

University of Arkansas

Annual Financial Report

2000-2001


UNIVERSITY OF ARKANSAS
1871
VERITATE DUCE PROGREDI

Table of Contents

Presentation Letter	3
Financial Highlights	4-9
Enrollment Data	10
Independent Auditor's Report	11
Balance Sheet	12
Statement of Changes in Fund Balances	13
Statement of Current Fund Revenues, Expenditures and Other Changes	14
Notes to Financial Statements	15

On the cover:
South Tower of Old Main—University Relations

UNIVERSITY of ARKANSAS
1871

Vice Chancellor for Finance and Administration

406 Administration Building
Fayetteville, Arkansas 72701
(501) 575-5828
Fax: (501) 575-5400

November 12, 2001

Dr. John A. White
Chancellor
University of Arkansas
Fayetteville, AR 72701

Dear Chancellor White:

It is my pleasure to present the annual Financial Report of the University of Arkansas, for the year ended June 30, 2001.

This report has been prepared in conformity with generally accepted accounting principles established by the American Institute of Certified Public Accountants. The Division of Legislative Audit of the Legislative Joint Auditing Committee of the State of Arkansas has examined this report and their opinion is included.

Sincerely,

D. O. Pederson

D. O. Pederson
Vice Chancellor for Finance and Administration

The University of Arkansas is an equal opportunity/affirmative action institution.

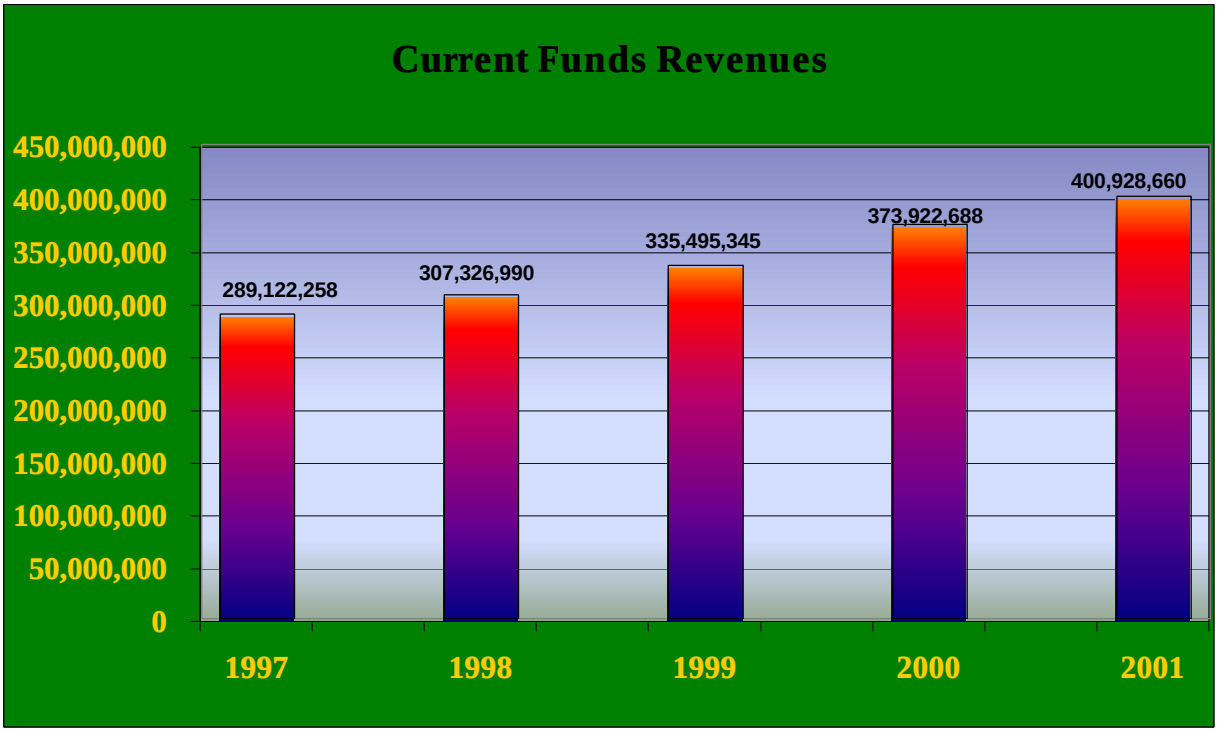
FIVE YEARS IN REVIEW - CURRENT FUNDS REVENUES

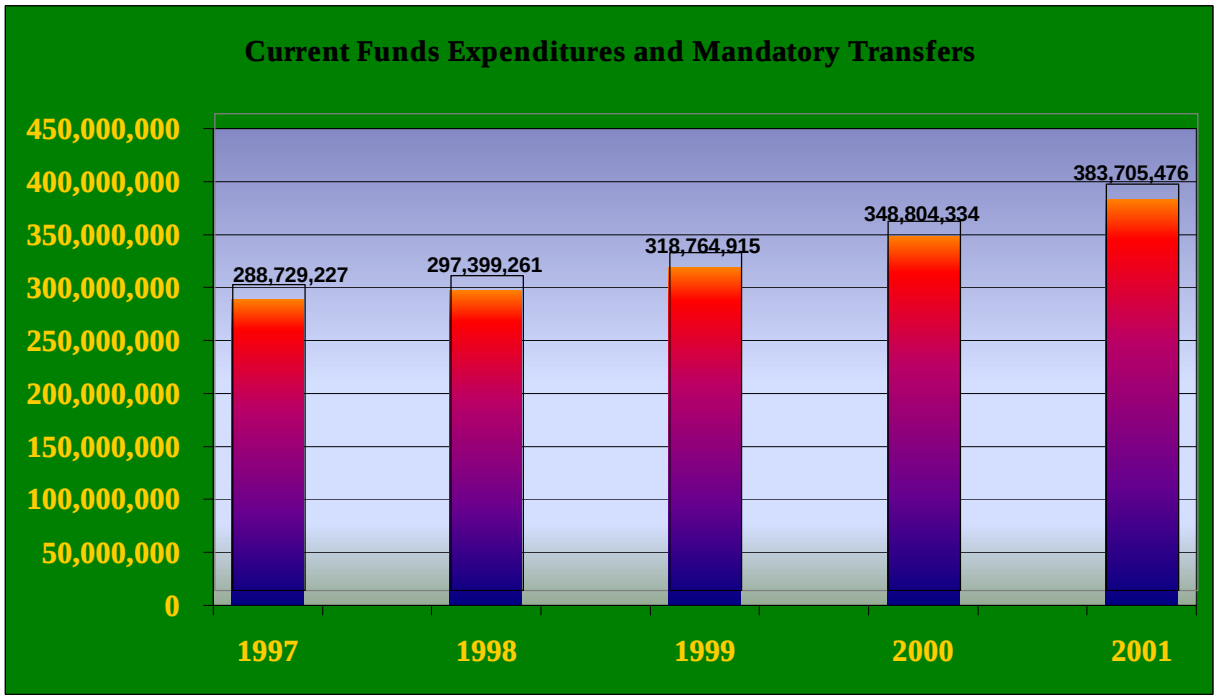
	1997	1998	1999	2000	2001
Revenues and Other Additions					
Student Tuition and Fees	$ 44,128,223	$ 47,035,797	$ 57,121,137	$ 61,193,039	$ 71,732,774
State Appropriations	125,893,896	137,268,617	140,953,902	154,169,629	153,051,938
Federal Appropriations	11,841,270	11,213,471	12,029,105	11,164,880	10,588,701
County Appropriations**			1,835,907	1,835,721	1,979,913
Endowment Earnings	408,073	668,129	1,366,693	3,326,234	4,042,589
Federal Grants and Contracts	25,644,663	26,976,184	27,861,202	33,116,871	34,661,227
State and Local Grants and Contracts	11,270,311	12,479,399	13,094,418	17,471,025	15,586,232
Private Gifts, Grants and Contracts	17,166,759	21,780,661	27,280,969	30,854,744	31,633,260
Sales and Services	7,045,597	6,167,664	5,910,125	6,217,270	6,572,014
Other Sources	5,124,785	5,454,181	5,840,788	10,811,598	16,167,677
Auxiliary Enterprises	40,598,681	38,282,887	42,201,099	43,761,677	54,912,335
Total Revenues and Other Additions	$ 289,122,258	$ 307,326,990	$ 335,495,345	$ 373,922,688	$ 400,928,660

