncash Transactions | (4,242,597.33) | (456,857.88) |

The University of Texas M. D. Anderson Cancer Center
Exhibit A Statement of Net Position
As of August 31, 2019

| | Current Year Totals | Prior Year Totals |
|--|----------------------------|---------------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 469,304,453.22 | 128,548,857.01 |
| Restricted Cash & Cash Equivalents | 453,448,999.79 | 432,115,349.94 |
| Accounts Receivable, Net: | | |
| Federal (allow. \$0.00 in 2019 & \$0.00 in 2018) | 214,303,497.88 | 183,294,337.94 |
| Patient & Healthcare(allow. \$97,877,597.91 in 2019 & \$78,525,150.17 in 2018) | 438,940,286.08 | 413,889,070.32 |
| Interest and Dividend Receivables | 10,493,979.63 | 10,420,992.06 |
| Contributions (allow. \$1,201,470.47 in 2019 & \$882,454.71 in 2018) | 4,592,918.99 | 7,102,593.40 |
| Other (allow. \$2,543,845.59 in 2019 & \$566,439.59 in 2018) | 33,007,308.23 | 36,891,288.67 |
| Due From System Administration | 8,789,726.89 | 26,235,307.53 |
| Due From Other Institutions | 2,993,971.38 | 1,015,984.53 |
| Due From Other Agencies | 5,290,597.81 | 9,337,641.60 |
| Inventories | 72,096,932.24 | 65,486,429.91 |
| Other Current Assets | 89,075,355.10 | 85,265,244.37 |
| Total Current Assets | <u>1,802,338,027.24</u> | <u>1,399,603,097.28</u> |
| Noncurrent Assets: | | |
| Restricted Investments | 1,164,742,211.35 | 1,142,150,656.50 |
| Funds Held by System Administration (Restricted) | 718,430,970.43 | 746,108,366.92 |
| Contributions Rec. (allow. \$314,100.08 in 2019 & \$524,092.79 in 2018) | 5,967,901.52 | 9,957,763.10 |
| Unrestricted Investments | 3,609,113,908.13 | 3,857,153,639.39 |
| Funds Held by System Administration (Unrestricted) | 1,309,157,326.41 | 499,050,662.92 |
| Other Noncurrent Assets | 64,604,452.09 | 72,305,366.79 |
| Gross Capital/Intangible Assets | 6,655,854,353.88 | 6,255,123,574.00 |
| Accumulated Depreciation/Amortization | <u>(3,775,866,970.39)</u> | <u>(3,479,363,684.31)</u> |
| Total Noncurrent Assets | <u>9,752,004,153.42</u> | <u>9,102,486,345.31</u> |
| Total Assets | <u>11,554,342,180.66</u> | <u>10,502,089,442.59</u> |
| Total Deferred Outflows of Resources | <u>25,194,452.43</u> | <u>859,975.00</u> |
| Total Assets and Deferred Outflows | <u>11,579,536,633.09</u> | <u>10,502,949,417.59</u> |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 226,160,830.97 | 258,596,843.31 |
| Salaries Payable | 230,927,948.79 | 202,524,362.79 |
| Federal Payables | 48,580,682.06 | 75,080,451.36 |
| Other Intergovernmental Payables | 27,308.42 | 44,593.16 |
| Due To System Administration | 25,650,782.12 | 25,113,641.64 |
| Due To Other Institutions | 2,646,138.00 | 5,143,700.47 |
| Due To Other State Agencies | 106,686.12 | 150,623.06 |
| Unearned Revenue | 290,567,732.57 | 230,218,482.71 |
| Employees' Compensable Leave - Current Portion | 183,425,434.68 | 175,969,900.38 |
| Notes, Loans, and Leases Payable | | |
| Assets Held for Others | 843,015.08 | 3,335,656.76 |
| Other Current Liabilities | 99,548,074.12 | 84,274,320.57 |
| Total Current Liabilities | <u>1,108,484,632.93</u> | <u>1,060,452,576.21</u> |
| Noncurrent Liabilities: | | |
| Employees' Compensable Leave | 15,540,687.62 | 4,269,262.76 |
| Assets Held for Others | 516,598,582.19 | 492,658,190.32 |
| Liability to Beneficiaries | 1,012,264.01 | 1,083,688.37 |
| Notes, Loans, and Leases Payable | | |
| Asset Retirement Obligation | 16,632,171.25 | 15,076,123.75 |
| Other Noncurrent Liabilities | 2,800,458.15 | 4,319,727.56 |
| Total Noncurrent Liabilities | <u>552,584,163.22</u> | <u>517,406,992.76</u> |
| Total Liabilities | <u>1,661,068,796.15</u> | <u>1,577,859,568.97</u> |
| Total Deferred Inflows of Resources | <u>2,750,203.76</u> | <u>2,723,713.54</u> |
| Total Liabilities and Deferred Inflows | <u>1,663,818,999.91</u> | <u>1,580,583,282.51</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 2,879,987,383.49 | 2,775,759,889.69 |
| Restricted for: | | |
| Nonexpendable | | |
| Permanent Health and True Endowments | 988,937,972.72 | 968,802,299.69 |
| Expendable | | |
| Capital Projects | 156,135,124.15 | 172,257,500.29 |
| Funds Functioning as Endowment (Restricted) | 75,850,607.25 | 75,429,377.84 |
| Other Expendable | 534,012,057.05 | 590,435,307.36 |
| Unrestricted | 5,280,794,488.52 | 4,339,681,760.21 |
| Total Net Position | <u>\$ 9,915,717,633.18</u> | <u>8,922,366,135.08</u> |

The University of Texas M. D. Anderson Cancer Center
 Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|----------------------------|-------------------------|
| Operating Revenues: | | |
| Student Tuition and Fees | \$ 1,845,339.54 | 1,133,906.44 |
| Discounts and Allowances | (29,419.22) | (20,421.03) |
| Federal Sponsored Programs | 205,908,366.20 | 171,027,015.92 |
| Federal Sponsored Programs Pass-Through from State Agencies | 3,024,887.47 | 3,586,318.54 |
| State Sponsored Programs Pass-Through from State Agencies | 45,320,730.43 | 48,367,276.19 |
| Private Sponsored Programs | 151,304,668.17 | 160,402,342.96 |
| Sales and Services of Educational Activities | 2,718,135.90 | 2,031,064.76 |
| Sales and Services of Hospitals | 8,539,430,341.64 | 7,467,530,258.87 |
| Discounts and Allowances Sales and Services of Hospitals | (4,416,862,474.98) | (3,787,134,659.21) |
| Professional Fees (Patient Charges) | 1,543,246,773.63 | 1,458,771,700.40 |
| Discounts and Allowances Professional Fees (Patient Charges) | (1,091,974,352.71) | (1,055,012,781.01) |
| Auxiliary Enterprises | 45,855,795.39 | 44,292,396.80 |
| Other Operating Revenues | 125,466,176.42 | 117,232,124.31 |
| Total Operating Revenues | <u>5,155,254,967.88</u> | <u>4,632,206,543.94</u> |
| Operating Expenses: | | |
| Instruction | 79,836,559.63 | 77,333,871.22 |
| Research | 784,212,601.42 | 750,400,861.86 |
| Public Service | 22,931,878.22 | 15,550,811.97 |
| Hospitals / Clinics | 3,088,325,453.47 | 2,723,124,886.85 |
| Academic Support | 155,871,136.43 | 141,247,693.65 |
| Student Services | 624,297.56 | 271,579.72 |
| Institutional Support | 177,650,582.81 | 132,530,405.98 |
| Operations and Maintenance of Plant | 224,596,168.25 | 221,618,746.50 |
| Scholarships and Fellowships | 2,902,703.26 | 2,812,721.76 |
| Auxiliary Enterprises | 25,365,457.02 | 22,631,517.12 |
| Depreciation and Amortization | 361,057,889.90 | 365,027,966.95 |
| Total Operating Expenses | <u>4,923,374,727.97</u> | <u>4,452,551,063.58</u> |
| Operating Income (Loss) | <u>231,880,239.91</u> | <u>179,655,480.36</u> |
| Nonoperating Revenues (Expenses): | | |
| State Appropriations | 209,733,872.11 | 210,130,777.71 |
| Federal Nonexchange Sponsored Programs | 606,159.49 | 694,288.51 |
| Federal Nonexchange Pass-Through | | |
| State Nonexchange Pass-Through | | |
| Gift Contributions for Operations | 110,517,279.70 | 113,965,164.32 |
| Investment Income | 301,369,140.18 | 203,066,910.67 |
| Net Increase (Decrease) in Fair Value of Investments | 73,571,995.15 | 64,278,312.52 |
| Gain (Loss) on Sale of Capital Assets | 259,288.87 | (542,787.67) |
| Other Nonoperating Revenues | 27,280,979.14 | 5,365,165.93 |
| Other Nonoperating (Expenses) | (151,657.90) | (3,942,822.28) |
| Net Nonoperating Revenues (Expenses) | <u>723,187,056.74</u> | <u>593,015,009.71</u> |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | 955,067,296.65 | 772,670,490.07 |
| Gifts and Sponsored Programs for Capital Acquisitions | 838,202.81 | 5,521.38 |
| Additions to Permanent Endowments | 15,423,612.89 | 11,026,182.79 |
| Reclass from/(to) Other Institutions | 53,430,481.43 | 48,784,917.04 |
| Transfers Between Institutions & System, Debt Service - Mandatory | (101,458,031.45) | (88,726,782.29) |
| Transfers Between Institutions & System Admin. - Non mandatory | 70,041,646.18 | 61,548,524.52 |
| Transfers From Other State Agencies | 45,235,719.09 | 49,999,288.80 |
| Transfers to Other State Agencies | (45,227,130.50) | 50,039,284.32 |
| Legislative Appropriations Lapsed | (299.00) | (774.00) |
| Change in Net Position | <u>993,351,498.10</u> | <u>805,268,083.99</u> |
| Beginning Net Position | <u>8,922,366,135.08</u> | <u>8,117,098,051.09</u> |
| Ending Net Position | <u>\$ 9,915,717,633.18</u> | <u>8,922,366,135.08</u> |

