

University of Arkansas

Annual Financial Report

2008-2009

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On the cover:

Morning Clock—University Relations

UNIVERSITY OF
ARKANSAS

Vice Chancellor for Finance and Administration

November 3, 2009

Dr. G. David Gearhart
Chancellor
University of Arkansas
Fayetteville, AR 72701

Dear Chancellor Gearhart:

It is my pleasure to present the annual Financial Report of the University of Arkansas, for the year ended June 30, 2009.

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

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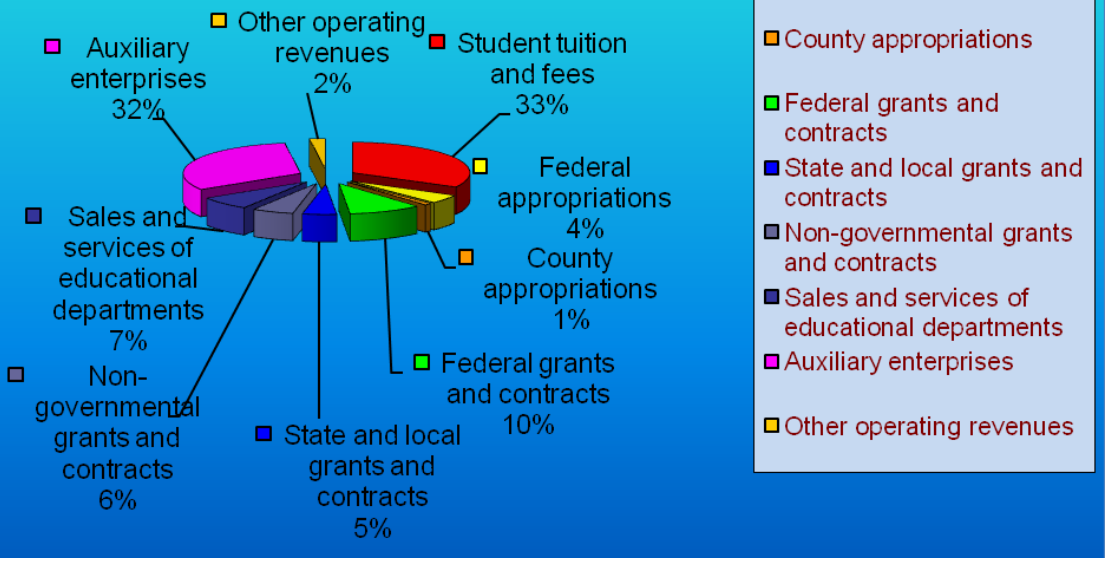
FISCAL YEAR 2009 OPERATING REVENUES

Student tuition and fees	102,198,541
Federal appropriations	14,509,161
County appropriations	2,919,089
Federal grants and contracts	31,163,852
State and local grants and contracts	14,626,342
Non-governmental grants and contracts	17,689,475
Sales and services of educational departments	22,229,892
Auxiliary enterprises	98,884,450
Other operating revenues	6,701,521
Total operating revenues	310,922,323

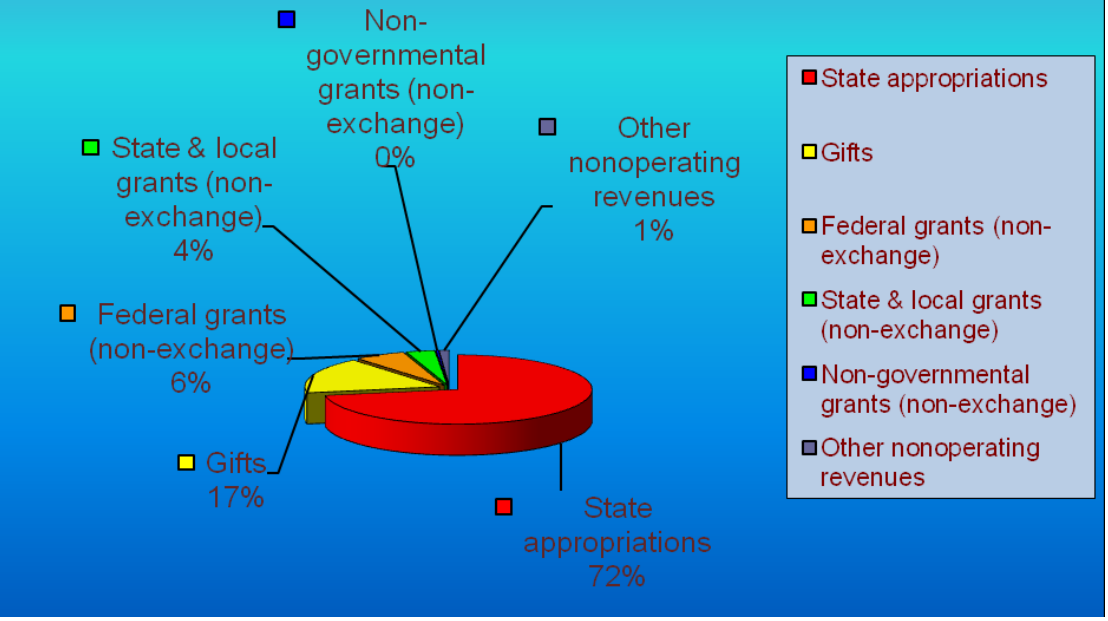
FISCAL YEAR 2009 NONOPERATING REVENUES

State appropriations	199,726,630
Gifts	46,311,577
Federal grants (non-exchange)	16,954,863
State & local grants (non-exchange)	9,532,946
Non-governmental grants (non-exchange)	855,901
Other nonoperating revenues	3,269,610
Total nonoperating revenues	276,651,527

Fiscal Year 2009 Operating Revenues



Fiscal Year 2009 Nonoperating Revenues



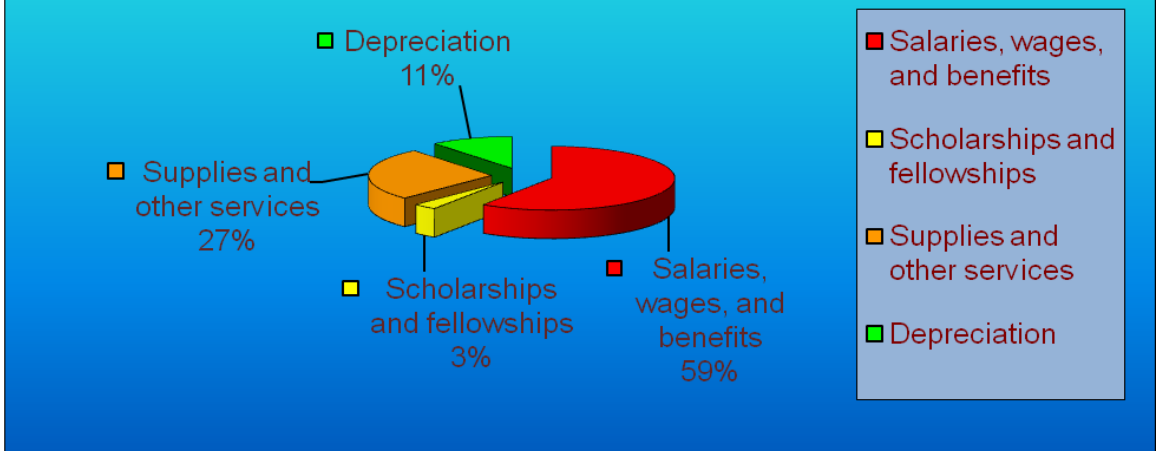
FISCAL YEAR 2009 OPERATING EXPENSES BY NATURAL CLASSIFICATION

Salaries, wages, and benefits	354,718,229
Scholarships and fellowships	18,350,081
Supplies and other services	159,854,952
Depreciation	64,636,716
Total operating expenses	597,559,978

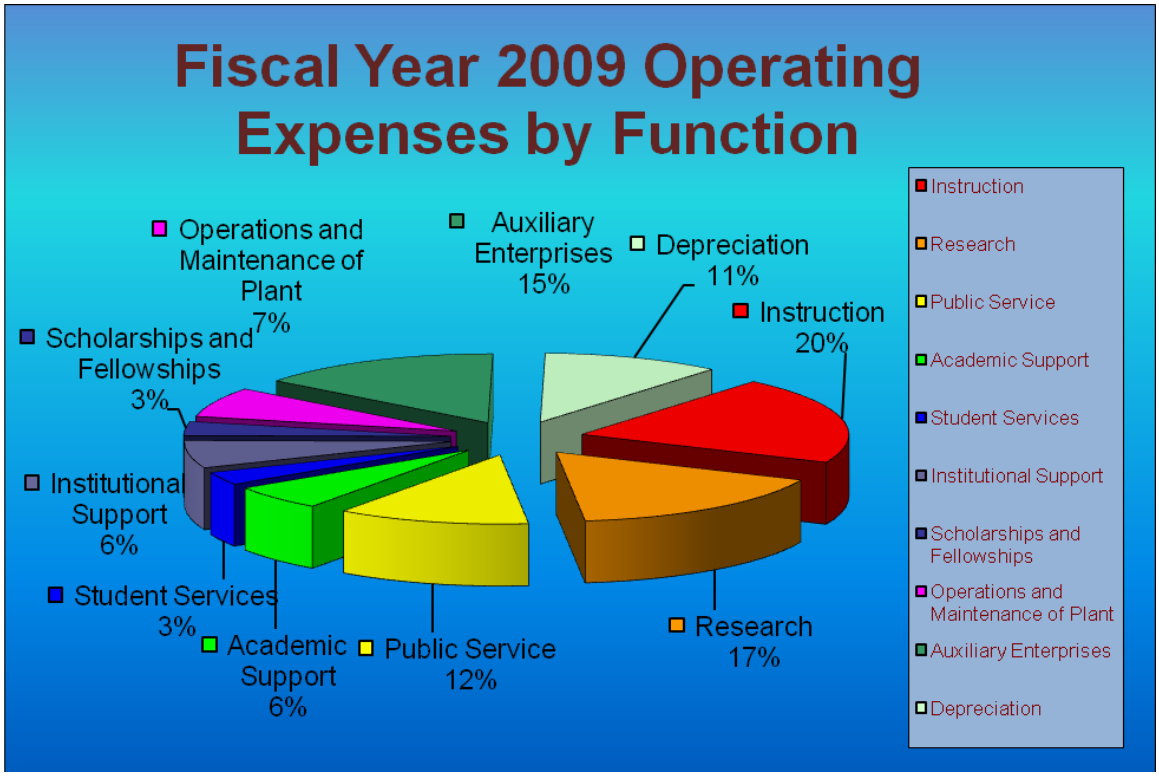
FISCAL YEAR 2009 OPERATING EXPENSES BY FUNCTION

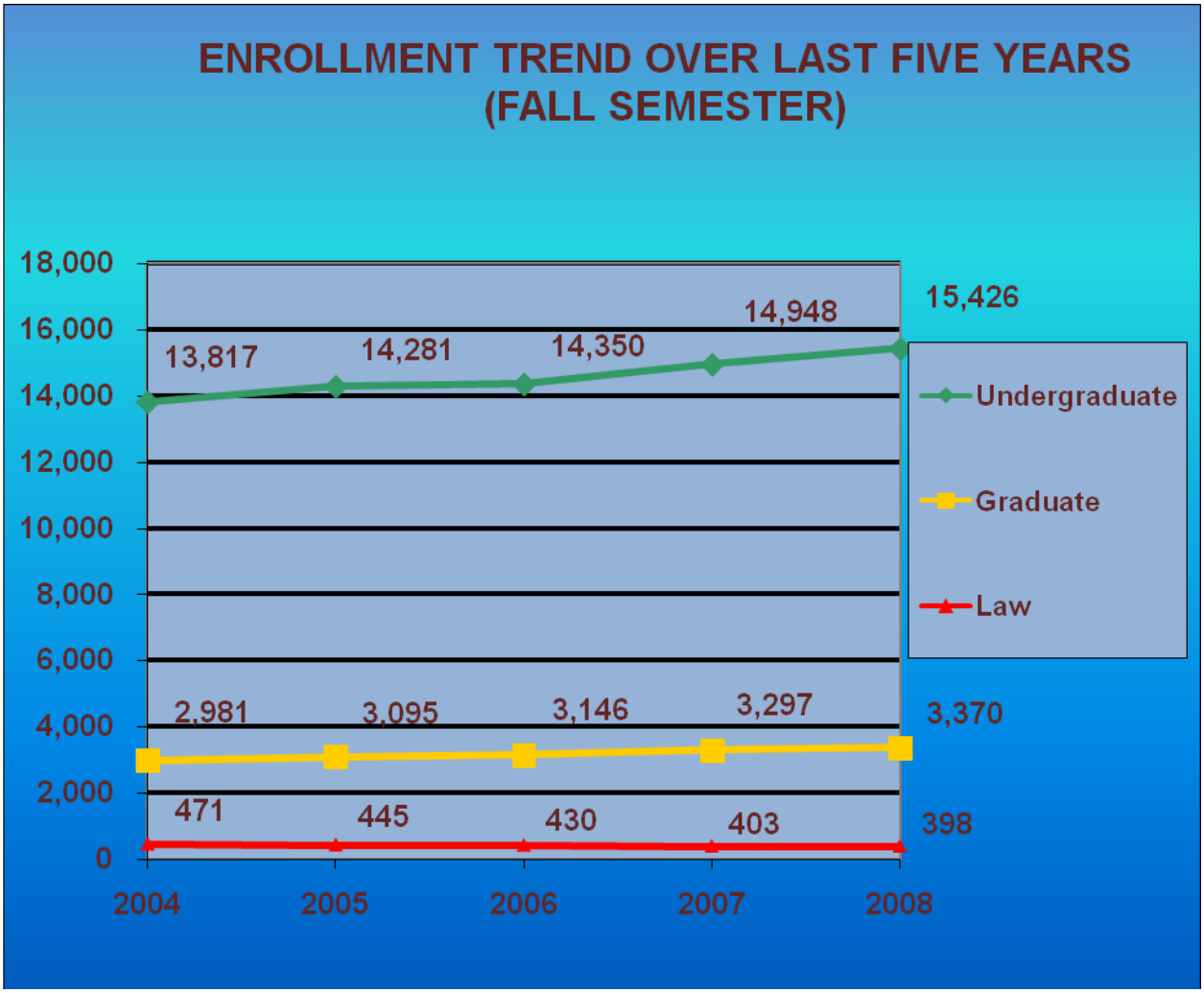
Instruction	122,665,192
Research	99,454,087
Public Service	69,623,591
Academic Support	34,754,957
Student Services	18,117,768
Institutional Support	38,245,905
Scholarships and Fellowships	19,400,755
Operations and Maintenance of Plant	41,818,621
Auxiliary Enterprises	88,842,386
Depreciation	64,636,716
Total	597,559,978

Fiscal Year 2009 Operating Expenses by Natural Classification

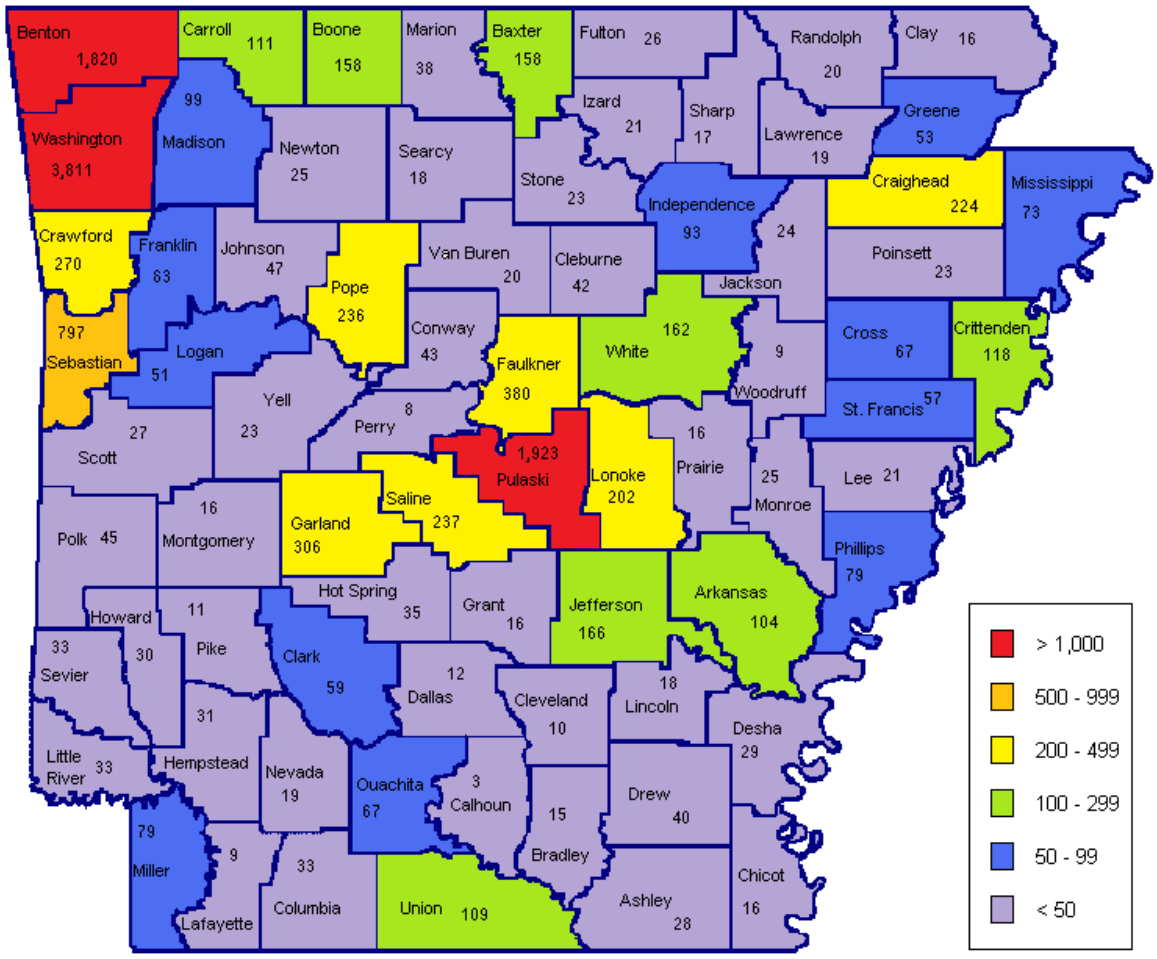


Fiscal Year 2009 Operating Expenses by Function

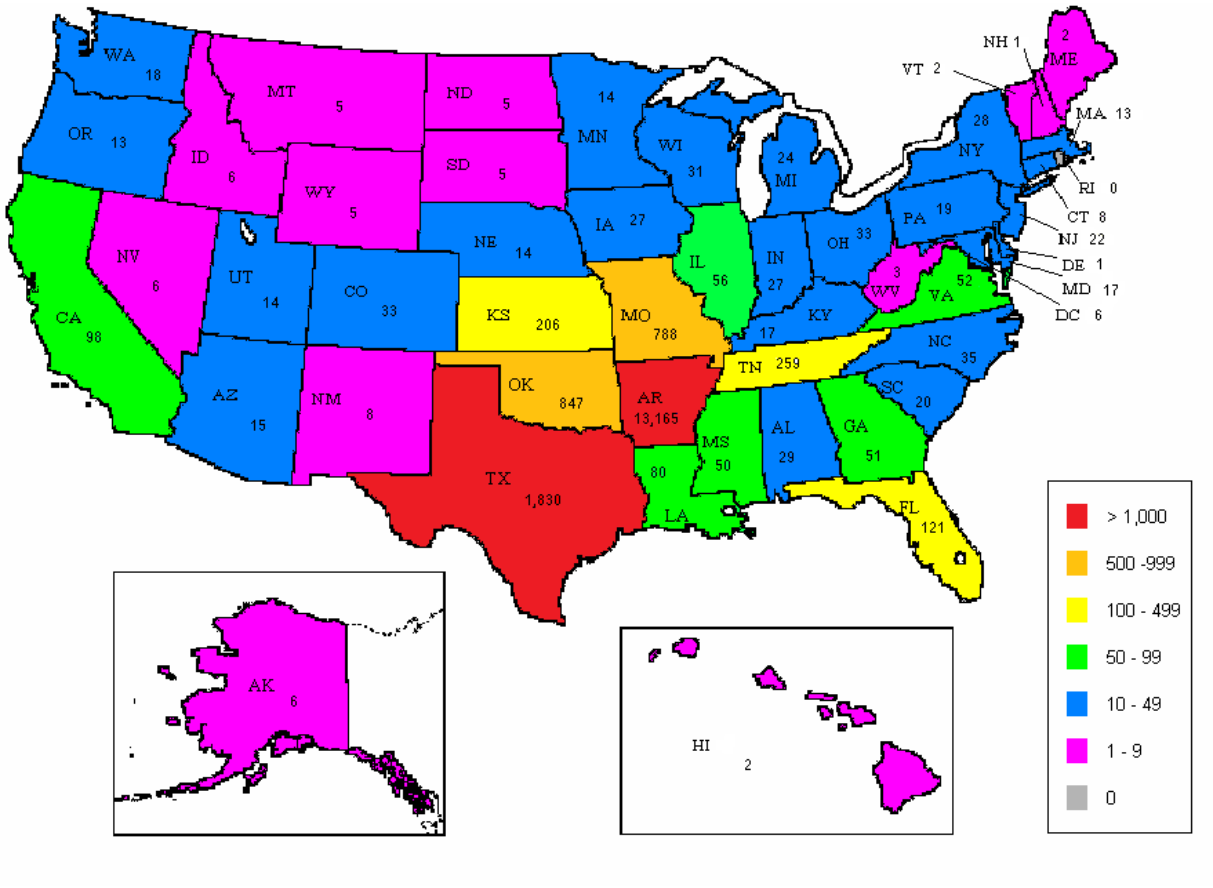



ENROLLMENT TREND OVER LAST FIVE YEARS
(FALL SEMESTER)
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
2004
2005
2006
2007
2008
13,817
14,281
14,350
14,948
15,426
2,981
3,095
3,146
3,297
3,370
471
445
430
403
398
Undergraduate
Graduate
Law