**Prior to 1998, County Appropriations was reported as State and Local Grants and Contracts.

FIVE YEARS IN REVIEW - CURRENT FUNDS EXPENDITURES AND MANDATORY TRANSFERS

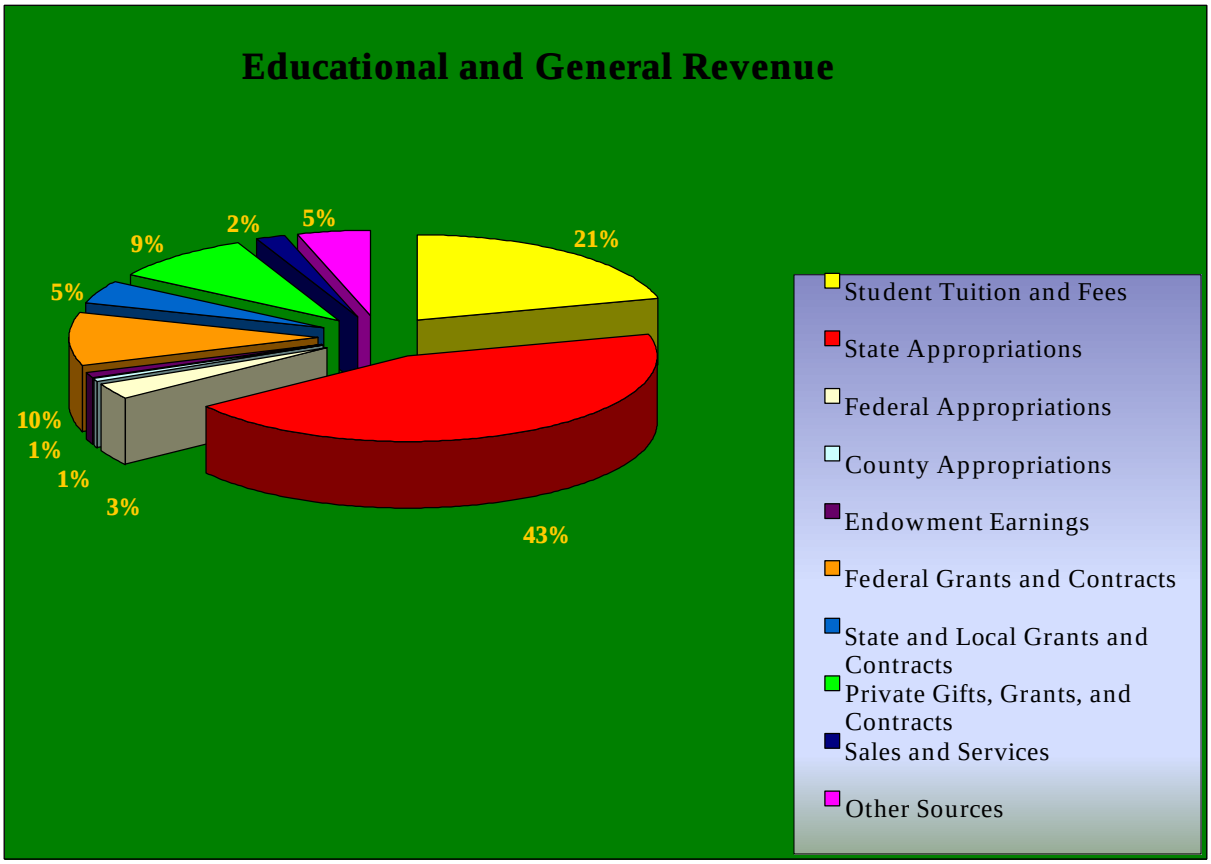
	1997	1998	1999	2000	2001
Expenditures and Mandatory Transfers					
Educational and General					
Instruction	$ 57,646,579	$ 59,727,604	$ 76,525,428	$ 86,528,210	$ 89,428,500
Research	71,393,643	75,461,203	63,110,716	69,298,166	76,528,063
Public Service	41,110,690	44,663,577	48,262,009	49,537,838	53,909,875
Academic Support	18,596,110	19,261,258	20,009,054	21,744,532	22,532,533
Student Services	8,065,570	7,891,548	8,208,816	9,121,172	10,156,396
Institutional Support	13,612,218	14,281,246	15,261,457	16,457,190	21,299,797
Operation and Maintenance of Plant	15,412,546	14,253,906	15,834,116	15,794,454	17,468,511
Scholarships and Awards	21,893,048	21,110,925	30,288,618	36,168,554	42,240,174
Total Educational and General Exp.	$ 247,730,404	$ 256,651,267	$ 277,500,214	$ 304,650,116	$ 333,563,849
Mandatory Transfers for:					
Principal and Interest	$ 2,622,037	$ 2,552,939	$ 2,434,525	$ 2,774,177	$ 1,419,628
Grants and Contract Matching					
Loans Matching	61,356	105,456	92,145	67,509	
Total Educational and General	$ 250,413,797	$ 259,309,662	$ 280,026,884	$ 307,491,802	$ 334,983,477
Auxiliary Enterprises					
Expenditures	$ 35,924,371	$ 34,979,372	$ 35,482,614	$ 36,551,770	$ 42,315,849
Mandatory Transfers for:					
Principal and Interest	2,391,059	3,110,227	3,255,417	4,760,762	6,406,150
Grants and Contracts Matching					
Total Auxiliary Enterprises	$ 38,315,430	$ 38,089,599	$ 38,738,031	$ 41,312,532	$ 48,721,999
Total Exp. and Mandatory Transfers	$ 288,729,227	$ 297,399,261	$ 318,764,915	$ 348,804,334	$ 383,705,476


Current Funds Revenues
450,000,000
400,000,000
350,000,000
300,000,000
250,000,000
200,000,000
150,000,000
100,000,000
50,000,000
0
289,122,258
307,326,990
335,495,345
373,922,688
400,928,660
1997
1998
1999
2000
2001


Current Funds Expenditures and Mandatory Transfers
450,000,000
400,000,000
350,000,000
300,000,000
250,000,000
200,000,000
150,000,000
100,000,000
50,000,000
0
288,729,227
297,399,261
318,764,915
348,804,334
383,705,476
1997
1998
1999
2000
2001

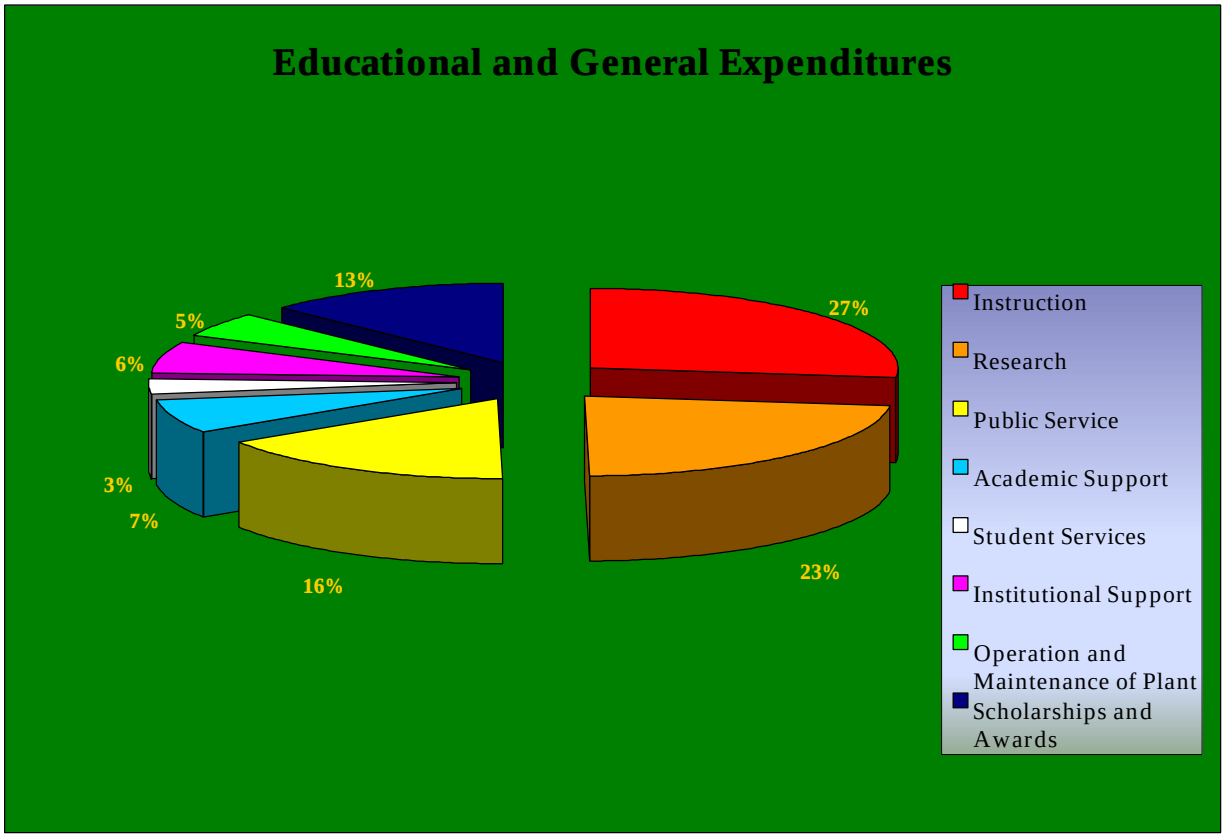
UNIVERSITY OF ARKANSAS, FAYETTEVILLE
BREAKDOWN OF EDUCATIONAL AND GENERAL REVENUES BY SOURCE

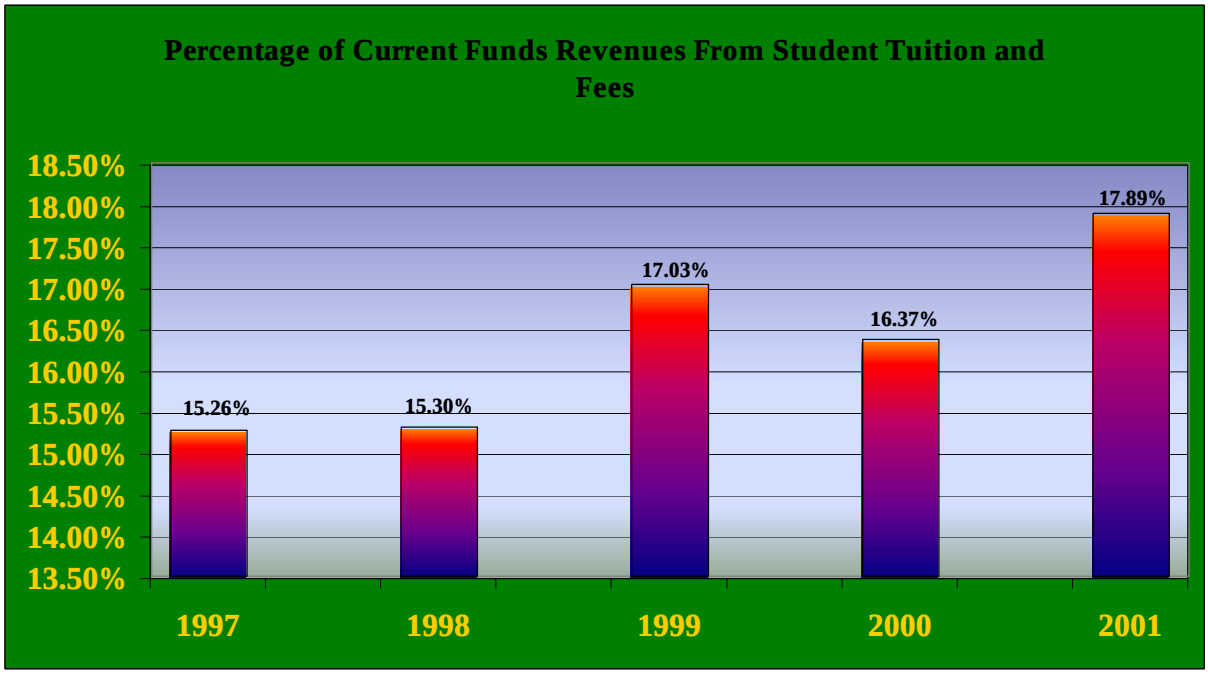
Student Tuition and Fees	71,732,774
State Appropriations	153,051,938
Federal Appropriations	10,588,701
County Appropriations	1,979,913
Endowment Earnings	4,042,589
Federal Grants and Contracts	34,661,227
State and Local Grants and Contracts	15,586,232
Private Gifts, Grants, and Contracts	31,633,260
Sales and Services	6,572,014
Other Sources	16,167,677
Total Educational and General	346,016,325