The University of Texas M. D. Anderson Cancer Center
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2019

| | <u>Current Year Totals</u> | <u>Prior Year Totals</u> |
|--|----------------------------|--------------------------|
| Cash Flows from Operating Activities: | | |
| Proceeds from Tuition and Fees | 1,868,586.60 | 1,689,069.68 |
| Proceeds from Patients and Customers | 4,548,789,071.82 | 4,061,869,398.31 |
| Proceeds from Sponsored Programs | 442,417,583.06 | 408,773,772.87 |
| Proceeds from Auxiliaries | 45,976,514.97 | 44,117,678.77 |
| Proceeds from Other Revenues | 148,805,502.70 | 147,456,629.16 |
| Payments to Suppliers | (1,902,688,819.60) | (1,503,481,814.73) |
| Payments to Employees | (2,664,191,645.02) | (2,489,837,862.35) |
| Net Cash Provided (Used) by Operating Activities | <u>620,976,794.53</u> | <u>670,586,871.71</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from State Appropriations | 209,733,573.11 | 210,131,031.71 |
| Proceeds from Operating Gifts | 116,945,086.68 | 132,880,807.06 |
| Proceeds from Private Gifts for Endowment Purposes | 15,423,612.89 | 11,026,182.79 |
| Proceeds from Other Noncapital Financing Activities | 27,280,979.14 | 5,365,165.93 |
| Receipts for Transfers from System or Other Agencies | 110,613,351.45 | 107,320,310.71 |
| Payments for Transfers to System or Other Agencies | (47,612,539.70) | (51,385,483.16) |
| Payments for Other Uses | (151,657.90) | (3,942,822.28) |
| Proceeds from Nonexchange Sponsored Programs | 606,159.49 | 694,288.51 |
| Net Cash Provided by Noncapital Financing Activities | <u>432,838,565.16</u> | <u>412,089,481.27</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Nonmandatory Capital Related Transfers | 72,609,231.10 | 98,753,251.18 |
| Proceeds from Capital Appropriations, Grants, and Gifts | 689,202.81 | 465,571.12 |
| Proceeds from Sale of Capital Assets | 1,612,619.46 | 1,226,287.40 |
| Payments for Additions to Capital Assets | (482,887,715.53) | (347,992,494.62) |
| Mandatory Transfers to System for Capital Related Debt | (101,458,031.45) | (88,726,782.29) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(509,434,693.61)</u> | <u>(336,274,167.21)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments | 55,721,259.70 | 64,361,209.43 |
| Proceeds from Sales of Investments Invested by System | - | - |
| Proceeds from Interest and Investment Income | 121,283,082.28 | 78,697,235.31 |
| Proceeds from Interest and Investment Income Invested by System | 188,445,736.66 | 115,469,080.08 |
| Payments to Acquire Investments | (91,600,682.17) | (58,780,402.79) |
| Payments to Acquire Investments Invested by System | (456,140,816.49) | (1,133,696,867.87) |
| Net Cash Provided (Used) by Investing Activities | <u>(182,291,420.02)</u> | <u>(933,949,745.84)</u> |
| Net Increase (Decrease) in Cash | 362,089,246.06 | (187,547,560.07) |
| Cash and Cash Equivalents (Beginning of the Year) | 560,664,206.95 | 748,211,767.02 |
| Cash and Cash Equivalents (End of the Year) | <u>\$ 922,753,453.01</u> | <u>\$ 560,664,206.95</u> |
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | 231,880,239.91 | 179,655,480.36 |
| Adjustments to Reconcile Operating Results to Net Cash: | | |
| Depreciation and Amortization Expense | 361,057,889.90 | 365,027,966.95 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | (47,947,352.58) | 111,065,082.35 |
| Inventories | (6,610,502.33) | (13,170,221.19) |
| Other Current and Noncurrent Assets | 3,921,083.97 | (16,645,025.64) |
| Accounts Payable | (12,698,398.75) | 92,210,079.04 |
| Due to System | 537,140.48 | 1,129,289.43 |
| Unearned Revenue | 60,420,978.87 | (107,263,621.65) |
| Assets Held for Others | (2,492,641.68) | 43,788.35 |
| Employees' Compensable Leave | 18,726,959.16 | 5,379,407.61 |
| Asset Retirement Obligations | 426,913.44 | 14,216,148.75 |
| Other Current and Noncurrent Liabilities | 13,754,484.14 | 38,938,497.35 |
| Total Adjustments | <u>389,096,554.62</u> | <u>490,931,391.35</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 620,976,794.53</u> | <u>\$ 670,586,871.71</u> |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in Fair Value of Investments | 58,602,413.33 | 25,238,697.93 |
| Donated Capital Assets | 149,000.00 | - |
| Miscellaneous Noncash Transactions | 259,288.87 | (574,365.18) |

The University of Texas Health Science Center at Tyler
Exhibit A Statement of Net Position
As of August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|--------------------------|-----------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| Current Assets: | | |
| Cash & Cash Equivalents | \$ (16,907,772.87) | (4,905,800.00) |
| Restricted Cash & Cash Equivalents | 7,380,608.57 | 6,339,944.15 |
| Balance in State Appropriations | 2,006,163.16 | 997,359.24 |
| Accounts Receivable, Net: | | |
| Federal (allow. \$0.00 in 2019 & \$0.00 in 2018) | 12,656,372.86 | 13,053,222.74 |
| Student (allow. \$0.00 in 2019 & \$0.00 in 2018) | 8,482.58 | 23,853.10 |
| Patient & Healthcare(allow. \$9,466,753.01 in 2019 & \$11,621,488.58 in 2018) | 19,100,130.02 | 17,118,920.98 |
| Contributions (allow. \$0.00 in 2019 & \$0.00 in 2018) | 155,530.74 | 65,349.64 |
| Other (allow. \$0.00 in 2019 & \$0.00 in 2018) | 4,102,850.47 | 2,697,100.06 |
| Due From Other Funds | 219,648.22 | 26,030.07 |
| Due From System Administration | 2,524,537.66 | 8,239,777.07 |
| Due From Other Institutions | 31,246.29 | 2,273.77 |
| Due From Other Agencies | 1,048,485.58 | 2,734,986.24 |
| Inventories | 3,491,846.66 | 2,828,299.66 |
| Other Current Assets | 2,327,024.90 | 1,102,460.16 |
| Total Current Assets | 38,145,154.84 | 50,323,776.88 |
| Noncurrent Assets: | | |
| Funds Held by System Administration (Restricted) | 52,571,699.41 | 51,996,857.75 |
| Unrestricted Investments | 1,926,083.00 | 1,421,015.00 |
| Funds Held by System Administration (Unrestricted) | 290,087.94 | |
| Other Noncurrent Assets | 12,310,749.82 | 4,346,039.85 |
| Gross Capital/Intangible Assets | 368,923,931.62 | 339,777,160.38 |
| Accumulated Depreciation/Amortization | (183,487,961.37) | (169,016,381.33) |
| Total Noncurrent Assets | 252,534,590.42 | 228,524,691.65 |
| Total Assets | 290,679,745.26 | 278,848,468.53 |
| Total Assets and Deferred Outflows | 290,679,745.26 | 278,848,468.53 |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | 19,190,479.47 | 19,019,345.72 |
| Salaries Payable | 3,883,011.78 | 3,677,246.46 |
| Due To Other Funds | 219,648.22 | 26,030.07 |
| Due To System Administration | 1,678,352.39 | 1,748,358.44 |
| Due To Other Institutions | 277,294.89 | 37,593.25 |
| Due To Other State Agencies | 18,698.00 | 1,052,423.75 |
| Unearned Revenue | 1,100,271.53 | 857,194.63 |
| Employees' Compensable Leave - Current Portion | 3,731,790.54 | 3,761,385.03 |
| Notes, Loans, and Leases Payable | | |
| Assets Held for Others | 51,774.61 | 45,890.48 |
| Total Current Liabilities | 30,151,321.43 | 30,225,467.83 |
| Noncurrent Liabilities: | | |
| Employees' Compensable Leave | 1,782,457.05 | 1,679,710.02 |
| Liability to Beneficiaries | 876,848.22 | 862,600.28 |
| Notes, Loans, and Leases Payable | | |
| Asset Retirement Obligation | 225,000.00 | 225,000.00 |
| Other Noncurrent Liabilities | 1,030,481.19 | 890,024.33 |
| Total Noncurrent Liabilities | 3,914,786.46 | 3,657,334.63 |
| Total Liabilities | 34,066,107.89 | 33,882,802.46 |
| Total Deferred Inflows of Resources | 170,748.03 | 157,163.10 |
| Total Liabilities and Deferred Inflows | 34,236,855.92 | 34,039,965.56 |
| NET POSITION | | |
| Net Investment in Capital Assets | 185,435,970.25 | 170,760,779.05 |
| Restricted for: | | |
| Nonexpendable | | |
| Permanent Health and True Endowments | 33,877,164.08 | 33,579,008.11 |
| Expendable | | |
| Capital Projects | (56,136.84) | 2,266,695.35 |
| Funds Functioning as Endowment (Restricted) | 2,061,218.98 | 1,184,446.07 |
| Other Expendable | 25,221,770.87 | 26,049,595.35 |
| Unrestricted | 9,902,902.00 | 10,967,979.04 |
| Total Net Position | \$ 256,442,889.34 | 244,808,502.97 |