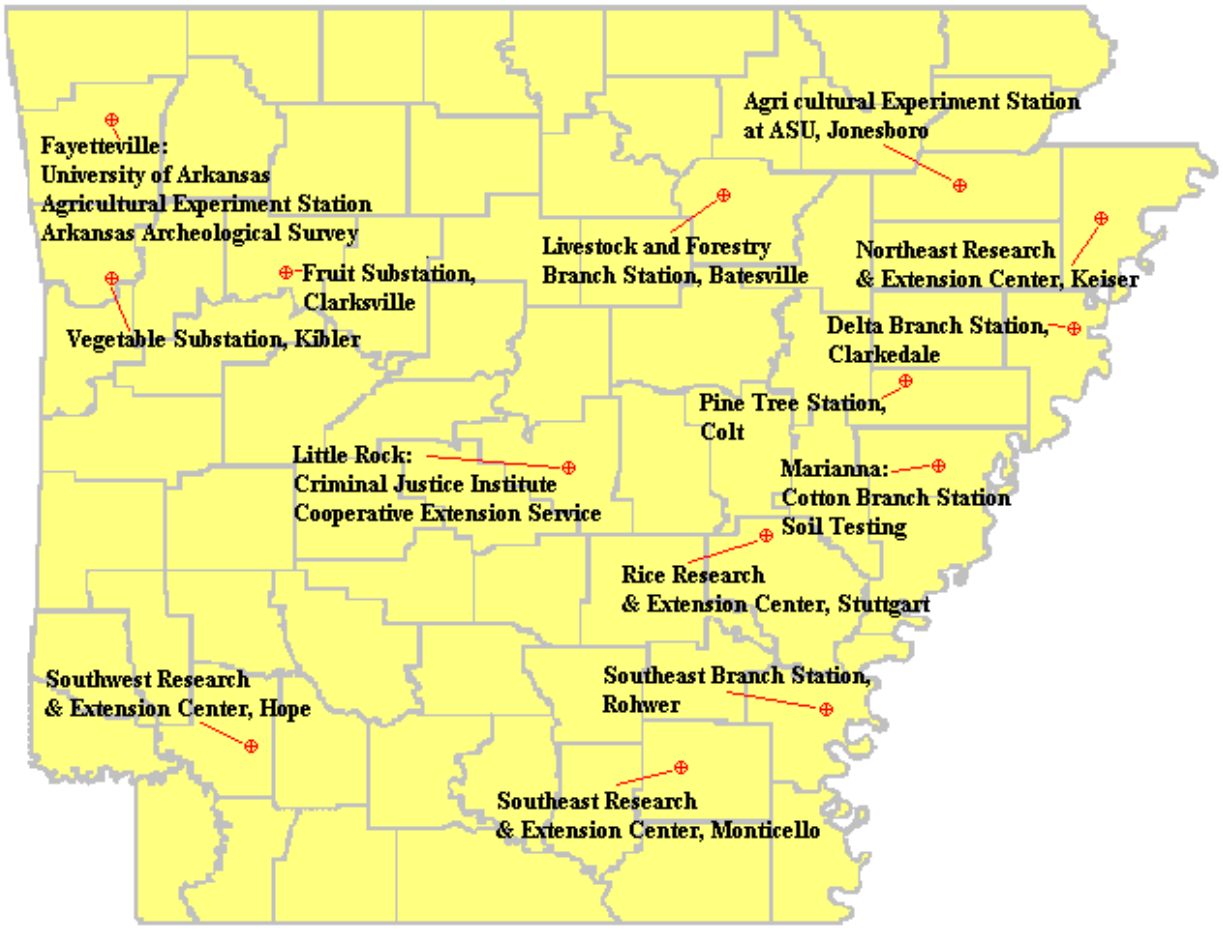
IN-STATE ENROLLMENT
BY COUNTY OF ORIGIN



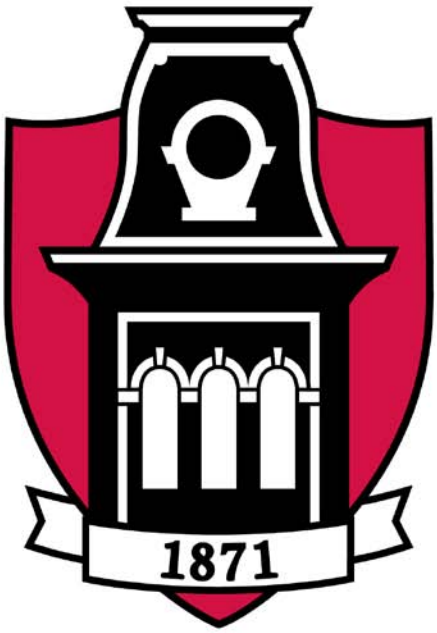
ENROLLMENT BY STATE



UNIVERSITY OF ARKANSAS, FAYETTEVILLE LOCATION AND LOCATIONS OF OTHER DIVISION SITES



In addition, there are Cooperative Extension Service offices in each of the 75 counties in the State of Arkansas. There are also various Archeological Survey sites throughout the State.



UNIVERSITY OF
ARKANSAS

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Rep. Johnny Hoyt
House Co-Chair
Sen. Bill Pritchard
Senate Co-Vice Chair
Rep. Beverly Pyle
House Co-Vice Chair

Arkansas

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

LEGISLATIVE JOINT AUDITING COMMITTEE
DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

University of Arkansas, Fayetteville
Legislative Joint Auditing Committee

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the University of Arkansas, Fayetteville (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2009, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Arkansas Fayetteville Campus Foundation, Inc., the Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc., which represent 100% of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Arkansas Fayetteville Campus Foundation, Inc., the Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc., is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the University of Arkansas Fayetteville Campus Foundation, Inc., the Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc., were not audited in accordance with *Government Auditing Standards.* 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University of Arkansas, Fayetteville as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 20 to the financial statements, the University changed its methods of accounting for library holdings (capital assets) and the Federal Perkins Loan Program-Federal Capital Contributions for the fiscal year ended June 30, 2009.

The Management's Discussion and Analysis and certain information pertaining to postemployment benefits other than pensions are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

DIVISION OF LEGISLATIVE AUDIT

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

Little Rock, Arkansas
November 3, 2009
EDHE13509

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis provides an overview of the financial position of the University of Arkansas, Fayetteville (the University) for the year ended June 30, 2009, with fiscal year ended June 30, 2008 data presented for comparative purposes. The emphasis of the discussion concerning the financial statements will be for the current year. Management has prepared this discussion, along with the financial statements and related note disclosures, and it should be read in conjunction with financial statements and notes to the financial statements. The financial statements, notes and discussion are the responsibility of management. All references to "2009", "2008" or another year refer to the fiscal year ended June 30, unless otherwise noted.

The University is the largest and oldest state institution of higher education and the primary state and land-grant university in Arkansas. Established in 1871 under the provisions of the Morrill Act, it is the flagship institution of the University of Arkansas System and the state. Recognized as a *Carnegie Research University*, it is the state's only comprehensive research university and through its teaching, research and outreach programs, is positioned to serve the citizens of Arkansas, the nation and the world.

All programs and activities of the University are governed by the University System Board of Trustees, which has delegated to the System President the administrative authority for all aspects of operations. The System President has further delegated administrative authority to the Chancellor and Vice President for Agriculture, who have responsibility for the programs and activities of the colleges, schools and divisions presented in this financial report.

Overview of the Financial Report and Financial Analysis

The University's financial report includes three primary financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows. The financial statements of three component units are presented discretely from the University. The notes to the financial statements provide additional information that is essential to understanding the primary financial statements. Other required supplementary information provides additional information related to other post employment benefits.

Financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. The statement establishes standards for financial reporting of public colleges and universities and requires that financial statements be presented on an entity-wide basis to focus on the University as a whole. Statements are prepared using the accrual basis of accounting, which is consistent with the accounting method used by private-sector entities. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The University has identified three foundations as component units subject to inclusion in the financial report: the University of Arkansas Fayetteville Campus Foundation, Inc., the Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc. As component units, their financial information is included in our financial report in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units.* This statement provides criteria for determining which related organizations should be reported as component units based on the nature and significance of their relationship to the primary government, which is the University. Additional information regarding this reporting requirement is provided at Notes to the Financial Statements (Note) No. 1 "Summary of Significant Accounting Policies", under the "Component Units" heading.

Note 17, "Other Entity" refers to the University of Arkansas Foundation, Inc., (the Foundation). The University is the beneficiary of only 51.9% of the nets assets of the Foundation; therefore the Foundation does not meet the requirements of a component unit.

Overall, the University's revenues and expenditures grew modestly during the fiscal year ended June 30, 2009. Operating revenues increased 5.8% and operating expenses increased 4.1% over the previous year. Total net assets decreased by 2.2%, reflecting the net effect of two restatements to the previous year net asset balance and investment losses.

Management determined that two reporting changes were necessary beginning in 2009 and going forward. The beginning net asset balance was increased $12.5 million to include the net value of library holdings and was decreased $13.7 million to reclassify to noncurrent liabilities the amount refundable to the federal government if the University stopped participation in the Perkins Loan program. The combined effect of the two changes resulted in a decrease to net assets of $1.2 million.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets (assets minus liabilities) of the University. The purpose of the statement is to provide a fiscal snapshot of the University as of the end of the fiscal year. Assets and liabilities are presented in the order of their relative liquidity, and are identified as current or noncurrent. Current assets are those assets that can be realized, with relative ease, such as cash, in the coming year. Current liabilities are expected to be paid within the next year. Noncurrent assets and liabilities are not expected to be realized as cash or paid in the subsequent year.

Net Assets are presented in four categories. The first category, Invested in capital assets, net of related debt, provides the University's equity in property, plant and equipment net of depreciation. The next category is Restricted net assets – non-expendable. The corpus of non-expendable and restricted resources (endowments) is only available for investment purposes. The third category, Restricted net assets - expendable, are available for expenditure by the University, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the

resources. The final category, Unrestricted net assets, is the net assets available to the University for any lawful purpose of the University.

The following summarizes the University's assets, liabilities, and net assets as of June 30, 2009, and June 30, 2008:

Assets	As of June 30, 2009	As of June 30, 2008
Current Assets	$ 183,827,423	$ 157,345,737
Capital Assets, net of depreciation	827,771,988	799,337,084
Other Noncurrent Assets	116,139,107	121,148,083
Total Assets	$ 1,127,738,518	$ 1,077,830,904
Liabilities		
Current Liabilities	$ 86,891,491	$ 77,957,797
Noncurrent Liabilities	419,408,527	364,504,944
Total Liabilities	$ 506,300,018	$ 442,462,741
Net Assets		
Invested in Capital Assets, net of related debt	$ 453,132,923	$ 450,298,071
Restricted – Nonexpendable	22,449,562	37,174,746
Restricted – Expendable	50,940,264	66,540,601
Unrestricted	94,915,751	81,354,745
Total Net Assets	$ 621,438,500	$ 635,368,163

The University's total assets increased $49.9 million. A review of the statement of net assets reveals that there are several offsetting variances, but the increase was primarily due to an increase in cash and short-term investments (current assets) of $20.7 million, an increase in deposits with trustees of $18 million and an increase in capital assets of $28.4 million offset by a decrease in endowment and other long-term investments (noncurrent assets) of $20.5 million.

The economic recession and its effect on financial market performance during 2009 was the driving force for both the increase in current assets and the decrease in noncurrent assets. Unprecedented market conditions created a need to protect the University's liquidity position by retaining more funds in cash and cash equivalents. At the same time, negative investment returns were experienced because of the financial market collapse.

Deposits with bond trustees represent unspent bond proceeds and bond reserve funds. The increase was due to the addition of new bonded debt during 2009.

The increase in Capital Assets, net of depreciation, is primarily a reflection of the University acquiring capital assets at a rate greater than these assets are disposed of or depreciated. Also, as discussed previously, a management decision was made to include the value of the University's library holdings, net of depreciation in the Statement of Net

Assets beginning with 2009 and going forward. As a result of this decision, net capital assets increased $14.2 million. The section "Significant Changes in Capital Assets and Long Term Debt Activity" below and Note 13 "Property, Plant and Equipment" provide additional information about capital assets.

Total liabilities increased $63.9 million. The most significant cause of the increase was the assumption of $51.9 million in additional long-term debt with the issuance of Various Facilities Revenue Bonds, Series 2008A and 2008B (taxable). The bond proceeds were used to finance the construction of the Garland Avenue parking garage, the KUAF campus radio station facility, a new bookstore building and other retail space, along with various land purchases. Additional information about University debt is provided in the "Significant Changes in Capital Assets and Long Term Debt Activity" discussion below and at Note 9 "Compensated Absences, Bonds, Notes, Capital Leases Payable, and Installment Contracts". Also, as discussed previously, $13.9 million was reclassified from restricted net assets to noncurrent liabilities in 2009. The liability represents the amount refundable to the federal government if the University no longer participates in the Perkins Loan program. Management does not currently have plans to end participation in the program; the change in reporting was prompted from reporting guidance provided in authoritative accounting literature.

Because the increase in total liabilities is greater than the increase in total assets, the result is a decrease in net assets of $13.9 million.

The following summarizes the composition of unrestricted net assets owned by the units of the University of Arkansas Fund:

	As of June 30, 2009	As of June 30, 2008
Fayetteville Campus	$ 48,085,279	$ 38,378,770
Agricultural Experiment Station	27,054,837	22,282,073
Cooperative Extension Service	11,249,985	11,510,093
Arkansas Archeological Survey	396,902	402,983
Criminal Justice Institute	2,080,386	2,155,455
Clinton School of Public Service	1,375,650	629,848
AREON	4,672,712	5,995,523
Total Unrestricted Net Assets	$ 94,915,751	$ 81,354,745

The Unrestricted Net Assets for the Fayetteville Campus are allocated as follows:

	As of June 30, 2009	As of June 30, 2008
Working Capital	$ 750,000	$ 750,000
E & G Department Uses	13,693,053	7,173,795
Service Operations	(686,140)	1,791,748
Auxiliaries	9,764,398	10,967,476
Plant Funds	15,222,514	4,944,323
Quasi-Endowment Funds	9,341,454	12,751,428
Total Fayetteville Campus Unrestricted Net Assets	$ 48,085,279	$ 38,378,770

Plant Funds Unrestricted Net Assets includes amounts allocated to a non-mandatory bond sinking fund. The 2009 sinking fund balance was $18.4 million. The University is authorized to issue bonds for capital expenditures with the interest paid on the bonds exempt from federal and state income taxes (tax exempt municipal bonds) for the bond buyers. The University also has the authority to invest unrestricted net assets any way deemed appropriate. The non-mandatory bond sinking fund is the accumulation of assets resulting from the University having budgeted or accumulated funds for capital expenditures, but instead using tax-exempt bond proceeds to fund the expenditures and investing the accumulated funds. In this process, the University realizes investment income in excess of interest expenses for the difference between the yield for taxable corporate or government bonds and tax-exempt municipal bonds. This bond sinking fund is used to pay the principal amounts due on the bonds, as well as provide interim internal financing for certain projects until permanent financing is in place. Generally, the permanent financing arrangement is funded by future gifts. Reducing the Fayetteville Campus net assets by this non-mandatory bond sinking fund leaves Unrestricted Net Assets of $29.7 million.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets are the result of activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The statement presents the revenues earned by the University, both operating and non-operating, and the expenses incurred by the University, both operating and non-operating, and any other revenues, expenses, gains and losses and changes in net assets. GASB requires that state appropriations, gifts, investment income and certain grants and contracts be classified as non-operating revenues. As a result, the operating loss of $286.6 million is of little significance, but does highlight the University's dependency on non-operating revenues to meet the costs of operations and provide funds for the acquisition of capital assets.

The following summarizes the University's revenues, expenses and changes in net assets:

		Fiscal 2009 Total		Fiscal 2008 Total
Operating Revenues	$	310,922,323	$	293,884,794
Operating Expenses		597,559,978		574,121,523
Operating (loss)		(286, 637,655)		(280,236,729)
Net nonoperating revenues		247,801,203		276,636,388
Gain (loss) before other revenues and changes in net assets		(38,836,452)		(3,600,341)
Other revenues and changes in net assets		26,148,576		26,647,632
Increase (decrease) in Net Assets	$	(12,687,876)	$	23,047,291

Net student tuition and fees revenue increased $15.5 million, which is the most significant component of the net increase in operating revenues of $17 million. Student enrollment increased 2.9% and the tuition rate increased 5% for the 2008-2009 academic year. Certain distance education and off-campus degree programs and courses were classified as tuition and fee revenue rather than conference fees (other operating revenue) in 2009, accounting for $3 million of the increase. Auxiliary enterprises increased $6.3 million, of which $3.6 million is attributable to Athletics and $2.7 million, is attributable to Residence Life. The increase in Athletic revenue was the result of additional conference distributions and the new media contract negotiated in 2009. Residence Life revenue increased because the second phase of the Maple Hill residence hall complex and the Duncan Avenue student apartment complex both came on-line in 2009, adding over 500 additional beds. Other operating revenue decreased $8.2 million, reflecting the receipt of one-time transfer of $5 million in 2008 from the University of Arkansas Medical Science campus to fund Arkansas Research and Education Optical Network construction costs, combined with the reclassification of certain distance education and off-campus degree programs and courses discussed above.

Operating expenses increased $23.4 million or 4% from 2008 to 2009. Compensation and benefits costs grew $15.97 million as a result of increases in salaries and benefit rates, along with accruing an additional $1.97 million for retiree healthcare expenses. Supplies and other services increased $3.9 million. Major contributors to the increase were escalating energy costs and operating expenses associated with the new residence hall complex. Depreciation increased $3.1 million mirroring the effect of the increase in capital assets acquired from bond proceeds and other sources.

Net nonoperating revenues decreased $28.8 million, mirroring the economic conditions present during 2009. The collapse in the financial markets was the primary cause for the decrease in private gifts of $8.5 million and investment income of $17.2 million. Though the decrease in these two categories was significant, State Appropriations held steady in 2009 and grants experienced a modest increase.

Gifts reported on the Statement of Revenues, Expenses and Changes in Net Assets only reflect a portion of the gifts available to the University. Most gifts for the benefit of the

University are made to the University of Arkansas Foundation, Inc. whose financial information is presented in summary form at Note 17 “Other Entity”.

The overall change in Other Revenues and Changes in Net Assets was nominal. Decreases in capital appropriations and capital grants and gifts were offset by increases in other State funds earmarked for capital uses.

