University of Arkansas Annual Financial Report

2013-2014



Table of Contents

Presentation Letter	3
Financial Highlights	4
Enrollment Data	8
Independent Auditor's Report	12
Management Discussion and Analysis	14
Statement of Net Position	28
Statement of Revenue, Expenses, and Changes in Net Position	30
Statement of Cash Flows	32
Component Unit Schedules	35
Notes to Financial Statements	45
Required Supplemental Information-OPEB	92

On the cover: Old Main, South Tower

UNIVERSITY OF ARKANSAS

Vice Chancellor for Finance and Administration

November 04, 2014

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, 2014.

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,

Timothy J. O'Donnell
Interim Vice Chancellor for Finance and Administration

406 Administration Building • Fayetteville, AR 72701 • 479-575-5828 • Fax: 479-575-5400 • http://vcfa.uark.edu/
The University of Arkansas is an equal opportunity/affirmative action institution.

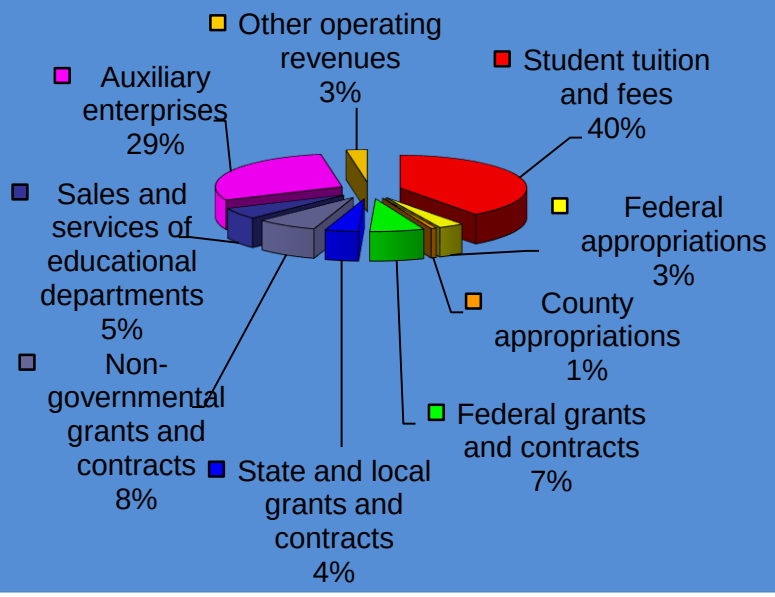
FISCAL YEAR 2014 OPERATING REVENUES

Student tuition and fees	166,512,378
Federal appropriations	13,464,969
County appropriations	3,028,154
Federal grants and contracts	28,988,196
State and local grants and contracts	17,857,206
Non-governmental grants and contracts	32,358,570
Sales and services of educational departments	23,501,926
Auxiliary enterprises	121,047,991
Other operating revenues	11,196,123
Total operating revenues	417,955,513

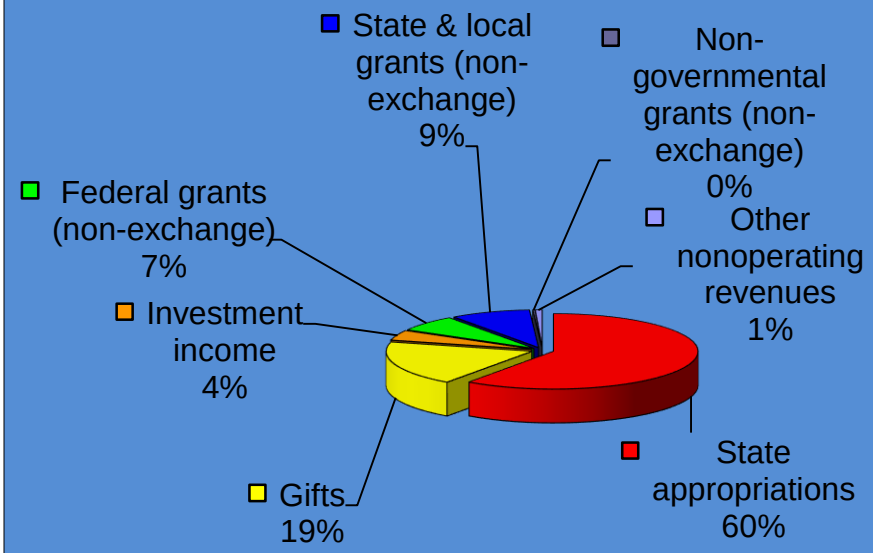
FISCAL YEAR 2014 NONOPERATING REVENUES

State appropriations	206,144,734
Gifts	65,739,713
Investment income	14,621,623
Federal grants (non-exchange)	23,806,815
State & local grants (non-exchange)	30,609,388
Non-governmental grants (non-exchange)	814,885
Other nonoperating revenues	2,641,870
Total nonoperating revenues	344,379,028

Fiscal Year 2014 Operating Revenues



Fiscal Year 2014 Nonoperating Revenues



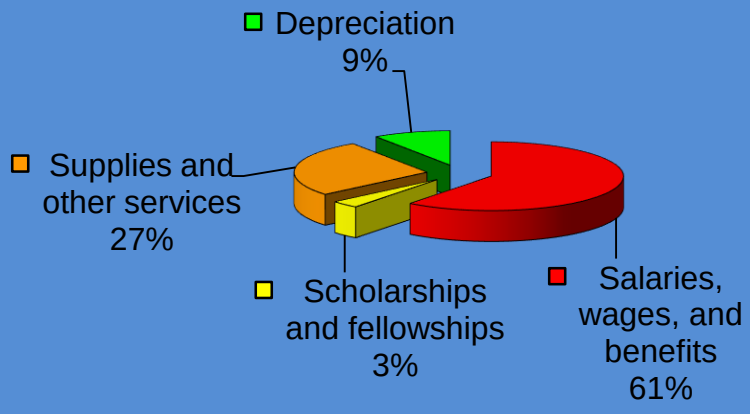
FISCAL YEAR 2014 OPERATING EXPENSES BY NATURAL CLASSIFICATION

Salaries, wages, and benefits	431,440,254
Scholarships and fellowships	24,340,455
Supplies and other services	190,833,287
Depreciation	67,219,710
Total operating expenses	713,833,706

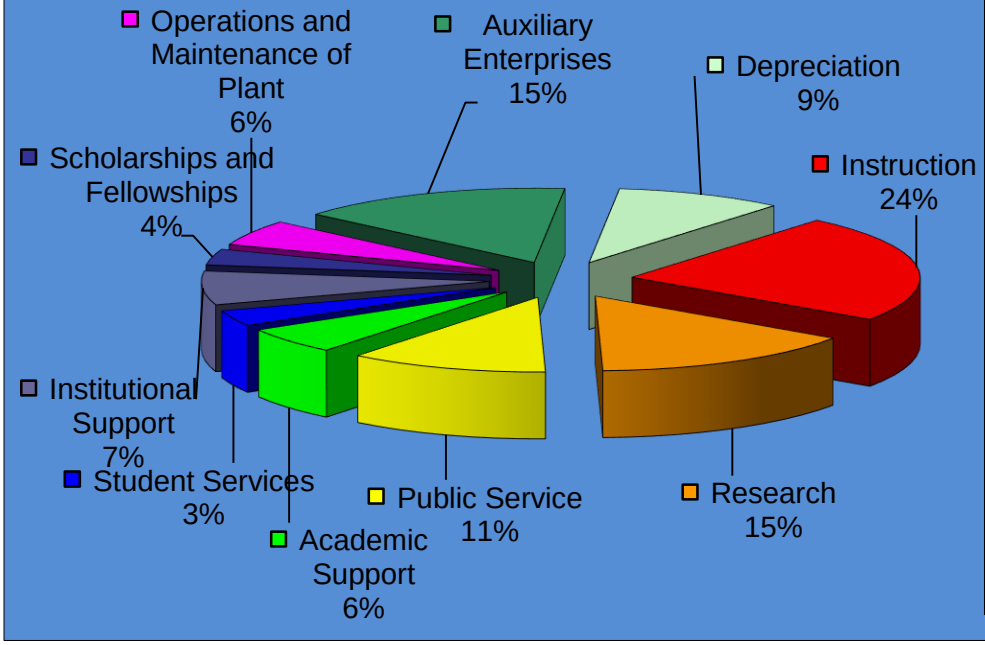
FISCAL YEAR 2014 OPERATING EXPENSES BY FUNCTION

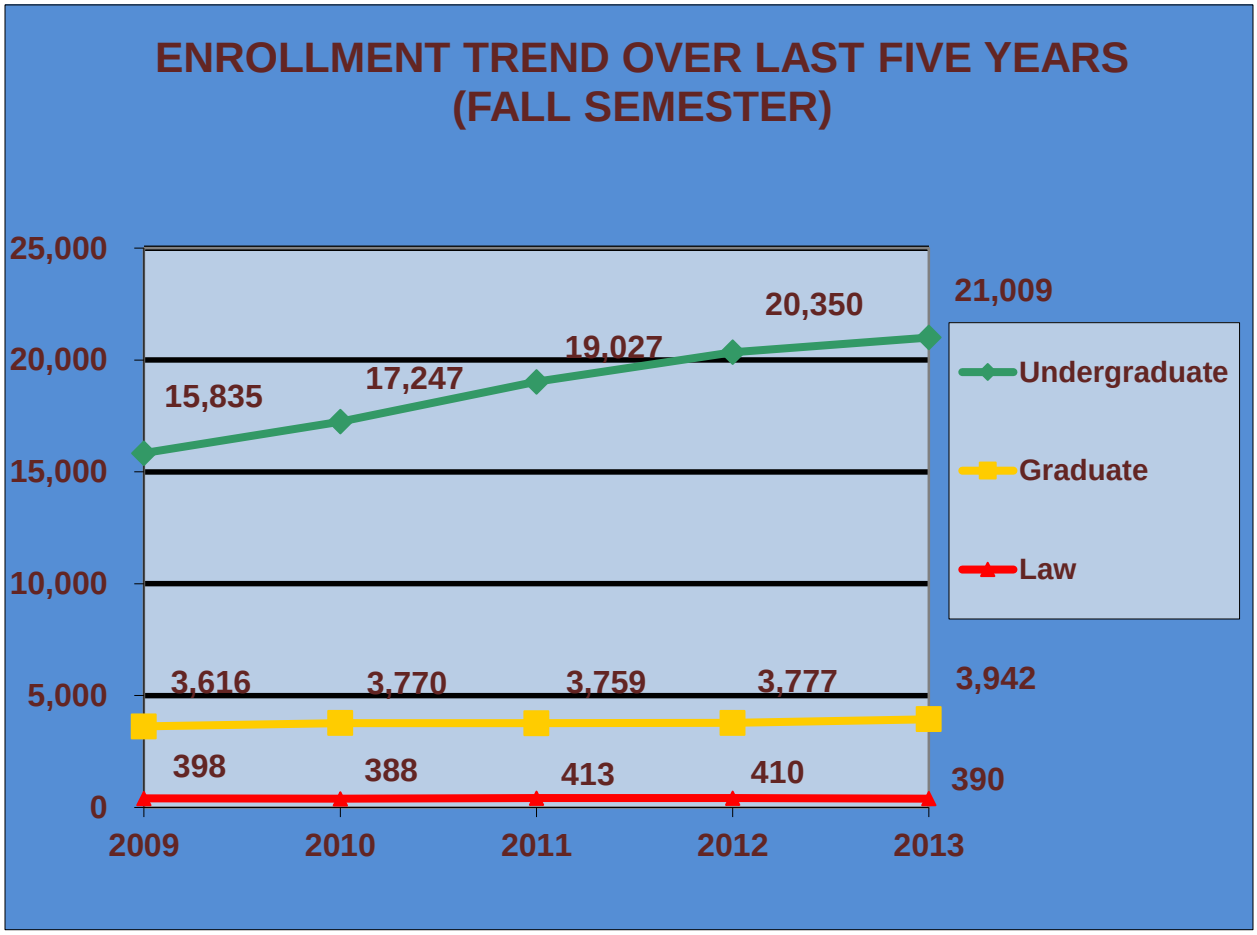
Instruction	167,466,549
Research	107,134,612
Public Service	79,671,188
Academic Support	40,987,898
Student Services	24,583,657
Institutional Support	52,039,556
Scholarships and Fellowships	24,648,565
Operations and Maintenance of Plant	39,873,935
Auxiliary Enterprises	110,208,036
Depreciation	67,219,710
Total operating expenses	713,833,706