The University of Texas Health Science Center at Tyler
Exhibit B Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended August 31, 2019

| | Current Year Totals | Prior Year Totals |
|---|--------------------------|------------------------|
| Operating Revenues: | | |
| Student Tuition and Fees | \$ 262,488.78 | 182,967.06 |
| Federal Sponsored Programs | 7,573,051.53 | 8,392,754.42 |
| Federal Sponsored Programs Pass-Through from State Agencies | 1,869,558.44 | 1,833,758.54 |
| State Sponsored Programs Pass-Through from State Agencies | 5,582,422.71 | 13,141,059.58 |
| Private Sponsored Programs | 10,755,445.39 | 10,296,760.44 |
| Sales and Services of Educational Activities | 4,885,475.50 | 3,679,021.17 |
| Sales and Services of Hospitals | 201,552,672.63 | 221,707,201.69 |
| Discounts and Allowances Sales and Services of Hospitals | (145,734,400.57) | (159,221,166.21) |
| Professional Fees (Patient Charges) | 59,915,314.72 | 64,781,997.94 |
| Discounts and Allowances Professional Fees (Patient Charges) | (43,126,848.78) | (47,352,944.88) |
| Auxiliary Enterprises | 160,179.12 | 164,835.72 |
| Other Operating Revenues | 32,072,406.50 | 23,439,510.74 |
| Total Operating Revenues | <u>135,767,765.97</u> | <u>141,045,756.21</u> |
| Operating Expenses: | | |
| Instruction | 18,611,945.45 | 17,373,509.93 |
| Research | 15,200,720.50 | 15,946,928.39 |
| Public Service | 14,024.08 | |
| Hospitals / Clinics | 127,363,322.06 | 146,832,356.77 |
| Academic Support | 1,559,383.84 | 1,389,335.95 |
| Student Services | 88,384.50 | |
| Institutional Support | 11,652,614.33 | 19,973,479.62 |
| Operations and Maintenance of Plant | 10,092,108.99 | 10,441,797.06 |
| Scholarships and Fellowships | 47,139.91 | 35,174.96 |
| Auxiliary Enterprises | 154,824.37 | 144,548.03 |
| Depreciation and Amortization | 14,948,197.83 | 13,966,143.49 |
| Total Operating Expenses | <u>199,732,665.86</u> | <u>226,103,274.20</u> |
| Operating Income (Loss) | <u>(63,964,899.89)</u> | <u>(85,057,517.99)</u> |
| Nonoperating Revenues (Expenses): | | |
| State Appropriations | 52,557,899.05 | 51,590,676.13 |
| Federal Nonexchange Sponsored Programs | | |
| Federal Nonexchange Pass-Through | | |
| State Nonexchange Pass-Through | | |
| Gift Contributions for Operations | 994,252.61 | 415,887.72 |
| Investment Income | 3,801,883.56 | 4,462,614.37 |
| Net Increase (Decrease) in Fair Value of Investments | 415,994.94 | 2,382,866.11 |
| Gain (Loss) on Sale of Capital Assets | 7,568.62 | (267,522.85) |
| Other Nonoperating Revenues | 2,469.25 | 19,738.78 |
| Other Nonoperating (Expenses) | (48,500.00) | |
| Net Nonoperating Revenues (Expenses) | <u>57,731,568.03</u> | <u>58,604,260.26</u> |
| Income/(Loss) Before Other Revenue, Expenses, Gains/(Losses), and Transfers | (6,233,331.86) | (26,453,257.73) |
| Gifts and Sponsored Programs for Capital Acquisitions | 335,283.00 | 617,671.92 |
| Additions to Permanent Endowments | 814,819.21 | |
| Reclass from/(to) Other Institutions | 19,703,571.24 | 21,532,975.93 |
| Transfers Between Institutions & System, Debt Service - Mandatory | (8,020,947.97) | (7,700,545.25) |
| Transfers Between Institutions & System Admin. - Non mandatory | 5,035,408.75 | 10,716,387.94 |
| Transfers From Other State Agencies | 22,759,094.36 | 18,855,587.40 |
| Transfers to Other State Agencies | (22,759,094.36) | 18,855,587.40 |
| Legislative Appropriations Lapsed | (416.00) | (203,166.00) |
| Change in Net Position | <u>11,634,386.37</u> | <u>(1,489,933.19)</u> |
| Beginning Net Position | <u>244,808,502.97</u> | <u>246,298,436.16</u> |
| Ending Net Position | <u>\$ 256,442,889.34</u> | <u>244,808,502.97</u> |

The University of Texas Health Science Center at Tyler
Exhibit C - Statement of Cash Flows
For the Year Ended August 31, 2019

| | <u>Current Year Totals</u> | <u>Prior Year Totals</u> |
|--|----------------------------|---------------------------|
| Cash Flows from Operating Activities: | | |
| Proceeds from Tuition and Fees | 277,859.30 | 166,440.98 |
| Proceeds from Patients and Customers | 70,625,528.96 | 77,389,999.68 |
| Proceeds from Sponsored Programs | 27,345,514.84 | 42,427,345.69 |
| Proceeds from Auxiliaries | 160,179.12 | 164,835.72 |
| Proceeds from Other Revenues | 28,791,827.76 | 24,510,778.96 |
| Payments to Suppliers | (62,866,431.89) | (74,251,757.17) |
| Payments to Employees | (121,715,142.61) | (135,943,721.71) |
| Net Cash Provided (Used) by Operating Activities | <u>(57,380,664.52)</u> | <u>(65,536,077.85)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Proceeds from State Appropriations | 51,548,679.13 | 51,334,960.17 |
| Proceeds from Operating Gifts | 994,252.61 | 415,887.72 |
| Proceeds from Private Gifts for Endowment Purposes | 814,819.21 | - |
| Proceeds from Other Noncapital Financing Activities | 2,469.25 | 19,738.78 |
| Receipts for Transfers from System or Other Agencies | 23,168,885.22 | 18,935,910.68 |
| Payments for Transfers to System or Other Agencies | (22,759,094.36) | (18,894,712.40) |
| Payments for Other Uses | (1,087,927.13) | 415,892.23 |
| Net Cash Provided by Noncapital Financing Activities | <u>52,682,083.93</u> | <u>52,227,677.18</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Nonmandatory Capital Related Transfers | 29,992,570.74 | 31,342,916.57 |
| Proceeds from Capital Appropriations, Grants, and Gifts | 245,091.90 | 552,291.28 |
| Proceeds from Sale of Capital Assets | 67,422.17 | 37,534.70 |
| Payments for Additions to Capital Assets | (31,474,436.27) | (30,605,967.08) |
| Mandatory Transfers to System for Capital Related Debt | (8,020,947.97) | (7,700,545.25) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(9,190,299.43)</u> | <u>(6,373,769.78)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from Sales of Investments Invested by System | - | 15,130,756.06 |
| Proceeds from Interest and Investment Income | 46,191.01 | 66,289.18 |
| Proceeds from Interest and Investment Income Invested by System | 3,807,550.35 | 4,382,971.41 |
| Payments to Acquire Investments Invested by System | (926,169.79) | - |
| Net Cash Provided (Used) by Investing Activities | <u>2,927,571.57</u> | <u>19,580,016.65</u> |
| Net Increase (Decrease) in Cash | (10,961,308.45) | (102,153.80) |
| Cash and Cash Equivalents (Beginning of the Year) | 1,434,144.15 | 1,536,297.95 |
| Cash and Cash Equivalents (End of the Year) | <u>\$ (9,527,164.30)</u> | <u>\$ 1,434,144.15</u> |
| Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (63,964,899.89) | (85,057,517.99) |
| Adjustments to Reconcile Operating Results to Net Cash: | | |
| Depreciation and Amortization Expense | 14,948,197.83 | 13,966,143.49 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | (1,317,210.91) | 5,965,579.72 |
| Inventories | (663,547.00) | 261,621.23 |
| Other Current and Noncurrent Assets | (9,189,274.71) | (1,772,130.19) |
| Accounts Payable | 2,413,505.78 | 994,061.79 |
| Due to System | (70,006.05) | (177,024.70) |
| Unearned Revenue | 243,076.90 | 426,635.23 |
| Assets Held for Others | 5,884.13 | 11,681.55 |
| Employees' Compensable Leave | 73,152.54 | (67,885.12) |
| Asset Retirement Obligations | - | 225,000.00 |
| Other Current and Noncurrent Liabilities | 140,456.86 | (312,242.86) |
| Total Adjustments | <u>6,584,235.37</u> | <u>19,521,440.14</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (57,380,664.52)</u> | <u>\$ (65,536,077.85)</u> |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in Fair Value of Investments | 415,994.94 | 2,382,866.11 |
| Donated Capital Assets | 10.00 | 31.00 |
| Miscellaneous Noncash Transactions | 7,568.62 | (267,522.85) |

The University of Texas System
Schedule 2 -- Bonds Payable (Consolidated)
For the Year Ended August 31, 2019