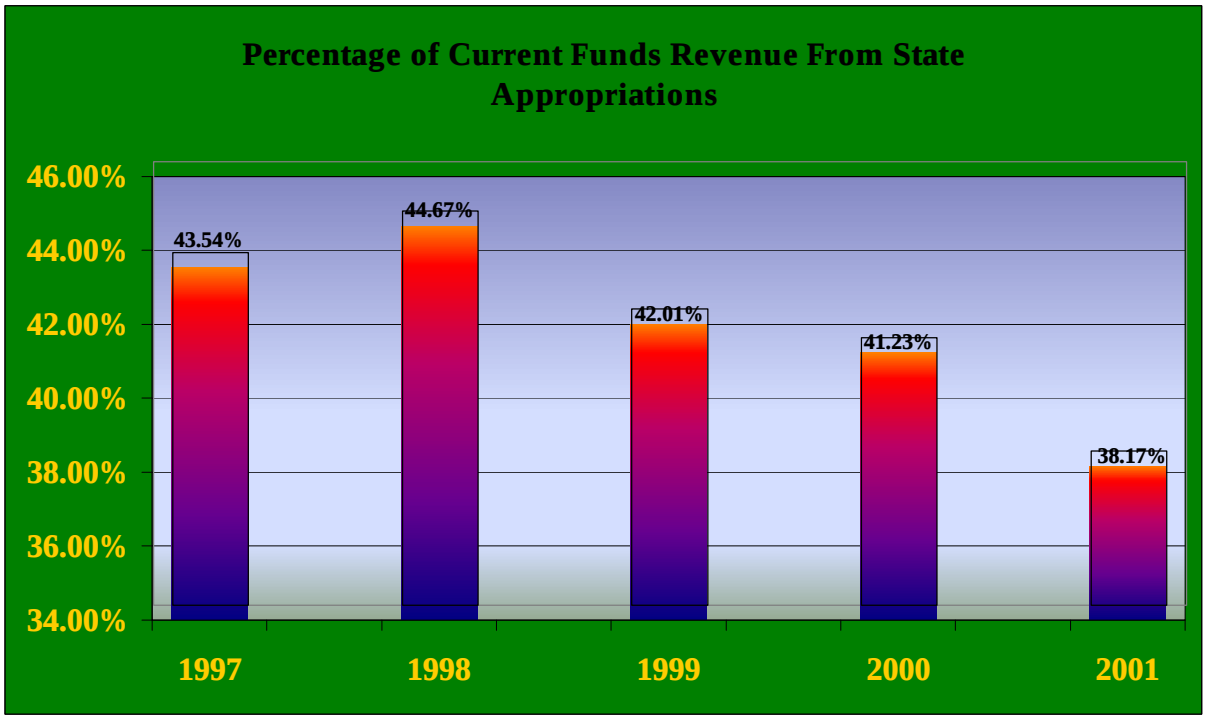


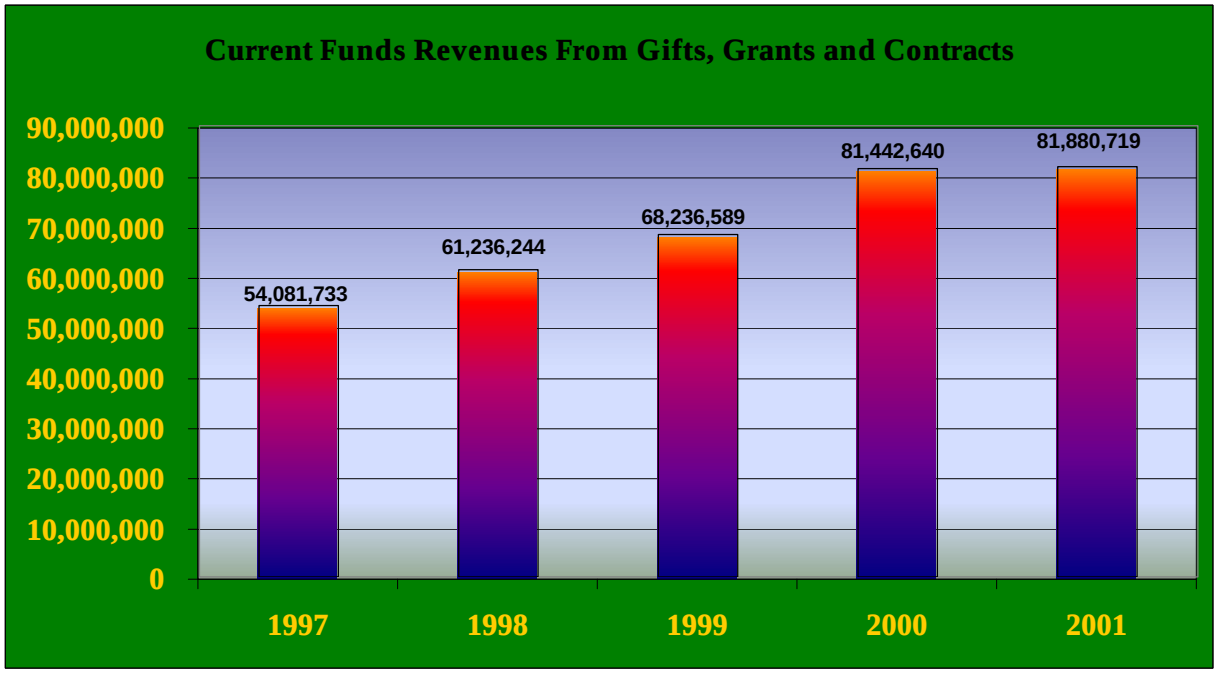
UNIVERSITY OF ARKANSAS, FAYETTEVILLE
BREAKDOWN OF EDUCATIONAL AND GENERAL EXPENDITURES BY FUNCTION

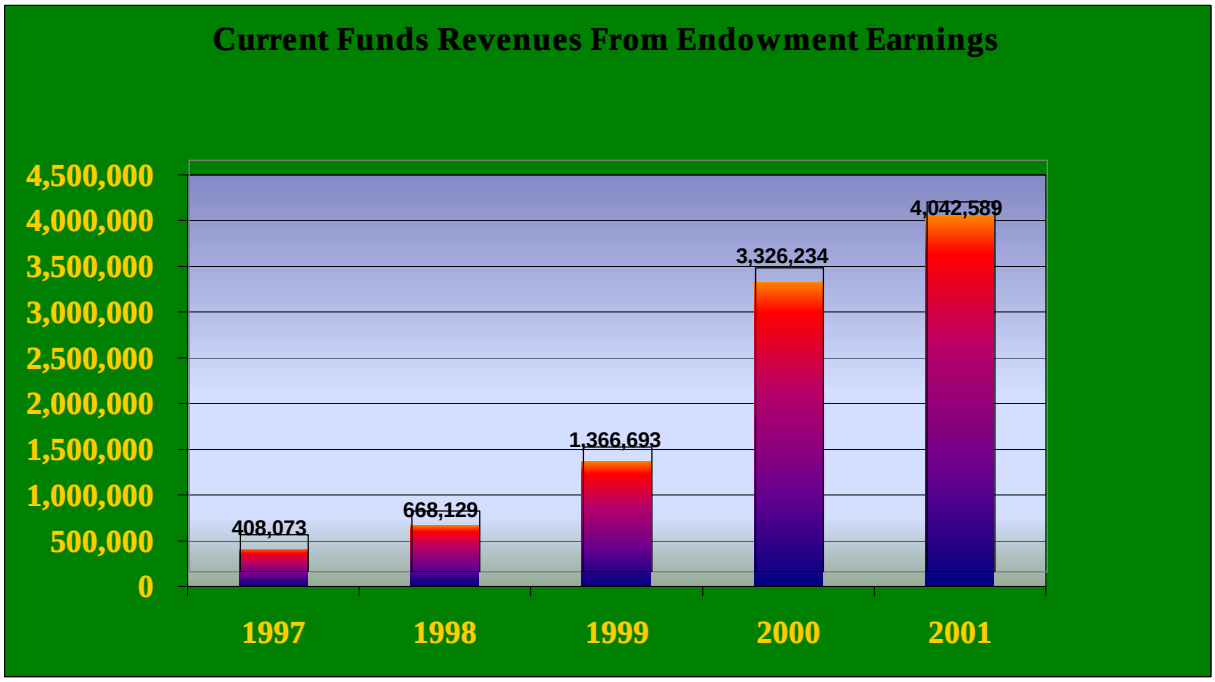
Instruction	89,428,500
Research	76,528,063
Public Service	53,909,875
Academic Support	22,532,533
Student Services	10,156,396
Institutional Support	21,299,797
Operation and Maintenance of Plant	17,468,511
Scholarships and Awards	42,240,174
Total Educational and General Expenditures	333,563,849