Statement of Cash Flows

The Statement of Cash Flows provides information about the cash receipts and disbursements of the University for the year. The statement aids in the assessment of the University’s ability to meet obligations as they become due, the need for external financing, and the ability to generate future cash flow. It is prepared using the “direct method” as required by the GASB. The direct method reports all major gross cash inflows and outflows, differentiating these activities into operating activities, noncapital financing, such as state appropriations and nonexchange grants; capital and related financing, including bond proceeds from debt issued to construct or purchase capital assets; and investing activities.

The following summarizes the University’s cash flows:

	Fiscal Year 2009	Fiscal Year 2008
Net cash used by operating activities	$ (219,798,287)	$ (211,458,410)
Net cash provided by noncapital financing activities	274,598,672	282,072,026
Net cash provided by operating and noncapital financing activities	54,800,385	70,613,616
Net cash used by capital financing activities	(43,041,281)	(61,340,827)
Net cash provided (used) by investing activities	(4,039,095)	5,318,279
Net increase in cash	$ 7,720,009	$ 14,591,068

The University used $219.8 million of cash for operating activities in 2009 offset by cash provided by noncapital financing activities of $274.6 million. Similar to the operating loss on the Statement of Revenues, Expenses and Changes in Net Assets, net cash provided by operating activities is of little significance to the University. The net cash provided by the combination of operating activities and noncapital financing activities is a much more meaningful number for the University. The positive amount of $54.8 for 2009 indicates that these activities contributed to cash and liquidity for the year.

Cash used by capital financing activities reflects the University’s continued use of bonded debt to finance the acquisition of capital assets. The negative net cash provided by investing activities depicts the difficult market conditions experienced in 2009.

Significant Changes in Capital Assets and Long-Term Debt Activity

During 2009, the University issued $51,960,000 of Various Facilities Revenue Bonds, Series 2008A and 2008B (taxable) to finance the construction of a parking garage with accompanying retail space, a campus radio station facility, a new bookstore building and various land purchases. Construction on these projects is expected to be completed by August 2010.

The University is also constructing a Nano-Technology Center, financed in part with $16 million from Arkansas Department of Higher Education bonds and $5.5 million from state general improvement funds. A phased approach is being used for construction, with the first phase estimated at $28 million. Estimated costs for the total project (leaving a shelled out third floor for future expansion) are $44 million. Timing of additional construction will be determined by available funding and occupancy needs.

The Rice Research and Extension Center of the Division of Agriculture is constructing a new facility. The complex includes an auditorium, offices, laboratories and sample processing areas. Total cost is estimated at $10 million, funded in part by $6 million from Arkansas Department of Higher Education bonds and a $2 million gift from the Rice Research Promotion Board.

Construction continues on the Arkansas Research and Education Optical Network (AREON), a high-speed, fiber-based optical communication network established and operated by a consortium of public four-year universities in Arkansas, with cooperation of the Arkansas Department of Higher Education. The multi-year project launched in 2006 will, when completed, provide a network that will serve as a catalyst to develop and apply advanced communications technologies to support and enhance education, research, public service and economic development in Arkansas. Phase 1 and 2 construction, which includes the Fayetteville campus, is substantially complete with phase 3 expected to begin in 2010. Project costs for 2009 were $5.6 million with an estimated $5 million necessary to complete phase 3. Funding for the project comes from Arkansas Department of Higher Education bonds, state general improvement funds, mineral lease rights and consortium members.

The University entered into a long term debt obligation in 2009 to finance the improvements and equipment necessary to fulfill the energy savings performance contract between the University and Energy Systems Group, LLC. Under the terms of the financing agreement, the University has available up to $23.8 million to finance its obligations under the energy savings performance contract. The debt will be serviced with realized energy costs savings. The University drew down $1.5 million in 2009, with project completion expected in 2011.

A summary of long-term debt (including the current portion) activity is as follows:

	Bonds	Notes	Installment Contracts and Leases
Balance as of July 1, 2008	$ 340,251,302	$ 12,071,414	$ 7,321,284
Additions	51,960,000	7,991,914	3,929,081
Payments of principal	(12,475,000)	(2,776,366)	(760,033)
Amortization of deferred loss	288,626		
Balance as of June 30, 2009	$ 380,024,928	$ 17,286,962	$ 10,490,332

Note 9, "Compensated Absences, Bonds, Notes, Capital Leases Payable, and Installment Contracts" provides additional information related to the University's long-term debt.

A summary of the change in Net Assets invested in capital assets, net of depreciation and net of related debt is as follows:

Net Assets Invested in capital assets, net of related debt and depreciation as of June 30, 2008	$ 450,298,071
Land Additions and Disposals (net)	690,781
Buildings Additions and Disposals, net of depreciation	44,477,017
Improvements/Infrastructure Additions, net of depreciation	1,287,815
Equipment Additions and Disposals, net of depreciation	(11,318,281)
Construction In Progress Additions net of transfers to buildings and improvements/infrastructure	(16,866,309)
Livestock Additions/deductions	(7,628)
Prepaid Maintenance Contract (net)	(45,885)
Restatement of Prior Year for Library Holdings	12,499,308
Library Holdings Additions and Disposals, net of depreciation	1,699,917
Bond debt moved to Net Assets invested in capital assets	(28,966,837)
Bond Principal Paid in 2009	12,475,000
Deferred loss on refinanced bond issues, amortized	(288,627)
Note Payable assumed in 2009	(12,378,116)
Capital Leases and Installment Contracts assumed in 2009	(3,929,081)
Note, Capital Lease and Installment Contract Principal Paid in 2009	3,520,767
Note Payable Balance Adjustment	(14,989)
Net Assets Invested in capital assets, net of related debt and depreciation as of June 30, 2009	$ 453,132,923

Conditions and other factors having a significant effect

Despite the current economic recession, the University's financial position remained strong in 2009. Financial and political support from state government is a critical element to the continued financial health of the University. During 2009, the total general revenue distribution from the State of Arkansas, including distributions from the Educational

Excellence Trust Fund, was $195 million, which equaled the amount received in 2008. The estimated total general revenue distribution from the State for 2010 is $197.4 million. Though it appears the University can expect a $2.4 million increase, this is not entirely accurate. Approximately $2.8 million will be one-time funds distributed from State reserves. Since one-time funds cannot be budgeted for ongoing programs and costs, the state funds available for budgeting will effectively be cut. Management will continue to institute both internal and external efforts to minimize the effect of fluctuations in state funding.

The University will also be the recipient of American Recovery and Reinvestment Act funds, better known as federal stimulus funds, during 2010 and 2011. These distributions will provide one time funds for operations and other individual projects.

Another challenge is managing the cost of attendance in such a way to balance affordability while achieving necessary revenue to fund operations. The University did not increase tuition rates for the 2010 academic year. This was the first time in 20 years that an increase had not been instituted. A $1 million gift from Athletics to the educational and operation budget was a determining factor in the University's ability to hold tuition rates steady. Management feels strongly this is the right thing to do in light of the economic recession and its effect on students and families. Cost of attendance will continue to be a significant challenge for university management.

Private support is also fundamental in meeting budgetary needs. The University has enjoyed historically positive trends in private support. Though overall cash receipts and production (new gifts & pledges) declined in 2009, as was the case with many of our peer institutions across the country, the University experienced record increases in the number of gifts (up 23%), number of household donors (up 20%) and the number of first-time donors (up 51%). These gifts, given in the most difficult of times, underscore the confidence among our alumni, foundations, and other supporters in the quality of the University's programs and the importance of its mission.

The University continues to experience increases in enrollment, which in turn contribute to increases in tuition and fee revenue. The ability to recruit and retain high quality students is a key element to growth. Preliminary numbers for Fall 2009 indicate that enrollment is 19,849, an all-time record high, and an increase of 3.4% over the Fall 2008 enrollment. Total undergraduate enrollment is up 2.7% to 15,835 students, and total graduate enrollment is up 7.3% to 3,616 students. Enrollment at the School of Law is unchanged at 398 students. Approximately 4.3% more students chose to stay enrolled in the university this year than in 2008, a testament to the university's aggressive student retention efforts. While it is encouraging to see record enrollment, further increases in undergraduate enrollment must occur to ensure continued increases in the revenue generated by tuition and to ensure continued support from state government. The State instituted a lottery in September 2009 to support scholarships to higher education institutions in Arkansas. It is too soon to project what effect this will have on University enrollment, but it is expected to improve retention and foster growth.

The condition of the University's capital assets is another important measure of the University's overall financial health. Providing and maintaining facilities that create an attractive environment in which to learn and live is vital to attracting new students, as well as recruiting excellent faculty and staff. Management continues to implement a long-range plan (Facility Renewal & Stewardship Plan) to modernize and expand teaching, research and student facilities with small, targeted amounts of new construction, coupled with a primary focus on renewal and renovation of existing facilities.

Facilities Management prepared an initial estimate in 2003 of the condition of capital assets in order to accumulate the necessary data to develop an optimized facility renewal plan. The University's goal is to update twenty percent of the square footage contained in the index annually on a rolling basis, addressing all facilities on a five year cycle. A Facilities Condition Index (FCI) between zero, indicating no deficiencies in building systems such as interiors and services, and 1.0, indicating the cost of a building's deficiencies equals its plant replacement value, has been assigned to each building. A building with deficiencies estimated at more than the plant replacement value will have an FCI greater than 1.0.

The gross square footage weighted average for all Educational and General facilities was 0.23 for 2003 compared to 0.22 for 2007. The weighted average FCI for 2008 is 0.17 and 0.16 for 2009. This relatively large improvement from 2007 to 2008 results from an across the board updating of plant replacement values, all of which increased. In addition, the variance reflects deferred maintenance and repairs addressed by Facilities Management over the past year, and the addition of new and remodeled buildings. 2008 marked the end of the five year cycle of deficiency updates, and all building data has now been updated based on actual inspections since the original 2003 survey. An effective method of assessing the management of these capital assets is to track the average facility score over time, however our continuing refinement of the assessment instrument can somewhat distort year-to-year comparisons.

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UNIVERSITY OF ARKANSAS
Statement of Net Assets
June 30, 2009
With Comparative Figures at June 30, 2008

	June 30, 2009	June 30, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	$ 67,215,772	$ 59,495,763
Short-term investments	70,069,578	57,120,010
Accounts receivable, net	30,919,635	27,292,812
Accrued interest receivable	1,097,715	851,733
Inventories	4,773,598	5,337,424
Deposits with bond trustees	2,429,318	108,157
Notes receivable, net	3,159,480	3,205,873
Other assets	4,162,327	3,933,965
Total current assets	183,827,423	157,345,737
Noncurrent Assets		
Endowment investments	48,568,508	66,864,979
Notes receivable, net	12,602,367	12,875,889
Deposits with bond trustees	35,341,717	19,661,955
Other long-term investments	18,213,703	20,432,848
Other assets	1,412,812	1,312,412
Capital assets, net	827,771,988	799,337,084
Total noncurrent assets	943,911,095	920,485,167
Total assets	$ 1,127,738,518	$ 1,077,830,904
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 15,514,810	$ 18,644,086
Accrued payroll liabilities	15,169,453	13,887,676
Accrued interest expense	3,407,212	2,746,186
Student overpayments	44,683	271,327
Funds held in trust for others	1,294,205	1,139,398
Deferred revenue	24,982,177	24,611,717
Compensated absences payable - current portion	1,019,349	1,001,431
Liability for other post employment benefits - current portion		865,349
Bonds, notes and capital leases and installment contracts payable - current portion	25,459,602	14,790,627
Total current liabilities	86,891,491	77,957,797

UNIVERSITY OF ARKANSAS
Statement of Net Assets
June 30, 2009
With Comparative Figures at June 30, 2008

	June 30, 2009	June 30, 2008
Noncurrent Liabilities		
Refundable federal advance - Perkins loans	13,861,257	
Compensated absences payable	16,142,212	15,421,962
Liability for other post employment benefits	7,057,738	4,225,609
Bonds, notes and capital leases and installment contracts payable	382,342,620	344,853,373
Other noncurrent liabilities	4,700	4,000
Total noncurrent liabilities	419,408,527	364,504,944
Total liabilities	$ 506,300,018	$ 442,462,741
NET ASSETS		
Invested in capital assets, net of related debt	$ 453,132,923	$ 450,298,071
Restricted for		
Nonexpendable		
Scholarships and fellowships	7,751,573	7,912,516
Research	5,739,659	5,739,659
Instructional department uses	7,188,224	7,644,839
Loans	1,770,106	15,877,732
Expendable		
Scholarships and fellowships	6,335,562	10,589,972
Research	18,827,138	25,734,779
Public service	8,136,924	5,967,391
Instructional department uses	6,282,169	10,840,165
Loans	1,398,513	1,141,375
Capital projects	2,745,222	7,326,199
Debt service	4,240,014	1,257,748
Other	2,974,722	3,682,972
Unrestricted	94,915,751	81,354,745
Total net assets	$ 621,438,500	$ 635,368,163

UNIVERSITY OF ARKANSAS
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2009
With Comparative Figures for 2008

	Fiscal 2009 Total	Fiscal 2008 Total
REVENUES		
Operating Revenues		
Student tuition and fees (net of scholarship allowances of $32,485,525 in fiscal year 2009, and $31,292,413 in fiscal year 2008)	$ 102,198,541	$ 86,687,211
Federal appropriations	14,509,161	13,085,061
County appropriations	2,919,089	2,847,184
Federal grants and contracts	31,163,852	28,814,895
State and local grants and contracts	14,626,342	16,034,187
Nongovernmental grants and contracts	17,689,475	17,127,763
Sales and services of educational departments	22,229,892	21,800,428
Auxiliary enterprises		
Residence Life (net of scholarship allowances of $5,106,328 in fiscal year 2009, and $4,815,844 in fiscal year 2008)	21,494,945	18,796,356
Athletics	52,545,992	48,936,555
Bookstore (net of scholarship allowances of $77,504 in fiscal year 2009, and $116,834 in fiscal year 2008)	14,069,703	14,344,969
Arkansas Union	1,158,713	1,085,153
Student Health Services	1,093,942	1,208,803
Transit and Parking	5,850,087	5,801,954
Student Organizations/Activities	319,975	322,287
Other Auxiliary Enterprises	2,351,093	2,038,744
Other operating revenues	6,701,521	14,953,244
Total operating revenues	310,922,323	293,884,794
EXPENSES		
Operating Expenses		
Salaries, wages, and benefits	354,718,229	338,747,274
Scholarships and fellowships	18,350,081	17,914,425
Supplies and other services	159,854,952	155,944,448
Depreciation	64,636,716	61,515,376
Total operating expenses	597,559,978	574,121,523
Operating loss	(286,637,655)	(280,236,729)

UNIVERSITY OF ARKANSAS
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2009
With Comparative Figures for 2008

	Fiscal 2009 Total	Fiscal 2008 Total
NONOPERATING REVENUES (EXPENSES)		
State appropriations	199,726,630	199,588,453
Gifts	46,311,577	54,831,877
Investment income (net of investment expense of $785,354 in fiscal year 2009, and $783,725 in fiscal year 2008)	(12,438,732)	4,717,945
Interest on capital asset - related debt	(16,078,544)	(11,267,082)
Federal grants (nonexchange)	16,954,863	16,354,809
State and local grants (nonexchange)	9,532,946	9,079,460
Nongovernmental grants (nonexchange)	855,901	820,355
Loss on disposal of assets	(333,048)	(1,368,485)
Other nonoperating revenues	3,269,610	3,879,056
Net nonoperating revenues	247,801,203	276,636,388
Loss before other revenues and changes in net assets	(38,836,452)	(3,600,341)
OTHER REVENUES AND CHANGES IN NET ASSETS		
Capital appropriations	2,300,000	7,561,776
Capital grants and gifts	8,176,944	17,465,955
Bond Proceeds from Act 1282 of 2005	9,708,724	427,883
Other changes	5,962,908	1,192,018
Total other revenues and changes in net assets	26,148,576	26,647,632
Increase (Decrease) in net assets	(12,687,876)	23,047,291
NET ASSETS		
Net assets - beginning of year	635,368,163	612,320,872
Restatement of Prior Year Balance	(1,241,787)	
Net assets - beginning of year as restated	634,126,376	612,320,872
Net assets - end of year	$ 621,438,500	$ 635,368,163

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method
For the Year Ended June 30, 2009
With Comparative Figures for 2008

	Fiscal 2009 Total	Fiscal 2008 Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 101,134,664	$ 89,833,894
Federal appropriations	13,703,461	13,029,556
County appropriations	2,919,089	2,847,184
Grants and contracts	63,183,157	61,863,039
Payments to suppliers	(159,752,059)	(155,390,480)
Payments to employees	(281,234,248)	(266,995,326)
Payments for benefits	(69,449,970)	(65,505,664)
Payments for scholarships and fellowships	(18,350,081)	(17,914,425)
Loans issued to students and employees	(1,035,982)	(3,073,506)
Collections of loans to students	1,415,345	1,992,994
Collections of interest on loans to students	(9,515)	(45,495)
Auxiliary enterprise charges		
Residence Life	21,262,903	18,851,005
Athletics	52,951,752	48,390,349
Bookstore	14,078,613	14,719,039
Arkansas Union	1,144,561	1,063,943
Student Health Services	1,074,515	1,206,404
Transit and Parking	5,729,051	5,660,672
Student Organizations/Activities	323,486	309,004
Other Auxiliary Enterprises	2,430,489	2,159,549
Sales and services of educational departments	22,096,993	21,241,888
Other receipts	6,585,489	14,297,966
Net cash used by operating activities	(219,798,287)	(211,458,410)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	199,726,630	199,588,453
Gifts and grants for other than capital purposes	44,363,456	51,674,563
Federal grants (nonexchange)	16,618,713	16,753,395
State and local grants (nonexchange)	9,396,784	9,010,704
Nongovernmental grants (nonexchange)	873,351	899,850
Other non-operating revenue	3,792,019	4,005,370
Net agency fund transactions	(172,281)	139,691
Net cash provided by noncapital financing activities	274,598,672	282,072,026
Net cash provided by operating activities and noncapital financing activities	54,800,385	70,613,616
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Realized proceeds related to capital debt transactions	40,701,959	62,750,075
Capital appropriations	2,300,000	7,561,776
Capital grants and gifts received	3,050,101	2,309,644
Bond proceeds from Act 1282 of 2005	4,424,474	427,883
Purchases of capital assets	(62,631,794)	(111,450,509)
Principal paid on capital debt and leases	(14,607,134)	(12,017,041)
Interest paid on capital debt and leases	(16,278,887)	(15,476,770)
Deposits with trustees		4,554,115
Net cash used by capital financing activities	(43,041,281)	(61,340,827)

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method
For the Year Ended June 30, 2009
With Comparative Figures for 2008

	Fiscal 2009 Total	Fiscal 2008 Total
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$ 56,998,488	$ 47,600,000
Investment income	1,600,486	2,718,279
Purchase of investments	(62,638,069)	(45,000,000)
Net cash provided (used) by investing activities	(4,039,095)	5,318,279
NET INCREASE IN CASH	7,720,009	14,591,068
Cash - beginning of year	59,495,763	44,904,695
Cash - end of year	$ 67,215,772	$ 59,495,763
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (286,637,655)	$ (280,236,729)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	64,636,716	61,515,376
Changes in assets and liabilities		
Receivables (net)	(2,351,688)	(2,940,428)
Inventories	563,825	(785,024)
Prepaid expenses	(255,137)	881,340
Other assets		
Accounts payable and accrued liabilities	(311,344)	424,389
Accrued payroll liabilities (Employees)	664,409	(9,888)
Accrued payroll liabilities (Benefits)	664,654	663,281
Student overpayments	(226,644)	238,046
Deferred revenue	370,460	4,409,047
Refundable federal advance	120,162	
Deposits	700	
Compensated absences	738,169	523,378
Retiree benefits	1,966,779	5,090,958
Loans to students and employees	258,307	(1,232,156)
Net cash used by operating activities	$ (219,798,287)	$ (211,458,410)
NONCASH TRANSACTIONS		
Donations of land, buildings, improvements, and infrastructure	$ 4,613,492	$ 4,232,836
Equipment donations	561,006	10,767,910
Bond issuance costs and underwriter's discounts paid directly from bond proceeds	468,406	529,300
Interest on long-term debt paid directly from deposits with trustees	2,170,005	1,448,198
Payment of long-term debt directly from University of Arkansas Foundation, Inc. accounts	1,432,879	3,760,655
Capital outlay paid directly from bond proceeds from Act 1282 of 2005	5,284,250	
Capital outlay paid directly from proceeds of University of Arkansas long-term debt instruments	3,020,626	
Loss on disposal of assets	158,835	