2A: MISCELLANEOUS BOND INFORMATION

| Description of Issue | Bonds Issued to Date | Range of Interest Rates | Terms of Variable Interest Rates | Scheduled Maturities | | First Call Date | Maturity Date (MM/DD/YYYY) |
|--------------------------------------|-----------------------------|-------------------------|----------------------------------|----------------------|-----------|-----------------|----------------------------|
| | | | | First Year | Last Year | | |
| Revenue Bonds: | | | | | | | |
| Self Supporting: | | | | | | | |
| PUF Refunding Bonds, 2006B | \$ 284,065,000.00 | 5.000-5.250% | NA | 2020 | 2035 | N/A | 07/01/2035 |
| PUF Bonds, 2008A | 400,905,000.00 | VAR | Weekly | 2011 | 2038 | Optional | 07/01/2038 |
| PUF Taxable Bonds, 2009A | 250,000,000.00 | 5.262% | NA | 2034 | 2039 | Make-Whole | 07/01/2039 |
| PUF Bonds, 2014A | 240,340,000.00 | 5.000% | NA | 2040 | 2041 | 07/01/23 | 07/01/2041 |
| PUF Bonds, 2014B | 221,580,000.00 | 2.000-5.000% | NA | 2015 | 2033 | 07/01/24 | 07/01/2033 |
| PUF Refunding Bonds, 2015A | 197,970,000.00 | 2.000-5.000% | NA | 2016 | 2035 | 07/01/24 | 07/01/2035 |
| PUF Bonds, 2015B | 220,565,000.00 | 2.000-5.000% | NA | 2016 | 2035 | 07/01/25 | 07/01/2035 |
| PUF Taxable Bonds, 2015C | 126,020,000.00 | 3.780% | NA | 2045 | 2045 | Make-Whole | 07/01/2045 |
| PUF Bonds, 2016A | 117,270,000.00 | 3.250-5.000% | NA | 2017 | 2035 | 07/01/25 | 07/01/2035 |
| PUF Bonds, 2016B | 272,350,000.00 | 2.000-5.000% | NA | 2017 | 2041 | 07/01/26 | 07/01/2041 |
| PUF Taxable Bonds, 2017A | 302,640,000.00 | 3.376% | NA | 2047 | 2047 | 01/01/47 | 07/01/2047 |
| RFS Refunding Bonds, 2002A | 54,430,000.00 | 2.000-5.250% | NA | 2003 | 2020 | N/A | 08/15/2020 |
| RFS Refunding Bonds, 2002B | 108,855,000.00 | 2.000-5.250% | NA | 2003 | 2020 | N/A | 08/15/2020 |
| RFS Refunding Bonds, 2004B | 300,330,000.00 | 4.500-5.250% | NA | 2007 | 2019 | N/A | 08/15/2019 |
| RFS Refunding Bonds, 2006C | 175,115,000.00 | 3.500-5.000% | NA | 2008 | 2023 | N/A | 08/15/2023 |
| RFS Refunding Bonds, 2007B | 345,460,000.00 | VAR | Weekly | 2008 | 2034 | Optional | 08/01/2034 |
| RFS Bonds, 2008B | 685,485,000.00 | VAR | Weekly | 2009 | 2039 | Optional | 08/01/2039 |
| RFS Taxable Bonds, 2009B | 330,545,000.00 | 6.276% | NA | 2026 | 2041 | 08/15/19 | 08/15/2041 |
| RFS Bonds, 2009D | 260,005,000.00 | 2.000-5.000% | NA | 2010 | 2026 | 08/15/19 | 08/15/2026 |
| RFS Bonds, 2010A | 331,415,000.00 | 3.000-5.000% | NA | 2012 | 2024 | 02/15/20 | 08/15/2024 |
| RFS Refunding Bonds, 2010B | 385,380,000.00 | 1.500-5.375% | NA | 2010 | 2024 | N/A | 08/15/2024 |
| RFS Taxable Bonds, 2010C | 604,310,000.00 | 3.225-4.794% | NA | 2018 | 2046 | Make-Whole | 08/15/2046 |
| RFS Taxable Bonds, 2010D | 516,245,000.00 | 0.630-5.134% | NA | 2011 | 2042 | Make-Whole | 08/15/2042 |
| RFS Refunding Bonds, 2012A | 195,850,000.00 | 2.000-5.000% | NA | 2013 | 2027 | 02/15/22 | 08/15/2027 |
| RFS Bonds, 2012B | 238,135,000.00 | 2.000-5.000% | NA | 2013 | 2043 | 08/15/22 | 08/15/2043 |
| RFS Bonds, 2014A | 259,135,000.00 | 2.000-5.000% | NA | 2015 | 2044 | 08/15/24 | 08/15/2044 |
| RFS Refunding Bonds, 2014B | 250,700,000.00 | 2.000-5.700% | NA | 2015 | 2037 | 08/15/19 | 08/15/2037 |
| RFS Taxable Bonds, 2016A | 255,825,000.00 | 3.852% | NA | 2046 | 2046 | Make-Whole | 08/15/2046 |
| RFS Bonds, 2016B | 206,040,000.00 | 2.500-5.000% | NA | 2026 | 2046 | 08/15/21 | 08/15/2046 |
| RFS Refunding Bonds, 2016C | 133,240,000.00 | 2.000-5.000% | NA | 2017 | 2026 | N/A | 08/15/2026 |
| RFS Bonds, 2016D | 213,180,000.00 | 2.000-5.000% | NA | 2017 | 2026 | N/A | 08/15/2026 |
| RFS Bonds, 2016E | 196,215,000.00 | 2.000-5.000% | NA | 2017 | 2027 | N/A | 08/15/2027 |
| RFS Bonds, 2016F | 376,030,000.00 | 2.000-5.000% | NA | 2041 | 2047 | 08/15/19 | 08/15/2047 |
| RFS Bonds, Taxable 2016G | 250,000,000.00 | VAR | Weekly | 2045 | 2045 | Optional | 08/01/2045 |
| RFS Refunding Bonds, 2016H | 233,350,000.00 | 2.000-5.000% | NA | 2017 | 2038 | 08/15/26 | 08/15/2038 |
| RFS Refunding Bonds, 2016I | 184,725,000.00 | 5.000% | NA | 2018 | 2024 | N/A | 08/15/2024 |
| RFS Bonds, 2016J | 306,925,000.00 | 3.000-5.000% | NA | 2017 | 2028 | 08/15/26 | 08/15/2028 |
| RFS Bonds, Taxable 2017A | 350,815,000.00 | 3.354% | NA | 2047 | 2047 | 02/15/47 | 08/15/2047 |
| RFS Bonds, 2017B | 265,490,000.00 | 3.375-5.000% | NA | 2027 | 2044 | 08/15/20 | 08/15/2044 |
| RFS Refunding Bonds, 2017C (TRB) | 33,290,000.00 | 2.500-5.000% | NA | 2019 | 2027 | N/A | 08/15/2027 |
| RFS Refunding Bonds, 2017C (non-TRB) | 225,175,000.00 | 2.500-5.000% | NA | 2018 | 2035 | 08/15/27 | 08/15/2035 |
| RFS Refunding Bonds, 2019A | 320,435,000.00 | 3.000-5.000% | NA | 2026 | 2041 | 08/15/29 | 08/15/2041 |
| RFS Bonds, 2019B | <u>318,715,000.00</u> | 5.000% | NA | 2029 | 2049 | Make-Whole | 08/15/2049 |
| TOTAL BONDS ISSUED | \$ <u>11,544,550,000.00</u> | | | | | | |

The University of Texas System
 Schedule 2 -- Bonds Payable (Consolidated)
 For the Year Ended August 31, 2019