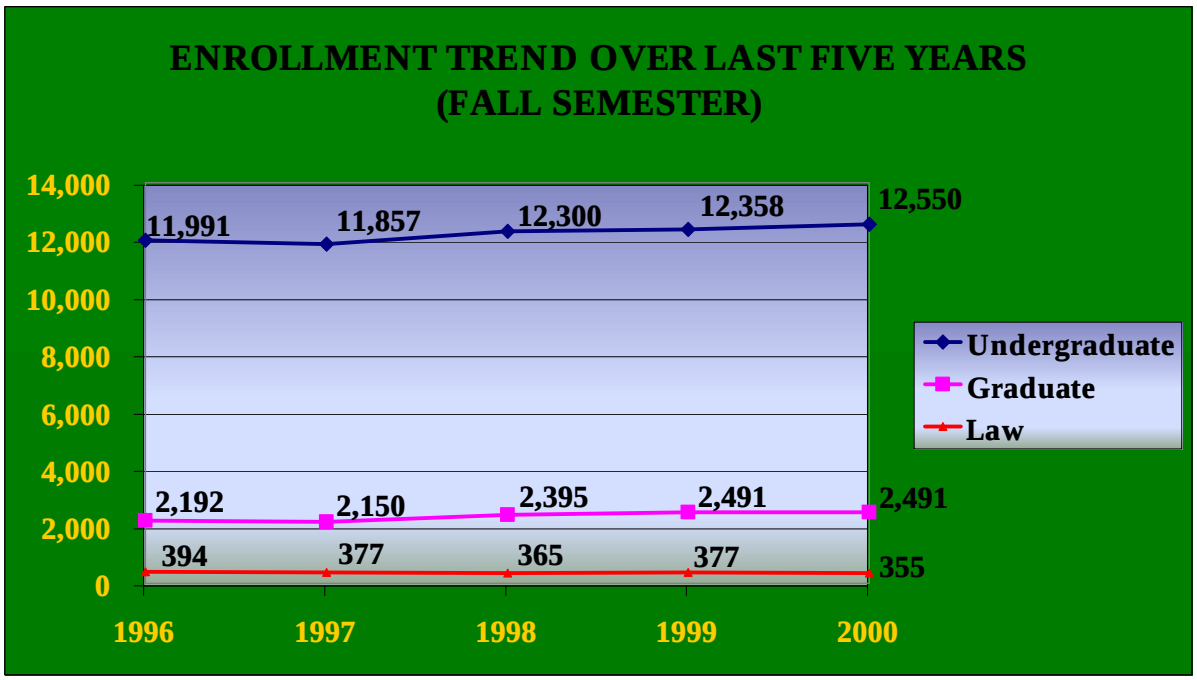


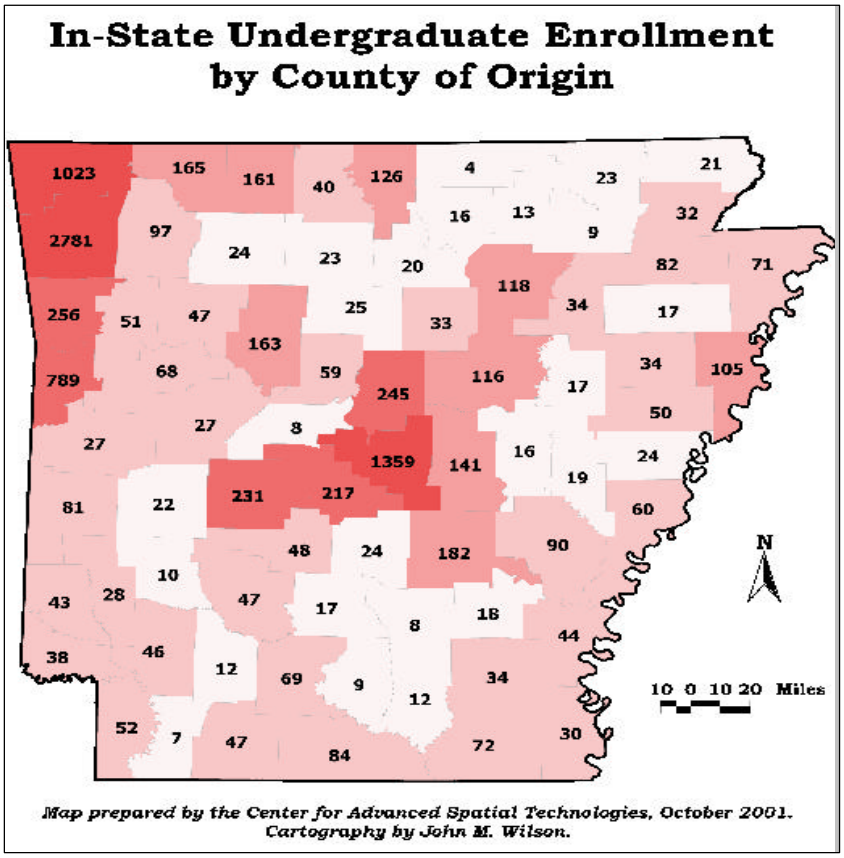

Percentage of Current Funds Revenues From Student Tuition and Fees
18.50%
18.00%
17.50%
17.00%
16.50%
16.00%
15.50%
15.00%
14.50%
14.00%
13.50%
15.26%
15.30%
17.03%
16.37%
17.89%
1997
1998
1999
2000
2001


Percentage of Current Funds Revenue From State Appropriations
46.00%
44.00%
42.00%
40.00%
38.00%
36.00%
34.00%
43.54%
44.67%
42.01%
41.23%
38.17%
1997
1998
1999
2000
2001


Current Funds Revenues From Gifts, Grants and Contracts
90,000,000
80,000,000
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
0
54,081,733
61,236,244
68,236,589
81,442,640
81,880,719
1997
1998
1999
2000
2001


Current Funds Revenues From Endowment Earnings
4,500,000
4,000,000
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
408,073
668,129
1,366,693
3,326,234
4,042,589
1997
1998
1999
2000
2001


ENROLLMENT TREND OVER LAST FIVE YEARS
(FALL SEMESTER)
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
1996
1997
1998
1999
2000
11,991
11,857
12,300
12,358
12,550
2,192
2,150
2,395
2,491
2,491
394
377
365
377
355
Undergraduate
Graduate
Law


In-State Undergraduate Enrollment
by County of Origin
1023
165
161
40
126
4
23
21
2781
97
24
23
20
16
13
9
32
82
71
118
34
17
256
51
47
163
25
33
789
68
59
245
116
17
34
105
27
27
8
1359
141
16
19
24
50
81
22
231
217
60
48
24
182
90
10
43
28
47
17
8
18
44
38
46
12
69
9
12
34
52
7
47
84
72
30
N
10 0 10 20 Miles
Map prepared by the Center for Advanced Spatial Technologies, October 2001.
Cartography by John M. Wilson.

Sen. Kevin A. Smith
Senate Co-Chair
Rep. Danny W. Ferguson
House Co-Chair
Sen. Henry "Hank" Wilkins, IV
Senate Co-Vice Chair
Rep. Tommy Roebuck
House Co-Vice Chair

Arkansas

Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

University of Arkansas, Fayetteville
Legislative Joint Auditing Committee

We have audited the balance sheet of the University of Arkansas, Fayetteville, an Institution of Higher Education of the State of Arkansas, as of June 30, 2001 and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended as listed in the table of contents. These financial statements are the responsibility of the University of Arkansas, Fayetteville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Arkansas, Fayetteville as of June 30, 2001 and changes in fund balances and the current funds revenues, expenditures, and other changes for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2001 on our consideration of the University of Arkansas, Fayetteville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DIVISION OF LEGISLATIVE AUDIT

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
November 12, 2001
EDHE13501

Exhibit A
University of Arkansas
Balance Sheet at June 30, 2001 with Comparative Totals for June 30, 2000

	Current Funds				Plant Funds					Totals	
										Memorandum Only	
	Unrestricted	Restricted	Loan Funds	Endowment Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	June 30, 2001	June 30, 2000
Assets											
Cash and Cash Equivalents	$ 39,732,829	$ 184,475	$	$	$ 7,022,590	$	$	$	$ 723,923	$ 47,663,817	$ 25,849,701
Investments	39,512,935	6,764,376	2,011,118	54,278,483	32,354,243	2,796,199	467,172			138,184,526	163,979,653
Funds Held in Trust by Others							1,391,745			1,391,745	26,740,404
Accounts Receivable less allowance:											
2001, $3,411,704 and 2000, $3,431,699	7,417,794	12,142,577			900	1,062				19,562,333	19,048,699
Accrued Interest Receivable	85,454		585,851	84			17,676			689,065	833,300
Notes and Deposits Receivable less allowance:											
2001, $1,223,153 and 2000, $836,071	1,873,100		12,487,272				2,210,000			16,570,372	17,609,060
Inventories	1,976,999	207,962								2,184,961	2,106,070
Prepaid Expenses	1,746,818	160,422			6,192					1,913,432	3,680,658
Due from Other Funds	756,057									756,057	1,804,179
Investment in Plant								677,047,811		677,047,811	595,325,897
Other Assets	71,126									71,126	130,863
Total Assets	$ 93,173,112	$ 19,459,812	$ 15,084,241	$ 54,278,567	$ 39,383,925	$ 2,797,261	$ 4,086,593	$ 677,047,811	$ 723,923	$ 906,035,245	$ 857,108,484
Liabilities and Fund Balances											
Liabilities											
Accounts Payable	$ 3,386,241	$ 2,794,713	$ 203	$	$ 4,380,049	$ 22,875	$ 17,663	$	$ 166,571	$ 10,768,315	$ 7,426,884
Accrued Payroll Liabilities	7,967,647									7,967,647	7,309,956
Deferred Revenues	12,731,812	100,000								12,831,812	9,429,295
Due to Other Funds		756,057								756,057	1,804,179
Bonds Payable								72,318,000		72,318,000	77,355,000
Notes Payable					435,000			4,759,372		5,194,372	4,914,657
Capital Leases Payable								278,033		278,033	543,632
Compensated Absences	11,915,144									11,915,144	11,287,534
Funds Held in Trust for Others									557,352	557,352	816,805
Other Liabilities	340,854									340,854	63,213
Total Liabilities	$ 36,341,698	$ 3,650,770	$ 203	$	$ 4,815,049	$ 22,875	$ 17,663	$ 77,355,405	$ 723,923	$ 122,927,586	$ 120,951,155
Fund Balances											
Unrestricted											
Allocated	$ 56,831,414	$	$	$	$ 35,025,576	$ 2,753,494	$	$	$	$ 94,610,484	$ 89,473,000
Net Investment in Plant								599,692,406		599,692,406	528,767,941
Restricted											
General		15,809,042			(456,700)					15,352,342	30,515,759
University Loan Funds			554,218							554,218	533,982
U.S. Government Grants Refundable			14,529,820							14,529,820	14,108,418
Endowment				40,437,231						40,437,231	55,907,336
Quasi-endowment				13,841,336						13,841,336	11,484,198
Renewals and Replacements						20,892				20,892	148,750
Retirement of Indebtedness							4,068,930			4,068,930	5,217,945
Total Fund Balances	$ 56,831,414	$ 15,809,042	$ 15,084,038	$ 54,278,567	$ 34,568,876	$ 2,774,386	$ 4,068,930	$ 599,692,406	$	$ 783,107,659	$ 736,157,329
Total Liabilities and Fund Balances	$ 93,173,112	$ 19,459,812	$ 15,084,241	$ 54,278,567	$ 39,383,925	$ 2,797,261	$ 4,086,593	$ 677,047,811	$ 723,923	$ 906,035,245	$ 857,108,484

The accompanying notes are an integral part of these financial statements.