Fiscal Year 2014 Operating Expenses by Natural Classification

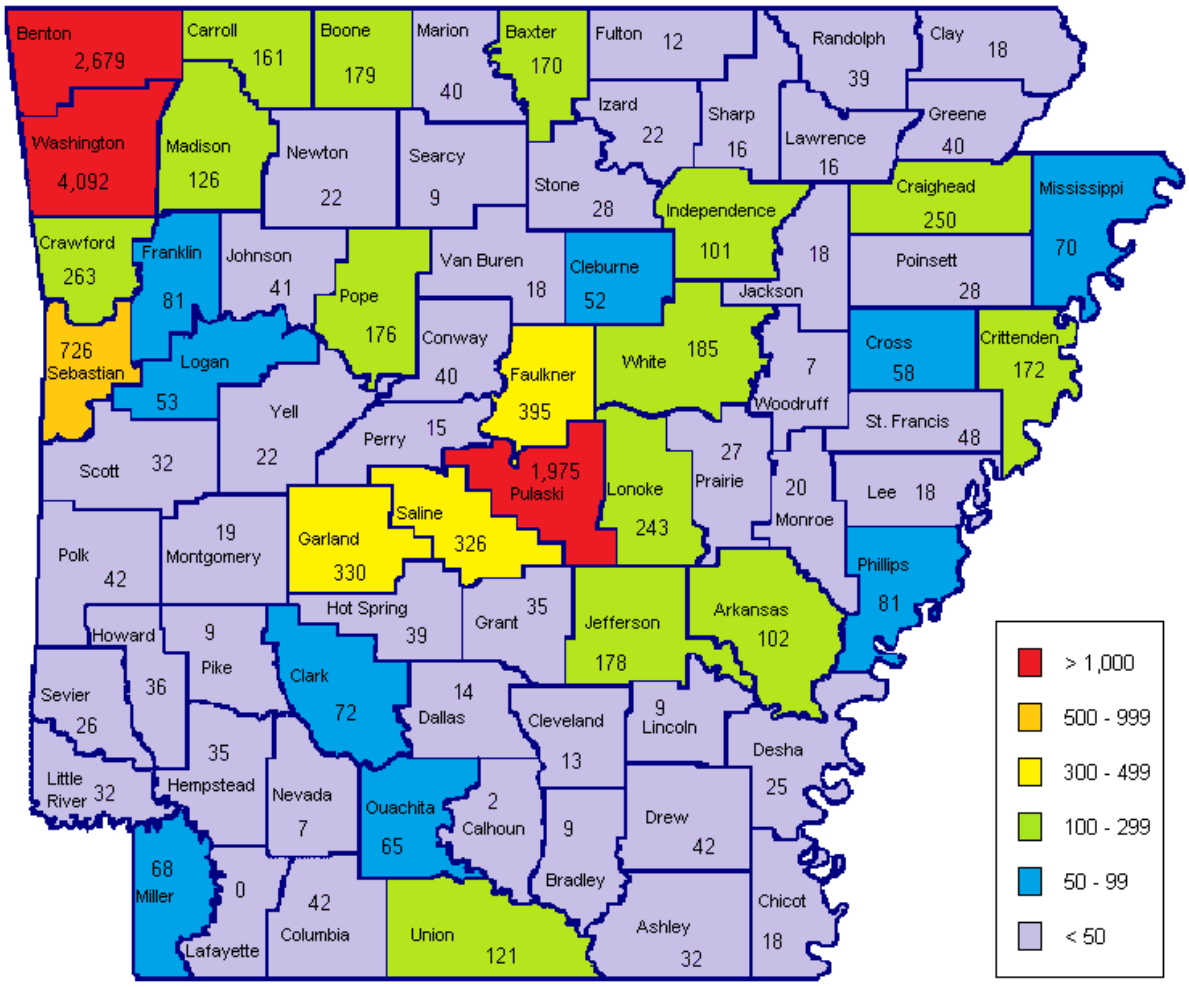


Fiscal Year 2014 Operating Expenses by Function

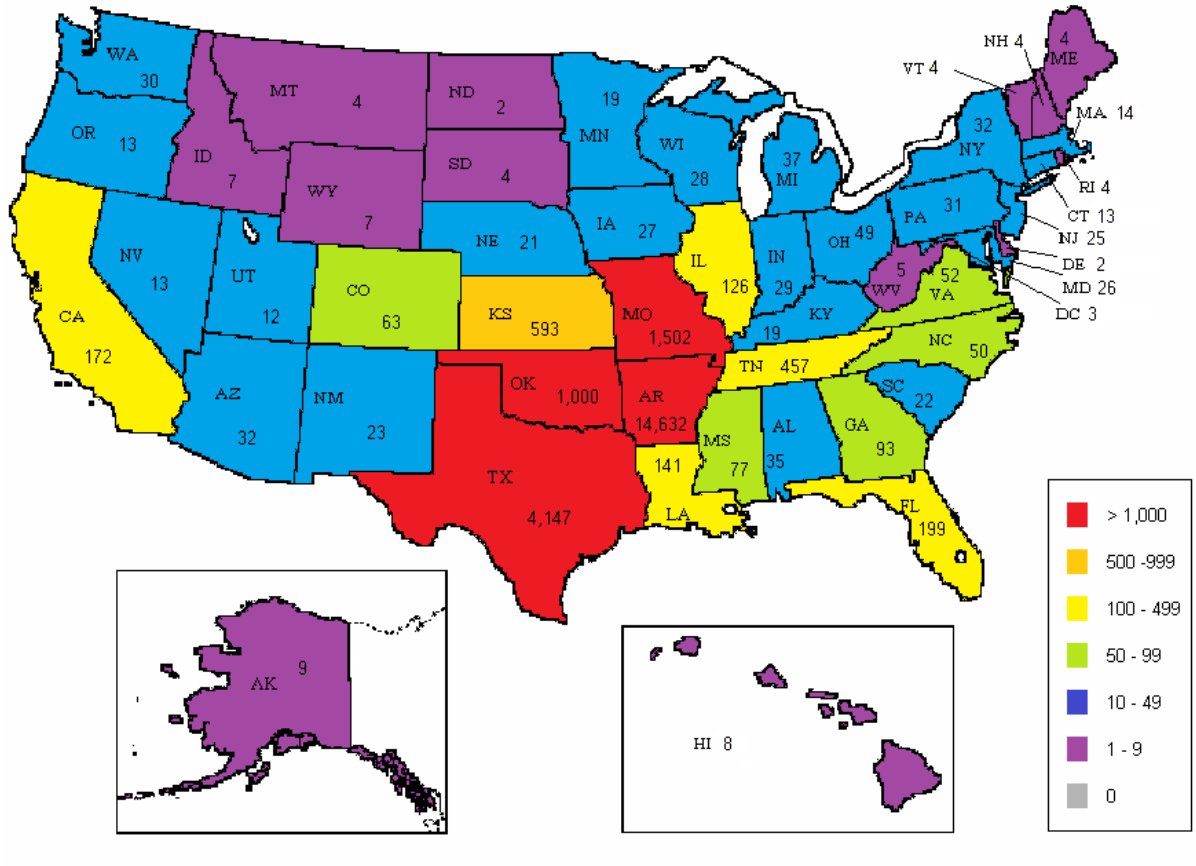



ENROLLMENT TREND OVER LAST FIVE YEARS
(FALL SEMESTER)
25,000
20,000
15,000
10,000
5,000
0
2009
2010
2011
2012
2013
15,835
17,247
19,027
20,350
21,009
3,616
3,770
3,759
3,777
3,942
398
388
413
410
390
Undergraduate
Graduate
Law

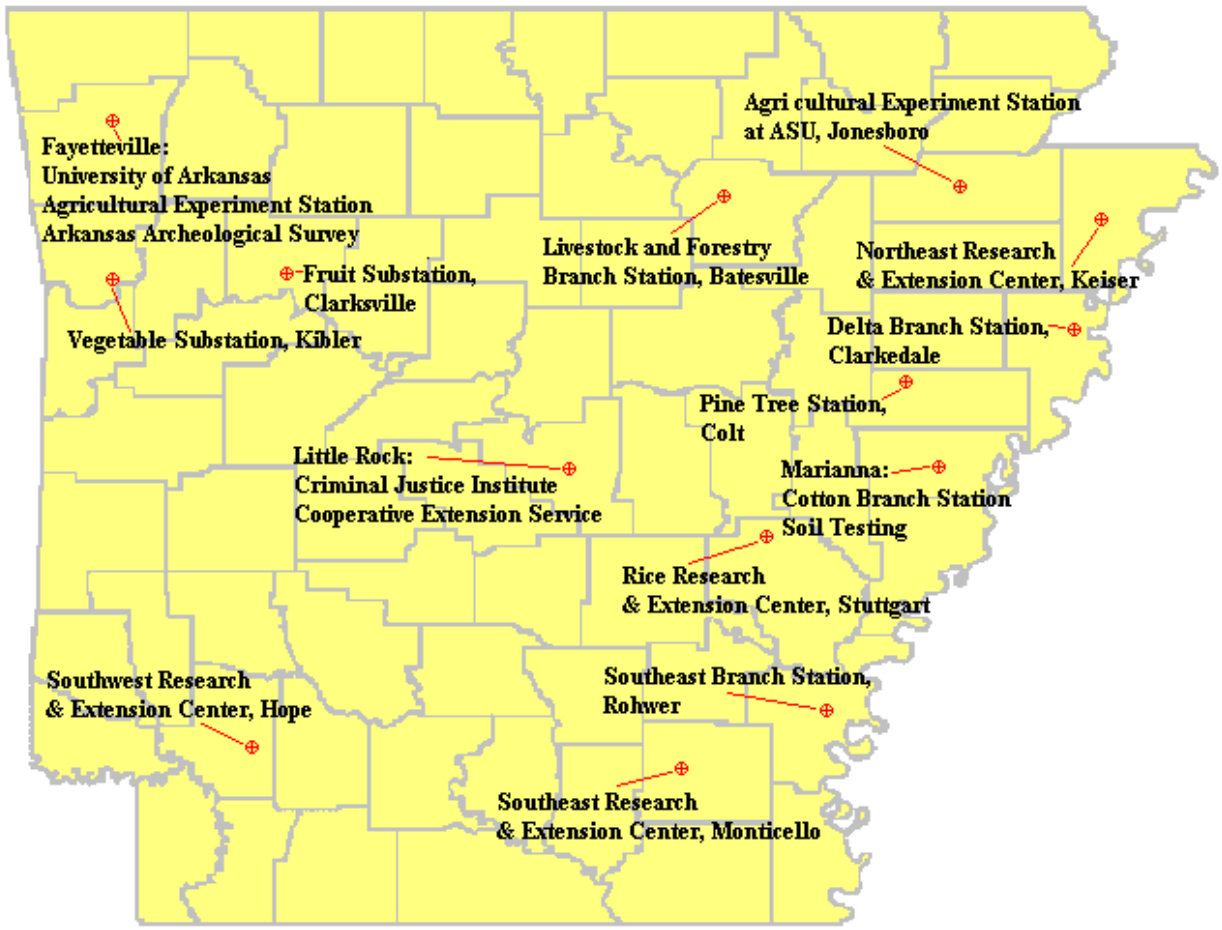
IN-STATE ENROLLMENT
BY COUNTY OF ORIGIN



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.

Sen. Bryan B. King
Senate Chair
Rep. Kim Hammer
House Chair
Sen. Linda Chesterfield
Senate Vice Chair
Rep. John W. Walker
House 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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the University of Arkansas, Fayetteville (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Arkansas Fayetteville Campus Foundation, Inc., the Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc., which represent 100% of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports 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 solely 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 from 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the 2013 financial statements have been restated due to the adoption of Governmental Accounting Standards Board Statement no. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Comparative Information

We have previously audited the University's 2013 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units in our report dated November 12, 2013. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and certain information pertaining to postemployment benefits other than pensions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

DIVISION OF LEGISLATIVE AUDIT

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

Little Rock, Arkansas
November 4, 2014
EDHE13514

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

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, 2014, with fiscal year ended June 30, 2013 data presented for comparative purposes. The emphasis of the discussion concerning the financial statements will be for the current year. The University's financial statements, notes to the financial statements and discussion and analysis are the responsibility of, and have been prepared by management. The discussion and analysis should be read in conjunction with financial statements and notes. All references to "2014", "2013" 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 in Arkansas. Established in 1871 under the provisions of the Morrill Act, it is the state's first land-grant institution and the flagship of the University of Arkansas System. The Carnegie Foundation for the Advancement of Teaching places the university among only 2 percent of universities in America that have the highest level of research. As the state's only comprehensive research university, together with the distinction of a very high level of research, the University is positioned to be a partner, resource and catalyst for advancing higher learning and stimulating economic opportunity for Arkansas, our nation and our many public and private sector partners.

All programs and activities of the University are governed by the University of Arkansas 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 basic financial statements: the Statement of Net Position, which presents the assets, liabilities and net position of the university, and when applicable, deferred outflows of resources and deferred inflows of resources as of the fiscal year end; the Statement of Revenues, Expenses, and Changes in Net Position, which reflects revenues and expenses recognized during the fiscal year; and the Statement of Cash Flows, which provides information on the major sources and uses of cash during the fiscal year. These financial statements and related note disclosures are prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB) and present a comprehensive, entity-wide perspective. Financial statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when services are provided and expenses and liabilities are recognized when others provide the services, regardless of when cash is exchanged. The report also includes other required supplementary information for other post-employment benefits.

Effective for the year ended June 30, 2013, the University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net*

Position, and effective for the year ended June 30, 2014, the University adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* These standards introduce and define deferred outflows of resources and deferred inflows of resources as elements of the annual financial report and incorporate these elements into the computation of the University's net position (previously referred to as net assets). These elements represent consumption (deferred outflow) or acquisition (deferred inflow) of resources by the University that are applicable to a future reporting period, but do not require any further exchange of goods or services. For 2013, the University did not have any items to report as deferred outflows or deferred inflows of resources, thus the effect of the adoption of Statement 63 was to report net position rather than net assets. The adoption of Statement 65 in 2014 did result in the university reporting deferred outflows of resources. As prescribed by the statement, certain prior period amounts have been reclassified to conform with the current year's presentation.

The University has identified three legally separate foundations: the University of Arkansas Fayetteville Campus Foundation, Inc., the Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc. (Foundations) that meet the criteria set forth for component units under GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units.* These Foundations provide financial support for the objectives, purposes and programs of the university. Although the university does not control the timing, purpose or amount received by these Foundations; the resources (and income thereon) they hold and invest are dedicated to benefit the University. Because these resources held by the Foundations can only be used by, or for the benefit of, the University, they are considered component units and are discretely presented in the financial report. Additional information about component units is provided at Notes to the Financial Statements (Note) No. 1 "Summary of Significant Accounting Policies", under the "Component Units" heading.

Note 17, "Other Entities" refers to the University of Arkansas Foundation, Inc., (the Foundation). The University is the beneficiary of only 52.1% of the net assets of the Foundation; therefore the Foundation does not meet the requirements of a component unit.

Statement of Net Position

The Statement of Net Position provides a fiscal snapshot of the University as of the end of the fiscal year. All assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position are reported. 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 in the coming year, and current liabilities are expected to be paid within the next year. Noncurrent assets and liabilities are not expected to be realized as cash or paid in the subsequent year. Deferred outflows of resources and deferred inflows of resources are recognized through the consumption or acquisition of resources by the University that is applicable to a future reporting period. Assets, deferred outflows of resources, liabilities and deferred inflows of resources are generally measured using current values. One exception is capital assets, which are stated at historical cost less accumulated depreciation.

Net Position is presented in four categories:
Net invested in capital assets – capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted nonexpendable - net position subject to externally-imposed stipulations that it be maintained permanently by the University.

Restricted expendable - net position whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

Unrestricted - net position that is not subject to externally-imposed stipulations, but can be used at the discretion of the governing board to meet current expenses for any purpose if not limited by contractual agreements with outside parties.

The following summarizes the University's assets, deferred outflows of resources, liabilities, and net position as of June 30, 2014, and 2013:

	2014	2013
Assets		
Current Assets	$ 344,180,136	$ 328,820,080
Capital Assets, Net of Depreciation	1,135,648,519	1,072,790,009
Other Noncurrent Assets	169,442,303	204,654,754
Total Assets	$ 1,649,270,958	$ 1,606,264,843
Deferred Outflows of Resources		
Deferred Amount on Refunding	$ 5,605,180	$ 6,200,312
Liabilities		
Current Liabilities	$ 107,410,960	$ 119,998,896
Noncurrent Liabilities	727,154,380	721,965,755
Total Liabilities	$ 834,565,340	$ 841,964,651
Net Position		
Net Invested in Capital Assets	$ 506,674,608	$ 477,365,165
Restricted – Nonexpendable	23,606,266	23,742,448
Restricted – Expendable	76,777,319	77,565,067
Unrestricted	213,252,605	191,827,824
Total Net Position	$ 820,310,798	$ 770,500,504

Overall, the University's total assets increased $43 million. A review of the statement of net position reveals that there were several offsetting variances, but the increase was largely attributable to increases in cash and cash equivalents of $23.5 million, and capital assets of $62.9 million offset by reductions in deposits with trustees of $47.9 million.