2B: CHANGES IN BONDED INDEBTEDNESS

| Description of Issue | Bonds Outstanding 9/1/2018 | Bonds Issued | Bonds Matured or Retired | Bonds Refunded or Extinguished | Bonds Outstanding 8/31/2019 | Unamortized Premium/ (Discount) | Net Bonds Outstanding 8/31/2019 | Principal Due Within One Year | Amortization of Premiums/ (Discounts) Due Within One Year | Amounts Due Within One Year |
|--------------------------------------|----------------------------|-------------------|--------------------------|--------------------------------|-----------------------------|---------------------------------|---------------------------------|-------------------------------|---|-----------------------------|
| | | | | | | | | | | |
| Revenue Bonds: | | | | | | | | | | |
| Self Supporting: | | | | | | | | | | |
| PUF Refunding Bonds, 2006B | \$ 284,065,000.00 | - | - | - | 284,065,000.00 | 19,156,085.00 | 303,221,085.00 | 24,740,000.00 | 1,824,389.05 | 26,564,389.05 |
| PUF Bonds, 2008A | 355,360,000.00 | - | 6,220,000.00 | - | 352,140,000.00 | - | 250,000,000.00 | 352,140,000.00 | - | 352,140,000.00 |
| PUF Taxable Bonds, 2009A | 250,000,000.00 | - | - | - | 250,000,000.00 | - | 245,569,397.77 | - | 1,494,113.67 | 1,494,113.67 |
| PUF Bonds, 2014A | 240,340,000.00 | - | - | - | 240,340,000.00 | 5,229,397.77 | 205,200,000.00 | - | 2,264,386.13 | 2,264,386.13 |
| PUF Bonds, 2014B | 205,200,000.00 | - | - | - | 205,200,000.00 | 10,189,737.53 | 120,273,050.51 | 2,620,000.00 | 2,112,900.12 | 4,732,900.12 |
| PUF Refunding Bonds, 2015A | 136,860,000.00 | - | 26,095,000.00 | - | 110,765,000.00 | 9,508,050.51 | 117,885,515.65 | 8,455,000.00 | 3,284,299.74 | 11,739,299.74 |
| PUF Bonds, 2015B | 196,775,000.00 | - | 8,055,000.00 | - | 188,720,000.00 | 19,705,798.39 | 126,020,000.00 | - | - | - |
| PUF Taxable Bonds, 2015C | 126,020,000.00 | - | - | - | 126,020,000.00 | - | 117,885,515.65 | 4,445,000.00 | 2,127,585.95 | 6,572,585.95 |
| PUF Bonds, 2016A | 109,355,000.00 | - | 4,235,000.00 | - | 105,120,000.00 | 12,765,515.65 | 285,281,618.21 | 6,860,000.00 | 4,790,231.18 | 11,650,231.18 |
| PUF Bonds, 2016B | 258,280,000.00 | - | 6,530,000.00 | - | 251,750,000.00 | 33,531,618.21 | 302,640,000.00 | - | - | - |
| PUF Taxable Bonds, 2017A | 302,640,000.00 | - | - | - | 302,640,000.00 | 384,402.87 | 1,999,402.87 | 1,615,000.00 | 384,402.87 | 1,999,402.87 |
| RFS Refunding Bonds, 2002A | 9,640,000.00 | - | 8,025,000.00 | - | 1,615,000.00 | 767,162.23 | 2,457,162.23 | 1,690,000.00 | 767,162.23 | 2,457,162.23 |
| RFS Refunding Bonds, 2002B | 16,030,000.00 | - | 14,340,000.00 | - | 1,690,000.00 | - | - | - | - | - |
| RFS Refunding Bonds, 2004B | 18,870,000.00 | - | 18,870,000.00 | - | - | - | - | - | - | - |
| RFS Refunding Bonds, 2006C | 98,570,000.00 | - | 19,270,000.00 | - | 79,300,000.00 | 4,130,363.40 | 83,430,363.40 | 30,590,000.00 | 1,180,103.82 | 31,770,103.82 |
| RFS Refunding Bonds, 2007B | 326,340,000.00 | - | 1,400,000.00 | - | 324,940,000.00 | - | 324,940,000.00 | 324,940,000.00 | - | 324,940,000.00 |
| RFS Bonds, 2008B | 469,660,000.00 | - | 20,535,000.00 | - | 449,125,000.00 | - | 449,125,000.00 | 449,125,000.00 | - | 449,125,000.00 |
| RFS Taxable Bonds, 2009B | 330,545,000.00 | - | - | 330,545,000.00 | - | - | - | - | - | - |
| RFS Bonds, 2009D | 16,220,000.00 | - | 16,220,000.00 | - | - | - | - | - | - | - |
| RFS Bonds, 2010A | 63,465,000.00 | - | 23,965,000.00 | - | 39,490,000.00 | 2,226,924.55 | 41,716,924.55 | 39,490,000.00 | 2,226,924.55 | 41,716,924.55 |
| RFS Refunding Bonds, 2010B | 289,535,000.00 | - | 48,260,000.00 | - | 241,275,000.00 | 17,747,789.34 | 259,022,789.34 | 58,120,000.00 | 3,943,953.18 | 62,063,953.18 |
| RFS Taxable Bonds, 2010C | 596,320,000.00 | - | 15,425,000.00 | - | 580,895,000.00 | - | 580,895,000.00 | 15,760,000.00 | - | 15,760,000.00 |
| RFS Taxable Bonds, 2010D | 431,415,000.00 | - | 14,120,000.00 | - | 417,295,000.00 | - | 417,295,000.00 | 14,485,000.00 | - | 14,485,000.00 |
| RFS Refunding Bonds, 2012A | 107,615,000.00 | - | 10,955,000.00 | - | 96,660,000.00 | 8,738,493.64 | 105,398,493.64 | 11,500,000.00 | 3,495,397.46 | 14,995,397.46 |
| RFS Bonds, 2012B | 100,370,000.00 | - | 5,465,000.00 | - | 94,905,000.00 | 5,324,698.88 | 100,229,698.88 | 5,730,000.00 | 2,129,879.54 | 7,859,879.54 |
| RFS Bonds, 2014A | 243,135,000.00 | - | 5,220,000.00 | - | 237,915,000.00 | 11,115,366.43 | 249,030,366.43 | 5,485,000.00 | 2,470,081.45 | 7,955,081.45 |
| RFS Refunding Bonds, 2014B | 245,420,000.00 | - | 925,000.00 | - | 245,420,000.00 | 14,609,624.61 | 202,864,624.61 | 500,000.00 | 2,921,924.92 | 3,421,924.92 |
| RFS Taxable Bonds, 2016A | 255,825,000.00 | - | - | - | 255,825,000.00 | - | 255,825,000.00 | - | - | - |
| RFS Bonds, 2016B | 206,040,000.00 | - | - | - | 206,040,000.00 | 12,646,618.14 | 218,686,618.14 | - | 1,945,633.56 | 1,945,633.56 |
| RFS Refunding Bonds, 2016C | 128,605,000.00 | - | 34,545,000.00 | - | 94,060,000.00 | 17,671,387.48 | 111,731,387.48 | 21,355,000.00 | 2,524,483.92 | 23,879,483.92 |
| RFS Bonds, 2016D | 193,370,000.00 | - | 11,895,000.00 | - | 181,475,000.00 | 33,344,798.85 | 215,019,798.85 | 12,060,000.00 | 4,763,542.70 | 16,823,542.70 |
| RFS Bonds, 2016E | 178,565,000.00 | - | 9,225,000.00 | - | 169,340,000.00 | 35,988,641.64 | 205,328,641.64 | 9,665,000.00 | 4,498,580.21 | 14,163,580.21 |
| RFS Bonds, 2016F | 376,030,000.00 | - | - | - | 376,030,000.00 | 56,975,062.92 | 433,005,062.92 | - | 3,498,952.12 | 3,498,952.12 |
| RFS Bonds, Taxable 2016G | 250,000,000.00 | - | - | - | 250,000,000.00 | - | 250,000,000.00 | 250,000,000.00 | - | 250,000,000.00 |
| RFS Refunding Bonds, 2016H | 206,520,000.00 | - | 12,600,000.00 | - | 193,920,000.00 | 28,122,585.77 | 222,042,585.77 | 17,030,000.00 | 4,017,512.26 | 21,047,512.26 |
| RFS Refunding Bonds, 2016I | 177,685,000.00 | - | 7,230,000.00 | - | 170,455,000.00 | 22,964,519.68 | 193,419,519.68 | 4,795,000.00 | 4,592,903.94 | 9,387,903.94 |
| RFS Bonds, 2016J | 276,305,000.00 | - | 13,625,000.00 | - | 262,680,000.00 | 32,908,912.72 | 295,588,912.72 | 14,255,000.00 | 4,701,273.25 | 18,956,273.25 |
| RFS Bonds, Taxable 2017A | 350,815,000.00 | - | - | - | 350,815,000.00 | - | 350,815,000.00 | - | - | - |
| RFS Bonds, 2017B | 265,490,000.00 | - | - | - | 265,490,000.00 | 11,546,341.05 | 277,036,341.05 | - | 1,923,662.16 | 1,923,662.16 |
| RFS Refunding Bonds, 2017C (TRB) | 33,290,000.00 | - | 107,000.00 | - | 33,183,000.00 | 5,596,750.71 | 38,779,750.71 | 110,000.00 | 699,593.84 | 809,593.84 |
| RFS Refunding Bonds, 2017C (non-TRB) | 222,585,000.00 | - | 193,000.00 | - | 222,392,000.00 | 22,330,071.06 | 244,722,071.06 | 15,625,000.00 | 3,567,898.98 | 19,192,898.98 |
| RFS Refunding Bonds, 2019A | - | 320,435,000.00 | - | - | 320,435,000.00 | 73,387,198.14 | 393,822,198.14 | - | 7,724,968.23 | 7,724,968.23 |
| RFS Bonds, 2019B | - | 318,715,000.00 | - | - | 318,715,000.00 | 130,650,096.73 | 449,365,096.73 | - | 4,428,816.84 | 4,428,816.84 |
| TOTAL CHANGES IN BONDS | \$ 8,852,160,000.00 | \$ 639,150,000.00 | \$ 363,350,000.00 | \$ 386,785,000.00 | \$ 8,841,175,000.00 | \$ 659,264,013.90 | \$ 9,500,439,013.90 | \$ 1,703,185,000.00 | \$ 86,305,557.87 | \$ 1,789,490,557.87 |

The University of Texas System
 Schedule 2 – Bonds Payable (Consolidated)
 For the Year Ended August 31, 2019

2C - PROJECTED CASH PAYMENT DEBT SERVICE REQUIREMENTS (1)