Exhibit B
University of Arkansas
Statement of Changes in Fund Balances for the Year Ended June 30, 2001

	Current Funds			Loan Funds	Endowment Funds	Plant Funds			
	Unrestricted	Restricted	Total			Unexpended	Renewals & Replacements	Debt Retirement	Investment in Plant
Revenues and Other Additions									
Unrestricted Current Fund Revenue	$ 315,151,517	$	$ 315,151,517	$	$	$	$	$	$
Federal Appropriations - Restricted		10,588,700	10,588,700						
State Appropriations - Restricted						2,531,881	604,769		
County Appropriations - Restricted		1,979,913	1,979,913						
Gifts, Grants, and Contracts - Restricted		78,704,952	78,704,952	6,739	1,251,921	26,315,111	149,143	152,910	
Donated Fixed Assets									5,311,601
Investment Income (Other than E & G)				346,999	(3,249,935)	179,747	744	188,276	
Expended for plant facilities (including $14,841,256 charged to current funds expenditures)									82,633,139
Retirement of Indebtedness						16,255,333			5,457,884
Loan Proceeds						358,000			
Other Additions				410,631		10,398	849		288,885
Total Revenues and Other Additions	$ 315,151,517	$ 91,273,565	$ 406,425,082	$ 764,369	$ (1,998,014)	$ 45,650,470	$ 755,505	$ 341,186	$ 93,691,509
Expenditures and Other Deductions									
Educational and General	$ 245,902,104	$ 87,661,745	$ 333,563,849	$	$	$	$	$	$
Auxiliary Enterprises	42,315,849		42,315,849						
Indirect Costs Recovered		5,496,422	5,496,422						
Loan Cancellations and Write-Offs				250,967					
Administrative and Collection Costs				71,764					
Retirement of Indebtedness								5,457,884	
Additions to Plant from Plant Funds						67,482,514	309,369		
Non-Capitalized Expenditures						360,564	2,157,591		
Interest on Indebtedness								3,807,059	
Bonds, Notes, and Leases Payable Assumed						435,000			16,255,333
Disposal of Plant Facilities									6,511,711
Other Deductions	1,230		1,230		14,167,377			35,294	
Total Expenditures and Deductions	$ 288,219,183	$ 93,158,167	$ 381,377,350	$ 322,731	$ 14,167,377	$ 68,278,078	$ 2,466,960	$ 9,300,237	$ 22,767,044
Transfers Among Funds - Additions/(Deductions)									
Mandatory Transfers									
Principal and Interest	$ (7,825,778)	$	$ (7,825,778)	$	$	$	$	$ 7,825,778	$
Plant Fund Transfers (excluding Debt Service)	(18,258,729)	(4,500)	(18,263,229)			16,856,115	1,422,856	(15,742)	
Other Transfers	(2,010,499)	(1,041,925)	(3,052,424)		3,052,424				
Total Transfers Among Funds	$ (28,095,006)	$ (1,046,425)	$ (29,141,431)	$	$ 3,052,424	$ 16,856,115	$ 1,422,856	$ 7,810,036	$
Net Increase/(Decrease) for the Year	$ (1,162,672)	$ (2,931,027)	$ (4,093,699)	$ 441,638	$ (13,112,967)	$ (5,771,493)	$ (288,599)	$ (1,149,015)	$ 70,924,465
Fund Balance at Beginning of the Year	$ 57,994,086	$ 18,740,069	$ 76,734,155	$ 14,642,400	$ 67,391,534	$ 40,340,369	$ 3,062,985	$ 5,217,945	$ 528,767,941
Fund Balance at End of the Year	$ 56,831,414	$ 15,809,042	$ 72,640,456	$ 15,084,038	$ 54,278,567	$ 34,568,876	$ 2,774,386	$ 4,068,930	$ 599,692,406

The accompanying notes are an integral part of these financial statements.

Exhibit C

University of Arkansas

Statement of Current Funds Revenues, Expenditures, and Other Changes for the Year Ended June 30, 2001

With Comparative Totals for the Year Ended June 30, 2000

	Unrestricted	Restricted	Fiscal 2001 Total	Fiscal 2000 Total
Revenues				
Educational and General				
Student Tuition and Fees	$ 71,732,774	$	$ 71,732,774	$ 61,193,039
State Appropriations	153,051,938		153,051,938	154,169,629
Federal Appropriations		10,588,701	10,588,701	11,164,880
County Appropriations		1,979,913	1,979,913	1,835,721
Endowment Earnings	702,340	3,340,249	4,042,589	3,326,234
Federal Grants and Contracts	3,526,701	31,134,526	34,661,227	33,116,871
State and Local Grants and Contracts	1,918,082	13,668,150	15,586,232	17,471,025
Private Gifts, Grants, and Contracts	6,599,727	25,033,533	31,633,260	30,854,744
Sales and Services	6,571,524	490	6,572,014	6,217,270
Other Sources	16,136,096	31,581	16,167,677	10,811,598
Total Educational and General	$ 260,239,182	$ 85,777,143	$ 346,016,325	$ 330,161,011
Auxiliary Enterprises	54,912,335		54,912,335	43,761,677
Total Revenues	$ 315,151,517	$ 85,777,143	$ 400,928,660	$ 373,922,688
Expenditures and Mandatory Transfers				
Educational and General				
Instruction	$ 77,088,723	$ 12,339,777	$ 89,428,500	$ 86,528,210
Research	43,756,017	32,772,046	76,528,063	69,298,166
Public Service	33,782,700	20,127,175	53,909,875	49,537,838
Academic Support	20,740,154	1,792,379	22,532,533	21,744,532
Student Services	9,941,571	214,825	10,156,396	9,121,172
Institutional Support	20,175,431	1,124,366	21,299,797	16,457,190
Operation and Maintenance of Plant	17,468,511		17,468,511	15,794,454
Scholarships and Awards	22,948,997	19,291,177	42,240,174	36,168,554
Total Educational and General Expenditures	$ 245,902,104	$ 87,661,745	$ 333,563,849	$ 304,650,116
Mandatory Transfers for:				
Principal and Interest	$ 1,419,628	$	$ 1,419,628	$ 2,774,177
Loans Matching				67,509
Total Educational and General	$ 247,321,732	$ 87,661,745	$ 334,983,477	$ 307,491,802
Auxiliary Enterprises				
Expenditures	$ 42,315,849	$	$ 42,315,849	$ 36,551,770
Mandatory Transfers for:				
Principal and Interest	6,406,150		6,406,150	4,760,762
Total Auxiliary Enterprises	$ 48,721,999	$	$ 48,721,999	$ 41,312,532
Total Expenditures and Mandatory Transfers	$ 296,043,731	$ 87,661,745	$ 383,705,476	$ 348,804,334
Other Transfers and Additions/(Deductions)				
Excess of Restricted Receipts over Transfers to Revenues	$	$	$	$ 3,971,636
Transfers to Plant	(18,258,729)	(4,500)	(18,263,229)	(9,601,627)
Other Transfers and Changes	(2,011,729)	(1,041,925)	(3,053,654)	429,696
Net Increase/(Decrease) for the Year	$ (1,162,672)	$ (2,931,027)	$ (4,093,699)	$ 19,918,059

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF ARKANSAS, FAYETTEVILLE
NOTES TO THE FINANCIAL STATEMENTS

(1). Summary of Significant Accounting Policies

The financial statements for the University of Arkansas, Fayetteville ("the University") for the fiscal year ended June 30, 2001, have been prepared in accordance with generally accepted accounting principles contained in *College and University Business Administration* published by the National Association of College and University Business Officers (NACUBO), as well as *Audits of Colleges and Universities* published by the American Institute of Certified Public Accountants (AICPA). The accompanying notes to the financial statements are an integral part of the financial statements. The statements are intended to provide a summary of the flow of financial resources of the University during the fiscal year and balances available for future use.

Accrual Basis
The financial statements of the University have been prepared on the accrual basis except for depreciation accounting for plant assets.

The Statement of Current Fund Revenues, Expenditures, and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of earnings.

To the extent that current funds are used to finance plant assets, the amounts are accounted for as (1) expenditures, in the case of the normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest; and (3) transfers of a non-mandatory nature for all other cases.

Fund Accounting
Accounts are maintained in accordance with the principles of Fund Accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund. Within each group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds designated for specific purposes by the University.

Current Funds
The current funds group includes those economic resources of the institution which are expendable for any purpose in performing the primary objectives of the institution and which have not been designated by the University's Board of Trustees for other purposes. The term "current" indicates that these resources are intended for use in the current fiscal period. Current fund balances are separated into those which are restricted by donors or grantors and those which are unrestricted.

Loan Funds
The loan funds group is used to account for loan programs available to students.

Endowment and Similar Funds
True endowment funds consist of gifts from donors or external entities. These funds are subject to the restrictions of the gift instrument requiring that the principal is not expendable and that it be invested in perpetuity. Depending on the terms of the gift, the income from the endowments may be expended or added to the principal of the fund. The endowment fund does not include the assets of the University of Arkansas Foundation, Inc., a separate non-profit entity. Term endowments are resources provided by gift or bequest, or by administrative action, with the understanding that the principal is to be maintained for a specific period of time or for a specific expenditure. Quasi endowments are funds designated by administrative action to function as endowments. Quasi endowments can be withdrawn by administrative action.

Income derived from investment of endowments is reported as endowment income, except for income made available for expenditure in the current funds.

Plant Funds
The plant funds consist of (1) unexpended plant funds which are to be used for the construction or acquisition of physical properties for institutional purposes; (2) renewal and replacement plant funds which are to be expended for renewals and replacements of plant fund assets; (3) retirement of indebtedness plant funds which consist of funds set aside for debt service reserves and charges; and (4) investment in plant funds which are funds expended for and thus invested in institutional properties.

Physical properties are recorded at cost, or if by gift, at fair market value at date of acquisition. Present accounting principles do not require the depreciation of physical property values.

Agency Funds
Agency funds are used to account for assets held by the University as custodian or fiscal agent for others.

Cash and Cash Equivalents
The Balance Sheet classification "Cash and Cash Equivalents" includes all readily available sources of cash such as cash on hand, cash on deposit with financial institutions, cash on deposit with the State Treasurer and other state agencies, and highly liquid short term investments.

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

Inventories	June 30, 2001	June 30, 2000
University Press	$ 280,079	$ 393,018
COOP Warehouse	412,710	398,822
Physical Plant	900,922	892,972
Research Services	106,072	110,096
Printing Services	283,199	219,195
Arkansas Union	2,129	3,338
Student Health Pharmacy	64,297	79,093
Residence Life	130,487	0
Museum Gift Shop	5,066	9,536
Total Inventories	$ 2,184,961	$ 2,106,070

Accounts Receivable
Unrestricted current fund accounts receivable are stated at estimated net realizable values; that is, the gross amount of the receivable is reduced by allowances for estimated uncollectible accounts. Unrestricted current fund receivables represent charges due the University from various student fees, room and board, student fines, and other charges. Unrestricted accounts receivable totaling $1,033,966 were written off during the fiscal year ended June 30, 2001. Restricted current fund accounts receivable consist mainly of unreimbursed expenses relating to research contracts with federal, state, and private agencies.

Due To and Due From Other Funds
Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Encumbrances
Encumbrances are defined as commitments related to unperformed contracts for goods or services. Encumbrances are not recorded in the accompanying financial statements.