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Statements of Financial Position
June 30, 2009 and 2008

	2009	2008
Assets		
Investments	$ 356,635,626	$ 486,853,433
Net Assets:		
Temporarily restricted	$ 17,999,284	$ 14,534,890
Permanently restricted	338,636,342	472,318,543
Total net assets	$ 356,635,626	$ 486,853,433

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

Statement of Activities

For the Years Ended June 30, 2009 and 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:								
Interest and dividends		$ 2,867,284	$ 243,159	$ 3,110,443		$ 3,659,757	$ 362,248	$ 4,022,005
Net unrealized and realized gains on investments		15,555,906	(133,925,360)	(118,369,454)		14,448,261	(23,485,022)	(9,036,761)
Net assets released from restrictions	$ 14,958,796	(14,958,796)			$ 15,160,408	(15,160,408)		
Total revenue, gains and other support	14,958,796	3,464,394	(133,682,201)	(115,259,011)	15,160,408	2,947,610	(23,122,774)	(5,014,756)
Expenses and Losses:								
Program Services-								
Construction								
Research	1,000,233			1,000,233	1,146,977			1,146,977
Faculty/staff support	1,600,010			1,600,010	1,790,519			1,790,519
Scholarships and awards	10,105,493			10,105,493	9,330,961			9,330,961
Equipment and technology	1,553,454			1,553,454	1,977,455			1,977,455
Other	699,606			699,606	914,496			914,496
Total program services	14,958,796			14,958,796	15,160,408			15,160,408
Change in net assets		3,464,394	(133,682,201)	(130,217,807)		2,947,610	(23,122,774)	(20,175,164)
Net assets, beginning of year		14,534,890	472,318,543	486,853,433		11,587,280	495,441,317	507,028,597
Net assets, end of year	$	$ 17,999,284	$ 338,636,342	$ 356,635,626	$	$ 14,534,890	$ 472,318,543	$ 486,853,433

THE RAZORBACK FOUNDATION, INC.
Statement of Financial Position
June 30, 2009

	Total All Funds	Operating Fund	Deferred Compensation Fund	Land, Building and Equipment Fund	Endowment Fund
Assets:					
Cash in bank	$ 2,077,314	$ 2,077,314			
Pledges receivable-unrestricted, less allowance for uncollectible pledges	4,293,273	4,293,273			
Investments	6,407,618	4,520,046	$ 822,164		$ 1,065,408
Land, building and equipment, at cost, less accumulated depreciation	316,747			$ 316,747	
Prepaid rent	1,494,966	1,494,966			
Intrafund receivable	85,803	85,803			
Other assets	11,100	11,100			
Total assets	$ 14,686,821	$ 12,482,502	$ 822,164	$ 316,747	$ 1,065,408
Liabilities:					
Accounts payable	$ 840,034	$ 840,034			
Intrafund payable	85,803				$ 85,803
Deferred compensation payable	3,292,356	2,470,192	$ 822,164		
Total liabilities	$ 4,218,193	$ 3,310,226	$ 822,164		$ 85,803
Net Assets:					
Unrestricted	$ 9,172,276	$ 9,172,276			
Board designated-unrestricted	316,747			$ 316,747	
Permanently restricted	979,605				$ 979,605
Total net assets	10,468,628	9,172,276		316,747	979,605
Total liabilities and net assets	$ 14,686,821	$ 12,482,502	$ 822,164	$ 316,747	$ 1,065,408

THE RAZORBACK FOUNDATION, INC.
Statement of Financial Position
June 30, 2008

	Total All Funds	Operating Fund	Deferred Compensation Fund	Land, Building and Equipment Fund	Endowment Fund
Assets:					
Cash in bank	$ 350,676	$ 292,806		$ 57,870	
Pledges receivable-unrestricted, less allowance for uncollectible pledges	4,203,888	3,603,888		600,000	
Investments	8,589,545	256,992	$ 2,296,092	1,471,084	$ 4,565,377
Land, building and equipment, at cost, less accumulated depreciation	599,532			599,532	
Prepaid rent	1,509,776	1,509,776			
Intrafund receivable	15,000				15,000
Other assets	14,100	14,100			
Total assets	$ 15,282,517	$ 5,677,562	$ 2,296,092	$ 2,728,486	$ 4,580,377
Liabilities:					
Accounts payable	$ 329,723	$ 329,723			
Intrafund payable	15,000	15,000			
Deferred compensation payable	5,108,391	2,812,299	$ 2,296,092		
Total liabilities	$ 5,453,114	$ 3,157,022	$ 2,296,092		
Net Assets:					
Unrestricted	$ 2,520,540	$ 2,520,540			
Board designated-unrestricted	6,338,498			$ 2,728,486	$ 3,610,012
Permanently restricted	970,365				970,365
Total net assets	9,829,403	2,520,540		2,728,486	4,580,377
Total liabilities and net assets	$ 15,282,517	$ 5,677,562	$ 2,296,092	$ 2,728,486	$ 4,580,377

THE RAZORBACK FOUNDATION, INC.

Statement of Activities

Year Ended June 30, 2009

	Total All Funds	Operating Fund	Deferred Compensation Fund	Land, Building and Equipment Fund	Endowment Fund
Changes in unrestricted net assets:					
Revenues and gains:					
Public support - contributions	$ 13,972,915	$ 13,972,915			
Investment income (loss) and other	(117,076)	(117,076)			
Realized gain on investments	21,611	21,611			
Total unrestricted revenues and gains	13,877,450	13,877,450			
Expenses:					
Program services directly allocated to::					
Football	1,404,308	1,404,308			
Basketball	637,664	637,664			
Baseball	164,075	164,075			
Track and field	783,015	783,015			
Other sports	1,108,421	1,108,421			
Athletic department operations	5,760,090	5,760,090			
Fundraising	1,506,597	1,506,597			
Administrative	840,537	840,537			
Deferred compensation expense	680,708	680,708			
Provision for uncollectible pledges	6,171	6,171			
Total expenses	12,891,586	12,891,586			

THE RAZORBACK FOUNDATION, INC.
Statement of Activities
Year Ended June 30, 2009

	Total All Funds	Operating Fund	Deferred Compensation Fund	Land, Building and Equipment Fund	Endowment Fund
Other changes:					
Transfers for current operations		5,738,967		$ (2,128,955)	$ (3,610,012)
Unrealized loss on investments	(73,095)	(73,095)			
Depreciation	(282,784)			(282,784)	
Total other changes	(355,879)	5,665,872		(2,411,739)	(3,610,012)
Total increase (decrease) in unrestricted net assets	629,985	6,651,736		(2,411,739)	(3,610,012)
Changes in temporarily restricted net assets:					
Deferred compensation investment income (loss)	(161,690)		$ (161,690)		
Deferred compensation expense	161,690		161,690		
Total increase (decrease) in temporarily restricted net assets					
Changes in permanently restricted net assets:					
Endowment fund public support	85,043				85,043
Endowment fund investment loss	(75,803)				(75,803)
Total increase (decrease) in permanently restricted net assets	9,240				9,240
Increase (decrease) in net assets	639,225	6,651,736		(2,411,739)	(3,600,772)
Net assets at beginning of year	9,829,403	2,520,540		2,728,486	4,580,377
Net assets at end of year	$ 10,468,628	$ 9,172,276	$	$ 316,747	$ 979,605

THE RAZORBACK FOUNDATION, INC.

Statement of Activities

Year Ended June 30, 2008

	Total All Funds	Operating Fund	Deferred Compensation Fund	Land, Building and Equipment Fund	Endowment Fund
Changes in unrestricted net assets:					
Revenues and gains:					
Public support - contributions	$ 11,581,730	$ 11,531,730			$ 50,000
Investment income and other	381,184	303,662		$ 58,188	19,334
Realized gain on investments	216,457	216,457			
Total unrestricted revenues and gains	12,179,371	12,051,849		58,188	69,334
Expenses:					
Program services:					
Directly allocated to:					
Football	1,433,202	1,433,202			
Basketball	844,537	844,537			
Baseball	171,887	171,887			
Track and field	685,563	685,563			
Other sports	2,193,071	2,193,071			
Athletic department operations	5,655,450	5,655,450			
Fundraising	2,040,329	2,040,329			
Administrative	1,052,200	1,052,200			
Deferred compensation expense	1,271,021	1,271,021			
Provision for uncollectible pledges	214,229	214,229			
Total expenses	15,561,489	15,561,489			

THE RAZORBACK FOUNDATION, INC.
Statement of Activities
Year Ended June 30, 2008

	Total All Funds	Operating Fund	Deferred Compensation Fund	Land, Building and Equipment Fund	Endowment Fund
Other changes:					
Transfers to deferred compensation plans	(100,000)	(100,000)			
Transfers for current operations		1,191,252		(1,191,252)	
Unrealized loss on investments	111,614	174		111,440	
Depreciation	(294,173)			(294,173)	
Satisfaction of program restrictions	1,000,000			1,000,000	
Total other changes	717,441	1,091,426		(373,985)	
Total increase (decrease) in unrestricted net assets	(2,664,677)	(2,418,214)		(315,797)	69,334
Changes in temporarily restricted net assets:					
Transfers to deferred compensation plans	100,000		$ 100,000		
Deferred compensation investment income	146,782		146,782		
Program services:					
Deferred compensation expense	(246,782)		(246,782)		
Net assets released from restrictions	(1,000,000)			(1,000,000)	
Total increase (decrease) in temporarily restricted net assets	(1,000,000)			(1,000,000)	
Changes in permanently restricted net assets:					
Endowment fund public support	29,296				29,296
Increase (decrease) in net assets	(3,635,381)	(2,418,214)		(1,315,797)	98,630
Net assets at beginning of year	13,464,784	4,938,754		4,044,283	4,481,747
Net assets at end of year	$ 9,829,403	$ 2,520,540	$	$ 2,728,486	$ 4,580,377

ARKANSAS 4-H FOUNDATION, INC.
Statements of Financial Position
June 30, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 992,129	$ 1,400,419
Investments, at fair value	1,662,236	1,034,643
Accounts receivable, net of allowance for doubtful accounts of $5,102 and $0	59,600	91,960
Inventories	17,828	15,067
Other assets	17,080	6,098
Total current assets	2,748,873	2,548,187
OTHER ASSETS:		
Cash restricted for building maintenance fund	12,142	67,159
Investments, at fair value, restricted for building maintenance fund	1,006,850	987,832
Total other assets	1,018,992	1,054,991
PROPERTY AND EQUIPMENT, NET	6,140,244	6,166,434
TOTAL ASSETS	$ 9,908,109	$ 9,769,612
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 92,308	$ 110,410
Deferred revenue	120,755	80,106
Due to affiliate	135,665	78,012
Accrued expenses	19,358	19,487
Customer deposits	11,609	18,481
Current maturity of note payable	39,982	
Total current liabilities	419,677	306,496
LONG-TERM LIABILITIES:		
Note payable, less current maturity	166,018	
NET ASSETS:		
Unrestricted	6,893,209	6,981,058
Temporarily restricted	1,377,772	1,549,968
Permanently restricted	1,051,433	932,090
Total net assets	9,322,414	9,463,116
TOTAL LIABILITIES AND NET ASSETS	$ 9,908,109	$ 9,769,612

ARKANSAS 4-H FOUNDATION, INC.
Statement of Activities
For the Years Ended June 30, 2009 and 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:								
Program service revenue	$ 1,640,153	$ 7,418		$ 1,647,571	$ 1,580,822	$ 3,705		$ 1,584,527
Grants and contributions	243,775	63,318	$ 1,600	308,693	140,088	167,700	$ 1,621	309,409
Interest and dividends	31,582	82,711	8,723	123,016	62,624	121,019		183,643
Net unrealized and realized appreciation (depreciation) on investments	12,156	(84,353)	3,305	(68,892)	(34,110)	(106,640)		(140,750)
Other revenues	86,014			86,014	43,374	29,464		72,838
Net assets released from restrictions	135,575	(135,575)			174,645	(174,645)		
Total support and revenues	2,149,255	(66,481)	13,628	2,096,402	1,967,443	40,603	1,621	2,009,667
EXPENSES:								
Program	2,160,876			2,160,876	2,177,059			2,177,059
Management and general	70,843			70,843	73,634			73,634
Fundraising	5,385			5,385	3,811			3,811
Total expenses	2,237,104			2,237,104	2,254,504			2,254,504
INCREASE (DECREASE) IN NET ASSETS	(87,849)	(66,481)	13,628	(140,702)	(287,061)	40,603	1,621	(244,837)
NET ASSETS, BEGINNING OF YEAR	6,981,058	1,444,253	1,037,805	9,463,116	7,268,119	1,509,365	930,469	9,707,953
RECLASSIFICATION OF NET ASSETS						(105,715)	105,715	
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	6,981,058	1,444,253	1,037,805	9,463,116	7,268,119	1,403,650	1,036,184	9,707,953
NET ASSETS, END OF YEAR	$ 6,893,209	$ 1,377,772	$ 1,051,433	$ 9,322,414	$ 6,981,058	$ 1,444,253	$ 1,037,805	$ 9,463,116

(1). Summary of Significant Accounting Policies

The financial statements for the University of Arkansas, Fayetteville ("the University") for the fiscal year ended June 30, 2009, have been prepared in accordance with generally accepted accounting principles accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

During 2002, the University adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities,* as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net asset categories:

- Invested in capital assets, net of related debt: 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 assets subject to externally-imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

  Expendable – Net assets whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. There is no formal policy requiring restricted net assets to be used either before or after unrestricted net assets are used for the same purpose. Responsible officials determine at the time funds are expended to use any unrestricted net assets that may be available.

- Unrestricted: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and research programs and initiatives, and capital programs.

GASB Statement No. 35 also requires the statements of net assets, revenues, expenses, and changes in net assets, and cash flows to be reported on a consolidated basis.

Basis of Presentation and Measurement Focus
The University is considered a special-purpose government engaged only in business-type activities and therefore reports as a Business Type Activity, as defined by GASB

Statement No. 35. Accordingly, the financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Component Units

In May 2002, GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which amends GASB Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with a primary government. Under the statement, which became effective with the fiscal year ending June 30, 2004, the financial activities of qualifying foundations are to be included in the financial statements of the primary government, through discrete presentations. There were three qualifying foundations for the University of Arkansas, Fayetteville: the University of Arkansas Fayetteville Campus Foundation, Inc., the Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc.

The University of Arkansas Fayetteville Campus Foundation, Inc. ("the Foundation") is a charitable organization described in Section 501 (c) (3) of the Internal Revenue Code of 1986, as amended, and was established by the Walton Family Charitable Support Foundation, Inc., for the exclusive benefit of the University of Arkansas, Fayetteville, campus. The Foundation was established on March 11, 2003, and exists primarily to support the Honors College, the Graduate School and the University's library. The Board of Trustees of the Foundation is made up of seven (7) members, including three (3) members who are also employees of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation distributed $16,038,409 and $14,471,234 to the University during the fiscal years ended June 30, 2009, and June 30, 2008, respectively, for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the administrative office at 700 Research Center Boulevard, Fayetteville, AR 72701.

The Razorback Foundation, Inc. ("the Razorback Foundation") was incorporated on October 17, 1980. It is a non-for-profit organization whose sole purpose is to support intercollegiate athletics at the University. Although the University does not control the timing or amount of receipts from the Razorback Foundation, the majority of resources,

or income thereon that the Razorback Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Razorback Foundation can only be used by, or for the benefit of, the University, the Razorback Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Razorback Foundation distributed $5,485,811 to the University, and provided equipment, facilities, improvements and supplies in the amount of $2,559,948 during the fiscal year ended June 30, 2009. During the fiscal year ended June 30, 2008, the Razorback Foundation distributed $9,282,289 to the University, and provided equipment, facilities, improvements and supplies in the amount of $4,019,175. Complete financial statements for the Razorback Foundation can be obtained from the administrative office at 91 North Razorback Road, Fayetteville, AR 72701.

The Arkansas 4-H Foundation, Inc. ("the 4-H Foundation") was incorporated under the laws of the State of Arkansas in 1951. The purposes and objectives of the 4-H Foundation are exclusively educational. The 4-H Foundation was formed to encourage and support such educational purposes, as in the judgment of the 4-H Foundation, will best meet the needs and advance the interests of 4-H youth programs throughout the State of Arkansas. The 4-H Foundation is organized into approximately 80 distinct funds that are used to account for various educational or administrative activities.

The 4-H Foundation made no distributions directly to the University during the fiscal years ended June 30, 2009, or June 30, 2008, other than to reimburse the University for expenses incurred on their behalf. Complete financial statements for the 4-H Foundation can be obtained from the administrative office at 2301 S. University Avenue, P.O. Box 391, Little Rock, Arkansas 72203.

New Accounting Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* which becomes effective with the fiscal year ending June 30, 2010. The Statement provides guidance for the recognition of intangible assets, requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets and makes existing authoritative guidance related to the accounting and financial reporting for capital assets applicable to intangible assets.

The University has not determined the effects of the implementation of this statement on the University's financial statements.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which becomes effective with the fiscal year ending June 30, 2009. The Statement establishes consistent standards for the reporting of land and real estate held as investments by essentially similar entities. Management has determined that no land or other real estate is held by any endowment fund as an investment, and the requirements of this statement are not applicable.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which becomes effective with the fiscal year ending June 30, 2010. The Statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by governments.

The University has not determined the effects of the implementation of this statement on the University's financial statements.

Cash and Cash Equivalents

The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds held in the custody of the Treasurer of the State of Arkansas and other state agencies are considered cash equivalents.

Inventories

Inventories are valued at cost with costs being determined using several generally accepted inventory valuation methods depending on the best practices of the University department to which the inventory belongs.

The following summarized the cost of inventories with the method of valuation:

Inventories	Valuation Method	June 30, 2009	June 30, 2008
Athletics Inventory	Retail	$ 539,989	$ 519,694
Bookstore	Retail	2,329,060	2,711,346
CES Warehouse	Weighted Average	93,237	131,984
Garvan Woodland Gardens Shop	Weighted Average	85,890	87,794
Facilities Management	FIFO	473,495	540,976
Printing Services	Weighted Average	179,083	217,040
Research Services	Weighted Average	56,795	56,772
Residence Life	LIFO	402,600	433,045
Student Health Pharmacy	FIFO	22,991	33,748
University Press	LCM	590,458	605,025
Total Inventories		$ 4,773,598	$ 5,337,424

Accounts Receivable

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. Accounts receivable represent charges due the University from various student fees, room and board, student fines, and other charges. Accounts receivable also consist of unreimbursed expenses relating to research contracts with federal, state, and private agencies. Accounts receivable totaling $554,815 and $30,329 were written off during the fiscal years ended June 30, 2009, and June 30, 2008, respectively.

Accounts receivable at June 30, 2009, totaled $37,968,822. The allowance for doubtful accounts was computed to be $7,049,187, resulting in net accounts receivable totaling $30,919,635. Accounts receivable at June 30, 2008, totaled $33,347,680. The allowance for doubtful accounts was computed to be $6,054,868, resulting in net accounts receivable totaling $27,292,812.

A summary of accounts receivable balances at June 30, 2009, are as follows:

	Gross	Allowance	Net
Student Accounts Receivable	$ 8,589,329	$ (4,952,302)	$ 3,637,027
Non-student Invoiced Accounts Receivable	18,071,683	(1,607,695)	16,463,988
Unreimbursed Research Contract Expenses	11,307,810	(489,190)	10,818,620
Totals	$ 37,968,822	$ (7,049,187)	$ 30,919,635

A summary of accounts receivable balances at June 30, 2008, are as follows:

	Gross	Allowance	Net
Student Accounts Receivable	$ 8,013,482	$ (5,061,539)	$ 2,951,943
Non-student Invoiced Accounts Receivable	16,384,754	(993,329)	15,391,425
Unreimbursed Research Contract Expenses	8,949,444		8,949,444
Totals	$ 33,347,680	$ (6,054,868)	$ 27,292,812

Annual Appropriated Budgets

In November, 2008, the citizens of the State of Arkansas voted to amend the Arkansas State Constitution to allow for annual legislative sessions. As a result, annual appropriated budgets are adopted for the state general fund. The annual period commences on July 1 of each year following the adjournment of the regular sessions of the General Assembly, and ends on June 30 the year after. An appropriation is construed to be available for the one year period following the legislative session in which it was approved. All appropriations lapse at the end of the year unless otherwise provided.