| Description of Issue | 2020 | 2021 | 2022 | 2023 | 2024 | 2025-2029 | 2030-2034 | 2035-2039 | 2040-2044 | 2045-2049 | Total Debt Service Requirements |
|--------------------------------|------------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|---------------|---------------------------------|
| | | | | | | | | | | | |
| Revenue Bonds: | | | | | | | | | | | |
| Self Supporting: | | | | | | | | | | | |
| PUF Refunding Bonds, 2006B | \$ 24,740,000.00 | 25,980,000.00 | 27,335,000.00 | 25,660,000.00 | 9,468,375.00 | 97,320,000.00 | 59,155,000.00 | 23,875,000.00 | - | - | 284,065,000.00 |
| Principal | 14,851,562.50 | 13,614,562.50 | 12,250,612.50 | 10,815,525.00 | - | 40,928,475.00 | 14,136,675.00 | 1,253,437.50 | - | - | 117,319,225.00 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| PUF Bonds, 2008A (1) | 352,140,000.00 | - | - | - | - | - | - | - | - | - | 352,140,000.00 |
| Principal | 87,793.69 | - | - | - | - | - | - | - | - | - | 87,793.69 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| PUF Taxable Bonds, 2009A | 13,155,000.00 | 13,155,000.00 | 13,155,000.00 | 13,155,000.00 | 13,155,000.00 | 65,775,000.00 | 65,775,000.00 | 223,676,000.00 | - | - | 250,000,000.00 |
| Principal | - | - | - | - | - | - | - | 43,961,168.52 | - | - | 241,286,168.52 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| PUF Bonds, 2014A | 12,017,000.00 | 12,017,000.00 | 12,017,000.00 | 12,017,000.00 | 12,017,000.00 | 60,085,000.00 | 60,085,000.00 | 60,085,000.00 | 240,340,000.00 | - | 240,340,000.00 |
| Principal | - | - | - | - | - | - | - | - | 18,172,000.00 | - | 258,512,000.00 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| PUF Bonds, 2014B | 9,191,000.00 | 9,191,000.00 | 9,191,000.00 | 9,191,000.00 | 9,191,000.00 | 67,835,000.00 | 106,900,000.00 | 106,900,000.00 | - | - | 205,200,000.00 |
| Principal | - | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| PUF Refunding Bonds, 2015A | 2,620,000.00 | 2,755,000.00 | 2,885,000.00 | 6,075,000.00 | 3,050,000.00 | 29,170,000.00 | 56,200,000.00 | 8,000,000.00 | - | - | 110,765,000.00 |
| Principal | 4,375,375.00 | 4,248,375.00 | 4,124,125.00 | 3,979,875.00 | 3,793,575.00 | 16,348,025.00 | 8,717,487.50 | 280,000.00 | - | - | 45,860,837.50 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| PUF Bonds, 2015B | 8,455,000.00 | 8,875,000.00 | 9,325,000.00 | 9,785,000.00 | 9,955,000.00 | 58,355,000.00 | 70,395,000.00 | 13,575,000.00 | - | - | 188,720,000.00 |
| Principal | 9,059,650.00 | 8,636,800.00 | 8,193,150.00 | 7,726,900.00 | 7,237,650.00 | 28,506,200.00 | 12,911,875.00 | 475,125.00 | - | - | 82,747,450.00 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| PUF Bonds, 2015C | 4,763,556.00 | 4,763,556.00 | 4,763,556.00 | 4,763,556.00 | 4,763,556.00 | 23,817,760.00 | 23,817,760.00 | 23,817,760.00 | 126,020,000.00 | 4,763,556.00 | 233,852,456.00 |
| Principal | - | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| PUF Bonds, 2016A | 4,445,000.00 | 4,670,000.00 | 4,905,000.00 | 5,150,000.00 | 5,405,000.00 | 31,365,000.00 | 40,025,000.00 | 9,155,000.00 | - | - | 105,120,000.00 |
| Principal | 5,030,237.50 | 4,807,887.50 | 4,574,487.50 | 4,329,237.50 | 4,071,737.50 | 16,023,937.50 | 7,358,687.50 | 320,037.50 | - | - | 46,516,350.00 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| PUF Bonds, 2016B | 6,860,000.00 | 7,205,000.00 | 7,560,000.00 | 7,940,000.00 | 8,340,000.00 | 48,065,000.00 | 59,980,000.00 | 75,555,000.00 | 30,245,000.00 | - | 251,750,000.00 |
| Principal | 11,093,500.00 | 10,750,500.00 | 10,390,250.00 | 10,012,250.00 | 9,615,250.00 | 41,694,050.00 | 29,789,750.00 | 15,477,800.00 | 1,826,600.00 | - | 140,649,950.00 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| PUF Bonds, Taxable 2017A | 10,217,126.40 | 10,217,126.40 | 10,217,126.40 | 10,217,126.40 | 10,217,126.40 | 51,085,632.00 | 51,085,632.00 | 51,085,632.00 | 302,640,000.00 | 25,627,891.20 | 281,056,051.20 |
| Principal | - | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| RFS Refunding Bonds, 2002A | 1,615,000.00 | - | - | - | - | - | - | - | - | - | 1,615,000.00 |
| Principal | 84,787.50 | - | - | - | - | - | - | - | - | - | 84,787.50 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| RFS Refunding Bonds, 2002B | 1,690,000.00 | - | - | - | - | - | - | - | - | - | 1,690,000.00 |
| Principal | 88,725.00 | - | - | - | - | - | - | - | - | - | 88,725.00 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| RFS Refunding Bonds, 2006C | 30,590,000.00 | 30,525,000.00 | 13,375,000.00 | 4,810,000.00 | - | - | - | - | - | - | 79,300,000.00 |
| Principal | 3,955,000.00 | 2,435,500.00 | 992,250.00 | 240,500.00 | - | - | - | - | - | - | 7,550,250.00 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| RFS Refunding Bonds, 2007B (1) | 324,940,000.00 | - | - | - | - | - | - | - | - | - | 324,940,000.00 |
| Principal | 83,193.66 | - | - | - | - | - | - | - | - | - | 83,193.66 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| RFS Bonds, 2008B (1) | 449,125,000.00 | - | - | - | - | - | - | - | - | - | 449,125,000.00 |
| Principal | 110,783.63 | - | - | - | - | - | - | - | - | - | 110,783.63 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| RFS Bonds, 2010A | 39,430,000.00 | - | - | - | - | - | - | - | - | - | 39,430,000.00 |
| Principal | 1,796,600.00 | - | - | - | - | - | - | - | - | - | 1,796,600.00 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| RFS Refunding Bonds, 2010B | 58,120,000.00 | 60,045,000.00 | 48,215,000.00 | 36,600,000.00 | 38,295,000.00 | 38,295,000.00 | 38,295,000.00 | 38,295,000.00 | - | - | 241,275,000.00 |
| Principal | 11,766,200.00 | 9,161,700.00 | 6,262,450.00 | 3,851,700.00 | 1,884,450.00 | - | - | - | - | - | 32,946,550.00 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| RFS Taxable Bonds, 2010C | 15,760,000.00 | 16,105,000.00 | 16,495,000.00 | 16,875,000.00 | 17,310,000.00 | 93,920,000.00 | 108,720,000.00 | 126,400,000.00 | 126,595,000.00 | 42,715,000.00 | 580,885,000.00 |
| Principal | 26,812,043.96 | 26,075,415.96 | 25,498,682.20 | 24,893,470.96 | 24,248,022.20 | 109,896,575.26 | 86,787,159.30 | 59,135,687.90 | 27,423,837.30 | 3,087,336.00 | 413,659,171.04 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| RFS Taxable Bonds, 2010D | 20,863,121.70 | 13,975,000.00 | 14,340,000.00 | 14,795,000.00 | 15,270,000.00 | 84,040,000.00 | 91,635,000.00 | 104,190,000.00 | 64,565,000.00 | - | 417,295,000.00 |
| Principal | 11,500,000.00 | 20,285,604.76 | 19,711,651.50 | 19,018,025.70 | 18,302,391.56 | 79,818,818.52 | 57,453,801.00 | 32,975,938.70 | 6,491,686.30 | - | 274,921,039.74 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| RFS Refunding Bonds, 2012A | 4,599,800.00 | 4,111,800.00 | 3,605,000.00 | 2,640,000.00 | 985,000.00 | 10,935,000.00 | 1,071,500.00 | - | - | - | 96,660,000.00 |
| Principal | 4,599,800.00 | 4,111,800.00 | 3,592,400.00 | 1,885,150.00 | 566,150.00 | - | - | - | - | - | 15,846,800.00 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| RFS Bonds, 2012B | 5,730,000.00 | 6,015,000.00 | 6,305,000.00 | 3,842,750.00 | 3,842,750.00 | - | - | 39,555,000.00 | 37,300,000.00 | - | 94,905,000.00 |
| Principal | 4,745,250.00 | 4,458,750.00 | 4,158,000.00 | 3,842,750.00 | 3,842,750.00 | 19,213,750.00 | 19,213,750.00 | 16,366,750.00 | 4,050,750.00 | - | 79,892,500.00 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| RFS Bonds, 2014A | 5,485,000.00 | 5,710,000.00 | 5,990,000.00 | 6,300,000.00 | 6,585,000.00 | 6,300,000.00 | 50,445,000.00 | 55,995,000.00 | 63,215,000.00 | - | 237,915,000.00 |
| Principal | 10,934,537.50 | 10,710,287.50 | 10,424,787.50 | 10,125,287.50 | 9,831,587.50 | 44,281,350.00 | 34,039,250.00 | 21,329,500.00 | 9,003,050.00 | - | 180,679,637.50 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| RFS Refunding Bonds, 2014B | 500,000.00 | 535,000.00 | 550,000.00 | 4,660,000.00 | 705,000.00 | 130,125,000.00 | 30,080,000.00 | 21,100,000.00 | - | - | 188,255,000.00 |
| Principal | 9,165,900.00 | 9,144,500.00 | 9,144,500.00 | 9,122,500.00 | 8,869,500.00 | 28,084,500.00 | 6,494,750.00 | 2,006,600.00 | - | - | 82,094,150.00 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| RFS Taxable Bonds, 2016A | 9,854,379.00 | 9,854,379.00 | 9,854,379.00 | 9,854,379.00 | 9,854,379.00 | 49,271,895.00 | 49,271,895.00 | 49,271,895.00 | 49,271,895.00 | 19,708,758.00 | 255,825,000.00 |
| Principal | - | - | - | - | - | - | - | - | - | - | 266,068,233.00 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |

| Description of Issue | Total Debt Service Requirements | | | | | | | | | | | |
|--------------------------------------|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|--|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025-2029 | 2030-2034 | 2035-2039 | 2040-2044 | 2045-2049 | | |
| RFS Bonds, 2016B | | | | | | | | | | | | |
| Principal | 7,077,000.00 | 7,077,000.00 | 7,720,750.00 | 7,720,750.00 | 7,720,750.00 | 56,040,000.00 | 32,457,125.00 | 122,500,000.00 | 7,287,500.00 | 27,500,000.00 | 206,040,000.00 | |
| Interest | 21,935,000.00 | 18,980,000.00 | 8,445,000.00 | 7,660,000.00 | 11,155,000.00 | 26,466,000.00 | 2,284,000.00 | 18,231,250.00 | - | 3,025,000.00 | 130,820,250.00 | |
| RFS Refunding Bonds, 2016C | | | | | | | | | | | | |
| Principal | 4,703,000.00 | 3,635,250.00 | 2,686,250.00 | 2,864,000.00 | 1,628,750.00 | - | - | - | - | - | 94,060,000.00 | |
| Interest | 12,060,000.00 | 27,365,000.00 | 20,995,000.00 | 24,990,000.00 | 25,080,000.00 | 71,185,000.00 | - | - | - | - | 167,962,500.00 | |
| RFS Bonds, 2016D | | | | | | | | | | | | |
| Principal | 9,085,750.00 | 8,480,750.00 | 7,112,500.00 | 6,082,750.00 | 4,813,250.00 | 87,910,000.00 | - | - | - | - | 181,675,000.00 | |
| Interest | 9,865,000.00 | 10,150,000.00 | 18,360,000.00 | 25,225,000.00 | 18,030,000.00 | 8,940,200.00 | - | - | - | - | 169,340,000.00 | |
| RFS Bonds, 2016E | | | | | | | | | | | | |
| Principal | 8,422,750.00 | 7,939,500.00 | 7,466,000.00 | 6,555,250.00 | 5,294,750.00 | 75,308,025.00 | - | - | - | - | 45,226,450.00 | |
| Interest | 14,464,425.00 | 14,464,425.00 | 14,464,425.00 | 14,464,425.00 | 14,464,425.00 | - | - | - | - | - | 376,030,000.00 | |
| RFS Bonds, Taxable 2016G (1) | | | | | | | | | | | | |
| Principal | 250,000,000.00 | - | - | - | - | - | - | 85,012,200.00 | 99,530,000.00 | 276,500,000.00 | 416,626,350.00 | |
| Interest | 101,643.84 | - | - | - | - | - | - | - | 71,078,000.00 | 31,875,800.00 | 250,000,000.00 | |
| RFS Refunding Bonds, 2016H | | | | | | | | | | | | |
| Principal | 17,030,000.00 | 17,600,000.00 | 16,590,000.00 | 12,935,000.00 | 15,355,000.00 | 43,950,000.00 | 33,665,000.00 | 36,795,000.00 | - | - | 193,920,000.00 | |
| Interest | 8,986,600.00 | 8,135,100.00 | 7,295,100.00 | 6,425,600.00 | 5,778,850.00 | 19,582,500.00 | 11,389,300.00 | 3,198,200.00 | - | - | 70,751,250.00 | |
| RFS Refunding Bonds, 2016I | | | | | | | | | | | | |
| Principal | 4,795,000.00 | 36,860,000.00 | 44,450,000.00 | 48,460,000.00 | 35,860,000.00 | - | - | - | - | - | 170,455,000.00 | |
| Interest | 8,522,750.00 | 8,283,000.00 | 6,440,000.00 | 4,217,500.00 | 1,793,000.00 | - | - | - | - | - | 29,256,250.00 | |
| RFS Bonds, 2016J | | | | | | | | | | | | |
| Principal | 14,255,000.00 | 16,215,000.00 | 19,590,000.00 | 27,250,000.00 | 61,415,000.00 | 123,955,000.00 | - | - | - | - | 262,680,000.00 | |
| Interest | 13,045,900.00 | 12,333,150.00 | 11,522,400.00 | 10,542,900.00 | 9,180,400.00 | 12,520,100.00 | - | - | - | - | 69,144,850.00 | |
| RFS Bonds, Taxable 2017A | | | | | | | | | | | | |
| Principal | 11,766,335.10 | 11,766,335.10 | 11,766,335.10 | 11,766,335.10 | 11,766,335.10 | 58,831,675.50 | - | - | 58,831,675.50 | 350,815,000.00 | 329,457,382.80 | |
| Interest | 10,080,006.26 | 10,257,537.50 | 10,257,537.50 | 10,257,537.50 | 10,257,537.50 | 23,945,000.00 | 46,544,156.30 | 47,169,066.30 | 241,545,000.00 | 285,490,000.00 | 240,871,430.18 | |
| RFS Refunding Bonds, 2017C (TRB) | | | | | | | | | | | | |
| Principal | 110,000.00 | 115,000.00 | 121,000.00 | 127,000.00 | 3,109,000.00 | 29,801,000.00 | - | - | - | - | 33,183,000.00 | |
| Interest | 1,659,150.00 | 1,653,650.00 | 1,647,900.00 | 1,641,650.00 | 1,635,900.00 | 2,897,750.00 | - | - | - | - | 10,935,800.00 | |
| RFS Refunding Bonds, 2017C (non-TRB) | | | | | | | | | | | | |
| Principal | 15,625,000.00 | 16,430,000.00 | 17,239,000.00 | 24,748,000.00 | 25,971,000.00 | 65,264,000.00 | 48,795,000.00 | 8,320,000.00 | - | - | 222,392,000.00 | |
| Interest | 10,170,000.00 | 9,388,750.00 | 8,567,250.00 | 7,705,300.00 | 6,467,900.00 | 17,376,000.00 | 5,749,000.00 | 249,600.00 | - | - | 65,675,000.00 | |
| RFS Refunding Bonds, 2019A | | | | | | | | | | | | |
| Principal | 15,722,750.00 | 15,722,750.00 | 15,722,750.00 | 15,722,750.00 | 15,722,750.00 | 67,340,000.00 | 168,365,000.00 | 83,385,000.00 | 1,345,000.00 | 320,435,000.00 | 502,500,000.00 | |
| Interest | 17,130,931.25 | 15,935,750.00 | 15,935,750.00 | 15,935,750.00 | 15,935,750.00 | 79,678,750.00 | 64,678,750.00 | 64,678,750.00 | 64,678,750.00 | 258,715,000.00 | 412,957,431.25 | |
| SUMMARY DEBT SERVICE: | | | | | | | | | | | | |
| Total Principal | 1,703,185,000.00 | 338,345,000.00 | 337,675,000.00 | 336,475,000.00 | 332,550,000.00 | 1,344,815,000.00 | 950,684,000.00 | 952,036,000.00 | 904,680,000.00 | 1,640,730,000.00 | 8,841,175,000.00 | |
| Total Projected Interest | 339,473,114.49 | 322,754,292.22 | 307,000,335.20 | 290,323,930.66 | 273,661,677.76 | 1,142,228,538.80 | 889,453,949.10 | 689,042,973.92 | 439,757,632.40 | 1,817,555,046.50 | 4,855,470,891.05 | |
| PROJECTED BOND DEBT SERVICE | \$ 2,042,658,114.49 | 661,099,292.22 | 644,675,335.20 | 626,798,930.66 | 606,213,677.76 | 2,487,043,538.80 | 1,840,137,949.10 | 1,621,078,973.92 | 1,344,437,632.40 | 1,822,485,046.50 | 13,696,645,891.05 | |

SUMMARY DEBT SERVICE:

| | |
|------------------------------------|----------------------------|
| Total Principal | 1,703,185,000.00 |
| Total Projected Interest | 339,473,114.49 |
| PROJECTED BOND DEBT SERVICE | \$ 2,042,658,114.49 |

(1) The PUF Bonds, Series 2008A, the RFS Refunding Bonds, Series 2007B, the RFS Bonds, Series 2008B, and the RFS Bonds, Series 2016G are currently variable rate bonds. As required by GASB Statement No. 38 annual debt service requirements are computed using the System's effective rates of 1.30%, 1.34%, 1.29%, and 2.12% (respectively), on par amounts of \$352,140,000, \$324,940,000, \$449,125,000 and \$250,000,000 (respectively). Interest on variable rate bonds will fluctuate based upon current market conditions and is reset weekly. As required, interest expense per this schedule is presented on a cash basis, whereas, the financial statements are presented on an accrual basis. Although variable rate bonds may come due in one year, debt service is generally expected to be payable through final maturity on each series (July 2030, August 2035, and August 2045 respectively). Expected annual debt service requirements on \$170,070,000 in principal amount of the PUF Bonds, Series 2016G are computed using a base rate of 6.60%, and annual debt service requirements on the remaining \$102,930,000 in principal amount of the PUF Bonds, Series 2016G are computed using a base rate of 3.80%. Expected annual debt service requirements on the remaining \$226,860,000 in principal amount of the 2008B Bonds, Series 2008B are computed using a base rate of 3.80%. Expected annual debt service requirements on the remaining \$226,860,000 in principal amount of the 2008B Bonds, Series 2008B are computed using a base rate of 3.80%. Expected annual debt service requirements on the remaining \$226,860,000 in principal amount of the 2008B Bonds, Series 2008B are computed using a base rate of 3.80%. Expected annual debt service requirements on the remaining \$226,860,000 in principal amount of the 2008B Bonds, Series 2008B are computed using a base rate of 3.80%. Expected annual debt service requirements on the remaining \$226,860,000 in principal amount of the 2008B Bonds, Series 2008B are computed using a base rate of 3.80%.