UNIVERSITY OF ARKANSAS, FAYETTEVILLE
NOTES TO THE FINANCIAL STATEMENTS

Biennial Appropriated Budgets
Biennial appropriated budgets are adopted for the state general fund. The fiscal year commences on July 1 and ends on June 30 of the following year. The biennial period commences on July 1 of each odd year following the adjournment of the regular sessions of the General Assembly, and ends on June 30 two years thereafter. An appropriation is construed to be available for the two year period following the legislative session in which it was approved. All appropriations lapse at the end of the second year of the biennium unless otherwise provided.

Plant Assets
Plant assets consisting of land, buildings, furniture, fixtures, equipment, improvements, and construction in progress are stated at cost or fair market value at date of gift. Livestock is under the control of the Department of Animal Sciences and is maintained primarily for research purposes with any other benefits derived from the operations considered as incidental to the primary mission of the Department. The inventory value placed on the animals is determined by department heads utilizing current market prices and breeding and research intangibles.

Capitalization of Interest
The University capitalizes interest involving qualifying assets. The amount of interest cost to be capitalized is interest cost on borrowings netted against any interest earned on temporary investments of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use.

Service Departments
Service departments provide various specific services to institutional departments as well as individuals and concerns outside the University. The net of revenues and expenditures of the various service departments are reflected in the function which the operations support.

Memorandum Totals
Total columns are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles.

Changes in Accounting Policy
Statement No. 33 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Nonexchange Transactions* became effective for periods beginning after June 15, 2000. This Statement establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The principal issue addressed in this Statement is the *timing of recognition* of nonexchange transactions.

Governmental Accounting Standards Board (GASB) Statement No. 34 and Statement No. 35, which will become effective for public colleges and universities in FY02, requires that summer school revenues and expenditures be recognized in the fiscal period that revenues are earned and expended. Previously, summer school revenues and expenditures were recognized in the year in which summer school ended. In FY01, both 2000 summer school sessions and the first summer session of summer school 2001 were included. Therefore, three summer school sessions have been included in fiscal year 2001 as a result of this change.

(2). Reporting Entity

The University of Arkansas, Fayetteville ("the University") was established at Fayetteville in 1871 under the provisions of the Morrill Act as both a state university and the land-grant college of Arkansas. The University of Arkansas, Fayetteville includes the Division of Agriculture, the Cooperative Extension Service, Arkansas Archeological Survey, and the Criminal Justice Institute as well as the academic units. The academic units in Fayetteville include eight colleges and schools: the Dale Bumpers College of Agricultural, Food, and Life Sciences, the School of Architecture, the J. William Fulbright College of Arts and Sciences, the Sam M. Walton College of Business, the College of Education and Health Professions,

the College of Engineering, the School of Law, and the Graduate School. The University is one of eight campuses of the University of Arkansas System. The governing body is the Board of Trustees which is comprised of ten members.

(3). Compensated Absences

Employees accrue and accumulate annual and sick leave in accordance with policies established by the Board of Trustees. Full time, non-classified, University employees accrue annual leave at the rate of fifteen hours per month, classified employees at variable rates (from 8 to 15 hours per month) dependent upon number of years of employment in state government. Under the University's policy, an employee may carry accrued leave forward from one calendar year to another, up to a maximum of 240 hours (30 working days). Employees who terminate their employment are entitled to payment for all accumulated annual leave, up to the maximum allowed.

The University recognizes a liability for compensated absences. The liability is based on the value of unused employee vacation and compensatory time as of year-end, including the associated benefits: contributions to Retirement, Social Security, Medicare, Workers' Compensation, and Unemployment Insurance.

It is the policy of the University to recognize the cost of sick leave when paid. Employees who leave University employment are not entitled to be paid for accrued sick leave. Therefore no liability is shown in the financial statements for accrued sick leave.

(4). Cash Deposits and Investments

The University uses commercial banks for its depositories. Deposits with commercial banks are insured by the Federal Deposit Insurance Corporation (FDIC). Any deposits not covered by FDIC are secured with collateral held by a third party financial institution (normally Federal Reserve, St. Louis branch).

Cash at June 30, 2001
Cash deposits are carried at cost. The University's cash deposits at year end are shown below:

	Carrying Value	Bank Balance
Insured (FDIC)	$ 447,595	$ 527,050
Uninsured, Collateralized	6,171,214	7,086,418
Uninsured, Uncollateralized	0	0
Total Deposits	$ 6,618,809	$ 7,613,468

The University of Arkansas System Administration (System Administration) does not maintain separate bank accounts. System Administration deposits are commingled in University of Arkansas, Fayetteville bank accounts. The carrying value of the System Administration funds was $1,989,003 at June 30, 2001.

The above deposit schedule does not include cash on hand in various imprest funds maintained by the University in the amount of $45,845 or cash equivalents in the amount of $48,843,450. The cash equivalents are short term investments held in highly liquid accounts with the funds available on a daily basis.

Cash balances in excess of current requirements are pooled and invested in short and intermediate term securities. Cash from the various funds is effectively transferred to the Current Unrestricted Fund (except where prohibited by legal or contractual provisions) to make these investments. Income earned on these investments is recognized in the Current Unrestricted Fund. A portion of the investment income is subsequently transferred to other funds at management's direction or where required by legal or contractual provisions, i.e. federal funds. Investments are periodically allocated to the various funds for reporting purposes.

UNIVERSITY OF ARKANSAS, FAYETTEVILLE
NOTES TO THE FINANCIAL STATEMENTS

Investments at June 30, 2001

During the year ended June 30, 1997, the University of Arkansas System and the University of Arkansas Foundation established and began using an external investment pool. This external investment pool is not SEC-registered. The University of Arkansas Board of Trustees is the sponsor of this investment pool and is responsible for operation and oversight for the pool. The University's participation in this investment pool is voluntary.

The activities during fiscal year 2001 affecting the University's investments in the external pool are as follows:

	Total Return Pool	Short Intermediate Pool	Totals	Percent
June 30, 2000 Balances	$ 66,713,042	$ 94,545,716	$ 161,258,758	
Income	$ 1,765,175	$ 5,859,839	$ 7,625,014	5.87%
Capital Gains/(Losses)	(3,076,902)	2,152,574	(924,328)	-0.57%
Expenses Paid from Pool	(295,770)	(249,714)	(545,484)	-0.18%
Transfers In/(Out) of Pool	(12,122,282)	(19,200,000)	(31,322,282)	
June 30, 2001 Balances	$ 52,983,263	$ 83,108,415	$ 136,091,678	

Investments are stated at fair value. Fair value for reporting purposes is market value if a market price or quote is readily available. Investments that do not have readily available market prices or quotes are reported at cost or amortized cost. In fiscal 2001, all investments were reported at fair value.

The University's investments at year-end are shown below, by category, to give an indication of the level of risk assumed by the University. Category 1 includes investments that are insured or registered or for which the University or its agent in the University's name holds the securities. Category 2 includes uninsured and unregistered investments for which the broker's or dealer's trust department or agent in the University's name holds the securities. A Category 3 investment would include uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the University's name. The University has no Category 3 investments.

Type of Investment	Category 1	Category 2	External Investment Pool	Total
U.S. Treasury Obligations	$	$	$	$
Federal Agency Obligations	272,360			272,360
Certificates of Deposit	34,000			34,000
Corporate Bonds		152,409		152,409
Common Stock	659	186,293		186,952
Agriculture Debentures	5,451			5,451
Other Managed Investments		1,441,676	136,091,678	137,533,354
Totals	$ 312,470	$ 1,780,378	$ 136,091,678	$ 138,184,526

Note: This table does not include Deposits with Trustees of $1,391,745.

Endowment Funds at June 30, 2001

Assets of endowed funds, except where donor restrictions prohibit commingling of investments, are pooled on a fair value basis, with each fund subscribing or disposing of units on the basis of the unit fair value. The unit fair value is recalculated each month. The following summarizes the relationship between the pooled assets and their earnings at June 30, 2001 and June 30, 2000.

	2001	2000
Fair Value @ June 30	$ 53,392,606	$ 61,830,070
Number of Units in Pool @ June 30	1,557,936	1,807,671
Fair Value per Unit @ June 30	$ 34.27	$ 34.20
Realized Gains/(Losses) for the Year	$ (3,113,307)	$ 2,150,603
Income Earned for the Year	$ 1,802,057	$ 1,124,711
Realized Gain/(Loss) per Unit	$ (2.00)	$ 1.19
Income Earned per Unit	1.16	0.62
Total per Unit	$ (0.84)	$ 1.81

In fiscal year 1999, the Walton family requested that all their donated funds be consolidated in the University of Arkansas Foundation. As a result of their request, in July 2000 $13.3 million was transferred from the University's endowed funds to the University of Arkansas Foundation.

(5). Loan Funds

Loan funds consist of resources made available for financial loans to students of the University. These resources include federal funds, funds from other external sources, and University funds. For the year ended June 30, 2001, new student loans totaling $1,718,328 were issued under the Student Loan Programs. Of total campus-based loans processed, the majority were from Perkins funds provided by the federal government. The federal student loan default rate for the year ended June 30, 2001, was 6.33% based on the U.S. Department of Education Cohort default rate.

(6). Income Taxes

The University is tax exempt from federal income taxes except for tax on unrelated business income. The University had no significant unrelated business income for the year ended June 30, 2001. It is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

(7). Long Term Debt

Debt service payments on existing bonds amounted to $8,570,025 for the fiscal year ended June 30, 2001. The amount of $694,918 was expended for principal and interest on notes payable and capital leases for the same period.

The retirement of some bond issues is secured by a specific pledge of certain gross revenues, surplus revenues and specific fees. Debt service accounts are funded at various times during the year by transfers from the applicable funds.