Capital Assets

Capital assets consisting of land, buildings, furniture, fixtures, equipment, improvements, infrastructure, and construction in progress are stated at cost or fair market value at date of gift. Library holdings are generally valued using average prices for library acquisitions. Buildings, improvements, and infrastructure additions are capitalized when the cost is $50,000 or more. For equipment, the University's capitalization policy includes all items with a unit cost of $2,500 or more, and an estimated useful life of two years or more. Renovations to buildings, infrastructure, and land improvements with a cost of $50,000 or more and that significantly increase the value or extend the useful life of the structure are capitalized. Library holdings are generally defined as collections of books and reference materials. A library book is a literary composition bound into a separate volume and identifiable as a separate copyrighted unit. Library reference materials are information sources other than books which include journals, periodicals,

microforms, audio/visual media, computer-based information, manuscripts, maps, documents, and similar items which provide information essential to the learning process or which enhance the quality of academic, professional or research libraries. 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.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 30 years for buildings, 15 to 20 years for infrastructure and land improvements, 3 to 10 years for equipment and 10 years for library holdings.

Capitalization of Interest
The University capitalizes interest involving qualifying assets, if material. 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.

Classification of Revenues
The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

- Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most Federal, state and local grants and contracts.

- Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* and GASB Statement No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances
Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants and nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

(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 Agricultural Experiment Station, the Cooperative Extension Service, Arkansas Archeological Survey, the Criminal Justice Institute, and the Clinton School of Public Service, as well as the academic units. The academic units in Fayetteville include ten colleges, schools and divisions: the Dale Bumpers College of Agricultural, Food, and Life Sciences, the Fay Jones 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, the Honors College, the Graduate School, and the School of Continuing Education and Academic Outreach. The University is one of eleven campuses of the University of Arkansas System. The governing body is the Board of Trustees which is comprised of ten members.

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

(3). Compensated Absences

In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*, which became effective with the fiscal year ending June 30, 2006. The Statement established guidance for accounting and reporting of the costs and liabilities associated with termination benefits, such as those associated with early retirement incentives. The University has not extended a large-scale or age-related early retirement offering during the fiscal year ended June 30, 2009. The University has, from time to time, negotiated early retirement agreements with faculty which may include the provision of healthcare or other benefits for future periods. The number of early retirement agreements is small and the obligation for future benefits is considered immaterial. Arkansas Code Annotated 21-4-501 authorized the compensation for accumulated unused sick leave for certain employees upon retirement. The University has accrued a liability for these amounts in *Compensated Absences Payable*.

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 a variable rate (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.

Classified employees who meet the conditions to be considered retirees at the time of termination of employment, are entitled to a partial payment of accumulated, unused sick leave in accordance with the provisions of Arkansas Code Annotated 21-4-501.

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. The liability also includes amounts paid to eligible classified employees for unused sick leave. A classified employee who has accumulated at least fifty (50) days, but less than sixty (60) days of sick leave upon retirement shall receive an amount equal to fifty percent (50%) of the number of accrued sick leave days (rounded to the nearest day) times fifty percent (50%) of the employee's daily salary. A classified employee who has accumulated at least sixty (60) days, but less than seventy (70) days of sick leave upon retirement shall receive an amount equal to sixty percent (60%) of the number of accrued sick leave days (rounded to the nearest day) times 60 percent (60%) of the employee's daily salary. A classified employee who has accumulated at least seventy (70) days, but less than eighty (80) days of sick leave upon retirement shall receive an amount equal to seventy percent (70%) of the number of accrued sick leave days (rounded to the nearest day) times seventy percent (70%) of the employee's daily salary. A classified employee that has accumulated at least eighty (80) or more days of sick leave upon retirement shall receive an amount equal to eighty percent (80%) of the number of accrued sick leave days (rounded to the nearest day) times eighty percent (80%) of the employee's daily salary. In no event shall an employee receive a sick leave incentive amount that exceeds $7,500.

The University recognizes the estimated amount of the liability that will be incurred within the next year as a current liability and the balance as noncurrent.

(4). Cash, Cash Equivalents, and Investments

Cash and cash equivalents – The University uses commercial banks for its cash deposits. Board of Trustees policy requires that all cash deposits be either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held at a third party financial institution (preferably the cognizant Federal Reserve Bank) in the University's name. Cash deposits are carried at cost. Cash balances in excess of current requirements are pooled and invested in highly liquid, short-term investments with the funds available

on a daily basis. The following summarizes the University's cash position:

	June 30, 2009	June 30, 2008
	Bank Balance	Bank Balance
Insured (FDIC)	$ 7,709,426	$ 579,055
Uninsured, Collateralized	56,457,880	19,316,516
Uninsured, Uncollateralized		
Total Deposits	$ 64,167,306	$ 19,895,571

Deposits are exposed to custodial risk if they are not covered by depository insurance (FDIC) and are uncollateralized, collateralized with securities held by the pledging institution or collateralized with securities held by the pledging institution's agent but not in the University's name. At June 30, 2009, none of the University's bank balance of $64,167,306 was exposed to custodial credit risk.

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 $2,154,493 at June 30, 2009, and $1,698,170 at June 30, 2008. The above deposit schedule does not include cash on hand in various imprest funds maintained by the University of $85,071 or short-term investments of $5,016,447 at June 30, 2009. At June 30, 2008, these amounts were $116,808 and $38,922,464, respectively.

Adjustments necessary to convert from Bank Balance to Total Cash and Equivalents are:

	June 30, 2009		June 30, 2008	
Bank Balance	$ 64,167,306		$ 19,895,571	
Less: Items in Transit	(4,144,104)		(3,992,607)	
Less: Nonnegotiable Certificates of Deposit	(4,983,663)		(34,000)	
Cash on Books		$ 55,039,539		$ 15,868,964
State Treasury Cash	$ 9,314,279		$ 6,402,505	
Cash Equivalents	5,016,447		38,922,464	
Less: System Cash	(2,154,493)		(1,698,170)	
Cash and Equivalents		12,176,233		43,626,799
Total Cash and Equivalents		$ 67,215,772		$ 59,495,763

Investments

Investments are recorded 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. All investments

were reported at fair value. The following is a summary of the University's investments held at June 30, 2009:

Investment Type	Fair Value at June 30, 2009
Mutual Treasury Funds	$ 50,124,062
Mutual Bond Funds	144,650
Corporate Bonds	10,400,674
CommonFund Short Term Fund	7,636,189
External Investment Pool-University of Arkansas System	105,173,694
Other	1,176,339
Total Investments	$ 174,655,608

The Mutual Treasury Funds of $50,124,062 includes $37,771,035 reported as deposits with bond trustees and $5,016,447 reported as cash equivalents on the Statement of Net Assets. The above schedule does not include nonnegotiable certificates of deposit of $4,983,663 which are considered deposits for GASB Statement 40 deposit and investment disclosures.

Effective June 30, 2005, the University is required under GASB Statement No. 40 to provide investment risk disclosures for all invested funds. Disclosures related to the CommonFund Short Term Fund and the External Investment Pool are shown separately. No disclosures were made for Other Investments. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy addressing interest rate risk. The University of Arkansas' investments subject to GASB 40 interest rate risk disclosure are summarized below:

Interest Rate Risk					
Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	5 to 10	More than 10
Corporate Bonds	$ 10,400,674	$ 7,003,406	$ 1,751,989	$ 1,410,068	$ 235,211

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University of Arkansas' investments subject to GASB 40 credit risk disclosure are summarized below:

Credit Risk						
Investment Type	Fair Value	Aaa-Aa3	A1-A3	Baa1-Baa3	Below Baa3	Not Rated
Mutual Treasury Funds	$ 50,124,062	$ 50,124,062				
Mutual Bond Funds	144,650					$ 144,650
Corporate Bonds	10,400,674	271,730	$ 9,212,209	$ 767,931	$ 123,240	25,564
Totals	$ 60,669,386	$ 50,395,792	$ 9,212,209	$ 767,931	$ 123,240	$ 170,214

The ratings are assigned by the Moody's investment ratings service.

CommonFund Short Term Fund

The CommonFund Short Term Fund (the Fund) is a bank common trust fund and as such is regulated by the United States Treasury Department Office of the Comptroller of the Currency. The University used the Fund as a vehicle to invest daily operating funds. On September 29, 2008, as a participant in the Fund, the University received notice from Wachovia Bank, in its capacity as Trustee of the Fund, of its decision to initiate the termination of the Fund, to stop accepting deposits, to establish procedures for an orderly liquidation and distribution of the Fund's assets and to resign as Trustee of the Fund. The Trustee took this action upon recognizing that market conditions had become increasingly disrupted, and to ensure fair and equitable treatment of all investors in the Fund. Accordingly, Fund assets which the Trustee considered less liquid in the current market environment and representing approximately 90% of the Fund's portfolio as of September 26, 2008, were placed in a separate account within the Fund identified as the "Intermediate/Longer-Term Tranche". The assets held in the Intermediate/Longer-Term Tranche were effectively frozen, and were not available for drawdown by investors. A separate pool, identified as the "Immediate Tranche", was also established and held the Fund assets that were readily converted to cash on a same or next-day basis, and available for drawdown.

In December 2008, Law Debenture Trust Company of New York (Law Debenture) was named successor Trustee to the Fund, and assumed all participant account record keeping responsibilities as well as serving as paying agent for the Fund.

Assets of the Fund have been liquidated as they mature or as market conditions permit. As of June 30, 2009, the University had $7,636,189 remaining in the Fund awaiting liquidation. Approximately 89% of the funds held on September 26, 2008 have been disbursed as of June 30, 2009.

Interest rate risk. The Fund invested in securities with maturities from one day to five and one-half years, but the portfolio was structured so that it would approximate the volatility of 3-month U.S. Treasury securities and not exceed the volatility of one-year U.S. Treasury securities. As the Fund has entered liquidation, the portfolio structure has changed significantly with securities maturing beyond five and one-half years. However, since the stated intentions of the Fund and the Fund Trustee are to return invested balances fully to participants as soon as is practical in light of market conditions, we do not believe the interest rate risk to be significantly changed.

Credit risk. The Fund was restricted to investments in U.S. Treasury and government agency securities, high quality corporate securities, mortgage- and asset- backed securities, and commercial and bank paper. However, the Fund is not rated by an external rating agency.

Concentration of Credit Risk

The University places no limit on the amount that may be invested with any one issuer. There were no investments with any one issuer that represented 5% or more of the total funds invested on June 30, 2009.

External Investment Pool-University of Arkansas System

The following tables contain information on the risk disclosure for the external investment pool, which commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. The pool was originally established in 1997 by the University of Arkansas and the University of Arkansas Foundation, Inc. During 1998, the Walton Arts Foundation joined the pool, and during 2003, the Fayetteville Campus Foundation, Inc. joined the pool. The participants of the pool have adopted investment guidelines and performance objectives for the accounts within the pool. This external investment pool is not SEC-registered. The external investment pool is not rated by an external rating agency. 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.

This information is provided in total for the pools, which includes the Total Return Pool and the Intermediate Pool. The University of Arkansas, Fayetteville owns 9.85% of the total of these pools.

University of Arkansas
Statement of Invested Assets

UNIVERSITY OF ARKANSAS GASB40 **June 30, 2009**

Investment Type		Fair Value*
CASH	**$**	**(1,988,910)**
CASH EQUIVALENTS	**$**	**118,670**
CASH COLLATERAL AT BROKER	$	118,670
FORWARD CONTRACTS	$	**(81,588)**
SHORT-TERM INVESTMENTS	**$**	**17,381,482**
POOLED FUNDS AND MUTUAL FUNDS	$	16,079,785
TREASURIES	$	1,301,697
EQUITY INVESTMENTS	**$**	**120,220,208**
COMMON STOCKS	$	113,984,572
REAL ESTATE INVESTMENT TRUSTS	$	6,150,021
PREFERRED STOCK	$	85,614
FIXED INCOME INVESTMENTS	**$**	**186,515,336**
GOVERNMENT FIXED INCOME	$	36,797,561
GOVERNMENT AGENCIES	$	20,399,851
GOVERNMENT BONDS	$	15,060,969
OTHER GOVERNMENT FIXED INCOME	$	1,336,740
GOVERNMENT ASSETS AND MORTGAGE BACKED	$	30,307,936
GOVERNMENT NATIONAL MORTGAGE ASSOC.	$	1,341,611
FEDERAL HOME LOAN MORTGAGE CORP.	$	10,754,302
FEDERAL NATIONAL MORTGAGE ASSOC.	$	12,279,123
COLLATERALIZED MORTGAGE OBLIGATIONS	$	5,932,900
CORPORATE FIXED INCOME	$	105,283,059
ASSET BACKED SECURITIES	$	40,128,962
CORPORATE BONDS	$	65,154,097
STATE AND LOCAL OBLIGATIONS	$	1,854,163
OTHER FIXED INCOME	$	12,272,617
PRIVATE PLACEMENTS	$	12,029,363
MISCELLANEOUS OTHER FIXED INCOME	$	243,254
CONVERTIBLE INVESTMENTS	**$**	**474,046**
CONVERTIBLE CORPORATE BONDS	$	474,046
OTHER ASSETS	**$**	**744,692,781**
MUTUAL FUNDS	$	654,468,231
VENTURE CAPITAL	$	89,825,869
PRIVATE EQUITIES	$	398,682
TOTAL	**$**	**1,067,332,025**

* Includes Accrued Income

University of Arkansas
Credit Risk – S&P Quality Ratings

Quality Ratings of TSY and AGY have been assigned by The Bank of New York Mellon
UNIVERSITY OF ARKANSAS GASB40 **June 30, 2009**

Investment type and fair Value ($000)*		TSY	AGY	AAA	AA	A	BBB	BB	B	CCC & Below	A-1	A-2	A-3	NR
SHORT-TERM INVESTMENTS	**$**			**1,302**										**16,080**
POOLED FUNDS AND MUTUAL FUNDS	$													16,080
TREASURIES	$			1,302										
FIXED INCOME INVESTMENTS	**$**	**3,178**	**31,453**	**69,207**	**16,417**	**36,470**	**16,385**	**629**	**1,268**	**1,638**				**9,869**
GOVERNMENT FIXED INCOME	$	3,178	520	30,938	792	862	498			11				
GOVERNMENT AGENCIES	$		520	19,054		815				11				
GOVERNMENT BONDS	$	3,178		11,883										
OTHER GOVERNMENT FIXED INCOME	$				792	47	498							
GOVERNMENT ASSETS AND MORTGAGE BACKED	$		28,760	854										694
GOVERNMENT NATIONAL MORTGAGE ASSOC.	$		1,342											
FEDERAL HOME LOAN MORTGAGE CORP.	$		10,754											
FEDERAL NATIONAL MORTGAGE ASSOC.	$		11,691	588										
COLLATERALIZED MORTGAGE OBLIGATIONS	$		4,973	265										694
CORPORATE FIXED INCOME	$		2,173	33,603	12,216	33,840	15,107	362	1,268	1,353				5,362
ASSET BACKED SECURITIES	$		2,173	29,252	402	1,606		111	1,081	303				5,201
CORPORATE BONDS	$			4,351	11,814	32,234	15,107	251	187	1,050				161
STATE AND LOCAL OBLIGATIONS	$			1,069	603	115								66
OTHER FIXED INCOME	$			2,744	2,807	1,653	780	267		275				3,747
PRIVATE PLACEMENTS	$			2,500	2,807	1,653	780	267		275				3,747
MISCELLANEOUS OTHER FIXED INCOME	$			243										
CONVERTIBLE INVESTMENTS	**$**						**474**							
CONVERTIBLE CORPORATE BONDS	$						474							
TOTAL	**$**	**3,178**	**31,453**	**70,509**	**16,417**	**36,470**	**16,859**	**629**	**1,268**	**1,638**				**25,949**

* Includes Accrued Income

UNIVERSITY OF ARKANSAS, FAYETTEVILLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

University of Arkansas
Years to Maturity

UNIVERSITY OF ARKANSAS GASB40 **June 30, 2009**

		Investment Maturities (in years)			
Investment Type(1)	**Fair Value***	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
SHORT-TERM INVESTMENTS	**$ 17,381,482**	**$ 1,301,697**	**$**	**$**	**$**
POOLED FUNDS AND MUTUAL FUNDS	$ 16,079,785	$	$	$	$
TREASURIES	$ 1,301,697	$ 1,301,697	$	$	$
FIXED INCOME INVESTMENTS	**$ 186,515,336**	**$ 1,837,438**	**$ 59,946,904**	**$ 28,882,535**	**$ 95,848,459**
GOVERNMENT FIXED INCOME	$ 36,797,561	$	$ 23,165,712	$ 4,494,527	$ 9,137,322
GOVERNMENT AGENCIES	$ 20,399,851	$	$ 17,691,883	$ 1,675,660	$ 1,032,308
GOVERNMENT BONDS	$ 15,060,969	$	$ 4,682,152	$ 2,771,843	$ 7,606,975
OTHER GOVERNMENT FIXED INCOME	$ 1,336,740	$	$ 791,677	$ 47,024	$ 498,040
GOVERNMENT ASSETS AND MORTGAGE BACKED	$ 30,307,936	$	$ 1,393,418	$ 2,960,820	$ 25,953,698
GOVERNMENT NATIONAL MORTGAGE ASSOC.	$ 1,341,611	$	$	$	$ 1,341,611
FEDERAL HOME LOAN MORTGAGE CORP.	$ 10,754,302	$	$	$	$ 10,754,302
FEDERAL NATIONAL MORTGAGE ASSOC.	$ 12,279,123	$	$ 1,270,735	$ 498,884	$ 10,509,504
COLLATERALIZED MORTGAGE OBLIGATIONS	$ 5,932,900	$	$ 122,684	$ 2,461,935	$ 3,348,281
CORPORATE FIXED INCOME	$ 105,283,059	$ 1,108,586	$ 27,432,205	$ 18,180,619	$ 58,561,649
ASSET BACKED SECURITIES	$ 40,128,962	$	$ 1,501,640	$ 2,117,123	$ 36,510,198
CORPORATE BONDS	$ 65,154,097	$ 1,108,586	$ 25,930,565	$ 16,063,495	$ 22,051,451
STATE AND LOCAL OBLIGATIONS	$ 1,854,163	$	$ 1,069,340	$ 424,406	$ 360,416
OTHER FIXED INCOME	$ 12,272,617	$ 728,851	$ 6,886,228	$ 2,822,163	$ 1,835,374
PRIVATE PLACEMENTS	$ 12,029,363	$ 728,851	$ 6,886,228	$ 2,822,163	$ 1,592,120
MISCELLANEOUS OTHER FIXED INCOME	$ 243,254	$	$	$	$ 243,254
CONVERTIBLE INVESTMENTS	**$ 474,046**	**$**	**$**	**$**	**$ 474,046**
CONVERTIBLE CORPORATE BONDS	$ 474,046	$	$	$	$ 474,046
TOTAL	**$ 204,370,864**	**$ 3,139,135**	**$ 59,946,904**	**$ 28,882,535**	**$ 96,322,505**

* Includes Accrued Income
(1) Pooled and Mutual Fund/Commingled Fund values are displayed for Fair Value Totals only

University of Arkansas
Interest Rate Sensitivity – Effective Duration

UNIVERSITY OF ARKANSAS GASB40 **June 30, 2009**

Investment Type(1)		Fair Value*	Effective Duration
SHORT-TERM INVESTMENTS	**$**	**17,381,482**	**0.39**
POOLED FUNDS AND MUTUAL FUNDS	$	16,079,785	
TREASURIES	$	1,301,697	0.39
FIXED INCOME INVESTMENTS	**$**	**186,515,336**	**4.62**
GOVERNMENT FIXED INCOME	$	36,797,561	5.47
GOVERNMENT AGENCIES	$	20,399,851	3.41
GOVERNMENT BONDS	$	15,060,969	8.14
OTHER GOVERNMENT FIXED INCOME	$	1,336,740	6.93
GOVERNMENT ASSETS AND MORTGAGE BACKED	$	30,307,936	2.30
GOVERNMENT NATIONAL MORTGAGE ASSOC.	$	1,341,611	2.62
FEDERAL HOME LOAN MORTGAGE CORP.	$	10,754,302	2.27
FEDERAL NATIONAL MORTGAGE ASSOC.	$	12,279,123	2.14
COLLATERALIZED MORTGAGE OBLIGATIONS	$	5,932,900	2.78
CORPORATE FIXED INCOME	$	105,283,059	5.07
ASSET BACKED SECURITIES	$	40,128,962	3.51
CORPORATE BONDS	$	65,154,097	5.92
STATE AND LOCAL OBLIGATIONS	$	1,854,163	6.29
OTHER FIXED INCOME	$	12,272,617	4.46
PRIVATE PLACEMENTS	$	12,029,363	4.34
MISCELLANEOUS OTHER FIXED INCOME	$	243,254	9.93
CONVERTIBLE INVESTMENTS	**$**	**474,046**	**22.53**
CONVERTIBLE CORPORATE BONDS	$	474,046	22.53
TOTAL	**$**	**204,370,864**	**4.63**