The University of Texas System
 Schedule 2 -- Bonds Payable (Consolidated)
 For the Year Ended August 31, 2019
2D: ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE

Revenue Bonds

| Description of Issue | Pledged Revenues | | | |
|--------------------------------------|-----------------------------|----------------------------|------------------------|---|
| | Operating Revenues | Investment Interest Earned | Other Pledged Revenues | Total Pledged Sources for Debt Service ⁽⁴⁾ |
| Self Supporting: | | | | |
| Permanent University Fund | | | | |
| Pledged Revenues ⁽¹⁾ | \$ - | 188,728.21 | 769,971,041.14 | 770,159,769.35 |
| PUF Refunding Bonds, 2006B | | | | |
| PUF Bonds, 2008A | | | | |
| PUF Taxable Bonds, 2009A | | | | |
| PUF Bonds, 2014A | | | | |
| PUF Bonds, 2014B | | | | |
| PUF Refunding Bonds, 2015A | | | | |
| PUF Bonds, 2015B | | | | |
| PUF Taxable Bonds, 2015C | | | | |
| PUF Bonds, 2016A | | | | |
| PUF Bonds, 2016B | | | | |
| PUF Taxable Bonds, 2017A | | | | |
| Revenue Financing System | | | | |
| Pledged Revenues ⁽²⁾ | 10,946,975,589.00 | 734,482,129.40 | 105,158,762.08 | 11,786,616,480.48 |
| RFS Refunding Bonds, 2002A | | | | |
| RFS Refunding Bonds, 2002B | | | | |
| RFS Refunding Bonds, 2004B | | | | |
| RFS Refunding Bonds, 2006C | | | | |
| RFS Refunding Bonds, 2007B | | | | |
| RFS Bonds, 2008B | | | | |
| RFS Taxable Bonds, 2009B | | | | |
| RFS Bonds, 2009D | | | | |
| RFS Bonds, 2010A | | | | |
| RFS Refunding Bonds, 2010B | | | | |
| RFS Taxable Bonds, 2010C | | | | |
| RFS Taxable Bonds, 2010D | | | | |
| RFS Refunding Bonds, 2012A | | | | |
| RFS Bonds, 2012B | | | | |
| RFS Bonds, 2014A | | | | |
| RFS Refunding Bonds, 2014B | | | | |
| RFS Taxable Bonds, 2016A | | | | |
| RFS Bonds, 2016B | | | | |
| RFS Refunding Bonds, 2016C | | | | |
| RFS Bonds, 2016D | | | | |
| RFS Bonds, 2016E | | | | |
| RFS Bonds, 2016F | | | | |
| RFS Bonds, Taxable 2016G | | | | |
| RFS Refunding Bonds, 2016H | | | | |
| RFS Refunding Bonds, 2016I | | | | |
| RFS Bonds, 2016J | | | | |
| RFS Bonds, Taxable 2017A | | | | |
| RFS Bonds, 2017B | | | | |
| RFS Refunding Bonds, 2017C (TRB) | | | | |
| RFS Refunding Bonds, 2017C (non-TRB) | | | | |
| RFS Refunding Bonds, 2019A | | | | |
| RFS Bonds, 2019B | | | | |
| Total Revenue Bonds | \$ 10,946,975,589.00 | 734,670,857.61 | 875,129,803.22 | 12,556,776,249.83 |

(1) Revenues also pledged to Permanent University Fund Commercial Notes, Series A and Permanent University Fund Taxable Commercial Notes, Series B on a subordinate lien basis.

(2) Revenues also pledged to Revenue Financing System Commercial Paper Notes, Series A and Revenue Financing System Taxable Commercial Paper Notes, Series B on an equal and ratable basis.

(3) As required by the Texas State Comptroller's Financial Reporting Requirements, interest expense for Fiscal Year 2019 is presented on a cash basis and therefore the data does not agree with information presented in the Statement of Revenues, Expenses and Change in Net Assets, nor the Notes of the financials, which are prepared on the accrual basis of accounting. The effect of this difference is a \$995,306.99 net increase due to accrued interest expense.

(4) The related operating expenditures against these gross pledged revenues were \$12,202,170,227.77.

| Debt Service | | Refunded or Extinguished | Interest & Sinking Fund | | Bond Reserve Fund | |
|-----------------------|-------------------------|-----------------------------|-------------------------|----------|-------------------|----------|
| Principal | Interest ⁽³⁾ | | Minimum | Actual | Minimum | Actual |
| - | 14,851,562.50 | - | N/A | | N/A | N/A |
| 6,220,000.00 | 12,999,045.12 | - | N/A | | N/A | N/A |
| - | 13,155,000.00 | - | N/A | | N/A | N/A |
| - | 12,017,000.00 | - | N/A | | N/A | N/A |
| - | 9,191,000.00 | - | N/A | | N/A | N/A |
| 26,095,000.00 | 5,678,625.00 | - | N/A | | N/A | N/A |
| 8,055,000.00 | 9,462,400.00 | - | N/A | | N/A | N/A |
| - | 4,763,556.00 | - | N/A | | N/A | N/A |
| 4,235,000.00 | 5,241,987.50 | - | N/A | | N/A | N/A |
| 6,530,000.00 | 11,420,000.00 | - | N/A | | N/A | N/A |
| - | 10,217,126.40 | - | N/A | | N/A | N/A |
| 8,025,000.00 | 506,100.00 | - | N/A | | N/A | N/A |
| 14,340,000.00 | 841,575.00 | - | N/A | | N/A | N/A |
| 18,870,000.00 | 990,675.00 | - | N/A | | N/A | N/A |
| 19,270,000.00 | 4,928,500.00 | - | N/A | | N/A | N/A |
| 1,400,000.00 | 12,337,170.20 | - | N/A | | N/A | N/A |
| 20,535,000.00 | 17,392,843.03 | - | N/A | | N/A | N/A |
| - | 10,372,502.10 | 330,545,000.00 | N/A | | N/A | N/A |
| 16,220,000.00 | 728,500.00 | - | N/A | | N/A | N/A |
| 23,965,000.00 | 2,852,250.00 | - | N/A | | N/A | N/A |
| 48,260,000.00 | 14,058,650.00 | - | N/A | | N/A | N/A |
| 15,425,000.00 | 27,121,840.20 | - | N/A | | N/A | N/A |
| 14,120,000.00 | 21,414,790.10 | - | N/A | | N/A | N/A |
| 10,955,000.00 | 5,147,550.00 | - | N/A | | N/A | N/A |
| 5,465,000.00 | 5,018,500.00 | - | N/A | | N/A | N/A |
| 5,220,000.00 | 11,195,537.50 | - | N/A | | N/A | N/A |
| 925,000.00 | 9,855,600.00 | 56,240,000.00 | N/A | | N/A | N/A |
| - | 9,854,379.00 | - | N/A | | N/A | N/A |
| - | 7,077,000.00 | - | N/A | | N/A | N/A |
| 34,545,000.00 | 6,430,250.00 | - | N/A | | N/A | N/A |
| 11,695,000.00 | 9,668,500.00 | - | N/A | | N/A | N/A |
| 9,225,000.00 | 8,873,600.00 | - | N/A | | N/A | N/A |
| - | 14,215,600.00 | - | N/A | | N/A | N/A |
| - | 4,685,581.14 | - | N/A | | N/A | N/A |
| 12,600,000.00 | 9,616,600.00 | - | N/A | | N/A | N/A |
| 7,230,000.00 | 8,884,250.00 | - | N/A | | N/A | N/A |
| 13,625,000.00 | 13,727,150.00 | - | N/A | | N/A | N/A |
| - | 11,766,335.10 | - | N/A | | N/A | N/A |
| - | 10,080,006.26 | - | N/A | | N/A | N/A |
| 107,000.00 | 1,661,825.00 | - | N/A | | N/A | N/A |
| 193,000.00 | 10,174,824.99 | - | N/A | | N/A | N/A |
| - | 2,707,806.95 | - | N/A | | N/A | N/A |
| - | - | - | N/A | | N/A | N/A |
| <u>363,350,000.00</u> | <u>383,183,594.09</u> | <u>386,785,000.00</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

THE UNIVERSITY OF TEXAS SYSTEM
 Schedule 2 -- Bonds Payable (Consolidated)
 For the Year Ended August 31, 2019

2E: DEFEASED BONDS OUTSTANDING

The Balance Sheet at August 31, 2019 does not include \$317,395,000 of bonds payable which were fully defeased during fiscal years 2016 and 2017. Direct obligations of the United States of America and noncallable obligations of an agency or instrumentality of the United States of America, including obligations unconditionally guaranteed by the United States of America, rated not less than AAA or its equivalent, in amounts, maturities, and bearing interest at rates sufficient to provide funds to pay in full the principal of, redemption premium, if any, and interest on the defeased bonds are being held by various escrow agents. Shown below is a listing of the defeased bonds outstanding at August 31, 2019.

| <u>Description of Issue</u> | <u>Year Refunded/ Defeased</u> | <u>Par Value Outstanding</u> |
|----------------------------------|--|----------------------------------|
| Revenue Financing System Bonds | | |
| Series 2010A | 2016 | \$ 170,440,000 |
| Series 2012A | 2017 | 35,985,000 |
| Series 2012B | 2017 | <u>110,970,000</u> |
| | | <u>317,395,000</u> |
| Total Defeased Bonds Outstanding | | \$ <u><u>317,395,000</u></u> |

The University of Texas System
Schedule 2 -- Bonds Payable (Consolidated)
For the Year Ended August 31, 2019

2F: EARLY EXTINGUISHMENT AND REFUNDING

| Description of Debt Extinguished/Refunded | Description of Newly Issued Debt | Category | Amount Extinguished or Refunded | For Refunding Only | | |
|---|-----------------------------------|-------------------|---------------------------------|---------------------------|-------------------------------|----------------------|
| | | | | Refunding Issue Par Value | Cash Flow Increase (Decrease) | Economic Gain (Loss) |
| RFS Taxable Bonds, Series 2009B | RFS Refunding Bonds, Series 2019A | Current Refunding | \$ 330,545,000.00 | 275,050,000.00 | 79,779,481.37 | 57,601,214.16 |
| RFS Refunding Bonds, Series 2014B | RFS Refunding Bonds, Series 2019A | Current Refunding | 56,240,000.00 | 45,385,000.00 | 14,418,974.72 | 10,296,444.40 |
| TOTAL BONDS | | | 386,785,000.00 | 320,435,000.00 | 94,198,456.09 | 67,897,658.56 |
| RFS Tax-Exempt Commercial Paper Notes, Series A | RFS Bonds, Series 2019B | Current Refunding | 449,478,000.00 | 318,715,000.00 | N/A | N/A |
| TOTAL OTHER | | | 449,478,000.00 | 318,715,000.00 | 0.00 | 0.00 |
| TOTAL | | | \$ 836,263,000.00 | 639,150,000.00 | 94,198,456.09 | 67,897,658.56 |