UNIVERSITY OF ARKANSAS, FAYETTEVILLE
NOTES TO THE FINANCIAL STATEMENTS

A summary of long term debt is as follows:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding at June 30, 2001	Maturities to June 30, 2001
04/01/1961	04/01/2001	3.50%	935,000	0	935,000
04/01/1966	04/01/2006	3.00%	4,000,000	773,000	3,227,000
11/01/1970	11/01/2000	5.50% to 7.50%	6,500,000	0	6,500,000
04/01/1971	04/01/2001	5.00% to 7.00%	1,928,000	0	1,928,000
11/01/1996	11/01/2009	3.85% to 5.25%	12,105,000	6,520,000	5,585,000
11/01/1997	09/15/2011	4.10% to 5.00%	19,170,000	15,925,000	3,245,000
10/15/1997	11/01/2022	3.95% to 5.25%	21,445,000	20,010,000	1,435,000
05/01/1999	09/15/2020	3.35% to 4.85%	30,000,000	29,090,000	910,000
11/30/1991	05/01/2022	5.50%	3,000,000	2,538,467	461,533
11/29/1995	Various	Various	2,071,140	1,810,905	260,235
09/13/1995	12/1/2010	5.75% to 7.05%	535,000	410,000	125,000
12/20/1999	12/20/2023	Various	435,000	435,000	0
Various	Various	Various	1,102,745	278,033	824,712
TOTALS	-	-	$ 103,226,885	$ 77,790,405	$ 25,436,480

Changes in long term debt are as follows:

	Bonds Issued	Principal Retired to June 30, 2000	Balance June 30, 2000	Fiscal Year Ended June 30, 2001					Balance June 30, 2001
					Payments				
				Additions	Principal	Interest	Other	Fees	
Bonds	$96,083,000	$18,728,000	$77,355,000	$	$ 5,037,000	$ 3,533,025	$	$ 23,479	$ 72,318,000
Notes			4,914,657	435,000	155,285	249,379		8,490	5,194,372
Leases			543,632	0	265,599	24,655		3,325	278,033
Total	$96,083,000	$18,728,000	$82,813,289	$ 435,000	$ 5,457,884	$ 3,807,059	$	$ 35,294	$ 77,790,405

Total long term debt principal and interest payments are as follows:

	PRINCIPAL	INTEREST *	TOTAL
2001-2002	5,084,919	3,504,051	8,588,970
2002-2003	5,025,701	3,285,402	8,311,103
2003-2004	3,973,107	3,093,104	7,066,211
2004-2005	4,155,598	2,915,909	7,071,507
2005-2006	4,331,855	2,729,682	7,061,537
Thereafter	55,219,225	19,377,459	74,596,684
Total	77,790,405	34,905,607	112,696,012

* In addition, there will be interest payments made on two Notes Payable that will be calculated using floating interest rates. One will use interest rates ranging from 2.5% to 4.7% from the fiscal years ending June 30, 2002 through June 30, 2020. The second will be calculated using a floating rate equal to the amount earned on non-endowed investments known as the short-term intermediate pool from the fiscal years ending June 30, 2003 through June 30, 2022.

On November 1, 1997, the University issued $19,170,000 in bonds with an average interest rate of 4.82 percent to advance refund $17,825,000 of outstanding Athletic Facilities Revenue Bonds Series 1991 with an average interest rate of 6.55 percent. The net proceeds of $18.9 million (after payment of $243,473 in underwriting fees, insurance, and other issuance costs) plus an additional $1,024,372 of 1991 sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the 1991 Series bonds. As a result, the 1991 Series bonds are considered defeased. The liability for those bonds has been removed from the Investment in Plant Fund. The University advance refunded the 1991 Series bonds to reduce its total debt service payments over the next 15 years by $1,558,118 and to obtain economic gain (difference between the present value of the debt service payments on the old and new debt) of $901,333. Regularly scheduled interest and principal payments on the 1991 issue were made on March 15, 1998 and will continue through September 15, 2001 from the escrow fund. All outstanding Series 1991 Bonds will be redeemed on September 15, 2001 at a price equal to 100% of the principal amount plus interest accrued thereon.

As of June 30, 2001, the remaining balance of the Athletic Facilities Revenue Bonds Series 1991 was $15,315,000

(8) Commitments

The University was contractually obligated for the following at June 30, 2001:

A. Construction and Architect Contracts

Project Name	Completion Date	Beginning Year Contract Balance Plus Amendments	Amount Paid	Year-End Contract Balance
Arkansas Union Renovation	Substantially Complete	$ 396,365	$ 181,114	$ 215,251
Daniel E. Ferritor Hall	Substantially Complete	478,580	407,352	71,228
Engineering Research Center	Substantially Complete	297,007	274,421	22,586
Intermodal Parking Facility	Substantially Complete	239,136	224,207	14,929
New Student Housing Complex	August, 2002	20,945	0	20,945
Northwest Quadrant	March, 2004	500,000	115,170	384,830
Printing Services Expansion	November, 2002	26,500	0	26,500
Razorback Stadium Expansion	Substantially Complete	64,160,782	54,579,714	9,581,068
Science Engineering Renovation	October, 2002	6,456,859	2,424,881	4,031,978
Swine Res. and Teach Fac	June, 2001	604,012	181,779	422,233
University House Renovation	August, 2000	1,312,000	264,871	1,047,129
Women's Soccer Stadium	Substantially Complete	707,092	661,108	45,984
Other	Various	45,791	19,500	26,291
Totals		$ 75,245,069	$ 59,334,117	$ 15,910,952

The beginning year contract balance/amendments column represents the balance remaining on contracts at the beginning of the fiscal year plus new contracts for the current fiscal year and any amendments made to existing contracts in the current fiscal year. The year-end contract balances listed above do not reflect the effects of accrued expenses as of June 30, 2001.

B. Operating Leases

The University has entered into various operating leases for buildings and equipment. It is expected that in the normal course of business such leases will continue to be required. The total expenditures for all rental lease payments and non-lease rental payments for the fiscal year ended June 30, 2001, was $3,150,723. Minimum annual rental payments for leases having an initial term in excess of one year total $1,362,589. Below are the scheduled payments for the five succeeding fiscal years and thereafter.

Year ended June 30	Amount
2002	$ 672,606
2003	484,047
2004	144,936
2005	61,000
2006	0
Thereafter	0
Total	$ 1,362,589

(9). Employee Benefits

A. Retirement Benefits

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

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

Participants in the University's plan can choose to be contributory or non-contributory. The University automatically contributes 5% of an employee's regular salary to TIAA-CREF and/or Fidelity Investments retirement account, allocated between the two companies according to the employee's choice. For any contributions an employee makes in excess of 5% regular salary, the University makes an equal contribution, up to a maximum University contribution of 10% of regular salary. Employee contributions in excess of 10% are allowed by the plans in accordance with Internal Revenue Service regulations but the University does not match these additional contributions. All benefits attributable to plan contributions made by both the University and the participant are immediately vested in the participant for all faculty members and non-classified employees and all classified employees whose initial employment occurred prior to January 1, 1985, and who made any plan contributions prior to that date. For all other classified employees, vesting of benefits attributable to plan contributions made by the University shall occur on the earlier of completion of three years of service, or attainment of age 65, or the participant's having made plan contributions of at least five percent of regular salary for six consecutive months. The University's and participants' TIAA-CREF contributions for the year ending June 30, 2001 were $11,385,167 and $10,539,993 respectively. The University's and participants' Fidelity Investments contributions for the year ending June 30, 2001 were $2,025,823 and $1,907,929 respectively.

APERS is a cost-sharing multiple employer defined benefit plan administered by the State of Arkansas. The University contributes 10% of applicable wages to the plan. The University's and participants' contributions for the year ending June 30, 2001 were $104,072 and $0 respectively.

ATRS is a cost-sharing multiple employer defined benefit pension plan. The University contributes 12% of all covered employees' salaries. Under certain conditions covered employees may voluntarily contribute 6% of his/her salary. The University's and participants' contributions for the year ending June 30, 2001 were $53,502 and $21,749 respectively.

The University's and participants' contributions to all other pension plans for the year ended June 30, 2001 were $825,047 and $635,614 respectively.

B. Self-Insurance Plans

The University of Arkansas System sponsors self-funded health and dental benefit plans for University employees and their eligible dependents. The Fayetteville, Medical Sciences, Little Rock, Pine Bluff and Monticello campuses, state-wide operating units of the Arkansas Archeological Survey and Division of Agriculture, System Administration, Criminal Justice Institute and the University of Arkansas Foundation participate in the health insurance program which is administered by the System Administration; operations of the plans are recorded in the separate financial statements of the System Administration. Participation in the self-funded dental plan is limited to employees of the Medical Sciences, Monticello, Pine Bluff, and Little Rock campuses, System Administration and Criminal Justice Institute.

At year end, a total of 3,989 active employees, former employees, and retirees were participants in the health plan. The University pays 62.264% for the Point of Service Plan and 72.760% for the Classic Plan for Fayetteville. For the Division of Agriculture, Arkansas Archeological Survey and Criminal Justice Institute the University pays 70.040% for the Classic Plan. The University pays 72% of the health plan for federal employees.

C. Life Insurance Plan

The University of Arkansas System's life insurance carrier is Teachers Insurance and Annuity Association (TIAA). The funding arrangement for the University's life insurance plan is a minimum premium arrangement whereby the University's monthly life insurance premium is based on the actual loss experience of the previous month, plus fixed monthly retention and contingency reserve charges. The difference between the actual loss experience and the total premium collected is held by the University of Arkansas System and is recorded in its current unrestricted fund. Any surplus that may develop can be called by TIAA in the event of unfavorable life experience.

Expenditures for all employee benefits are included as expenditures within the appropriate functional area.

(10). Property, Plant and Equipment

The following schedule presents a comparative summary of property, plant, and equipment for the fiscal years 2001 and 2000, respectively.

	June 30,2001	June 30, 2000
Land	$ 11,131,376	$ 9,984,495
Buildings	390,073,496	361,721,801
Equipment	147,175,237	136,342,360
Improvements	34,090,217	33,871,174
Other Assets	897,538	797,858
Construction in Progress	93,679,947	52,608,209
Total	$ 677,047,811	$ 595,325,897

Note: Land of $176,625 and buildings of $4,019,443 related to the joint endeavor between the University of Arkansas and the City of Fayetteville are included in the above amounts. See note 12.

Library holdings are comprised of books and periodicals, including old and rare books, held by the University and the separate collection of U.S. documents which includes bound volumes, unbound pieces, including maps cataloged or not. The estimated value of the holdings at June 30, 1995 was $41,593,020. The holdings are housed in the Chemistry Library, Fine Arts Library, Law Library, Physics Library, and Mullins Library. The holdings also include manuscript collections, microfilm, microfiche, classified maps and charts, and audio/video materials and are disclosed in the following table:

Selected Estimate of Library Holdings as of June 30, 2001		
Books and Periodicals		
Mullins Library	1,384,021	
Chemistry Library	39,455	
Fine Arts Library	38,549	
Law Library	211,872	
Physics Library	22,118	
Total Books and Periodicals		1,696,015
Microforms		3,245,404
Maps and Charts		122,116
Audio/Visual		23,814
CD-ROMs		1,366
U.S. Documents (volumes and microfiche)		222,703
Total Estimate		5,311,418

The University estimates holdings of $7.2 million in timber resources as of the balance sheet date. These resources are located on various tracts of land in Arkansas, which total 12,781 acres. These resources are currently being inventoried.

(11). Museum Collection

The financial statements do not include the University's museum collection which consists of numerous historical relics, artifacts, displays, and memorabilia. Major collections are in archeology, physical anthropology, ethnography, geology, zoology, and history. The value of this collection has not been established by professionals in this field.