The University continues to strengthen its liquidity position, with 62% of current assets comprised of cash and cash equivalents. For several years, the University's year-over-year cash balances have shown a steady increase. The rate and risk environment in the financial markets has not provided a significant premium over cash returns and cannot match the liquidity and low-risk benefits of cash and cash equivalents. Thus, the University has been intentional in maintaining a strong cash position to provide needed flexibility in deploying resources during a multi-year period of unprecedented growth in enrollment coupled with an aggressive reinvestment in campus facilities.

Deposits with bond trustees represent unspent bond proceeds and bond reserve funds. The decrease in 2014 is the net result of new bond proceeds totaling $29.8 million being added in 2014 and continued spending of 2013 and earlier bond proceeds for ongoing construction projects.

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. 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.

Deferred outflows of resources consist of deferred amounts on refinancing of debt. Adoption of Statement 65 required that these deferred amounts be reported as a deferred outflow of resources. Prior to adoption of Statement 65, these amounts were included with the long-term debt liability.

Overall, liabilities decreased $7.4 million. The overall decrease was largely attributable to a $12.2 million reduction in accounts payable and accrued liabilities offset by a $2.5 million net increase in bonds, notes, capital leases and installment contracts (long-term debt). Accounts payable and accrued liabilities decreased in 2014 because several construction projects that were underway at the end of 2013 were completed in 2014, resulting in fewer trade account payables and contract retainage accruals.

The University continued its investment in facilities renewal and replacement along with the addition of new facilities and improvements in 2014. Using bonds to finance a portion of the costs also continued as evidenced by the issuance of $24.7 million Various Facilities Revenue Bonds, Series 2014A and $5 million Various Facilities Revenue Bonds, Series 2014B. The two issues totaled $29.7 million and also realized a net unamortized premium of $2.3 million, which when netted against scheduled retirements of $29.5 million resulted in a net increase in long term debt of $2.5 million. Additional information about University debt, and the projects financed with debt proceeds, 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".

The increase in assets of $43 million, combined with the decrease in deferred outflows of resources of $.6 million and a decrease in liabilities of $7.4 million resulted in an increase of $49.8 million in net position.

The following summarizes the composition of unrestricted net position owned by the units of the University of Arkansas Fund as of June 30, 2014 and 2013:

		2014		2013
Fayetteville Campus	$	142,786,608	$	127,984,749
Agricultural Experiment Station		42,495,318		43,198,540
Cooperative Extension Service		19,360,536		12,631,932
Arkansas Archeological Survey		542,413		339,026
Criminal Justice Institute		3,133,939		2,974,092
Clinton School of Public Service		1,271,004		1,603,837
AREON		3,662,787		3,095,648
Total Unrestricted Net Position	$	213,252,605	$	191,827,824

Unrestricted net position for the Fayetteville Campus as of June 30, 2014 and 2013 is allocated as follows:

		2014		2013
Working Capital	$	750,000	$	750,000
E & G Department Uses		77,900,431		70,001,246
Service Operations		2,126,727		25,423
Auxiliaries		24,187,624		22,423,288
Plant Funds		24,376,617		22,633,140
Quasi-Endowment Funds		13,445,209		12,151,652
Total Fayetteville Campus Unrestricted Net Position	$	142,786,608	$	127,984,749

Although unrestricted net position is not subject to externally-imposed restrictions, the majority of the University's unrestricted net position is subject to internal designations to meet various specific commitments. These commitments include reserves established for capital projects, scholarships, and other academic or research priorities; working capital for self-supporting auxiliary enterprises; reserves for the continued recognition of the OPEB obligation; reserves for student information system technologies and unrestricted quasi endowments.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position present the University's results of activities for the year. 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 position. In accordance with GASB standards, significant recurring sources of University revenue such as state appropriations, gifts, investment income and certain grants and contracts are reported as non-operating revenues. As a result, the operating loss of $295.9 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 position for the years ended June 30, 2014 and 2013:

	2014	2013
Operating Revenues	$ 417,955,513	$ 401,062,085
Operating Expenses	713,833,706	685,449,295
Operating loss	(295,878,193)	(284,387,210)
Net nonoperating revenues	319,832,100	320,237,559
Gain before other revenues and changes in net position	23,953,907	35,850,349
Other revenues and changes in net position	25,856,387	26,707,306
Increase in Net Position	$ 49,810,294	$ 62,557,655

Operating revenue increased 4.2% or $16.9 million in 2014. Net Student tuition and fees increased $16.5 million, a reflection of continued record enrollment growth and a 3.5% rate increase for the Fayetteville campus. Auxiliary enterprises revenue attributable to Athletics decreased nearly $5 million, largely due to one less home football game that resulted in lower ticket sales revenue. All other auxiliary enterprises realized a net increase totaling $2.5 million collectively, demonstrating the impact of enrollment growth. Grants and contracts collectively increased $2.9 million, primarily as a result of timing of certain awards and other cyclical changes.

Operating expenses increased $28.3 million or 4.1% over 2013. Compensation and benefits costs grew $16.8 million, due in part to necessary increases in faculty to support enrollment growth, along with modest increases in salaries for faculty and staff. The University continues to focus on cost containment initiatives to control expenses.

Overall, net nonoperating revenues remained virtually flat. The University saw an increase in state support in 2014, with a $5.2 million increase in state appropriations and other state funds. Investment income increased $6.3 million due to market performance and increased cash balances. These increases were offset by reductions in gift revenue of $2.6 million, state grants (nonexchange) of $4 million and increased interest on capital asset-related debt of $4.9 million.

Gifts reported on the Statement of Revenues, Expenses and Changes in Net Position 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 Entities".

Other Revenues and Changes in Net Position reflect changes in capital appropriations and capital gifts. Capital appropriations increased $5.3 million, largely due to an increase in State General Improvement Funds. Capital grants and gifts decreased $7.4 million due to the award of a BTOP capital grant in 2013.

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 GASB principles. 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 for the years ended June 30, 2014 and 2013:

	2014	2013
Net cash used by operating activities	$ (220,243,075)	$ (218,342,080)
Net cash provided by noncapital financing activities	324,100,302	330,306,533
Net cash provided by operating and noncapital financing activities	103,857,227	111,964,453
Net cash used by capital and related financing activities	(85,709,879)	(69,801,648)
Net cash provided by investing activities	5,378,806	5,663,654
Net increase in cash	$ 23,526,154	$ 47,826,459

The University used $220.2 million of cash for operating activities in 2014 offset by cash provided by noncapital financing activities of $324.1 million. Similar to the operating loss on the Statement of Revenues, Expenses and Changes in Net Position, net cash provided by operating activities is of little significance to the University. 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 almost $103.8 million for 2014 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. Net cash provided by investing activities illustrates the positioning of the cash component of matured investments to other university accounts.

Significant Changes in Capital Assets and Long-Term Debt Activity

The University continued work on the multi-year Facilities Renewal and Stewardship Plan. This large-scale, long-range plan is intended to upgrade and add facilities in order to expand capacity and modernize the campus. A dedicated facilities fee, phased in over the time period 2009 to 2013, provides a revenue stream that is used to leverage bonded debt in order to fund a portion of this

aggressive plan. The condition of the University's capital assets is an 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. The University maintains a Facility Condition Index (FCI) to assist in assessment of the overall management of capital assets. The index trend is positive, demonstrating the positive effect of additions, renovations and the elimination of deferred maintenance to campus infrastructure and educational and general buildings as the Facilities Renewal and Stewardship Plan is implemented.

The pace of construction in 2014 was down slightly from 2013 with several projects begun in previous years completed; continued progress on ongoing projects; and new projects initiated.

The list of projects begun in previous years that were completed in 2014 is impressive. A total of seven projects, five of which were major projects brought online in time for occupancy for the fall 2013 semester, were completed in 2014. They include:

Vol Walker Hall – whole building renovation of 56,635 gsf plus a 34,320 gsf addition to house the Steven L. Anderson Design Center. Total project cost was $39 million, funded with bond proceeds of $25.7 million, Donald W. Reynolds Foundation gift of $10 million and the remainder with private funds.

Ozark Hall – whole building renovation of 67,208 gsf plus an 18,310 gsf addition to house the Honor's College, Graduate School & International Education and the J. William Fulbright College of Arts and Sciences Geosciences Department. Total project cost was $27.6 million, funded with bond proceeds of $18.5 million and the remainder with private funds.

Founders Hall and extension of the Brough Commons dining facility – new space of 78,500 gsf for residence and dining purposes. Total project cost was $26.6 million, funded with a mix of bond proceeds, dining and housing reserves and other available resources.

Hotz Hall – whole building conversion from administrative space back to its original purpose as a residence hall. Total project cost of $17.2 million was funded with a mix of bond proceeds and reserves.

Fred W. Smith Football Center – was the final phase of a project to construct an operations center, football practice fields and additional parking. The football center added new space of 82,000 gsf for coaching staff and other administrative space; team meeting rooms and locker room; equipment room, athletic training area and other operations space as well as public space with museum quality displays and lighting. Total project cost was $42 million, funded with bond proceeds of $25.2 million, a $10 million grant from the Donald W. Reynolds Foundation, and private funds.

Housing Administration Building – new space of 20,000 gsf for Housing administrative offices and to serve as a welcome and resource center for parents and students. Total project cost was $5.9 million, funded with bond proceeds.

John A. White Jr. Engineering Hall – Phase I renovation of 9,200 gsf first floor to renew and replace mechanical, electrical and plumbing systems, as well as upgrades to life safety systems. Phase 1 also includes full design for whole building renovation and a planned addition. Total project costs for phase I were $4.4 million, funded by bond proceeds and university reserves.

Utility infrastructure capacity expansions are associated with many of the projects described above. The projects primarily address heating and cooling service extensions as well as a major improvement in core campus domestic water capacity for additional fire protection capability. Additional phases will begin as projects under construction described below move forward.

A total of ten projects begun in previous years continued in 2014. They include:

Champions Hall classroom and laboratory building – new construction of 65,050 gsf for general use classrooms and teaching laboratories to meet the capacity demands of a growing enrollment. The building will house nine 75 person classrooms, twelve 28 seat wet/dry teaching labs, Mathematics Resource and Teaching Center (MRTC) and a small number of faculty offices. Total project cost is estimated at $26.5 million, funded with a mix of bonds and university reserves. Project completion is expected in summer, 2015.

Jim & Joyce Faulkner Performing Arts Center – whole building conversion of the 40,882 gsf Fieldhouse building to a state-of-the-art venue for exhibiting the musical and theatrical talents of students and faculty. The interior space will be completely renovated to provide a concert hall with seating for approximately 600, while the exterior of the building will be preserved. Total project cost is estimated at $20 million, funded with a mix of bond proceeds, university reserves and private support. Project completion is expected in summer, 2015.

Nanoscale Science and Engineering Building – phase II continues work on the third floor, with interior fit-out and equipment. Project funded with capital appropriations totaling $4.3 million received in 2011 and 2014. Project completion is expected in 2015.

Classroom and teaching lab upgrades – a multi-phase, multi-year program to modernize up to 160 classrooms and 35 general teaching labs. The phase II project included infrastructure and life safety upgrades for the Science Building general teaching labs, and classroom renovations at Kimpel Hall. The $7.6 million Phase II funded by bond proceeds.

Student Athlete Success Center – new construction of a 58,500 gsf building to house tutorial rooms, group study rooms, quiet study areas, computer lab and learning laboratories that will serve 460 student-athletes. A dining hall and full-service kitchen is also an integral part of the building, designed to support the health of student-athletes. An auditorium with seating for at least 250 people will also be included in the facility. Total project cost is estimated at $23 million, funded with a mix of bond proceeds, athletic reserves and private support. Completion is expected in summer, 2015.

Fowler Family Baseball and Track Indoor Training Facility – new construction of a 53,630 gsf climate-controlled multi-use space for over 150 student-athletes in the baseball, men's track and women's track programs. The space includes a practice in-field, throwing areas, batting areas, and

ancillary team spaces as well as shared strength and conditioning space and training room. Total project cost is estimated at $9.0 million, funded by a mix of bond proceeds, athletic reserves and private support. Substantial completion was achieved in summer, 2014.

Basketball Performance Center – new construction of a 66,270 gsf facility that provides separate gymnasiums for men's and women's teams, along with locker rooms, weight rooms, training rooms and coaches suites and administrative space. The Center also provides public space with museum quality displays and lighting. Total project cost is estimated at $25 million, funded with a mix of bond proceeds, athletic reserves and private support. Completion is expected in summer, 2015.

LeRoy Pond Utility Plant – an integrated new chilled water production plant and utility distribution infrastructure to support planned growth in the Athletic Valley district of the campus. Current master plans for Athletic Valley indicate proposed housing and dining facility expansions, as well as the new Student Athlete Success Center and the Basketball Performance Center. The project is being executed in two distinct phases. The first phase was the installation of distribution infrastructure. This included chilled water and heating hot water distribution piping, new primary power duct bank and wiring, communications raceway for telecommunications and fiber optic infrastructure, and related water and sewer improvements. Phase I was completed in the spring of 2014 at a cost of $11.4 million, and was funded by a mix of utility reserves and bond funds.

Utility Combined Heat and Power (CHP) Project – upgrade existing Heating Plant production infrastructure that provides steam and hot water to the campus. The new system replaces old, inefficient and outdated equipment that has reached the end of its useful life. The new system provides capacity for future growth and the opportunity to use electrical power from CHP to provide uninterruptible power for the campus, especially to critical research buildings. Total project cost is estimated at $21 million, funded with a mix of bonds and university reserves. Project completion is expected in summer, 2015.

The Division of Agriculture continued renovation of an existing laboratory and office facility, along with construction of a new Soil Testing Laboratory. The Eastern Arkansas Soil Testing and Research Laboratory located at the Lon Mann Cotton Research Station in Marianna, Arkansas, is undergoing renovation and a new Soil Testing Laboratory is being constructed. Total project cost is estimated at $2.3 million with completion expected in summer 2014. The project is funded by Agriculture sales and reserves.

The University also engaged in several new projects in 2014 primarily to address demands resulting from continued enrollment growth. New projects initiated in 2014 and significant capital acquisitions include:

Cato Springs Research Center – the University purchased the BioBased Building in November 2013 and renamed the facility the Cato Springs Research Center. The building provides laboratory, support and office space for the Department of Biomedical Engineering and other Engineering departments for research activities. This facility has been utilized by the University for several years, having been leased space which was assigned to the College of Engineering. Total cost was $7.8 million funded by bond proceeds.