* Includes Accrued Income
(1) Pooled and Mutual Fund/Commingled Fund values are displayed for Fair Value Totals only

University of Arkansas
Foreign Currency Risk By Investment Type

American Depository Receipts (ADRs) are Non-U.S. Equity that are issued in U.S. Dollar, and have no Foreign Currency Risk.
UNIVERSITY OF ARKANSAS GASB40 **June 30, 2009**

Currency by investment and Fair Value ($000)*	CASH	Cash Equ.	Forward Contracts	Short Term	Equity	All Other**
AUSTRALIAN DOLLAR	$ 33	$	$	$	$ 1,422	$
BRAZILIAN REAL	$	$	$	$	$ 317	$
BRITISH PND STERLING	$ 151	$	$	$	$ 8,308	$
CANADIAN DOLLAR	$ 5	$	$	$	$ 409	$
CZECH KORUNA	$ 5	$	$	$	$ 286	$
DANISH KRONE	$ 12	$	$	$	$ 307	$
EURO CURRENCY	$ 69	$ 37	$	$	$ 16,184	$
HONG KONG DOLLAR	$ 33	$	$	$	$ 630	$
JAPANESE YEN	$ 118	$	$	$	$ 8,073	$
NEW ZEALAND DOLLAR	$ 2	$	$	$	$ 19	$
NORWEGIAN KRONE	$ 38	$	$	$	$ 827	$
RENMINBI YUAN	$	$	$	$	$ 97	$
SINGAPORE DOLLAR	$ 16	$	$	$	$ 404	$
SOUTH AFRICAN RAND	$ 3	$	$	$	$ 151	$
SOUTH KOREAN WON	$	$	$	$	$ 346	$
SWEDISH KRONA	$ 36	$	$	$	$ 1,192	$
SWISS FRANC	$ 35	$	$	$	$ 1,599	$
TOTAL	**$ 556**	**$ 37**	**$**	**$**	**$ 40,571**	**$**

*** Includes Accrued Income**
**** ALL OTHER Category includes: Fixed Income, Convertible Inv., Derivatives, Mortgages, Real Estate, Company Securities, and Other Assets**

The activities during fiscal year 2009 affecting the University's investments in the external pool are summarized below:

	Total Return Pool	Intermediate Pool	Intermediate Pool CES	Total
June 30, 2008, Balances	$ 63,613,227	$ 48,824,152	$ 8,295,858	$ 120,733,237
Income	684,101	2,372,626	416,981	3,473,708
Realized Gains/(Losses)				
Unrealized Gains/(Losses)	(16,182,562)	(305,810)	(34,189)	(16,522,561)
Expenses Paid from Pool	(424,798)	(73,039)	(12,853)	(510,690)
Transfers In/(Out) of Pool		(2,000,000)		(2,000,000)
June 30, 2009, Balances	$ 47,689,968	$ 48,817,929	$ 8,665,797	$ 105,173,694

The activities during fiscal year 2008 affecting the University's investments in the external pool are summarized below:

	Total Return Pool	Intermediate Pool	Intermediate Pool CES	Total
June 30, 2007, Balances	$ 71,414,422	$ 41,350,669	$ 7,778,991	$ 120,544,082
Income	1,286,639	1,803,096	381,702	3,471,437
Realized Gains/(Losses)	5,738,931	242,566	49,638	6,031,135
Unrealized Gains/(Losses)	(6,870,583)	486,690	98,535	(6,285,358)
Expenses Paid from Pool	(356,182)	(58,869)	(13,008)	(428,059)
Transfers In/(Out) of Pool	(7,600,000)	5,000,000		(2,600,000)
June 30, 2008, Balances	$ 63,613,227	$ 48,824,152	$ 8,295,858	$ 120,733,237

Endowment Funds – 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:

	2009	2008
Fair Value @ June 30	$ 47,365,752	$ 65,864,836
Number of Units in Pool @ June 30	1,829,903	1,917,419
Fair Value per Unit @ June 30	$ 25.884	$ 34.351
Gains/(Losses) for the Year	$ (16,182,562)	$ (1,226,069)
Net Income Earned for the Year	$ 259,303	$ 546,998
Gain/(Loss) per Unit	$ (8.84)	$ (0.64)
Income Earned per Unit	0.14	0.29
Total per Unit	$ (8.70)	$ (0.35)

Donor-restricted Endowments

The computation of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure is as follows:

	2009	2008
Total Endowment at June 30	$ 48,244,300	$ 66,865,020
Less: Funds treated as Endowment	(9,341,454)	(12,751,428)
Non-expendable portion of Endowment	(21,062,048)	(21,679,605)
Available for Expenditure	$ 17,840,798	$ 32,433,987

Note: The amounts shown as available for expenditure and the funds treated as endowments are reported as expendable net assets on the Statement of Net Assets.

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

The University uses a total return policy for investing endowed funds. The University's spending policy is to expend 6.084% of the balance of the endowment averaged over the previous twelve quarters.

(5). Notes Receivable

Notes receivable consist of resources made available for financial loans to students of the University and of financing agreements between the University and certain organizations for the purpose of facilities construction.

The resources for loans to students include federal funds, funds from other external sources, and University funds. New student loans totaling $992,523 and $2,943,383 were issued under the Student Loan Programs for the years ended June 30, 2009, and June 30, 2008, respectively. Of total campus-based loans processed, the majority were from Perkins funds provided by the federal government. The federal student loan default rate based on the U.S. Department of Education Cohort default rate was 8.64% for the year ended June 30, 2009, and 12.87% for the year ended June 30, 2008. Notes receivable totaling $50,103 and $19,778 were written off during the fiscal year ended June 30, 2009, and June 30, 2008, respectively.

The following summarizes the balance of notes receivable at June 30, 2009:

Type of Note	Gross Balance	Allowance	Net Balance	Current Portion
Student loans	$ 15,272,873	$ 732,646	$ 14,540,227	$ 3,054,575
Loans to Greek organizations	1,221,620		1,221,620	104,905
Totals	$ 16,494,493	$ 732,646	$ 15,761,847	$ 3,159,480

The following summarizes the balance of notes receivable at June 30, 2008:

Type of Note	Gross Balance	Allowance	Net Balance	Current Portion
Student loans	$ 15,523,430	$ 764,475	$ 14,758,955	$ 3,104,686
Loans to Greek organizations	1,322,807		1,322,807	101,187
Totals	$ 16,846,237	$ 764,475	$ 16,081,762	$ 3,205,873

(6). Pledges Receivable

The University did not have any material amounts pledged that were receivable at June 30, 2009 or 2008.

(7). 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, 2009. It is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

(8). Accounts Payable and Accrued Liabilities

Accounts payable balances are summarized as follows:

	June 30, 2009	June 30, 2008
Payable to Outside Vendors	$ 13,253,160	$ 14,655,426
Retainage on Construction Contracts	2,146,672	3,897,504
Property Taxes Payable	114,978	91,156
Total	$ 15,514,810	$ 18,644,086

Accrued payroll liabilities are summarized as follows:

	June 30, 2009	June 30, 2008
Net Salaries and Wages Payable	$ 3,779,027	$ 3,014,004
Employee Withholdings Payable	6,567,327	6,476,772
Employer Payroll Taxes and Benefits Matching Payable	4,823,099	4,396,900
Total	$ 15,169,453	$ 13,887,676

(9). Compensated Absences, Bonds, Notes, Capital Leases Payable, and Installment Contracts

Debt service payments on existing bonds amounted to $29,944,795 for the fiscal year ended June 30, 2009. The amount of $4,474,288 was expended for principal and interest on notes payable, installment contracts and capital leases for the same period.

On August 1, 2008, the University issued $36,750,000 in Various Facility Revenue Bonds, Series 2008A and $15,210,000 in Various Facility Revenue Bonds, Series 2008B (Taxable). The bonds were issued to provide funds to finance various construction projects on the University campus including a new parking garage, a new campus radio station facility, a new bookstore building and other retail space. Also financed with the proceeds were the purchase of various parcels of land and smaller renovations.

On October 15, 2008, the University entered into a loan agreement with Bank of America, N.A., to obtain $5,000,000 to finance improvements to various athletic facilities on the University campus. The Athletic Facilities Revenue Promissory Note was issued with an interest rate of 5% and is to be repaid with quarterly payments commencing on March 13, 2009. The final maturity date is September 13, 2013.

On December 19, 2008, the University entered into a financing agreement with Banc of America Public Capital Corp. to finance the acquisition and installation of equipment, together will all additions, accessions, repairs and replacements necessary to fulfill the energy savings performance contract between the University and Energy Systems Group, LLC. Under the terms of the financing agreement, the University has available up to

$23,842,000 to draw upon to pay its obligations to Energy Systems Group, LLC. The University is obligated to pay quarterly interest-only payments to the lender until the anticipated completion date of the project of October 19, 2010. At that time, the amortization of the loan agreement will commence with quarterly payments beginning on November 11, 2010. In the event the University does not draw down the entire amount available, Banc of America Public Capital Corp. will adjust the payment schedule to reflect the actual amount drawn and credit the University for any excess interest paid. The financing agreement bears an interest rate of 4.581%. As of June 30, 2009, the University has drawn down $1,521,368.

On October 1, 2007, the University issued $45,010,000 in Various Facility Revenue Bonds, Series 2007A. The bonds were issued to provide funds to finance two construction projects on the University campus including a new residence hall complex and a new student apartment complex.

On May 11, 2007, the University entered into a financing agreement with the University of Arkansas Foundation, Inc. The agreement calls for the University of Arkansas Foundation, Inc., to provide credit up to $6,000,000 for the construction of a new softball stadium for the women's softball team. The University is to make minimum quarterly payments of interest accrued on the draw note balance. The interest accrued on the draw note balance will be assessed at a variable rate equal to the investment return rate of the University of Arkansas Foundation, Inc. As of June 30, 2009 the University has drawn down the entire $6,000,000 credit limit to finance the construction project.

The project has been completed, and the unpaid principal balance of the draw note will be replaced by a promissory note. The promissory note shall be fully repaid by March 31, 2013. An option to renew the promissory note for an additional five year period to March 31, 2018, will require the approval of the University of Arkansas Foundation, Inc. The promissory note is anticipated to be repaid from major gift pledges, trademark licensing proceeds and other gifts.

In October, 2007, the University signed a promissory note with the University of Arkansas Foundation, Inc. that formally incorporated a previously recorded note payable. On May 7, 1999, the University of Arkansas Board of Trustees had approved borrowing up to $1,800,000 from the University of Arkansas Foundation, Inc. to finance the renovation of the building now known as the University House. Through June 30, 2007, the University had drawn $827,888 from the University of Arkansas Foundation, Inc. for the building renovation, and had accrued interest payable in the amount of $334,064 for a total debt of $1,161,952. The total debt was converted to a promissory note with interest to be assessed at a variable rate equal to the investment return rate of the University of Arkansas Foundation, Inc. Repayment is to be made quarterly, with final maturity by December 31, 2019.

On October 31, 2007, the University entered into a financing agreement with the University of Arkansas Foundation, Inc. The agreement calls for the University of Arkansas Foundation, Inc., to provide credit up to $9,067,000 for the construction of J.B.

Hunt Transport, Inc. Center for Academic Excellence building. The University is to make minimum quarterly payments of interest accrued on the draw note balance. The interest accrued on the draw note balance will be assessed at a variable rate equal to the investment return rate of the University of Arkansas Foundation, Inc. The University drew down funds totaling $7,767,000 during the fiscal year ended June 30, 2008. With the receipt of gifts applied to the principal after the draw was made, and the assessment of accrued interest, the balance of the liability at June 30, 2008, was $4,117,502.

The project has been completed, and the unpaid principal balance of the draw note will be replaced by a promissory note. The promissory note shall be fully repaid by September 30, 2011. The promissory note is anticipated to be repaid primarily from major gift pledges.

On November 30, 2007, the University entered into a financing agreement with BOSC, Inc. in the amount of $6,950,000 for the purchase of various pieces of equipment and other additions, accessions repairs and replacements associated with the University's Energy Savings Performance Contract project. The agreement carries an interest rate of 4.69% with annual payments made on the July 1 of each fiscal year. Final maturity is July 1, 2023. Debt is to be serviced from the savings resulting from the work performed.

On March 1, 2005, the University issued $21,020,000 in Various Facility Revenue Bonds, Series 2005A, and $60,000,000 in Various Facility Revenue Refunding Bonds, Series 2005B. Series 2005A bonds were issued to provide funds to finance the construction of the Willard Walker Graduate School of Business building, the Center for Academic Excellence building, and the Chemistry building. Series 2005B bonds were issued with an average coupon rate of 4.408% in order to advance refund $44,195,000 of Series 2002 Various Facility Revenue Bonds and $12,135,000 of Series 2001 Various Facility Revenue Bonds. The refunded bonds have an average interest rate of 5.472%. Proceeds in the amount of $62,255,099, plus an additional $779,632, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded 2002 and 2001 Series bonds. Regularly scheduled interest and principal payments on the 2002 Series and 2001 Series issues were made on June 1, 2005, and will continue through December 1, 2012, for Series 2002 and through December 1, 2011, for Series 2001, from the escrow fund. All outstanding refunded Series 2002 bonds will be redeemed on December 1, 2012, at a price equal to 100% of the principal amount plus interest accrued thereon. All outstanding refunded Series 2001 bonds will be redeemed on December 1, 2011, at a price equal to 100% of the principal amount plus interest accrued thereon. As a result, those portions of the 2002 Series and 2001 Series bonds are considered defeased. The liability for those bonds has been removed from the Statement of Net Assets. The University advance refunded portions of the 2002 and 2001 Series bonds to reduce its total debt service payments over the next 18 years by $4,116,788 and to obtain economic gain (difference between the present value of the debt service payments on the old and new debt) of $2,263,717. The escrow balance at June 30, 2009, was $59,348,919.

Remaining balances of defeased bond issues as of June 30, 2009:

Title	Principal Balance at June 30, 2009
Various Facilities Revenue Bonds, Series 2002	$ 44,195,000
Various Facilities Revenue Bonds, Series 2001	12,135,000
Total	$ 56,330,000

During the fiscal year ended June 30, 2009, the University entered into three capital lease purchase agreements to finance the purchases of equipment. On October 3, 2008, the University entered into a Capital Lease agreement with John Deere Credit in the amount of $31,991 for equipment. The lease bears interest at 5.25%, and has a final maturity date of October 3, 2012 which contains a bargain purchase option.

On October 21, 2008, the University entered into an equipment lease agreement with SunTrust Equipment Finance & Leasing Corp. The purpose of the agreement is to provide the University with the financing to purchase equipment for Walton Arena on the University campus. The total of the lease agreement is $2,337,685 and was issued with an interest rate of 5.55%. The final maturity date of the lease agreement is October 21, 2014.

On May 12, 2009, the University entered into a Capital Lease agreement with John Deere Credit in the amount of $38,037 for equipment. The lease bears interest at 5.75% and has a final maturity date of May 12, 2014, which contains a bargain purchase option.

During the fiscal year ended June 30, 2008, the University entered into two capital lease purchase agreements to finance the purchase of equipment. One lease was for the purchase of equipment for the University's student health center in the amount of $18,950. The lease was financed at an annual interest rate of 7.95%. Monthly payments commenced in November, 2007 and were originally scheduled to continue through October, 2012, however, management elected to exercise its right to pay off the lease on July 23, 2008.

On June 11, 2008, the University entered into a capital lease agreement with John Deere Credit in the amount of $45,588 for equipment. The lease bears interest at an annual rate of 5.25%. The initial payment was made at the inception of the agreement and annual payments continue until the final maturity date of June 11, 2012. The agreement includes a bargain purchase option.

A summary of long term debt at June 30, 2009, is as follows:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding at June 30, 2009	Maturities and Refinanced Amounts to June 30, 2009
11/01/1996	11/01/2009	3.85% to 5.25%	$ 12,105,000	$ 550,000	$ 11,555,000
10/15/1997	11/01/2022	3.95% to 5.25%	21,445,000	6,005,000	15,440,000
05/01/1999	09/15/2020	3.35% to 4.85%	30,000,000	20,440,000	9,560,000
11/01/2001	12/01/2021	2.90% to 5.50%	42,985,000	19,450,000	23,535,000
11/01/2001	12/01/2021	4.20%	11,555,000	4,000,000	7,555,000
12/01/2002	12/01/2032	1.80% to 5.50%	110,980,000	53,595,000	57,385,000
10/01/2004	11/01/2024	2.00% to 4.75%	30,550,000	26,750,000	3,800,000
03/01/2005	11/01/2025	3.00% to 4.50%	81,020,000	77,535,000	3,485,000
07/01/2005	09/15/2011	3.00% to 3.25%	9,645,000	4,860,000	4,785,000
06/01/2006	11/01/2036	4.00% to 5.00%	67,420,000	66,050,000	1,370,000
06/01/2006	09/15/2022	4.00% to 4.375%	8,205,000	7,450,000	755,000
10/01/2007	11/01/2037	4.00% to 5.00%	45,010,000	44,415,000	595,000
08/01/2008	11/01/2038	4.00% to 5.00%	36,750,000	36,750,000	
08/01/2008	11/01/2028	4.10% to 6.375%	15,210,000	15,210,000	
11/30/1991	05/01/2022	5.50%	3,000,000	1,889,177	1,110,823
11/29/1995	12/01/2019	4.00% to 5.00%	2,071,140	1,221,620	849,520
09/13/1995	12/01/2010	5.75% to 7.05%	535,000	105,000	430,000
12/20/1999	12/31/2019	Variable	1,161,952	982,362	179,590
10/31/2007	09/30/2011	Variable	7,767,000	2,832,491	4,934,509
05/11/2007	03/31/2013	Variable	6,000,000	5,435,934	564,066
07/31/2002	07/01/2012	2.05%	900,000	289,422	610,578
11/30/2007	07/01/2023	4.69%	6,950,000	6,923,392	26,608
10/15/2008	09/13/2013	5.00%	5,000,000	4,530,956	469,044
12/19/2008	08/19/2023	4.581%	1,521,368	1,521,368	
Various	Various	Various	2,488,049	2,045,572	442,477
Deferral on debt defeasance			(4,295,000)	(3,035,072)	(1,259,928)
Totals			$ 555,979,509	$ 407,802,222	$ 148,177,287

A summary of long term debt at June 30, 2008, is as follows:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding at June 30, 2008	Maturities and Refinanced Amounts to June 30, 2008
11/01/1996	11/01/2009	3.85% to 5.25%	$ 12,105,000	$ 1,075,000	$ 11,030,000
10/15/1997	11/01/2022	3.95% to 5.25%	21,445,000	6,720,000	14,725,000
05/01/1999	09/15/2020	3.35% to 4.85%	30,000,000	21,680,000	8,320,000
11/01/2001	12/01/2021	2.90% to 5.50%	42,985,000	21,550,000	21,435,000
11/01/2001	12/01/2021	4.20%	11,555,000	4,000,000	7,555,000
12/01/2002	12/01/2032	1.80% to 5.50%	110,980,000	56,095,000	54,885,000
10/01/2004	11/01/2024	2.00% to 4.75%	30,550,000	27,735,000	2,815,000
03/01/2005	11/01/2025	3.00% to 4.50%	81,020,000	78,630,000	2,390,000
07/01/2005	09/15/2011	3.00% to 3.25%	9,645,000	6,500,000	3,145,000
06/01/2006	11/01/2036	4.00% to 5.00%	67,420,000	66,745,000	675,000
06/01/2006	09/15/2022	4.00% to 4.375%	8,205,000	7,835,000	370,000
10/01/2007	11/01/2037	4.00% to 5.00%	45,010,000	45,010,000	
11/30/1991	05/01/2022	5.50%	3,000,000	1,986,557	1,013,443
11/29/1995	12/01/2019	4.00% to 5.00%	2,071,140	1,322,807	748,333
09/13/1995	12/01/2010	5.75% to 7.05%	535,000	155,000	380,000
12/20/1999	12/31/2019	Variable	1,161,952	1,095,402	66,550
10/31/2007	09/30/2011	Variable	7,767,000	4,117,502	3,649,498
05/11/2007	03/31/2013	Variable	3,023,075	3,012,100	10,975
07/31/2002	07/01/2012	2.05%	900,000	382,046	517,954
11/30/2007	07/01/2023	4.69%	6,950,000	6,950,000	
Various	Various	Various	2,136,708	371,284	1,765,424
Deferral on debt defeasance			(4,295,000)	(3,323,698)	(971,302)
Totals			$ 494,169,875	$ 359,644,000	$ 134,525,875

Equipment Leases

The University has acquired certain equipment under various lease-purchase contracts. The cost of equipment held under capital leases totaled $2,508,912 at June 30, 2009.