(12). City of Fayetteville Arts Interlocal Agreement

The University of Arkansas and the City of Fayetteville engaged in a joint endeavor to operate the Walton Arts Center. Funds were pooled from each entity to provide for the construction and operations of the center. To administer this project and its funds, the University and the City of Fayetteville established a nonprofit organization called the University of Arkansas/City of Fayetteville Arts Foundation, Inc., which was incorporated on January 19, 1987. There are nine directors, three are appointed by the University, three by the City of Fayetteville, and three are recommended by the Foundation that must be approved by the mayor and chancellor. The audited financial statements of the University of Arkansas/City of Fayetteville Arts Foundation, Inc., as of and for the year ended June 30, 2001, were not available at the time these financial statements were prepared. Therefore, the financial statements of the Arts Foundation at June 30, 2000, which have been audited by an independent certified public accountant, are presented below in summary form:

Condensed Statement of Financial Position		
Assets		
Cash	$	101,265
Investments		13,007,983
Receivables		369,322
Total Assets	**$**	**13,478,570**
Liabilities and Net Assets		
Liabilities	$	0
Net Assets	$	13,478,570
Total Liabilities and Net Assets	**$**	**13,478,570**

Condensed Statement of Activities		
Contributions	$	507,132
Other Income		860,278
Transfers		(1,235,515)
Total Income and Other Additions	**$**	**131,895**
Total Expenditures and Other Deductions	**$**	**82,510**
Increase/(Decrease) in Net Assets	**$**	**49,385**

The Arts Center Council, Inc. was formed to construct, operate, manage, and maintain the Arts Center in Fayetteville, Arkansas, in accordance with the Interlocal Cooperation Agreement between the City of Fayetteville and the University of Arkansas. The ownership of the Arts Center facilities, including land, is held equally by the City and the University. The Arts Center Council must submit an annual budget to both the City and the University for approval. The Board of Trustees of The Arts Center Council is comprised of five members appointed by the University, five members appointed by the City, and ten members appointed at large, all of whom serve as volunteers. The audited financial statements of the Council as of and for the year ended June 30, 2001, were not available at the time these financial statements were prepared. Therefore, the financial statements of the Council at June 30, 2000, which have been audited by an independent certified public accountant, are presented below in summary form:

Condensed Statement of Financial Position		
Assets		
Cash	$	491,114
Other Assets		56,378
Fixed Assets, Net of Depreciation		5,765,133
Total Assets	**$**	**6,312,625**
Liabilities and Net Assets		
Liabilities	$	855,932
Net Assets		5,456,693
Total Liabilities and Net Assets	**$**	**6,312,625**

Condensed Statement of Activities		
Ticket Sales	$	1,131,053
Contributions and Sponsorships		664,703
Other Income		956,762
Transfers		1,235,515
Total Income and Other Additions	**$**	**3,988,033**
Total Expenditures and Other Deductions	**$**	**3,545,140**
Increase/(Decrease) in Net Assets	**$**	**442,893**

(13). Affiliated Entities

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

University of Arkansas Foundation, Inc. - The Foundation operates as a nonprofit benevolent corporation for charitable educational purposes. The Board of Trustees of the Foundation includes four (4) members who are also members of the University's Board of Trustees. The audited financial statements of the Foundation as of, and for, the year ended June 30, 2001, were not available at the time these financial statements were prepared. Therefore, the financial statements of the Foundation at June 30, 2000, which have been audited by an independent certified public accountant, are presented below in summary form. The University of Arkansas, Fayetteville is the beneficiary of 65.6% of the net assets of the Foundation. The remaining 34.4% benefits other University of Arkansas campuses.

Condensed Statement of Financial Position		
Assets		
Investments	$	313,494,501
Contributions Receivable, less Allowance		16,089,069
Other Receivables		2,664,153
Land and Improvements		2,631,700
Other Assets		286,599
Total Assets	**$**	**335,166,022**
Liabilities and Net Assets		
Liabilities	$	14,418,868
Net Assets		
Unrestricted		41,769,100
Restricted		278,978,054
Net Assets		320,747,154
Total Liabilities and Net Assets	**$**	**335,166,022**

Condensed Statement of Activities		
Contributions	$	54,255,805
Other Revenues and Additions		18,745,939
Total Income and Other Additions	**$**	**73,001,744**
Total Expenditures and Other Deductions	**$**	**44,370,730**
Increase/(Decrease) in Net Assets	**$**	**28,631,014**

UNIVERSITY OF ARKANSAS, FAYETTEVILLE
NOTES TO THE FINANCIAL STATEMENTS

Arkansas Alumni Association, Inc. - The Association was incorporated in 1960 for the purposes of promoting the welfare of the University and its graduates and former students. The audited financial statements of the Alumni Association as of, and for, the year ended June 30, 2001, were not available at the time these financial statements were prepared. Therefore, the financial statements of the Alumni Association at June 30, 2000, which have been audited by an independent certified public accountant, are presented below in summary form:

Condensed Statement of Financial Position		
Assets		
Cash	$	3,360,179
Life Memberships		25,040
Fixed Assets, Net of Depreciation		97,267
Other Assets		1,567,593
Total Assets	**$**	**5,050,079**
Liabilities and Net Assets		
Liabilities	$	5,052
Net Assets		
Unrestricted		1,683,343
Restricted		3,361,684
Net Assets		5,045,027
Total Liabilities and Net Assets	**$**	**5,050,079**

Condensed Statement of Activities		
Memberships	$	428,148
Other Revenues and Additions		2,624,959
Total Income and Other Additions	**$**	**3,053,107**
Expenditures and Other Deductions	**$**	**3,390,145**
Increase/(Decrease) in Net Assets	**$**	**(337,038)**

UNIVERSITY OF ARKANSAS, FAYETTEVILLE
NOTES TO THE FINANCIAL STATEMENTS

Arkansas Four-H Foundation, Inc. - The Arkansas Four-H Foundation, Inc. was incorporated in 1951. The purpose and objectives of the Foundation are educational. The Foundation was formed for such educational purposes as, in the judgment of the Foundation, will best meet the needs and advance the interests of 4-H Club work throughout the State of Arkansas by providing educational programs in agriculture, home economics, natural resources, community development, etc. Financial statements of the corporation are presented below; they have been audited by an independent certified public accountant for the six months ended June 30, 2001.

Condensed Statement of Financial Position		
Assets		
Cash and Investments	$	2,707,819
Accounts and Grants Receivable		187,643
Prepaid Expenses		21,706
Inventories		19,123
Fixed Assets, Net of Depreciation		3,106,943
Total Assets	**$**	**6,043,234**
Liabilities and Net Assets		
Liabilities	$	214,845
Net Assets		5,828,389
Total Liabilities and Net Assets	**$**	**6,043,234**

Condensed Statement of Activities		
Program Revenue	$	579,551
Contributions		1,058,962
Other Income		106,921
Total Income and Other Additions	**$**	**1,745,434**
Total Expenditures and Other Deductions	**$**	**740,292**
Increase/(Decrease) in Net Assets	**$**	**1,005,142**

The Razorback Foundation, Inc. - The Razorback Foundation, Inc. was incorporated on October 17, 1980. The audited financial statements of the Razorback Foundation, Inc., as of, and for, the year ended June 30, 2001, were not available at the time these financial statements were prepared. Therefore, the financial statements of the Razorback Foundation, Inc. as of, and for, the year ended June 30, 2000, which have been audited by an independent certified public accountant, are presented below in summary form:

Condensed Statement of Financial Position		
Assets		
Cash	$	184,315
Investments		57,469,142
Land and Improvements		182,349
Pledges Receivable		2,109,812
Other Assets		121,449
Total Assets	**$**	**60,067,067**
Liabilities and Net Assets		
Liabilities	$	4,558,002
Net Assets		
Unrestricted		25,045,875
Restricted		30,463,190
Net Assets		55,509,065
Total Liabilities and Net Assets	**$**	**60,067,067**

Condensed Statement of Activities		
Donations	$	10,870,586
Other Revenues and Additions		28,944,935
Total Income and Other Additions	**$**	**39,815,521**
Total Expenditures and Other Deductions	**$**	**17,113,883**
Increase/(Decrease) in Net Assets	**$**	**22,701,638**

(14). Contingencies

The University has been named as defendant in several lawsuits. It is the opinion of management and its legal counsel that the ultimate outcome of litigation will not have a material effect on the future operations or financial position of the University.

(15). GASB Statement 35

In November 1999, the Governmental Accounting Standards Board (GASB) issued Statement 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement 34*. As a component unit of the state government, the University of Arkansas will implement GASB Statement 34/35 at the same time as the state government on June 30, 2002.

Under the provisions of the GASB standards, the University of Arkansas is permitted to report as a special-purpose government engaged in business-type activities (BTA). Fund financial statements are not required for BTA reporting.

Statement 34/35 will also require the institution to retroactively and prospectively report all capital assets, net of accumulated depreciation in the statement of net assets, and report depreciation expense in the statement of revenues, expenses, and changes in net assets. Retroactive reporting of capital assets will require a prior period adjustment to net assets.

(16). Deficit Fund Balance

The deficit fund balance of $456,700 in the Unexpended Plant Fund was the result of unfunded expenditures relating to a construction project. Funding is expected to be available in the fiscal year ending June 30, 2002.

BOARD OF TRUSTEES

J. Thomas May, Chairman
Pine Bluff, AR
Term Ends 03/01/03

William E. Clark, Vice-Chairman
Little Rock, AR
Term Ends 03/01/04

Frances A. Cranford, Secretary
Little Rock, AR
Term Ends 03/01/06

Joe L. Hargrove, M.D.
Little Rock, AR
Term Ends 03/01/02

James E. Lindsey
Fayetteville, AR
Term Ends 03/01/09

Gary C. George
Springdale, AR
Term Ends 03/01/05

Tim E. Hunt
Paragould, AR
Term Ends 03/01/10

Charles E. Scharlau, III
Fayetteville, AR
Term Ends 03/01/07

Jay Dickey
Pine Bluff, AR
Term Ends 03/01/11

Stanley Reed
Marianna, AR
Term Ends 03/01/08

UNIVERSITY OF ARKANSAS FINANCIAL OFFICERS

Donald O. Pederson
Vice Chancellor for
Finance & Administration

Dave Whitmire
Associate Vice Chancellor for
Finance & Administration

Larrie Stolfi
Controller

Stephen Turner
Director of Research Accounting

Michael White
Associate Controller

Jo Ann Pepper
Director of Student Accounts

Eric Robinson
Budget Officer

Peter Campbell
Information Technology Manager

Allen Lacey
Investment Manager