Agricultural, Food and Life Science – renovation and repurposing of an abandoned two-story creamery into general purpose classrooms, laboratories and office space. Total estimated cost is $2.8 million funded by bond proceeds with expected completion by June, 2015.

Art and Design District – renovation, improving, equipping and furnishing of previously purchased warehouse and small office building to relocate the Department of Art sculpture labs, foundations studio course programs and research studios. Estimated project cost is $4.1 million funded by bond proceeds with expected completion in 2015.

Student Housing – renovation and expansion of student Greek housing operated by the University. Estimated project cost is $6.3 million, funded by $5 million bond proceeds with the remainder from private support. Completion is expected in 2015.

Athletics Communication Center – a state-of-the-art facility for video productions and broadcast support including three video control rooms, a production studio and broadcast equipment. The estimated project cost is $7 million, funded by Athletic department reserves with expected completion in 2015.

The Division of Agriculture is constructing a new Seed Plant Facility at the Rice Research and Extension Center Station located at Stuttgart, Arkansas. This facility will replace the current aging facility and will accommodate the future needs of the Rice Research and Extension Center. Estimated project cost is $1.3 million, funded with state general improvement funds and Agricultural sales and reserves. Estimated completion is June 2017.

In order to provide permanent financing for certain projects already underway and to finance new projects, the University issued $24,730,000 in Various Facility Revenue Bonds, Series 2014A and $5,020,000 in Various Facility Revenue Bonds, Series 2014B (Taxable) on June 30, 2014. The bonds were issued to provide funds to finance the purchase of real property, various construction and renovation projects on the University campus.
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, 2013	$ 667,921,972	$ 6,173,363	$ 33,917,648
Additions	32,095,740		
Payments of principal	(21,565,000)	(3,676,273)	(2,556,672)
Amortization of net bond premium	(1,721,984)		
Balance as of June 30, 2014	$ 676,730,728	$ 2,497,090	$ 31,360,976

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 invested in capital assets is as follows:

Net Invested in Capital Assets as of July 1, 2013	$	477,365,165
Land Additions and Disposals (net)		7,127,456
Buildings Additions and Disposals, net of depreciation		132,372,889
Improvements/Infrastructure Additions, net of depreciation		2,081,717
Equipment Additions and Disposals, net of depreciation		(5,276,831)
Construction In Progress Additions net of transfers to buildings, improvements/infrastructure, and intangible assets		(60,518,305)
Livestock Additions/deductions		540,251
Library Holdings Additions and Disposals, net of depreciation		4,055,470
Intangible Assets, net of amortization		(443,037)
Bond debt moved to Net invested in capital assets		(79,554,966)
Bond Principal Paid in 2014		21,565,000
Deferred loss on refinanced bond issues, amortized		(595,130)
Net unamortized bond issue premium		1,721,984
Note, Capital Lease and Installment Contract Principal Paid in 2014		6,232,945
Net Invested in Capital Assets as of June 30, 2014	$	506,674,608

Conditions and other factors having a significant effect

Financial and political support from state government remains a critical element to the continued financial health of the University. In 2014, the total general revenue distribution from the State increased $3.2 million to slightly over $200 million, which marked the first substantial increase in state funding since the 2008 economic recession. Estimates for 2015 indicate another $1.5 million increase is expected, bringing the estimated total general revenue distribution from the State to $201.8 million. While these increases in state support are very helpful, the amounts are still well below needs-based formula calculations. Management will continue to institute both internal and external efforts to maximize the state resources available, while seeking ways to minimize the effect of state funding levels not keeping pace with growth.

The University continues to seek ways to manage the cost of attendance so that it remains affordable while achieving revenue support necessary to offer a high quality university experience. Tuition and mandatory fee increases totaling 3.5% were necessary in 2014 in order to maintain the facilities, faculty and other support needed to fulfill our mission. As record growth in enrollment continues, together with state funding levels not able to keep pace with formula calculations, it is expected that the University must continue to look to increases in tuition rates for revenue support as well as grow private giving support, as discussed below.

Enrollment records continue to be broken, with preliminary figures for fall 2014 enrollment of 26,237. This marks the first time the flagship campus has exceeded 26,000 students. The preliminary numbers show an increase of 896 students. Total undergraduate enrollment is up 3.9% to 21,836 students, graduate enrollment increased 2% to 4,022 students, while enrollment at the School of Law decreased 11 students, or 2.8%, to 379 students. Since 2008, university enrollment

has increased 37%, or more than 7,100 students. This growth trend led the *Chronicle of Higher Education* to rank the University as the 7th fastest growing public research university in the country. Not only has the university grown in number of students enrolled, but has also experienced a steady improvement in both academic quality and diversity. With an intentional effort to recruit students who will succeed, it is expected that continued growth through retention will be experienced for the next several years. 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 University continues to build momentum for its next comprehensive fundraising campaign. Positive news continues with the University fundraising production totals for private gift support exceeding $100 million for four consecutive years. Production amounts include gifts of cash, gifts-in-kind, planned gifts and new pledges. In 2014, the University recognized $113.3 million of private gift support, surpassing its goal of $108 million. This support is critical to ensure success for students and faculty, and is a fundamental component in meeting budgetary needs. Support received from alumni, friends, organizations and faculty and staff of the University enhances all aspects of the student experience, including academic and need-based scholarships; technology enhancements; new and renovated facilities; undergraduate, graduate and faculty research; study abroad opportunities and innovative programs.

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UNIVERSITY OF ARKANSAS
Statement of Net Position
June 30, 2014
With Comparative Figures at June 30, 2013

	June 30, 2014	June 30, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 214,573,643	$ 194,021,026
Short-term investments	76,107,868	72,282,259
Accounts receivable, net	33,806,801	39,054,689
Accrued interest receivable	745,544	718,010
Inventories	6,441,580	5,808,597
Deposits with bond trustees	6,245,593	10,680,257
Notes receivable, net	3,417,166	3,142,501
Other assets	2,841,941	3,112,741
Total current assets	344,180,136	328,820,080
Noncurrent Assets		
Cash and cash equivalents	3,816,631	843,094
Endowment investments	72,673,505	65,324,862
Notes receivable, net	12,039,328	12,418,278
Deposits with bond trustees	78,600,239	122,086,829
Other long-term investments	1,456,615	3,390,269
Other assets	855,985	591,422
Capital assets, net	1,135,648,519	1,072,790,009
Total noncurrent assets	1,305,090,822	1,277,444,763
Total assets	$ 1,649,270,958	$ 1,606,264,843
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	$ 5,605,180	$ 6,200,312
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 22,738,513	$ 34,930,526
Accrued payroll liabilities	17,410,227	17,601,008
Accrued interest expense	5,479,372	5,337,076
Student overpayments	84,556	84,590
Funds held in trust for others	1,144,141	1,383,526
Advance receipts	30,816,288	29,976,451
Compensated absences payable - current portion	1,123,196	1,161,585
Bonds, notes, capital leases and installment contracts payable - current portion	28,614,667	29,524,134
Total current liabilities	107,410,960	119,998,896

UNIVERSITY OF ARKANSAS
Statement of Net Position
June 30, 2014
With Comparative Figures at June 30, 2013

	June 30, 2014	June 30, 2013
Noncurrent Liabilities		
Refundable federal advance - Perkins loans	14,325,434	14,066,490
Compensated absences payable	18,517,058	17,974,453
Liability for other post employment benefits	12,314,432	11,430,713
Bonds, notes capital leases and installment contracts payable	681,974,127	678,488,849
Other noncurrent liabilities	23,329	5,250
Total noncurrent liabilities	727,154,380	721,965,755
Total liabilities	$ 834,565,340	$ 841,964,651
NET POSITION		
Net invested in capital assets	$ 506,674,608	$ 477,365,165
Restricted for		
Nonexpendable		
Scholarships and fellowships	8,082,313	7,980,968
Research	5,739,659	5,739,659
Instructional department uses	8,644,889	8,644,889
Loans	866,689	1,104,216
Other	272,716	272,716
Expendable		
Scholarships and fellowships	12,202,035	10,197,156
Research	28,730,428	24,378,042
Public service	7,397,627	10,822,533
Instructional department uses	11,958,892	10,185,165
Loans	2,941,747	2,455,356
Capital projects	8,500,339	15,781,459
Debt service	330,209	205,455
Other	4,716,042	3,539,901
Unrestricted	213,252,605	191,827,824
Total net position	$ 820,310,798	$ 770,500,504

See accompanying notes to financial statements.

UNIVERSITY OF ARKANSAS

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2014

With Comparative Figures for 2013

	Fiscal 2014 Total	Fiscal 2013 Total
REVENUES		
Operating Revenues		
Student tuition and fees (net of scholarship allowances of $64,516,794 in fiscal year 2014, and $62,547,155 in fiscal year 2013)	$ 166,512,378	$ 149,979,017
Federal appropriations	13,464,969	14,035,901
County appropriations	3,028,154	2,992,672
Federal grants and contracts	28,988,196	33,897,047
State and local grants and contracts	17,857,206	17,631,073
Nongovernmental grants and contracts	32,358,570	24,715,454
Sales and services of educational departments	23,501,926	21,486,061
Auxiliary enterprises		
Residence Life (net of scholarship allowances of $8,241,091 in fiscal year 2014, and $8,167,784 in fiscal year 2013)	29,115,616	26,936,578
Athletics	66,772,739	71,739,926
Bookstore (net of scholarship allowances of $540,315 in fiscal year 2014, and $154,961 in fiscal year 2013)	13,063,465	13,369,754
Student Health Services	970,252	753,775
Transit and Parking	7,374,258	6,684,527
Student Organizations/Activities	122,812	180,157
Other Auxiliary Enterprises	3,628,849	3,769,719
Other operating revenues	11,196,123	12,890,424
Total operating revenues	417,955,513	401,062,085
EXPENSES		
Operating Expenses		
Salaries, wages, and benefits	431,440,254	414,557,521
Scholarships and fellowships	24,340,455	27,368,387
Supplies and other services	190,833,287	179,198,304
Depreciation	67,219,710	64,325,083
Total operating expenses	713,833,706	685,449,295
Operating loss	(295,878,193)	(284,387,210)

UNIVERSITY OF ARKANSAS

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2014

With Comparative Figures for 2013

	Fiscal 2014 Total	Fiscal 2013 Total
NONOPERATING REVENUES (EXPENSES)		
State appropriations	206,144,734	200,939,410
Gifts	65,739,713	68,383,421
Investment income (net of investment expense of $401,564 in fiscal year 2014, and $423,138 in fiscal year 2013)	14,621,623	8,362,479
Interest on capital asset - related debt	(24,063,674)	(19,157,415)
Federal grants (nonexchange)	23,806,815	24,409,373
State and local grants (nonexchange)	30,609,388	34,615,555
Nongovernmental grants (nonexchange)	814,885	802,351
Loss on disposal of assets	(219,121)	(205,515)
Other nonoperating revenues	2,641,870	3,348,125
Other nonoperating expenses	(264,133)	(1,260,225)
Net nonoperating revenues	319,832,100	320,237,559
Gain before other revenues and changes in net position	23,953,907	35,850,349
OTHER REVENUES AND CHANGES IN NET POSITION		
Capital appropriations	6,125,000	800,000
Capital grants and gifts	19,516,817	26,868,665
Other changes	214,570	(961,359)
Total other revenues and changes in net position	25,856,387	26,707,306
Increase in net position	49,810,294	62,557,655
NET POSITION		
Net position - beginning of year	770,500,504	710,241,153
Adjustment due to GASB 65		(2,298,304)
Adjusted net position - beginning of year	770,500,504	707,942,849
Net position - end of year	$ 820,310,798	$ 770,500,504

See accompanying notes to financial statements.

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method
For the Year Ended June 30, 2014
With Comparative Figures for 2013

	Fiscal 2014 Total	Fiscal 2013 Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 165,128,420	$ 150,602,931
Federal appropriations	14,803,293	11,964,827
County appropriations	3,028,154	2,992,672
Grants and contracts	81,958,752	77,607,756
Payments to suppliers	(191,181,606)	(176,268,091)
Payments to employees	(340,290,693)	(326,932,572)
Payments for benefits	(90,039,192)	(85,050,553)
Payments for scholarships and fellowships	(24,240,238)	(27,166,373)
Loans issued to students and employees	(2,274,604)	(2,437,359)
Collections of loans to students	2,218,711	2,214,381
Collections of interest on loans to students	454,410	509,245
Auxiliary enterprise charges		
Residence Life	28,733,885	26,584,902
Athletics	68,622,169	66,438,653
Bookstore	12,645,429	13,254,086
Student Health Services	968,638	768,386
Transit and Parking	7,413,251	6,586,723
Student Organizations/Activities	144,381	156,067
Other Auxiliary Enterprises	3,754,525	3,889,774
Sales and services of educational departments	24,104,853	20,814,306
Other receipts	13,804,387	15,128,159
Net cash used by operating activities	(220,243,075)	(218,342,080)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	206,144,734	200,939,410
Gifts and grants for other than capital purposes	62,859,998	68,716,847
Federal grants (nonexchange)	23,806,815	24,409,373
State and local grants (nonexchange)	30,626,080	34,594,821
Nongovernmental grants (nonexchange)	809,149	799,455
Direct Lending, and private loan receipts	106,828,329	102,519,130
Direct Lending, and private loan payments	(106,827,562)	(101,794,225)
Net agency fund transactions	(147,241)	121,722
Net cash provided by noncapital financing activities	324,100,302	330,306,533
Net cash provided by operating activities and noncapital financing activities	103,857,227	111,964,453

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method
For the Year Ended June 30, 2014
With Comparative Figures for 2013

	Fiscal 2014 Total	Fiscal 2013 Total
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Realized proceeds related to capital debt transactions	79,696,835	98,134,222
Capital appropriations	6,125,000	800,000
Capital grants and gifts received	14,442,489	29,362,550
Purchases of capital assets	(131,660,711)	(150,882,255)
Principal paid on capital debt and leases	(24,604,241)	(23,610,170)
Interest paid on capital debt and leases	(29,709,251)	(23,605,995)
Net cash used by capital and related financing activities	(85,709,879)	(69,801,648)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$ 5,022,721	$ 5,471,319
Investment income	410,056	195,415
Purchase of investments	(53,971)	(3,080)
Net cash provided by investing activities	5,378,806	5,663,654
NET INCREASE IN CASH	23,526,154	47,826,459
Cash - beginning of year	194,864,120	147,037,661
Cash - end of year	$ 218,390,274	$ 194,864,120
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (295,878,193)	$ (284,387,210)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	67,219,710	64,325,083
Other miscellaneous operating receipts	2,794,482	3,293,974
Changes in assets and liabilities		
Receivables (net)	3,987,691	(6,500,050)
Inventories	(632,983)	(464,243)
Prepaid expenses	106,416	904,681
Accounts payable and accrued liabilities	17,167	2,643,228
Accrued payroll liabilities (Employees)	(383,501)	40,850

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method
For the Year Ended June 30, 2014
With Comparative Figures for 2013

	Fiscal 2014 Total	Fiscal 2013 Total
Accrued payroll liabilities (Benefits)	105,937	885,309
Student overpayments	(34)	15,713
Advance receipts	839,837	(531,685)
Refundable federal advance	258,943	44,057
Deposits		450
Compensated absences	504,216	757,134
Retiree benefits	883,719	891,109
Loans to students and employees	(66,482)	(260,480)
Net cash used by operating activities	$ (220,243,075)	$ (218,342,080)
NONCASH TRANSACTIONS		
Donations of land, buildings, improvements, infrastructure and library holdings	$ 5,931,211	$ 1,703,584
Equipment donations	125,050	282,524
Payment of bond proceeds directly into deposits with trustees	29,602,419	144,502,988
Payment of premium on bonds directly into deposits with trustees	2,345,740	19,826,997
Bond issuance costs and underwriter's discounts paid directly from bond proceeds	320,104	1,260,226
Interest on long-term debt paid directly from deposits with trustees		1,234,084
Payment of long-term debt directly from University of Arkansas Foundation, Inc., and Razorback Foundation, Inc.	3,165,167	11,000
Capital outlay paid directly from proceeds of University of Arkansas long-term debt instruments		9,751
Loss on disposal of assets	237,601	190,626

See accompanying notes to financial statements.