Type of Equipment	Asset Balance June 30, 2009
Electronic Message Board	$ 2,337,685
Farm Equipment	171,227
Total	$ 2,508,912
Total Minimum Lease Payments	$ 2,452,235
Less: Amount Representing Interest	406,663
Total Present Value of Net Minimum Lease Payments	$ 2,045,572

Changes in long-term liabilities for the year ended June 30, 2009, are as follows:

	Fiscal Year Ended June 30, 2009				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds	$ 343,575,000	$ 51,960,000	$ 12,475,000	$ 383,060,000	$ 21,850,000
Deferral on debt defeasance	(3,323,698)		(288,626)	(3,035,072)	(288,625)
Notes	12,071,414	7,991,914	2,776,366	17,286,962	3,321,038
Leases	244,797	2,407,713	606,938	2,045,572	315,896
Installment contracts	7,076,487	1,521,368	153,095	8,444,760	261,293
Compensated absences	16,423,393	800,966	62,798	17,161,561	1,019,349
Liability for retiree insurance benefits	5,090,958	1,966,780		7,057,738	
Totals	$ 381,158,351	$ 66,648,741	$ 15,785,571	$ 432,021,521	$ 26,478,951

Note: Amounts shown in "Ending Balance" include both current and long-term portions.

Changes in long-term liabilities for the year ended June 30, 2008, are as follows:

Fiscal Year Ended June 30, 2008					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds	$ 309,880,000	$ 45,010,000	$ 11,315,000	$ 343,575,000	$ 12,475,000
Deferral on debt defeasance	(3,612,324)		(288,626)	(3,323,698)	(288,625)
Notes	4,999,767	11,124,139	4,052,492	12,071,414	2,395,338
Leases	350,633	64,538	170,374	244,797	55,819
Installment contracts	337,031	6,950,000	210,544	7,076,487	153,095
Compensated absences	15,900,015	581,936	58,558	16,423,393	1,001,431
Liability for retiree insurance benefits		5,090,958		5,090,958	865,349
Totals	$ 327,855,122	$ 68,821,571	$ 15,518,342	$ 381,158,351	$ 16,657,407

Note: Amounts shown in "Ending Balance" include both current and long-term portions.

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

	PRINCIPAL	INTEREST*	TOTAL
2010	$ 25,459,602	$ 19,516,563	$ 44,976,165
2011	17,034,003	18,216,209	35,250,212
2012	15,863,090	17,236,928	33,100,018
2013	14,844,732	16,569,861	31,414,593
2014	14,696,753	15,910,486	30,607,239
2015-2019	84,260,933	68,814,045	153,074,978
2020-2024	91,348,109	46,734,328	138,082,437
2025-2029	55,085,000	29,252,218	84,337,218
2030-2034	53,190,000	15,494,581	68,684,581
2035-2039	36,020,000	3,654,500	39,674,500
Totals	$ 407,802,222	$ 251,399,719	$ 659,201,941

*Interest payments made on three notes payable are calculated using floating interest rates. The interest on the notes will be calculated using a floating rate equal to the amount earned on non-endowed investments known as the short-term intermediate pool each quarter from the fiscal years ended June 30, 2009, until maturity. The estimated future interest for these notes was calculated using the rate of 4.29%.

Pledged Revenues

For purposes of extinguishing the University's long-term debt issues, certain revenues have been pledged as security. The following is a summary of the gross revenues collected during the fiscal year ended June 30, 2009, and June 30, 2008, that are pledged:

BOND SERIES	REVENUE SOURCE	2009	2008
Series 1996 Refunding	Student Tuition and Fees	$ 134,684,066	$ 117,979,624
Series 1997 Various Facilities	Sales and Services	12,116,083	11,426,061
Series 2001 Various Facilities	Residential Life	26,601,273	23,612,200
Series 2002 Various Facilities	Arkansas Union	1,158,713	1,085,153
Series 2004 Various Facilities	Bookstore	14,147,207	14,461,803
Series 2005 Various Facilities	Student Health Services	1,093,942	1,208,803
Series 2006 Various Facilities	Transit and Parking	5,850,087	5,801,954
Series 2007 Various Facilities	Other Auxiliaries	2,671,068	2,361,031
Series 2008 Various Facilities	Total Various Fac. Pledge	$ 198,322,439	$ 177,936,629
Series 1999 Athletic Facilities	Men's Athletic Revenue	$ 46,078,178	$ 44,470,387
Series 2001 Athletic Subordinate	(less game guarantees)	(2,158,821)	(2,862,000)
Series 2005 Athletic Refunding			
Series 2006 Athletic Facilities	Total Athletics Pledge	$ 43,919,357	$ 41,608,387

The following is a comparison of pledged revenues earned to the amount of debt service per bond issue for the year ended June 30, 2009:

BOND SERIES	MATURITY DATE	PURPOSE OF DEBT	REMAINING PRINCIPAL & INTEREST	FY2009 PRINCIPAL & INTEREST	REVENUE SOURCE	FY2009 REVENUE	% OF PLEDGED REVENUES IN FY2009
VARIOUS FACILITIES BONDS:							
Series 1996 Various Facilities	11/01/2009	Refunding Bond Series 1988 and 1989 for HPER and Old Main	$ 564,438	$ 567,394	Various Fac. Pledge	$ 198,322,439	0.29%
Series 1997 Various Facilities	11/01/2022	Construction of Parking Facility, Alumni Center, Union Renovation and other Capital Assets	8,736,021	1,033,603	Various Fac. Pledge	198,322,439	0.52%
Series 2001 Various Facilities	12/01/2021	Renovation of Science Engineering, University House, Construction of Chiller, Gymnastics Facility, Research Building and other Capital Assets	22,976,313	3,097,160	Various Fac. Pledge	198,322,439	1.56%
Series 2002 Various Facilities	12/01/2032	Construction of Student Housing, Health Center, Parking Structure, Walker Graduate School of Business, Chemistry Building Renovation, HPER Renovation, Utility Infrastructure and other Capital Asset	92,599,975	5,226,350	Various Fac. Pledge	198,322,439	2.64%
Series 2004 Various Facilities	11/01/2024	Law Library Addition, Chiller Rebuild, Old Main Renovation, Parking Structure, Band Building Addition, Land Purchases, Health Center, Vol Walker Renovation, and other Capital Assets. Refund portion of Series 1998 Var. Facilities Bonds	35,836,271	2,049,012	Various Fac. Pledge	198,322,439	1.03%
Series 2005 Various Facilities	11/01/2025	Construction of Center for Academic Excellence, Walker Graduate School of Business, Law School Addition, and Refund Portion of Series 2001 Var. Facilities Bonds and Series 2002 Var. Facilities Bonds.	106,827,671	4,444,590	Various Fac. Pledge	198,322,439	2.24%
Series 2006 Various Facilities	11/01/2036	Construction of Student Housing, Law School Addition, Steam Plant Performance Contract, and Poultry Science Energy Management	124,591,522	3,879,285	Various Fac. Pledge	198,322,439	1.96%
Series 2007 Various Facilities	11/01/2037	Construction of Student Housing	82,222,181	2,689,663	Various Fac. Pledge	198,322,439	1.36%
Series 2008 Various Facilities	11/01/2038	Construction of Parking Garage, Bookstore, KUAF Radio, and other facilities, also purchase of parcels of land.	101,116,827	2,006,541	Various Fac. Pledge	198,322,439	1.01%
		Total Percentage of Pledged Revenues					12.61%
ATHLETIC FACILITIES BONDS AND NOTE:							
Series 1999 Athletic Facilities	09/15/2020	Expansion of Football Stadium	27,135,093	2,260,435	Athletics Pledge	43,919,357	5.15%
Series 2001 Athletic Facilities	12/01/2021	Expansion of Football Stadium	6,100,000	168,000	Athletics Pledge	43,919,357	0.38%
Series 2005 Athletic Facilities	09/15/2011	Refund Series 1997 Athletic Facilities Bonds for Walton Arena	5,082,287	1,821,273	Athletics Pledge	43,919,357	4.15%
Series 2006 Athletic Facilities	09/15/2022	Construction of John McDonnell Outdoor Track Stadium	9,859,637	701,491	Athletics Pledge	43,919,357	1.60%
Series 2008 Athletic Facilities Revenue Prom. Note	09/13/2013	Improvements to various athletic facilities	5,065,493	595,940	Athletics Pledge	43,919,357	1.36%
		Total Percentage of Pledged Revenues					12.64%

The following is a comparison of pledged revenues earned to the amount of debt service per bond issue for the year ended June 30, 2008:

BOND SERIES	MATURITY DATE	PURPOSE OF DEBT	REMAINING PRINCIPAL & INTEREST	FY2008 PRINCIPAL & INTEREST	REVENUE SOURCE	FY2008 REVENUE	% OF PLEDGED REVENUES IN FY2008
VARIOUS FACILITIES BONDS:							
Series 1996 Various Facilities	11/01/2009	Refunding Bond Series 1988 and 1989 for HPER and Old Main	$ 1,131,831	$ 568,538	Various Fac. Pledge	$ 177,936,629	0.32%
Series 1997 Various Facilities	11/01/2022	Construction of Parking Facility, Alumni Center, Union Renovation and other Capital Assets	9,769,624	1,462,163	Various Fac. Pledge	177,936,629	0.82%
Series 2001 Various Facilities	12/01/2021	Renovation of Science Engineering, University House, Construction of Chiller, Gymnastics Facility, Research Building and other Capital Assets	26,073,473	2,679,320	Various Fac. Pledge	177,936,629	1.51%
Series 2002 Various Facilities	12/01/2032	Construction of Student Housing, Health Center, Parking Structure, Walker Graduate School of Business, Chemistry Building Renovation, HPER Renovation, Utility Infrastructure and other Capital Asset	97,826,325	5,117,975	Various Fac. Pledge	177,936,629	2.88%
Series 2004 Various Facilities	11/01/2024	Law Library Addition, Chiller Rebuild, Old Main Renovation, Parking Structure, Band Building Addition, Land Purchases, Health Center, Vol Walker Renovation, and other Capital Assets. Refund portion of Series 1998 Var. Facilities Bonds	37,885,283	2,040,736	Various Fac. Pledge	177,936,629	1.15%
Series 2005 Various Facilities	11/01/2025	Construction of Center for Academic Excellence, Walker Graduate School of Business, Law School Addition, and Refund Portion of Series 2001 Var. Facilities Bonds and Series 2002 Var. Facilities Bonds.	111,272,262	4,446,990	Various Fac. Pledge	177,936,629	2.50%
Series 2006 Various Facilities	11/01/2036	Construction of Student Housing, Law School Addition, Steam Plant Performance Contract, and Poultry Science Energy Management	128,470,807	3,886,685	Various Fac. Pledge	177,936,629	2.18%
Series 2007 Various Facilities	11/01/2037	Construction of Student Housing	84,911,844	1,228,828	Various Fac. Pledge	177,936,629	0.69%
		Total Percentage of Pledged Revenues					12.05%
ATHLETIC FACILITIES BONDS:							
Series 1999 Athletic Facilities	09/15/2020	Expansion of Football Stadium	29,395,528	2,261,775	Athletics Pledge	41,608,387	5.44%
Series 2001 Athletic Facilities	12/01/2021	Expansion of Football Stadium	6,268,000	168,000	Athletics Pledge	41,608,387	0.40%
Series 2005 Athletic Facilities	09/15/2011	Refund Series 1997 Athletic Facilities Bonds for Walton Arena	6,903,559	1,826,848	Athletics Pledge	41,608,387	4.39%
Series 2006 Athletic Facilities	09/15/2022	Construction of John McDonnell Outdoor Track Stadium	10,561,128	701,591	Athletics Pledge	41,608,387	1.69%
		Total Percentage of Pledged Revenues					11.92%

(10). Commitments

The University was contractually obligated for the following at June 30, 2009:

A. Construction and Architect Contracts

Project Name	Completion Date	Beginning Year Contract Balance Plus Amendments	Amount Paid	Year-End Contract Balance
ARE-ON Fiber Optic	December, 2009	$ 2,651,376	$ 1,835,169	$ 816,207
Bogle Park – Softball	Substantially Complete	2,437,188	2,432,188	5,000
Brough Commons Renovations	September, 2009	989,403	142,745	846,658
Campus Wide ESPC	October, 2010	21,204,990	1,495,334	19,709,656
Center for Acad. Excellence	Substantially Complete	310,521	39,183	271,338
Davis Hall Renovation	December, 2010	386,115	60,023	326,092
Dickson Street Utility Tunnel	August, 2009	1,665,340	598,752	1,066,588
Duncan Avenue Apartments	Substantially Complete	4,120,162	4,066,827	53,335
Fine Arts Theater Life Safety Issues	December, 2009	1,483,612	1,137,169	346,443
Garland Avenue Parking Garage	June, 2010	25,138,333	7,527,384	17,610,949
KUAF Building	January, 2010	1,589,605	712,880	876,725
Leflar Law Addition and Renov. Phase II	Substantially Complete	329,814	176,186	153,628
National Center for Reliable Electricity	Substantially Complete	538,050	536,858	1,192
Nano Science & Technology Center	April, 2011	4,940,806	2,193,685	2,747,121
Phi Delta Theta Fraternity House	December, 2009	3,594,302	2,729,763	864,539
Rice Research Facility	January, 2010	9,884,982	5,282,432	4,602,550
Senior Walks 2008 - 2011	Substantially Complete	303,501	298,571	4,930
Steam Plant Performance Contract	Substantially Complete	4,647,486	4,306,452	341,034
Other	Various	4,199,921	2,951,487	1,248,434
Totals		$ 90,415,507	$ 38,523,088	$ 51,892,419

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, 2009.

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, 2009, were $4,997,922. Minimum annual rental payments for

leases having an initial term in excess of one year totaled $5,396,490. Below are the scheduled payments for the five succeeding fiscal years and thereafter.

Year ended June 30	Amount
2010	$ 1,371,652
2011	1,002,522
2012	926,851
2013	840,217
2014	541,048
2015-2019	550,400
2020-2024	156,000
2025-2028	7,800
Total	$ 5,396,490

(11). 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 Retirement Equities Fund (TIAA-CREF) and Fidelity Investments or the Arkansas Public Employees 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. Employees who reach their tax-deferred 403(b) maximums can then participate in a 457(b) plan. 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 law 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, 2009, were $14,704,640 and $14,972,675, respectively. The University's and participants' Fidelity Investments contributions for the year ending June 30, 2009, were $4,795,900 and $4,996,045, respectively. The University's and participants' TIAA-CREF contributions for the year ending June 30, 2008, were $14,151,415 and $14,532,171, respectively. The University's and participants' Fidelity Investments contributions for the year ending June 30, 2008, were $3,998,368 and $4,589,515, respectively.

APERS is a cost-sharing multiple employer defined benefit plan administered by the State of Arkansas. The University contributes 11.01% of applicable wages to the plan. Under certain conditions covered employees may voluntarily contribute 5% of his/her salary. The University's and participants' contributions for the year ending June 30, 2009, were $210,583 and $18,422, respectively. The University's and participants' contribution for the year ending June 30, 2008, were $223,338 and $9,113, respectively. The University's and participants' contribution for the year ending June 30, 2007, were $200,652 and $4,000, respectively.

ATRS is a cost-sharing multiple employer defined benefit pension plan. The University contributes 14% 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, 2009, were $177,414 and $55,826, respectively. The University's and participants' contributions for the year ending June 30, 2008, were $169,098 and $52,171, respectively. The University's and participants' contributions for the year ending June 30, 2007, were $111,262 and $27,526, respectively.

The University's and participants' contributions to all other pension plans for the year ended June 30, 2009, were $583,685 and $487,685, respectively. The University's and participants' contributions to all other pension plans for the year ended June 30, 2008, were $608,415 and $516,681, 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, Monticello, and Batesville campuses, state-wide operating units of the Arkansas Archeological Survey and Division of Agriculture, System Administration, Criminal Justice Institute, the Clinton School of Public Service, the Arkansas School for Mathematics, Sciences and the Arts, and the University of Arkansas Foundation, Inc., participate in the health insurance program which is

administered by the System Administration. Operations of the plans are recorded in the separate University of Arkansas consolidated financial report.

For the year ending June 30, 2009, a total of 4,753 active employees, former employees, and retirees were participants in the health plan. For the year ending June 30, 2008, the total of active employees, former employees, and retirees participating in the health plan was 4,655. The University pays 70.56% for the Point of Service Plan and 79.075% for the Classic Plan for Fayetteville, the Criminal Justice Institute and the Arkansas Archeological Survey. The University pays 71.423% for the Point of Service Plan and 77.66% for the Classic Plan for the Division of Agriculture. The University pays 70% of the health plan for federal employees.

C. Life Insurance Plan

The University of Arkansas System's life insurance carrier is Unum Life Insurance Company of America. The University's life insurance is a fully-insured arrangement with the premiums being sent directly to the life insurance carrier.

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

(12). Other Post Employment Benefits

Other Postemployment Benefits (OPEB)

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

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which became effective for the fiscal year ending June 30, 2008. This statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. As a result of the implementation of this

statement, the University accrued $7,057,738 in retiree healthcare liability as of June 30, 2009.

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

- Participation: Employees who retire with a combination of age and years of service of at least 70 with at least 10 years of coverage under the plan are eligible to participate. Retirees may cover spouses and eligible dependent children. Surviving spouses can continue coverage after retiree's death. Retirees can continue coverage past Medicare eligibility age (age 65 or disabled) with the University plan paying secondary to Medicare.
- Benefit Provided: Retirees participate in the plan at the same premium rate as an active employee.
- Required Contribution Ratio: Retirees pay 100% of premium. Employer costs are funded on a pay-as-you-go basis.

Summary of Key Actuarial Methods and Assumptions

Actuarial Methods and Assumptions	
University Self-Funded Plan	
UAF, UALR, UAMS, UAM, UAPB, UACCB, ASMSA, CES, SYSTEM:	
Valuation date	July 1, 2008
Valuation year	Census data was collected as of January 1, 2008 Liabilities were measured as of January 1, 2008 and rolled forward six months to the July 1, 2008 valuation date.
Actuarial cost method	Projected unit credit
Amortization method	30 year open period
Asset valuation method	N/A
Discount rate	4.50%
Projected payroll growth rate	4.00%
Medical inflation rate	Initial rate of 10%, with a 0.5% decrease each year to an ultimate rate of 5% in the tenth year

General Overview of the Valuation Methodology

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

The required frequency of valuations per GASB Statement No. 45 depends on the number of members in the plan. Even though the University's self-funded plan only requires a valuation every two years, a decision was made to have the valuation

performed for the year ended June 30, 2009, the second year of implementation. No decision has been made at this time as to whether annual or biennial valuations will be made in the future. The other two plans were not reevaluated for the year ended June 30, 2009.

Discussion of Change in OPEB Expense

For the year ended June 30, 2008 calculation, all retirees (both eligible and not eligible for Medicare) were combined and the assumption that the retiree contributions were not sufficient to fully cover the expected claims costs was applied to both groups. However, as discussed below, when the two groups were divided, the cost for Medicare eligible retirees was ultimately excluded from the valuation for the year ended June 30, 2009.