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

	2014	2013
Assets		
Investments	$ 513,809,543	$ 466,010,660
Liabilities and Net Assets		
Accounts payable	$ 181,629	$ 99,193
Net Assets:		
Temporarily restricted	$ 29,161,667	$ 31,050,931
Permanently restricted	484,466,247	434,860,536
Total net assets	513,627,914	465,911,467
Total liabilities and net assets	$ 513,809,543	$ 466,010,660

THE UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Statement of Activities
Year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Interest and dividends	$	$ 3,524,875	$ 16,527	$ 3,541,402
Net realized and unrealized gains on investments		14,277,677	49,589,184	63,866,861
Net asset reclassifications, including release from restrictions; and satisfaction of restrictions	19,691,816	(19,691,816)		
Total revenue, gains and other support	19,691,816	(1,889,264)	49,605,711	67,408,263
Program services-				
Construction	4,446,335			4,446,335
Research	1,341,235			1,341,235
Faculty/staff support	2,537,570			2,537,570
Scholarships and awards	9,457,971			9,457,971
Equipment and technology	1,400,591			1,400,591
Other	508,114			508,114
Total program services	19,691,816			19,691,816
Change in net assets		(1,889,264)	49,605,711	47,716,447
Net assets, beginning of year		31,050,931	434,860,536	465,911,467
Net assets, end of year	$	$ 29,161,667	$ 484,466,247	$ 513,627,914

THE UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Statement of Activities
Year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Interest and dividends	$	$ 2,649,640	$ 88,036	$ 2,737,676
Net realized and unrealized gains on investments		13,265,762	32,721,998	45,987,760
Net asset reclassifications, including release from restrictions; satisfaction of restrictions and change in donor restriction	18,618,422	(9,518,422)	(9,100,000)	
Total revenue, gains and other support	18,618,422	6,396,980	23,710,034	48,725,436
Program services-				
Construction	4,685,367			4,685,367
Research	1,169,505			1,169,505
Faculty/staff support	2,391,441			2,391,441
Scholarships and awards	9,266,519			9,266,519
Equipment and technology	952,736			952,736
Other	152,854			152,854
Total program services	18,618,422			18,618,422
Change in net assets		6,396,980	23,710,034	30,107,014
Net assets, beginning of year		24,653,951	411,150,502	435,804,453
Net assets, end of year	$	$ 31,050,931	$ 434,860,536	$ 465,911,467

THE RAZORBACK FOUNDATION, INC.
Consolidated Statement of Financial Position
June 30, 2014

Assets		
Cash and cash equivalents	$	12,800,976
Contributions receivable, net		9,124,927
Investments, at fair value		20,405,204
Prepaid rent		1,409,288
Other		1,002,321
Property and equipment, net		4,745,526
Total assets	$	49,488,242
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$	190,929
Deferred compensation		4,049,149
Total liabilities		4,240,078
Net assets:		
Stockholder's equity of for-profit subsidiary		14,489
Unrestricted net assets of nonprofit parent		25,215,672
Total unrestricted net assets		25,230,161
Temporarily restricted net assets		17,297,407
Permanently restricted net assets		2,720,596
Total net assets		45,248,164
Total liabilities and net assets	$	49,488,242

THE RAZORBACK FOUNDATION, INC.
Consolidated Statement of Financial Position
June 30, 2013

Assets		
Cash and cash equivalents	$	13,529,676
Contributions receivable, net		10,969,773
Investments, at fair value		17,026,719
Prepaid rent		1,427,451
Other		893,727
Property and equipment, net of accumulated depreciation of $2,385,782		169,923
Total assets	$	44,017,269
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$	870,224
Deferred compensation		3,886,591
Total liabilities		4,756,815
Net assets:		
Stockholder's equity of for-profit subsidiary		39,883
Unrestricted net assets of nonprofit parent		23,875,088
Total unrestricted net assets		23,914,971
Temporarily restricted net assets		12,840,663
Permanently restricted net assets		2,504,820
Total net assets		39,260,454
Total liabilities and net assets	$	44,017,269

THE RAZORBACK FOUNDATION, INC.
Consolidated Statement of Activities
Year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 17,757,966	$ 10,612,072	$ 215,776	$ 28,585,814
Sports Shows, Inc. revenues	250,261			250,261
Interest and dividends	146,553	18,997		165,550
Net realized and unrealized gains on investments	1,894,739	357,582		2,252,321
Gain on sale of airplane	208,000			208,000
Other	42,630			42,630
Net assets released from restrictions	6,531,907	(6,531,907)		
Total revenues, gains and other support	26,832,056	4,456,744	215,776	31,504,576
Expenses and losses:				
Program services:				
Athletic department expenses	16,481,454			16,481,454
Construction and capital projects	3,207,491			3,207,491
Total program services	19,688,945			19,688,945
Supporting services:				
Management and general	2,313,471			2,313,471
Fundraising	3,076,024			3,076,024
Sports Shows, Inc. operating expenses	275,755			275,755
Change in cash surrender value of life insurance policies	73,391			73,391
Provision for loss on uncollectible contributions	89,280			89,280
Total supporting services	5,827,921			5,827,921
Total expenses and losses	25,516,866			25,516,866
Change in net assets	1,315,190	4,456,744	215,776	5,987,710
Net assets, beginning of year	23,914,971	12,840,663	2,504,820	39,260,454
Net assets, end of year	$ 25,230,161	$ 17,297,407	$ 2,720,596	$ 45,248,164

THE RAZORBACK FOUNDATION, INC.
Consolidated Statement of Activities
Year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 18,439,493	$ 7,975,139	$ 237,384	$ 26,652,016
Sports Shows, Inc. revenues	1,098,585			1,098,585
Interest and dividends	185,225	34,262		219,487
Net realized and unrealized gains on investments	1,228,458	368,127		1,596,585
Other	996,554			996,554
Net assets released from restrictions	18,520,994	(18,520,994)		
Total revenues, gains and other support	40,469,309	(10,143,466)	237,384	30,563,227
Expenses and losses:				
Program services:				
Athletic department expenses	12,897,541			12,897,541
Construction and capital projects	18,521,237			18,521,237
Total program services	31,418,778			31,418,778
Supporting services:				
Management and general	1,742,119			1,742,119
Fundraising	3,709,021			3,709,021
Sports Shows, Inc. operating expenses	1,048,862			1,048,862
Change in cash surrender value of life insurance	100,211			100,211
Provision for loss on uncollectible contributions	371,627			371,627
Total supporting services	6,971,840			6,971,840
Total expenses and losses	38,390,618			38,390,618
Change in net assets	2,078,691	(10,143,466)	237,384	(7,827,391)
Net assets, beginning of year	21,836,280	22,984,129	2,267,436	47,087,845
Net assets, end of year	$ 23,914,971	$ 12,840,663	$ 2,504,820	$ 39,260,454

ARKANSAS 4-H FOUNDATION, INC.
Statements of Financial Position
June 30, 2014 and 2013

ASSETS	2014	2013
UNRESTRICTED ASSETS:		
Cash and cash equivalents	$ 524,270	$ 749,773
Investments, at fair value	1,877,914	1,610,581
Certificates of deposit		36,133
Due from affiliate	66,912	40,107
Other assets	22,261	47,646
Total unrestricted assets	2,491,357	2,484,240
RESTRICTED ASSETS:		
Investments, at fair value	2,483,206	2,111,293
Certificates of deposit		29,132
Total restricted assets	2,483,206	2,140,425
PROPERTY AND EQUIPMENT, NET	5,344,828	5,661,444
TOTAL ASSETS	$ 10,319,391	$ 10,286,109
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 82,334	$ 73,793
Other current liabilities	43,969	108,827
TOTAL LIABILITIES	126,303	182,620
NET ASSETS:		
Unrestricted	5,969,946	6,222,473
Temporarily restricted	3,485,281	3,144,276
Permanently restricted	737,861	736,740
Total net assets	10,193,088	10,103,489
TOTAL LIABILITIES AND NET ASSETS	$ 10,319,391	$ 10,286,109

ARKANSAS 4-H FOUNDATION, INC.
Statement of Activities
For the Years Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Program service revenue	$ 1,233,739	$	$	$ 1,233,739
Grants and contributions	22,798	8,070		30,868
Interest and dividends	16,044	160,126	279	176,449
Net unrealized and realized appreciation on investments	48,391	482,977	842	532,210
Other revenues, net	9,070			9,070
Net assets released from restrictions	310,168	(310,168)		
Total support and revenues	1,640,210	341,005	1,121	1,982,336
EXPENSES:				
Program	1,824,733			1,824,733
Management and general	65,922			65,922
Fundraising	2,082			2,082
Total expenses	1,892,737			1,892,737
CHANGE IN NET ASSETS	(252,527)	341,005	1,121	89,599
NET ASSETS, BEGINNING OF YEAR	6,222,473	3,144,276	736,740	10,103,489
NET ASSETS, END OF YEAR	$ 5,969,946	$ 3,485,281	$ 737,861	$ 10,193,088

ARKANSAS 4-H FOUNDATION, INC.
Statement of Activities
For the Years Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Program service revenue	$ 1,389,071	$ 20	$	$ 1,389,091
Grants and contributions	14,091	41,100		55,191
Interest and dividends	14,746	127,346	278	142,370
Net unrealized and realized appreciation on investments	31,213	269,560	589	301,362
Other revenues (expenses), net	(22,441)	714		(21,727)
Net assets released from restrictions	512,285	(371,991)	(140,294)	
Total support and revenues	1,938,965	66,749	(139,427)	1,866,287
EXPENSES:				
Program	2,091,013			2,091,013
Management and general	108,059			108,059
Fundraising	2,400			2,400
Total expenses	2,201,472			2,201,472
CHANGE IN NET ASSETS	(262,507)	66,749	(139,427)	(335,185)
NET ASSETS, BEGINNING OF YEAR	6,484,980	3,077,527	876,167	10,438,674
NET ASSETS, END OF YEAR	$ 6,222,473	$ 3,144,276	$ 736,740	$ 10,103,489

(1). Summary of Significant Accounting Policies

The financial statements for the University of Arkansas, Fayetteville ("the University") for the fiscal year ended June 30, 2014, 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).

Basis of Presentation and Measurement Focus

For financial reporting purposes, the University is considered a special-purpose government engaged in business-type activities. Accordingly, the financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period in which they are incurred, if measurable, including depreciation.

Net Position

The University's net position is classified as follows:

- Net invested in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- Restricted:

  Nonexpendable – portion subject to externally-imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

  Expendable – portion 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 position to be used either before or after unrestricted net position that may be used for the same purpose. Responsible officials determine at the time funds are expended to use any unrestricted net position that may be available.

- Unrestricted: – portion that is not subject to externally imposed stipulations. Unrestricted net position 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 position is designated for academic and research programs and initiatives as well as capital programs.

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 $14,840,502 and $15,863,204 to the University during the fiscal years ended June 30, 2014, and June 30, 2013, 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 $14,922,435 to the University, and provided equipment, facilities, improvements and supplies in the amount of $422,032 during the fiscal year ended June 30, 2014. During the fiscal year ended June 30, 2013, the Razorback Foundation distributed $28,655,372 to the University, and provided equipment, facilities, improvements and supplies in the amount of $386,786. Complete financial statements for the Razorback Foundation can be obtained from the administrative office at 1295 S. 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 116 distinct funds that are used to account for various educational or administrative activities.

The majority of the distributions made by the 4-H Foundation directly to the University during the fiscal years ended June 30, 2014 and June 30, 2013 were for reimbursement to the University for expenses incurred on their behalf. Other distributions made by 4-H Foundation directly to the University during the fiscal years ended June 30, 2014 and June 30, 2013 included transfers of program balances of $7,971 and $149,550 respectively. Distributions made by the 4-H Foundation directly to the University for program support equaled $76,106 for the fiscal year ended June 30, 2014, and $3,489 for the fiscal year ended June 30, 2013. 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, AR 72203.

New Accounting Pronouncements

The GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which became effective with the fiscal year ending June 30, 2014. The Statement provides guidance to (1) properly classify certain assets and liabilities as deferred outflows or deferred inflows of resources or (2) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). In accordance with Statement 65, the University reported the cumulative effect of debt refundings, totaling $5,605,180, as Deferred Outflows of Resources on the Statement of Net Position. Transactions for scholarship funding and awards used for a future term totaling $107,392 were identified as Deferred Inflows of Resources (funding) and Deferred Outflows of Resources (awards). Because the Deferred Inflows and Deferred Outflows were for the same type of transaction (scholarships) and were the same amount, they were netted against one another for reporting purposes and are not reported on the face of the Statement of Net Position. Additionally, gift revenue reported on the Statement of Revenues, Expenses and Changes in Net Position recognized the change in Deferred Inflows of Resources for scholarship funding for scholarships awarded for a future period.

The GASB also issued three other statements which become effective with the fiscal year ending June 30, 2014: Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62,* which resolves conflicting guidance contained in previously issued GASB pronouncements; Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25,* that addresses financial reporting by state and local governmental pension plans; and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* that specifies reporting requirements for governments that either extend or receive nonexchange financial guarantees. Management has determined that Statements 66 and 67 have no effect on current reporting or disclosures. Management has also determined that the University was not a party to any nonexchange financial guarantees and the requirements of Statement 70 are not applicable.

The GASB issued the following three statements which become effective with the fiscal year ending June 30, 2015: Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* Statement No. 71, *Pension Transition For Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68,* and Statement No. 69, *Government Combinations and Disposals of Government Operations*. Management has not determined the effects of the implementation of these statements 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, 2014	June 30, 2013
Athletics Inventory	Retail	$ 583,758	$ 560,837
Bookstore	Retail	4,074,331	3,366,236
CES Warehouse	FIFO	67,505	74,678
Garvan Woodland Gardens Shop	Weighted Average	84,450	85,064
Facilities Management	FIFO	600,441	532,668
Printing Services	FIFO	172,491	185,528
Research Services[1]	Weighted Average		52,055
Residence Life	Weighted Average	331,680	389,287
University Press	LCM	526,924	562,244
Total Inventories		$ 6,441,580	$ 5,808,597

[1]The Research Services inventory was liquidated in the fiscal year ended June 30, 2014.

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 $1,493,341 and $522,914 were written off during the fiscal years ended June 30, 2014, and June 30, 2013, respectively.

Accounts receivable at June 30, 2014, totaled $39,652,531. The allowance for doubtful accounts was computed to be $5,845,730, resulting in net accounts receivable totaling $33,806,801. Accounts receivable at June 30, 2013, totaled $45,190,743. The allowance for doubtful accounts was computed to be $6,136,054, resulting in net accounts receivable totaling $39,054,689.

A summary of accounts receivable balances at June 30, 2014, are as follows:

	Gross	Allowance	Net
Student Accounts Receivable	$ 12,639,308	$ (5,700,070)	$ 6,939,238
Non-student Accounts Receivable	16,348,677	(145,660)	16,203,017
Unreimbursed Research Contract Expenses	10,664,546		10,664,546
Totals	$ 39,652,531	$ (5,845,730)	$ 33,806,801

A summary of accounts receivable balances at June 30, 2013, are as follows:

	Gross	Allowance	Net
Student Accounts Receivable	$ 11,638,886	$ (5,870,859)	$ 5,768,027
Non-student Accounts Receivable	18,024,749	(265,195)	17,759,554
Unreimbursed Research Contract Expenses	15,527,108		15,527,108
Totals	$ 45,190,743	$ (6,136,054)	$ 39,054,689

Annual Appropriated Budgets

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, construction in progress, and intangible assets are stated at cost or fair market value at date of gift.

Buildings, improvements, and infrastructure additions are capitalized when the cost is $50,000 or more. Renovations to buildings, infrastructure and land improvements are also capitalized when they significantly increase the value or extend the useful life of the structure and the cost exceeds $50,000.

In accordance with the University's capitalization policy, equipment includes all furniture, fixtures and equipment with a unit cost of $5,000 or more and an estimated useful life of one year or more.

Intangible assets are capitalized when the cost is $500,000 or more for purchased software, $1,000,000 or more for internally developed software, or $250,000 or more for easements, land use rights, trademarks and copyrights, and patents.

Library holdings are generally defined as collections of books and reference materials, and are valued using average prices for library acquisitions. 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.

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. Amortization of intangible assets, except for those determined to have indefinite useful lives, is computed using the straight-line method over the estimated useful lives of the assets, generally 5 years for purchased software; 10 years for internally developed software; 15 years for easements, land use rights, trademarks, and copyrights; and 20 years for patents.

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. The total amount of interest cost incurred and the net amount thereof that has been capitalized was $29,790,749 and $4,663,932, respectively, for the fiscal year ended June 30, 2014.

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, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, 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, the Arkansas Archeological Survey, the Criminal Justice Institute, the Clinton School of Public Service and the Arkansas Research Education Optical Network, 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 Global Campus. 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, 2014. 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 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, 2014	June 30, 2013
	Bank Balance	Bank Balance
Insured (FDIC)	$ 2,160,480	$ 1,929,033
Uninsured, Collateralized	218,875,279	201,228,288
Uninsured, Uncollateralized		
Total Deposits	$ 221,035,759	$ 203,157,321

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, 2014, none of the University's bank balance of $221,035,759 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 $5,241,322 at June 30, 2014, and $1,772,378 at June 30, 2013. The above deposit schedule does not include cash on hand in various imprest funds maintained by the University of $66,755 or short-term investments (cash equivalents) of $5,001 at June 30, 2014. At June 30, 2013, these amounts were $88,555 and $5,001, respectively.

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

	June 30, 2014		June 30, 2013	
Bank Balance	$ 221,035,759		$ 203,157,321	
Less: Items in Transit	(6,378,381)		(7,824,304)[ab]	
Less: Nonnegotiable Certificates of Deposit	(34,000)		(34,000)	
Cash on Books		$ 214,623,378		$ 195,299,017
State Treasury Cash	$ 8,936,462		$ 1,243,925	
Cash Equivalents	5,001		5,001[a]	
Imprest Funds non-Bank	66,755		88,555[b]	
Less: System Cash	(5,241,322)		(1,772,378)	
Cash and Equivalents		3,766,896		(434,897)
Total Cash and Equivalents		$ 218,390,274		$ 194,864,120

[a] Balance reported at June 30, 2013 was reduced $21,787,880 to properly reflect cash deposits.
[b]Imprest Funds of $88,555 no longer reported as Items in Transit.

Investments

Investments, other than deposits held with trustees, are recorded at fair value. Fair value for reporting purposes is market value if a market price or quote is readily available. Investments that are not recorded at fair value are reported at cost or amortized cost.

The following is a summary of the University's investments held at June 30, 2014:

Investment Type	Value at June 30, 2014
Mutual Treasury Funds	$ 84,852,998
Mutual Bond Funds	73,285
Corporate Bonds	76,472
External Investment Pool-University of Arkansas System	147,625,861
Other	2,396,073
Total Investments	$ 235,024,689

The Mutual Treasury Funds of $84,852,998 includes $84,845,832 reported as deposits with bond trustees on the Statement of Net Position. The above schedule does not include nonnegotiable certificates of deposit of $59,131 which are considered deposits for GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*.

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 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 Statement No. 40 interest rate risk disclosure are summarized below:

Interest Rate Risk				
Investment Maturities (in years)				
Investment Type	Value	Less than 1	1 to 5	6 to 10
Corporate Bonds	$ 76,472	$	$ 76,472	$

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal investment policy addressing credit risk.

The University of Arkansas' investments subject to GASB Statement No. 40 credit risk disclosure are summarized below:

Credit Risk					
Investment Type	Fair Value	Aaa-Aa3	A1-A3	Baa1-Baa3	Not Rated
Mutual Treasury Funds	$ 84,852,998	$ 84,845,832			$ 7,166
Mutual Bond Funds	73,285			$ 2,377	70,908
Corporate Bonds	76,472		$ 76,472		
Totals	$ 85,002,755	$ 84,845,832	$ 76,472	$ 2,377	$ 78,074

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

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, 2014.

External Investment Pool-University of Arkansas System

Effective June 30, 1997, the University of Arkansas adopted Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Pools.* GASB No. 31 requires that investments be carried at fair value and all changes in fair value be reported in revenue as a component of investment income. In 1997, the University of Arkansas and the University of Arkansas Foundation established an external investment pool. This arrangement commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. During 1998, the Walton Arts Foundation joined the pool and during 2003, the Fayetteville Campus Foundation joined the pool. During 2007, the University of Arkansas Community College at Hope Foundation joined the pool. The Razorback Foundation, Inc. joined the pool during 2012.

The governmental external investment pool is exempt from registration with the Securities and Exchange Commission. The University of Arkansas Board of Trustees and the University of Arkansas Foundation Board of Trustees are the sponsors of this investment pool and are responsible for operation and oversight for the pool. All participation in this investment pool is voluntary.

In January 2010, the University of Arkansas Investment Committee approved an agreement which delegated authority to the UA Foundation to manage University funds held in the Pool. The agreement included delegation of all responsibility for all investment guidelines and performance objectives for accounts within the Pool. The agreement also delegated to the UA Foundation authority for further delegation of portfolio implementation decisions to one or more investment managers. In January 2010, the UA Foundation entered into such an agreement with Cambridge Associates, LLC.

The following tables contain information on the risk disclosure of the Pool, which includes the Total Return Pool and the Intermediate Pool. The University of Arkansas, Fayetteville owns 8.79% of the Pool's net assets.

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

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

*Includes accrued income

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

Investment Type and Fair Value*	TOTAL	BBB	NR	US GOVN. GUAR
Corporate Bonds	$ 98,887		$ 98,887	
Funds – Corporate Bond	36,958,941		36,958,941	
Funds – Fixed Income ETF	32,204,255		32,204,255	
Funds – Government Bond	141,789		141,789	
Funds – Other Fixed Income	318,940,257		318,940,257	
Funds – Short Term Investment	11,416,413		11,416,413	
Government Bonds	48,207,152	$ 7,152		$ 48,200,000
Govn Mortgage Backed Securities	102			102
Hedge Event Driven	34,985,904		34,985,904	
Non-Govn Backed C.M.O.s	1		1	
Total	$ 482,953,701	$ 7,152	$ 434,746,447	$ 48,200,102

*Does not include accrued income

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

		Investment Maturities (in years)			
Investment Type(1)	Fair Value*	Less than 1	1 to 5	6 to 10	More than 10
Corporate Bonds	$ 98,887		$ 4,300		$ 94,587
Funds – Corporate Bond	36,958,941				
Funds – Fixed Income ETF	32,204,255				
Funds – Government Bond	141,789				
Funds – Other Fixed Income	318,940,257				
Funds – Short Term Investment	11,416,413				
Government Bonds	48,207,152		48,200,000		7,152
Govn Mortgage Backed Securities	102				102
Hedge Event Driven	34,985,904				
Non-Govn Backed C.M.O.s	1				
Total	$ 482,953,701	$	$ 48,204,300	$	$ 101,841

*Does not include accrued income
(1)Pooled and Mutual Fund/Commingled Fund values displayed for Fair Value Totals only.

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

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

*Does not include accrued income
(1)Pooled and Mutual Fund/Commingled Fund values displayed for Fair Value Totals only

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

Currency By Investment and Fair Value*	Cash	Equity	Other Assets
Australian Dollar	$ 1,791,291		
Canadian Dollar	1,883,190	$ 420,894	$ 307
Swiss Franc	(2,133,231)	5,102,137	18,742
Euro	(2,115,358)	8,860,415	31,945
British Pound Sterling	(811,272)	2,678,165	
Hong Kong Dollar	11	2,774,312	
Japanese Yen	(537,460)	5,577,135	2,887
Mexican Peso	197,898		
Norwegian Krone	162,553		
Polish Zloty			7,229
Swedish Krona	682,886	34	
Singapore Dollar	171,966	108,386	
Total	$ (707,526)	$ 25,521,478	$ 61,110

*Includes accrued income

The activities during fiscal year 2014 affecting the University's investments in the external pool are summarized below:

	Total Return Pool	Intermediate Pool	Intermediate Pool CES	Total
June 30, 2013, Balances	$ 64,246,835	$ 61,385,550	$ 10,896,709	$ 136,529,094
Income	736,469	1,794,165	318,487	2,849,121
Realized Gains/(Losses)	2,478,925	932,658	165,558	3,577,141
Unrealized Gains/(Losses)	6,908,978	579,190	102,814	7,590,982
Expenses Paid from Pool	(253,215)	(57,123)	(10,140)	(320,478)
Transfers In/(Out) of Pool	(2,600,000)			(2,600,000)
June 30, 2014, Balances	$ 71,517,992	$ 64,634,440	$ 11,473,428	$ 147,625,860

The activities during fiscal year 2013 affecting the University's investments in the external pool are summarized below:

	Total Return Pool	Intermediate Pool	Intermediate Pool CES	Total
June 30, 2012, Balances	$ 61,362,292	$ 60,806,482	$ 10,793,917	$ 132,962,691
Income	714,244	1,591,259	282,469	2,587,972
Realized Gains/(Losses)	1,552,198	2,007,107	356,287	3,915,592
Unrealized Gains/(Losses)	5,171,258	(2,949,089)	(523,501)	1,698,668
Expenses Paid from Pool	(253,157)	(70,209)	(12,463)	(335,829)
Transfers In/(Out) of Pool	(4,300,000)			(4,300,000)
June 30, 2013, Balances	$ 64,246,835	$ 61,385,550	$ 10,896,709	$ 136,529,094

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:

	2014	2013
Fair Value @ June 30	$ 71,587,878	$ 64,275,946
Number of Units in Pool @ June 30	1,509,490	1,560,459
Fair Value per Unit @ June 30	$ 47.425	$ 41.190
Gains/(Losses) for the Year	$ 9,387,904	$ 6,723,456
Net Income Earned for the Year	$ 100,105	$ 107,885
Gain/(Loss) per Unit	$ 6.22	$ 4.31
Income Earned per Unit	0.07	0.07
Total per Unit	$ 6.29	$ 4.38

Donor-restricted Endowments

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

	2014	2013
Total Endowment at June 30	$ 72,743,239	$ 65,353,961
Less: Funds treated as Endowment	(13,445,209)	(12,151,652)
Non-expendable portion of Endowment	(23,122,169)	(23,020,824)
Available for Expenditure	$ 36,175,861	$ 30,181,485

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

Arkansas Code Annotated §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 4.4% of the balance of the endowment averaged over the previous twelve quarters. For FY2014, the total takedown percentage of 5.322% includes .6% for administrative costs plus other external fees.

(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 $2,179,921 and $2,373,813 were issued under the Student Loan Programs for the years ended June 30, 2014, and June 30, 2013, 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 11.99% for the year ended June 30, 2014, and 12.37% for the year ended June 30, 2013. Notes receivable totaling $11,030 and $20,344 were written off during the fiscal year ended June 30, 2014, and June 30, 2013, respectively.

The following summarizes the balance of notes receivable at June 30, 2014:

Type of Note	Gross Balance	Allowance	Net Balance	Current Portion
Student loans	$ 15,644,784	$ (835,252)	$ 14,809,532	$ 3,285,405
Loans to Greek organizations	646,962		646,962	131,761
Totals	$ 16,291,746	$ (835,252)	$ 15,456,494	$ 3,417,166

The following summarizes the balance of notes receivable at June 30, 2013:

Type of Note	Gross Balance	Allowance	Net Balance	Current Portion
Student loans	$ 15,635,012	$ (846,897)	$ 14,788,115	$ 3,127,002
Loans to Greek organizations	772,664		772,664	15,499
Totals	$ 16,407,676	$ (846,897)	$ 15,560,779	$ 3,142,501

(6). Pledges Receivable

The University did not have any material amounts pledged that were receivable at June 30, 2014 or 2013.