Medical Coverage – Retirees not Eligible for Medicare

Claim experience for the period February 1, 2008 through January 31, 2009 was used to develop the claims cost for non-Medicare-eligible retirees. The paid claims data was converted to an incurred basis using a completion factor approach. This experience includes 340 life years of exposure and was deemed to be 50% credible. The experience was combined with the active claims experience adjusted for demographic differences to produce the per capita claims costs used in the valuation. Adjustment factors were then applied to develop expected claims by age to be used in the valuation. Expected retiree premiums were developed to represent the anticipated cost sharing level. Retiree premiums were also age-adjusted for use in the valuation.

Medical Coverage – Retirees Eligible for Medicare

Medical and prescription drug claims coverage for the period February 1, 2008 through January 31, 2009 was used to develop per capita claims cost for Medicare-eligible retirees. This experience includes 1,300 life years of exposure and was deemed to be fully credible. Based on this analysis, it was concluded that the retiree contributions are sufficient to fully cover the expected claims costs as intended. As such, the cost for Medicare eligible retirees was excluded from this valuation.

Dental Coverage

Dental claims coverage for the period February 1, 2008 through January 31, 2009 was used to develop per capita claims cost for dental coverage. The claims experience includes over 30,000 life years of exposure and was deemed to be fully credible. Based on this analysis, it was concluded that the retiree contributions are sufficient to fully cover the expected dental claims costs as intended. As such, the cost for dental coverage is excluded from this valuation.

Actuarial Assumptions

University Self-Funded Plan
UAF, UALR, UAMS, UAM, UAPB, UACCB, ASMSA, CES, SYSTEM

Healthy Mortality	RP 2000 Combined Healthy Mortality Table projected to 2009 by scale AA

Actuarial Assumptions

University Self-Funded Plan

UAF, UALR, UAMS, UAM, UAPB, UACCB, ASMSA, CES, SYSTEM

Disability Incidence — Various rates based on age. Selected rates are:

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

Actuarial Assumptions

University Self-Funded Plan

UAF, UALR, UAMS, UAM, UAPB, UACCB, ASMSA, CES, SYSTEM

Turnover — Select and ultimate rates by location are based on length of service for the first five years and age thereafter:

Service	Select Rates			
	UAF	UALR	UAMS	OTHER
0-1	35%	20%	30%	20%
1-2	25%	20%	20%	20%
2-3	20%	20%	18%	20%
3-4	20%	15%	18%	15%
4-5	20%	15%	15%	15%

Age	Ultimate Rates			
	UAF	UALR	UAMS	OTHER
25	7.7%	5.3%	9.7%	5.3%
30	7.4%	5.1%	9.3%	5.1%
35	6.9%	4.7%	8.7%	4.7%
40	6.1%	4.2%	7.8%	4.2%
45	5.2%	3.5%	6.3%	3.5%
50	3.6%	2.5%	4.3%	2.5%
55	1.4%	0.9%	1.6%	0.9%
60	0.1%	0.1%	0.1%	0.1%

Actuarial Assumptions
University Self-Funded Plan
UAF, UALR, UAMS, UAM, UAPB, UACCB, ASMSA, CES, SYSTEM

Retirement

Age	Rate
50-59	5%
60-61	10%
62	15%
63-66	10%
67-69	50%
70 & up	100%

Actuarial Assumptions
University Self-Funded Plan
UAF, UALR, UAMS, UAM, UAPB, UACCB, ASMSA, CES, SYSTEM

Future Retiree Coverage

For medical insurance, retiring employees are assumed to elect medical and prescription coverage as follows:

	UAF	UALR	UAMS	OTHER
Pre-Medicare	70%	70%	60%	55%
Post Medicare	60%	60%	50%	45%

90% of retiring employees are assumed to continue life insurance after retirement.

Actuarial Assumptions
University Self-Funded Plan
UAF, UALR, UAMS, UAM, UAPB, UACCB, ASMSA, CES, SYSTEM

Future Dependent Coverage

50% of employees electing medical and prescription coverage at retirement are assumed to be married and elect spouse coverage. Males are assumed to be 4 years older than females.

Determination of End of Year Accrual		
Unfunded actuarial accrued liability at 7/1/08	$	30,301,850
Expected Net OPEB Obligation, 6/30/09		
Net OPEB Obligation, 7/1/08	$	5,090,958
Annual OPEB Cost		2,947,165
Less Expected Funding Contributions		(980,385)
Net OPEB Obligation, 6/30/09	$	7,057,738

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Expected Contribution	Percentage Contributed
6/30/08	$ 5,956,307	$ 865,349	14.53%
6/30/09	$ 2,947,165	$ 980,385	33.27%

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

An explanation of the difference in the annual required contribution between the years ended June 30, 2008 and June 30, 2009 is provided in the section, *General Overview of the Valuation Methodology.*

Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage Of Covered Payroll
6/30/08	$ 0	$ 61,714,145	$ 61,714,145	0%	$ 184,734,160	33.41%
6/30/09	$ 0	$ 30,301,850	$ 30,301,850	0%	$ 195,259,991	15.52%

(13). Property, Plant and Equipment

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which became effective with the fiscal year ending June 30, 2006. The Statement established guidance for

accounting and reporting for the impairment of capital assets and for insurance recoveries. For the purposes of this Statement, asset impairment is a significant, unexpected decline in the service utility of a capital asset. The events or changes in circumstances affecting a capital asset that may indicate impairment are prominent – that is, conspicuous or known to University management.

During the fiscal year ended June 30, 2009, there have been no prominent or conspicuous events that would indicate impairment of any material capital assets, nor have there been any material insurance recoveries during the fiscal year.

The following schedule presents a summary of property, plant and equipment for the fiscal year 2009:

	Beginning Balance	Additions	Retirements	Ending Balance
Land (not depreciated)	$ 28,353,040	$ 822,862	$ 132,081	$ 29,043,821
Library Holdings	65,849,023	5,485,789	565,665	70,769,147
Buildings	890,628,195	75,274,895	1,093,932	964,809,158
Equipment	251,208,436	16,782,238	7,536,849	260,453,825
Improvements	22,107,747	2,969,616		25,077,363
Infrastructure	45,585,415	1,008,610		46,594,025
Other Assets	1,223,023		7,628	1,215,395
Construction in Progress	79,432,495	56,239,033	77,133,058	58,538,470
Total	1,384,387,374	158,583,043	86,469,213	1,456,501,204
Less accumulated depreciation				
Library Holdings	53,349,715	3,769,317	549,110	56,569,922
Buildings	309,512,088	30,305,321	601,375	339,216,034
Equipment	176,154,424	27,871,667	7,307,997	196,718,094
Improvements	9,730,713	1,013,155		10,743,868
Infrastructure	23,804,042	1,677,256		25,481,298
Total accumulated depreciation	572,550,982	64,636,716	8,458,482	628,729,216
Capital Assets, Net	$ 811,836,392	$ 93,946,327	$ 78,010,731	$ 827,771,988

Note 1: Land of $213,375 and buildings of $4,824,755 related to the joint endeavor between the University of Arkansas and the City of Fayetteville are included in the above amounts. See Note 16.

Note 2: For the fiscal year ended June 30, 2009, the net value of library holdings is included in the Statement of Net Assets. See Note 20.

The following schedule presents a summary of property, plant and equipment for the fiscal year 2008:

	Beginning Balance	Additions	Retirements	Ending Balance
Land (not depreciated)	$ 23,325,093	$ 5,027,947		$ 28,353,040
Buildings	757,800,640	134,257,980	$ 1,430,425	890,628,195
Equipment	232,677,966	25,173,126	6,642,656	251,208,436
Improvements	18,558,074	3,549,673		22,107,747
Infrastructure	41,349,618	4,235,797		45,585,415
Other Assets	1,134,943	88,080		1,223,023
Construction in Progress	125,761,463	86,844,333	133,173,301	79,432,495
Total	1,200,607,797	259,176,936	141,246,382	1,318,538,351
Less accumulated depreciation				
Buildings	281,927,015	27,660,962	75,889	309,512,088
Equipment	151,064,240	31,335,485	6,245,301	176,154,424
Improvements	8,863,372	867,341		9,730,713
Infrastructure	22,152,454	1,651,588		23,804,042
Total accumulated depreciation	464,007,081	61,515,376	6,321,190	519,201,267
Capital Assets, Net	$ 736,600,716	$ 197,661,560	$ 134,925,192	$ 799,337,084

The University estimates holdings of $11.61 million in timber resources as of June 30, 2009. The estimated value of these holdings was $11.65 million as of June 30, 2008. These resources, which total 13,260 acres, are located on various tracts of land in Arkansas. These resources are currently being inventoried.

(14). 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.

(15). Operating Expenses by Function

For the year ended June 30, 2009:

	Salaries, Wages and Benefits	Scholarships and Fellowships	Supplies and Other Services	Depreciation	Total
Instruction	$ 105,799,760		$ 16,865,432		$ 122,665,192
Research	73,132,722		26,321,365		99,454,087
Public Service	53,458,404		16,165,187		69,623,591
Academic Support	22,304,021		12,450,936		34,754,957
Student Services	12,057,591		6,060,177		18,117,768
Institutional Support	31,467,476		6,778,429		38,245,905
Scholarships and Fellowships	984,068	$ 18,350,081	66,606		19,400,755
Operation and Maintenance of Plant	16,675,424		25,143,197		41,818,621
Auxiliary Enterprises	38,838,763		50,003,623		88,842,386
Depreciation				$ 64,636,716	64,636,716
Totals	$ 354,718,229	$ 18,350,081	$ 159,854,952	$ 64,636,716	$ 597,559,978

For the year ended June 30, 2008:

	Salaries, Wages and Benefits	Scholarships and Fellowships	Supplies and Other Services	Depreciation	Total
Instruction	$ 98,566,196		$ 16,865,070		$ 115,431,266
Research	69,118,750		26,282,717		95,401,467
Public Service	53,622,058		15,982,949		69,605,007
Academic Support	21,941,131		10,437,204		32,378,335
Student Services	12,198,215		6,172,914		18,371,129
Institutional Support	31,600,167		8,014,367		39,614,534
Scholarships and Fellowships	896,396	$ 17,914,425	105,500		18,916,321
Operation and Maintenance of Plant	15,978,369		20,101,284		36,079,653
Auxiliary Enterprises	34,825,992		51,982,443		86,808,435
Depreciation				$ 61,515,376	61,515,376
Totals	$ 338,747,274	$ 17,914,425	$ 155,944,448	$ 61,515,376	$ 574,121,523

(16). Walton Arts Center

The University of Arkansas and the City of Fayetteville engaged in a joint endeavor to operate the Walton Arts Center. Funds were pooled from each entity to provide for the construction and operation of the center. To administer this project and its funds, the University and the City of Fayetteville established a nonprofit organization called the University of Arkansas/City of Fayetteville Arts Foundation, Inc., now called the Walton Arts Center Foundation, Inc., which was incorporated on January 19, 1987. There are nine directors, 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 Walton Arts Center Council, Inc. was formed to construct, operate, manage, and maintain the Arts Center in Fayetteville, Arkansas, in accordance with the Interlocal Cooperation Agreement between the City of Fayetteville and the University of Arkansas. The ownership of the Arts Center facilities, including land, is held equally by the City and the University. The Arts Center Council must submit an annual budget to both the City and the University for approval. The Board of Trustees of The Arts Center Council is comprised of five members appointed by the University, five members appointed by the City, and ten members appointed at large, all of whom serve as volunteers.

The combined audited financial statements of the Walton Arts Center Council, Inc., and the Walton Arts Center Foundation, Inc., as of and for the year ended June 30, 2009, which have been audited by an independent certified public accountant, are presented below in summary form.

Condensed Statement of Financial Position		
Assets		
Cash and Cash Equivalents	$	1,739,249
Investments		10,296,330
Other Assets		4,074,245
Fixed Assets, Net of Depreciation		5,883,551
Total Assets	**$**	**21,993,375**
Liabilities and Net Assets		
Liabilities	$	2,705,948
Net Assets		19,287,427
Total Liabilities and Net Assets	**$**	**21,993,375**

Condensed Statement of Activities		
Ticket Sales	$	3,644,106
Contributions and Sponsorships		2,204,575
Other Income		1,888,062
Total Income and Other Additions	**$**	**7,736,743**
Total Expenditures and Other Deductions	**$**	**8,539,287**
Increase/(Decrease) in Net Assets	**$**	**(802,544)**

(17). Other Entity

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 one (1) member who is also a member of the University's Board of Trustees. The audited financial statements of the Foundation, as of and for the year ended June 30, 2009, 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 51.9% of the net assets of the Foundation. The remaining 48.1% benefits other University of Arkansas campuses.

Condensed Statement of Financial Position		
Assets		
Investments	$	511,171,565
Contributions Receivable, less Allowance		48,324,720
Other Receivables		1,945,047
Fixed Assets, Net of Depreciation		466,752
Other Assets		611,051
Total Assets	**$**	**562,519,135**
Liabilities and Net Assets		
Liabilities	$	19,915,734
Net Assets		
Unrestricted		58,603,949
Restricted		483,999,452
Net Assets		542,603,401
Total Liabilities and Net Assets	**$**	**562,519,135**

Condensed Statement of Activities		
Contributions	$	61,314,845
Other Revenues, Additions and Gains/(Losses)		(113,833,760)
Total Income and Other Additions/(Losses)	**$**	**(52,518,915)**
Total Expenditures and Other Deductions	**$**	**76,735,712**
Increase/(Decrease) in Net Assets	**$**	**(129,254,627)**

(18). Short-Term Debt

GASB Statement No. 38 issued June 1, 2001, states that governments should provide details about short-term debt activity during the year, even if no short-term debt is outstanding at year-end. The University had no short-term debt activity during the fiscal year, nor is there any outstanding balance of short-term debt as of June 30, 2009.

(19). Risk Management

The University of Arkansas Risk Management Program provides insurance coverage for all campuses within the University of Arkansas System. The role of the System Office is to analyze and recommend insurance coverage but it is ultimately up to each campus to inform the System Office regarding their specific coverage requirements.

All campuses are currently covered under the property and auto coverage provided through the System Office. The property coverage is insured through FM Global with a $100,000 deductible at the Fayetteville, Medical Sciences, and Little Rock Campuses. All other campuses have a $50,000 deductible. It is the responsibility of each campus to confirm all building and content values to be covered. The FM Global policy also contains earthquake and flood insurance coverage. The System Office has also secured domestic and foreign terrorism coverage.

Likewise with the auto coverage, each campus is responsible for providing a list of vehicles to be covered under the auto coverage through Redland Insurance Company. The auto coverage has a physical damage deductible of $1,000 for vans, buses and larger trucks and $500 for all others, and provides coverage against liability losses up to $1,000,000 per occurrence.

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

The University of Arkansas maintains workers' compensation coverage through the State of Arkansas program. Premiums are paid through payroll and are based on a formula calculated by the Department of Finance and Administration which is provided to the campuses around April 1 of each year to be used for the upcoming fiscal year. The types of benefits and expenditures that are paid include the following: medical expenses, hospital expenses, death benefits, disability, and claimant’s attorney fees.

Additionally, the University of Arkansas participates in the State of Arkansas Fidelity Bond Program for claims of employee dishonesty. This program has a limit of $250,000

recovery per occurrence with a $1,000 deductible. Premiums are paid annually via a fund transfer from state appropriations to the Department of Finance and Administration.

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

(20). Restatement of Prior Year

Total net assets have been restated for the year ended June 30, 2008. The University has determined that the Federal Capital Contribution added to the Federal Perkins Loan Program by the United States Department of Education over time should be reported as a Noncurrent Liability in the Statement of Net Assets rather than as Restricted Net Assets – Nonexpendable for Loans. The net effect of this change is to decrease the balances in Restricted Net Assets – Nonexpendable for Loans by $13,741,095 from what it would have been using the old classification method.

A second restatement of net assets is due to management's decision to include the net value of the University's library holdings in the Statement of Net Assets. The value of the University's library holdings net of accumulated depreciation was determined to be $12,499,308 as of June 30, 2008. Beginning with June 30, 2009, the net value of the library holdings is reported as Capital assets, net. Depreciation expense related to library holdings is reported in the Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2009.

The net effect of these two restatements is a reduction of total net assets of $1,241,787 as of June 30, 2008.

(21). Subsequent Events

Various Facilities Revenue Bonds
On September 4, 2009, the Board of Trustees of the University of Arkansas adopted a resolution expressing its intention to issue bonds of no more than $59,100,000 to finance the construction of various capital projects on the Fayetteville campus.

(22). Pollution Remediation

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which becomes effective with the fiscal year ending June 30, 2009. The Statement establishes standards for the accounting and financial reporting of pollution (including contamination) remediation obligations. On July 21, 2009, the University was awarded a grant in the amount of $1,900,000 from the United States Department of Energy to conduct a study to determine what obligation, if any, the University may have for potential remediation of the Southwest Experimental Fast Oxide Reactor site (SEFOR); including estimated remediation cost and development

of a plan for necessary remediation. As of June 30, 2009, the University was under no obligation to complete the remediation of the site.

(23). 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.

UNIVERSITY OF ARKANSAS, FAYETTEVILLE

2009
ANNUAL FINANCIAL REPORT

REQUIRED SUPPLEMENTAL INFORMATION

Other Postemployment Benefits

Determination of End of Year Accrual		
Unfunded actuarial accrued liability at 7/1/08	$	30,301,850
Expected Net OPEB Obligation, 6/30/09		
Net OPEB Obligation, 7/1/08	$	5,090,958
Annual OPEB Cost for FY09		2,947,165
Less Expected Funding Contributions		(980,385)
Net OPEB Obligation, 6/30/09	$	7,057,738

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Expected Contribution	Percentage Contributed
6/30/08	$ 5,956,307	$ 865,349	14.53%
6/30/09	$ 2,947,165	$ 980,385	33.27%

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

An explanation of the difference in the annual required contribution between the years ended June 30, 2008 and June 30, 2009 is provided in the section, *General Overview of the Valuation Methodology.*

Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage Of Covered Payroll
6/30/08	$ 0	$ 61,714,145	$ 61,714,145	0%	$ 184,734,160	33.41%
6/30/09	$ 0	$ 30,301,850	$ 30,301,850	0%	$ 195,259,991	15.52%

General Overview of the Valuation Methodology

The process of determining the liability for retiree medical benefits is based on many assumptions about future events. Future increases in health care costs are affected by

many factors, including: medical inflation; change in utilization patterns; technological advances; cost shifting; cost leveraging; and changes to government medical programs, such as Medicare.

The required frequency of valuations per GASB 45 depends on the number of members in the plan. Even though the University's self-funded plan only requires a valuation every two years, a decision was made to have the valuation performed for the year ended June 30, 2009, the second year of implementation. No decision has been made at this time as to whether annual or biennial valuations will be made in the future. The other two plans were not reevaluated for the year ended June 30, 2009.

Discussion of Change in OPEB Expense
For the year ended June 30, 2008 calculation, all retirees (both eligible and not eligible for Medicare) were combined and the assumption that the retiree contributions were not sufficient to fully cover the expected claims costs was applied to both groups. However, as discussed below, when the two groups were divided, the cost for Medicare eligible retirees was ultimately excluded from the valuation for the year ended June 30, 2009.

Medical Coverage – Retirees not Eligible for Medicare
Claim experience for the period February 1, 2008 through January 31, 2009 was used to develop the claims cost for non-Medicare-eligible retirees. The paid claims data was converted to an incurred basis using a completion factor approach. This experience includes 340 life years of exposure and was deemed to be 50% credible. The experience was combined with the active claims experience adjusted for demographic differences to produce the per capita claims costs used in the valuation. Adjustment factors were then applied to develop expected claims by age to be used in the valuation. Expected retiree premiums were developed to represent the anticipated cost sharing level. Retiree premiums were also age-adjusted for use in the valuation.

Medical Coverage – Retirees Eligible for Medicare
Medical and prescription drug claims coverage for the period February 1, 2008 through January 31, 2009 was used to develop per capita claims cost for Medicare-eligible retirees. This experience includes 1,300 life years of exposure and was deemed to be fully credible. Based on this analysis, it was concluded that the retiree contributions are sufficient to fully cover the expected claims costs as intended. As such, the cost for Medicare eligible retirees was excluded from this valuation.

Dental Coverage
Dental claims coverage for the period February 1, 2008 through January 31, 2009 was used to develop per capita claims cost for dental coverage. The claims experience includes over 30,000 life years of exposure and was deemed to be fully credible. Based on this analysis, it was concluded that the retiree contributions are sufficient to fully cover the expected dental claims costs as intended. As such, the cost for dental coverage is excluded from this valuation.

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