(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, 2014. 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, 2014	June 30, 2013
Payable to Outside Vendors	$ 19,470,423	$ 26,965,698
Retainage on Construction Contracts	3,017,925	7,719,030
Property Taxes Payable	250,165	245,798
Total	$ 22,738,513	$ 34,930,526

Accrued payroll liabilities are summarized as follows:

	June 30, 2014	June 30, 2013
Net Salaries and Wages Payable	$ 2,890,598	$ 3,506,123
Employee Withholdings Payable	8,253,907	8,102,692
Employer Payroll Taxes and Benefits Matching Payable	6,265,722	5,992,193
Total	$ 17,410,227	$ 17,601,008

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

Debt service payments on existing bonds amounted to $49,507,909 for the fiscal year ended June 30, 2014. The amount of $7,938,489 was expended for principal and interest on notes payable, installment contracts and capital leases for the same period.

On September 13, 2012, the University issued $60,540,000 in Various Facility Revenue Bonds, Series 2012B. The bonds were issued to provide funds to finance various construction and renovation projects on the University campus. Projects include renovation and construction of and additions to Vol Walker; construction of a new University Housing Administration Building, Founders Hall, and the Jean Tyson Child Development Study Center; a major renovation of Hotz Hall; purchase of the Uptown Campus facilities and other real property; and renovation and improvements to various housing and academic buildings as well as various other campus improvements and infrastructure.

On May 16, 2013, the University issued $54,450,000 in Various Facility Revenue Bonds, Series 2013A. The bonds were issued to provide funds to finance various construction projects on the University campus. Projects include construction of Champion's Hall classroom and laboratory building, the Leroy Pond Utility Plant, the Jim & Joyce Faulkner Performing Arts Center and the Utility Combined Heat and Power Project.

On May 16, 2013, the University issued $30,355,000 in Athletic Facility Revenue Bonds, Series 2013. The bonds were issued to provide funds to finance construction of various athletic facilities. Projects include the construction of the Athletic Academic and Dining Facility, the Baseball and Track Indoor Training Facility, and the Basketball Practice Facility.

On June 30, 2014, the University issued $24,730,000 in Various Facility Revenue Bonds, Series 2014A and $5,020,000 in Various Facility Revenue Bonds, Series 2014B (Taxable). The bonds were issued to provide funds to finance the purchase of real property, various construction and renovation projects on the University campus. Projects included in the Series 2014A bond issue include the purchase of the Cato Springs Research Center, the renovation and upgrading of the central heating plant, renovating the Field House and converting it into the Jim and Joyce Faulkner Performing Arts Center, the renovation and repurposing underutilized space in the Agricultural, Food and Life Science Building into general purpose classrooms, and the renovation, improving, equipping and furnishing of previously purchased buildings to be used as an Art and Design District. The Series 2014B (Taxable) bonds were issued to renovate and expand student housing operated by the University.

On April 17, 2012, the University issued $56,965,000 in Various Facility Revenue Refunding Bonds, Series 2012A. The bonds, with interest rates of 1.0% to 5.0% were issued to refund $44,555,000 of outstanding bonds dated December 1, 2002 with an interest rate of 4.75% to 5.50%, and $17,080,000 of outstanding bonds dated October 1, 2004 with interest rates of 3.25% to 4.75%. Net bond proceeds and premiums of $65,717,794 were deposited into the advance refunding fund to retire the bonds. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,082,794. This difference, reported in the accompanying financial statements as Deferred Outflows of Resources, will be amortized through the fiscal year 2033 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twenty-one years by $9,331,777 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $7,016,631. The escrow balance as of June 30, 2014 was $15,293,371. The bonds dated December 1, 2002 were refunded on December 1, 2012. The bonds dated October 1, 2004 will continue to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of November 1, 2014, at which time the remaining balance will be refunded.

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 had 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 continued 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 were 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 were 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 Position. 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 account has been closed as of June 30, 2013.

Remaining balances of defeased bond issues as of June 30, 2014:

Title	Principal Balance at June 30, 2014
Various Facilities Revenue Bonds, Series 2004A	$ 14,995,000

On April 16, 2012, the University signed an agreement to enter into a lease purchase arrangement with AG-PRO Companies. The purpose of the agreement is to provide the University with the financing to purchase a tractor. The lease purchase agreement commenced with up-front payment made upon receiving the equipment in July, 2012. The total of the lease agreement is $14,627 and bears no interest. The agreement has a final maturity date of July 5, 2014.

A summary of long term debt at June 30, 2014, is as follows:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding at June 30, 2014	Maturities and Refinanced Amounts to June 30, 2014
10/15/1997	11/01/2022	3.95% to 5.25%	$ 21,445,000	$ 1,185,000	$ 20,260,000
10/01/2004	11/01/2024	2.00% to 4.75%	7,050,000	3,595,000	3,455,000
03/01/2005	11/01/2025	3.00% to 4.50%	81,020,000	66,275,000	14,745,000
06/01/2006	11/01/2036	4.00% to 5.00%	67,420,000	61,670,000	5,750,000
06/01/2006	09/15/2022	4.00% to 4.375%	8,205,000	5,260,000	2,945,000
10/01/2007	11/01/2037	4.00% to 5.00%	45,010,000	40,155,000	4,855,000
08/01/2008	11/01/2038	4.00% to 5.00%	36,750,000	36,100,000	650,000
08/01/2008	11/01/2028	4.10% to 6.375%	15,210,000	14,265,000	945,000
12/15/2009	11/01/2039	3.00% to 5.00%	52,430,000	49,350,000	3,080,000
06/30/2010	09/15/2020	1.00% to 4.82%	23,965,000	16,445,000	7,520,000
06/29/2011	11/01/2040	2.00% to 5.00%	101,225,000	96,675,000	4,550,000
06/29/2011	11/01/2022	3.00% to 5.00%	8,895,000	7,790,000	1,105,000
06/29/2011	09/15/2021	2.00% to 4.895%	23,575,000	18,620,000	4,955,000
04/17/2012	11/01/2032	1.00% to 5.00%	56,965,000	51,455,000	5,510,000
09/13/2012	11/01/2042	2.00% to 5.00%	60,540,000	60,215,000	325,000
05/16/2013	11/01/2042	1.00% to 5.00%	54,450,000	53,270,000	1,180,000
05/16/2013	09/15/2027	1.00% to 5.00%	30,355,000	29,410,000	945,000
06/30/2014	11/01/2043	2.00% to 5.00%	24,730,000	24,730,000	
06/30/2014	11/01/2043	0.85% to 4.50%	5,020,000	5,020,000	
11/30/1991	05/01/2022	5.50%	3,000,000	1,314,518	1,685,482
11/29/1995	11/01/2034	2.00% to 5.00%	2,071,140	757,165	1,313,975
12/20/1999	12/31/2017	Variable	1,161,952	425,407	736,545
05/11/2007	09/30/2013	Variable	6,000,000		6,000,000
11/30/2007	07/01/2023	4.69%	6,950,000	5,488,498	1,461,502
10/15/2008	09/13/2013	5.00%	5,000,000		5,000,000
12/19/2008	08/19/2023	4.581%	23,842,000	18,273,057	5,568,943
04/08/2010	01/08/2023	4.80%	9,694,713	7,589,816	2,104,897
Various	Various	Various	27,670	9,605	18,065
Net unamortized premium			38,656,209	35,245,728	3,410,481
Totals			$ 820,663,684	$ 710,588,794	$ 110,074,890

A summary of long term debt at June 30, 2013, is as follows:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding at June 30, 2013	Maturities and Refinanced Amounts to June 30, 2013
10/15/1997	11/01/2022	3.95% to 5.25%	$ 21,445,000	$ 1,315,000	$ 20,130,000
10/01/2004	11/01/2024	2.00% to 4.75%	7,050,000	4,415,000	2,635,000
03/01/2005	11/01/2025	3.00% to 4.50%	81,020,000	72,785,000	8,235,000
06/01/2006	11/01/2036	4.00% to 5.00%	67,420,000	62,740,000	4,680,000
06/01/2006	09/15/2022	4.00% to 4.375%	8,205,000	5,735,000	2,470,000
10/01/2007	11/01/2037	4.00% to 5.00%	45,010,000	41,075,000	3,935,000
08/01/2008	11/01/2038	4.00% to 5.00%	36,750,000	36,360,000	390,000
08/01/2008	11/01/2028	4.10% to 6.375%	15,210,000	14,565,000	645,000
12/15/2009	11/01/2039	3.00% to 5.00%	52,430,000	50,410,000	2,020,000
06/30/2010	09/15/2020	1.00% to 4.82%	23,965,000	18,475,000	5,490,000
06/29/2011	11/01/2040	2.00% to 5.00%	101,225,000	98,640,000	2,585,000
06/29/2011	11/01/2022	3.00% to 5.00%	8,895,000	7,790,000	1,105,000
06/29/2011	09/15/2021	2.00% to 4.895%	23,575,000	21,210,000	2,365,000
04/17/2012	11/01/2032	1.00% to 5.00%	56,965,000	52,440,000	4,525,000
09/13/2012	11/01/2042	2.00% to 5.00%	60,540,000	60,540,000	
05/16/2013	11/01/2042	1.00% to 5.00%	54,450,000	54,450,000	
05/16/2013	09/15/2027	1.00% to 5.00%	30,355,000	30,355,000	
11/30/1991	05/01/2022	5.50%	3,000,000	1,442,248	1,557,752
11/29/1995	11/01/2034	2.00% to 5.00%	2,071,140	772,664	1,298,476
12/20/1999	12/31/2017	Variable	1,161,952	538,002	623,950
05/11/2007	09/30/2013	Variable	6,000,000	3,126,238	2,873,762
11/30/2007	07/01/2023	4.69%	6,950,000	5,802,366	1,147,634
10/15/2008	09/13/2013	5.00%	5,000,000	294,211	4,705,789
12/19/2008	08/19/2023	4.581%	23,842,000	19,825,862	4,016,138
04/08/2010	01/08/2023	4.80%	9,694,713	8,272,304	1,422,409
Various	Various	Various	27,670	17,116	10,554
Net unamortized premium			36,310,469	34,621,972	1,688,497
Totals			$ 788,567,944	$ 708,012,983	$ 80,554,961

Due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the deferred amount on refunding is now classified as a Deferred Outflow of Resources on the Statement of Net Position.

Equipment Leases

The University has acquired certain equipment under various lease-purchase contracts. The cost of equipment held under capital leases totaled $29,046 at June 30, 2014. The expense resulting from depreciation of assets recorded under capital leases is included with depreciation expense as reflected in the summary of property, plant and equipment. See Note 13.

Type of Equipment	Asset Balance June 30, 2014
Color Digital Copier	$ 14,419
Farm Equipment	14,627
Total	$ 29,046
Total Minimum Lease Payments	$ 9,836
Less: Amount Representing Interest	231
Total Present Value of Net Minimum Lease Payments	$ 9,605

The accumulated depreciation for the above items was $14,461 as of June 30, 2014.

Changes in long-term liabilities for the year ended June 30, 2014, are as follows:

	Fiscal Year Ended June 30, 2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds	$ 633,300,000	$ 29,750,000	$ 21,565,000	$ 641,485,000	$ 23,865,000
Net unamortized premium	34,621,972	2,345,740	1,721,984	35,245,728	1,801,952
Notes	6,173,363		3,676,273	2,497,090	270,453
Leases	17,116		7,511	9,605	7,661
Installment contracts	33,900,532		2,549,161	31,351,371	2,669,601
Compensated absences	19,136,038	677,556	173,340	19,640,254	1,123,196
Liability for retiree insurance benefits	11,430,713	883,719		12,314,432	
Totals	$ 738,579,734	$ 33,657,015	$ 29,693,269	$ 742,543,480	$ 29,737,863

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

Changes in long-term liabilities for the year ended June 30, 2013, are as follows:

Fiscal Year Ended June 30, 2013					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds	$ 505,850,000	$ 145,345,000	$ 17,895,000	$ 633,300,000	$ 21,565,000
Net unamortized premium	15,946,218	19,826,997	1,151,243	34,621,972	1,721,984
Notes	8,239,281		2,065,918	6,173,363	3,680,478
Leases	1,200,806	14,627	1,198,317	17,116	7,511
Installment contracts	36,334,689		2,434,157	33,900,532	2,549,161
Compensated absences	18,378,906	921,058	163,926	19,136,038	1,161,585
Liability for retiree insurance benefits	10,539,604	891,109		11,430,713	
Totals	$ 596,489,504	$ 166,998,791	$ 24,908,561	$ 738,579,734	$ 30,685,719

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

Due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the deferred amount on refunding is now classified as a Deferred Outflow of Resources on the Statement of Net Position.

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

	Principal	Interest*	Total
2015	$ 26,812,715	$ 30,201,315	$ 57,014,030
2016	28,244,023	29,470,779	57,714,802
2017	30,025,593	28,389,447	58,415,040
2018	30,254,458	27,225,963	57,480,421
2019	31,495,086	25,981,270	57,476,356
2020-2024	153,718,535	107,806,404	261,524,939
2025-2029	110,989,495	76,686,310	187,675,805
2030-2034	110,732,336	50,117,068	160,849,404
2035-2039	108,505,825	23,042,922	131,548,747
2040-2044	44,565,000	3,607,281	48,172,281
Totals	$ 675,343,066	$ 402,528,759	$ 1,077,871,825
Plus Net unamortized premiums	35,245,728		
Totals	$ 710,588,794		

*Interest payments made on one note payable is calculated using floating interest rates. The interest on the note 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, 2014, until maturity. The estimated future interest for these notes was calculated using the rate of 2.50%.

Pledged Revenues

For purposes of extinguishing the University's long-term debt issues, certain revenues have been pledged as security. The following is a summary of the gross revenues collected during the fiscal year ended June 30, 2014, and June 30, 2013, that are pledged:

BOND SERIES	REVENUE SOURCE	2014	2013
Series 1997 Various Facilities Series 2004 Various Facilities Series 2005 Various Facilities Series 2006 Various Facilities Series 2007 Various Facilities Series 2008 Various Facilities Series 2009 Various Facilities Series 2011 Various Facilities Series 2012 Various Facilities Series 2013 Various Facilities Series 2014 Various Facilities	Student Tuition and Fees Sales and Services Residential Life Bookstore[1] Student Health Services Transit and Parking Other Auxiliaries	$ 230,413,972 8,861,545 37,356,707 18,076,631 970,252 7,374,258 3,751,661	$ 211,930,572 7,638,343 35,104,362 18,775,473 753,775 6,684,527 3,949,876
	Total Various Fac. Pledge	$ 306,805,026	$ 284,836,928
Series 2006 Athletic Facilities Series 2010 Athletic Refunding Series 2011 Athletic Facilities Series 2013 Athletic Facilities	Men's Athletic Revenue (less game guarantees)	$ 58,844,536 (3,111,403)	$ 60,852,585 (3,368,109)
	Total Athletics Pledge	$ 55,733,133	$ 57,484,476

[1]For the purposes of calculating pledged revenues, Bookstore revenues shown include internally generated revenues from sales to the University campus of $4,472,851 for the year ending June 30, 2014 and $5,250,758 for the year ending June 30, 2013.

The following is a comparison of pledged revenues earned to the amount of debt service per bond issue for the year ended June 30, 2014:

BOND SERIES	MATURITY DATE	PURPOSE OF DEBT	REMAINING PRINCIPAL & INTEREST	FY2014 PRINCIPAL & INTEREST	REVENUE SOURCE	FY2014 REVENUE	% OF PLEDGED REVENUES IN FY2014
VARIOUS FACILITIES BONDS:							
Series 1997 Various Facilities	11/01/2022	Construction of Parking Facility, Alumni Center, Union Renovation and other Capital Assets	$ 1,442,713	$ 194,098	Various Fac. Pledge	$ 306,805,026	.06%
Series 2004B Various Facilities	11/01/2024	Refund portion of Series 1998 Var. Facilities Bonds	3,900,995	975,768	Various Fac. Pledge	306,805,026	.32%
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.	79,497,321	9,547,554	Various Fac. Pledge	306,805,026	3.11%
Series 2006 Various Facilities	11/01/2036	Construction of Student Housing, Law School Addition, Steam Plant Performance Contract, and Poultry Science Energy Management	104,761,398	4,086,585	Various Fac. Pledge	306,805,026	1.33%
Series 2007 Various Facilities	11/01/2037	Construction of Student Housing	67,960,969	2,850,763	Various Fac. Pledge	306,805,026	.93%
Series 2008 Various Facilities	11/01/2038	Construction of Parking Garage, Bookstore, KUAF Radio, and other facilities, also purchase of parcels of land.	86,252,722	3,178,948	Various Fac. Pledge	306,805,026	1.04%
Series 2009 Various Facilities	11/01/2039	Construction of Nano Scale Building and Phi Delta Theta. Renovation of Davis Hall, Darby Hall, Wilson Sharp Hall, Old Health Center, and Peabody Hall. Classroom and Lab Improvements and Utility Renewal	84,061,084	3,236,483	Various Fac. Pledge	306,805,026	1.05%
Series 2011 Various Facilities	11/01/2040	Renovation of and additions to Vol Walker and Ozark Halls, Hillside Auditorium, renovation to various classrooms and labs and Science Building, construction of Child Development Study Center, improvements to Arkansas Union, construction of hazardous waste facility, improvements to various student housing and dining facilities and various infrastructure improvements.	180,375,167	6,664,081	Various Fac. Pledge	306,805,026	2.17%
Series 2012A Various Facilities Refunding	11/01/2032	Refunded $44,555,000 of Series 2002 Various Facility Revenue Bonds and $17,080,000 of Series 2004A Various Facility Revenue Bonds	80,430,625	3,395,100	Various Fac. Pledge	306,805,026	1.11%
Series 2012B Various Facilities	11/01/2042	Renovations and addition to Vol Walker Hall, renovation of Hotz Hall, John A. White Engineering Hall, Science Building, construction of Founders Hall and Brough Addition, purchase of Uptown Campus, and various other renovations and infrastructure improvements.	112,336,050	3,141,150	Various Fac. Pledge	306,805,026	1.02%
Series 2013A Various Facilities	11/01/2042	Construction of new Classroom & Lab Building, Leroy Pond Utility Plant, Jim & Joyce Faulkner Performing Arts Center, and the Combined Heat & Power facility	91,870,819	3,425,524	Various Fac. Pledge	306,805,026	1.12%
Series 2014 Various Facilities	11/01/2043	Purchase of Cato Springs Research Center, construction of Combined Heat & Power facility and Jim & Joyce Faulkner Performing Arts Center, renovation and repurposing space in the Agricultural, Food and Life Science Building and developing the Art and Design District	54,778,862		Various Fac. Pledge	306,805,026	
		Total Percentage of Pledged Revenues					13.26%
ATHLETIC FACILITIES BONDS AND NOTE:							
Series 2006 Athletic Facilities	09/15/2022	Construction of John McDonnell Outdoor Track Stadium	6,337,679	705,691	Athletics Pledge	55,733,133	1.27%
Series 2010 Athletic Facilities	09/15/2020	Refunded Series 1999 and 2001 Athletic Facilities Bonds for Football Stadium	19,157,471	2,738,891	Athletics Pledge	55,733,133	4.91%
Series 2011 Athletic Facilities	09/15/2021	Construction of Football Center	21,789,900	3,370,700	Athletics Pledge	55,733,133	6.05%
Series 2013 Athletic Facilities	09/15/2027	Construction of the Basketball Practice Facility, the Track and Baseball Indoor Practice Facility, and the Athletic & Academic Dining Facility	40,379,825	1,996,576	Athletics Pledge	55,733,133	3.58%
Series 2008 Athletic Facilities Revenue Prom. Note	09/13/2013	Improvements to various athletic facilities		297,970	Athletics Pledge	55,733,133	.53%
		Total Percentage of Pledged Revenues					16.34%

The following is a comparison of pledged revenues earned to the amount of debt service per bond issue for the year ended June 30, 2013:

BOND SERIES	MATURITY DATE	PURPOSE OF DEBT	REMAINING PRINCIPAL & INTEREST	FY2013 PRINCIPAL & INTEREST	REVENUE SOURCE	FY2013 REVENUE	% OF PLEDGED REVENUES IN FY2013
VARIOUS FACILITIES BONDS:							
Series 1997 Various Facilities	11/01/2022	Construction of Parking Facility, Alumni Center, Union Renovation and other Capital Assets	$ 1,636,810	$ 195,664	Various Fac. Pledge	$ 284,836,928	.07%
Series 2004B Various Facilities	11/01/2024	Refund portion of Series 1998 Var. Facilities Bonds	4,876,764	972,443	Various Fac. Pledge	284,836,928	.34%
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.	89,044,875	4,445,829	Various Fac. Pledge	284,836,928	1.56%
Series 2006 Various Facilities	11/01/2036	Construction of Student Housing, Law School Addition, Steam Plant Performance Contract, and Poultry Science Energy Management	108,847,983	4,027,385	Various Fac. Pledge	284,836,928	1.41%
Series 2007 Various Facilities	11/01/2037	Construction of Student Housing	70,811,731	2,851,863	Various Fac. Pledge	284,836,928	1.00%
Series 2008 Various Facilities	11/01/2038	Construction of Parking Garage, Bookstore, KUAF Radio, and other facilities, also purchase of parcels of land.	89,431,669	3,147,288	Various Fac. Pledge	284,836,928	1.10%
Series 2009 Various Facilities	11/01/2039	Construction of Nano Scale Building and Phi Delta Theta. Renovation of Davis Hall, Darby Hall, Wilson Sharp Hall, Old Health Center, and Peabody Hall. Classroom and Lab Improvements and Utility Renewal	87,297,566	3,232,758	Various Fac. Pledge	284,836,928	1.13%
Series 2011 Various Facilities	11/01/2040	Renovation of and additions to Vol Walker and Ozark Halls, Hillside Auditorium, renovation to various classrooms and labs and Science Building, construction of Child Development Study Center, improvements to Arkansas Union, construction of hazardous waste facility, improvements to various student housing and dining facilities and various infrastructure improvements.	187,039,248	7,784,031	Various Fac. Pledge	284,836,928	2.73%
Series 2012A Various Facilities Refunding	11/01/2032	Refunded $44,555,000 of Series 2002 Various Facility Revenue Bonds and $17,080,000 of Series 2004A Various Facility Revenue Bonds	83,825,725	7,063,444	Various Fac. Pledge	284,836,928	2.48%
Series 2012B Various Facilities	11/01/2042	Renovations and addition to Vol Walker Hall, renovation of Hotz Hall, John A. White Engineering Hall, Science Building, construction of Founders Hall and Brough Addition, purchase of Uptown Campus, and various other renovations and infrastructure improvements.	115,477,200	1,785,620	Various Fac. Pledge	284,836,928	.63%
Series 2013A Various Facilities	11/01/2042	Construction of new Classroom & Lab Building, Leroy Pond Utility Plant, Jim & Joyce Faulkner Performing Arts Center, and the Combined Heat & Power facility	95,296,343		Various Fac. Pledge	284,836,928	
		Total Percentage of Pledged Revenues					12.45%
ATHLETIC FACILITIES BONDS AND NOTE:							
Series 2006 Athletic Facilities	09/15/2022	Construction of John McDonnell Outdoor Track Stadium	7,043,371	704,291	Athletics Pledge	57,484,476	1.23%
Series 2010 Athletic Facilities	09/15/2020	Refunded Series 1999 and 2001 Athletic Facilities Bonds for Football Stadium	21,896,361	2,736,616	Athletics Pledge	57,484,476	4.76%
Series 2011 Athletic Facilities	09/15/2021	Construction of Football Center	25,160,600	3,195,250	Athletics Pledge	57,484,476	5.56%
Series 2013 Athletic Facilities	09/15/2027	Construction of the Basketball Practice Facility, the Track and Baseball Indoor Practice Facility, and the Athletic & Academic Dining Facility	42,376,401		Athletics Pledge	57,484,476	
Series 2008 Athletic Facilities Revenue Prom. Note	09/13/2013	Improvements to various athletic facilities	297,970	1,191,881	Athletics Pledge	57,484,476	2.07%
		Total Percentage of Pledged Revenues					13.62%

(10). Commitments

The University was contractually obligated for the following at June 30, 2014:

Construction and Architect Contracts

Project Name	Completion Date	Beginning Contract Balance Plus Amendments	Amount Paid	Year-End Contract Balance
AFLS Basement Renovation	August, 2015	$ 248,468	$ 69,093	$ 179,375
Arts & Design District	October, 2016	418,253	21,895	396,358
Athletic Academic & Dining Facility	January, 2015	17,916,911	1,429,266	16,487,645
Basketball Practice Facility	December, 2014	20,258,519	3,616,688	16,641,831
Baseball & Track Indoor Practice Facility	Substantially Complete	8,118,949	7,627,787	491,162
Campus District Energy Systems	Substantially Complete	1,562,859	917,833	645,026
Chi Omega Greek Theatre	June, 2017	233,573	100,320	133,253
Classroom & Teaching Lab Building	January, 2015	21,184,512	6,004,863	15,179,649
Cleveland & Hall L.I.D. Parking Lot	March, 2015	227,266		227,266
Combined Heat & Power Plant	June, 2015	13,513,555	3,680,068	9,833,487
Football Center	Substantially Complete	5,739,675	5,276,327	463,348
Founders Hall	Substantially Complete	9,291,267	9,010,801	280,466
Hillside Auditorium	Substantially Complete	672,654	640,352	32,302
Hotz Hall Renovation	Substantially Complete	5,331,610	5,287,054	44,556
Housing Administration Building	Substantially Complete	4,310,856	4,041,403	269,453
Jim & Joyce Faulkner Performing Arts	April, 2015	1,587,487	1,102,260	485,227
John A. White Engineering Hall Phase I	Substantially Complete	3,004,344	2,803,341	201,003
Lambda Chi Alpha Fraternity House	June, 2016	532,848	111,266	421,582
Leroy Pond Utility Plant	December, 2014	10,247,782	9,757,595	490,187
Mechanical Eng. Building Modifications	Substantially Complete	1,022,118	918,931	103,187
Memorial Hall Restoration	September, 2014	680,971	184,233	496,738
Nano 3rd Floor – Dickson St. Utility	December, 2014	228,799	40,447	188,352
Ozark Hall Renovation and Addition	Substantially Complete	5,759,779	5,339,234	420,545
Pi Kappa House Renovations	December, 2014	6,575,715	3,536,870	3,038,845
Pomfret Honors Quarters	Substantially Complete	1,524,601	1,365,086	159,515
Rice Research Seed Processing Plant	June, 2016	515,781		515,781
Science D Building Lab Upgrades	December, 2014	2,919,236	2,828,293	90,943
Soil Testing Lab Office Renovation	March, 2015	1,978,675	886,799	1,091,876
Yocum Hall Renovation	December, 2014	4,828,133	2,590,532	2,237,601
Other	Various	10,415,637	7,528,813	2,886,824
Totals		$ 160,850,833	$ 86,717,450	$ 74,133,383

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, 2014.

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, 2014, were $7,037,912. Minimum future annual rental payments for leases having an

initial term in excess of one year totaled $7,159,033. Below are the scheduled payments for the five succeeding fiscal years and thereafter.

Year ended June 30	Amount
2015	$ 1,588,610
2016	1,494,041
2017	1,190,801
2018	644,568
2019	582,252
2020-2024	1,650,961
2025-2029	7,800
Total	$ 7,159,033

(11). Employee Benefits

Retirement Benefits

The University offers employees the option of participating in either the University of Arkansas Retirement Plan (UARP) which includes Teachers Insurance Annuity Association—College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments or the Arkansas Public Employees Retirement System (APERS). Effective July 1, 2011, new employees of the University are no longer eligible to participate in the Arkansas Teacher Retirement System (ATRS). Existing ATRS participants are allowed to continue ATRS participation. APERS and ATRS are both defined benefit plans.

The UARP 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, 2014, were $15,779,040 and $16,224,893, respectively. The University's and participants' Fidelity Investments contributions for the year ending June 30, 2014, were $6,734,948 and $7,050,302, respectively. The University's and participants' TIAA-CREF contributions for the year ending June 30, 2013, were $15,501,108 and $15,830,669, respectively. The University's and participants' Fidelity Investments contributions for the year ending June 30, 2013, were $6,181,711 and $6,338,988, respectively.

APERS is a cost-sharing multiple employer defined benefit plan administered by the State of Arkansas. The University contributes 14.88% 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, 2014, were $889,798 and $225,126, respectively. The University's and participants' contribution for the year ending June 30, 2013, were $636,330 and $144,164, respectively. The University's and participants' contribution for the year ending June 30, 2012, were $420,627 and $83,389, 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, 2014, were $249,997 and $67,728, respectively. The University's and participants' contributions for the year ending June 30, 2013, were $289,557 and $81,700, respectively. The University's and participants' contributions for the year ending June 30, 2012, were $303,552 and $82,177, respectively.

The University's and participants' contributions to all other pension plans for the year ended June 30, 2014, were $389,536 and $286,785, respectively. The University's and participants' contributions to all other pension plans for the year ended June 30, 2013, were $412,107 and $311,116, respectively.

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.

As of January 1, 2014, post age 65, Medicare eligible retiree no longer participate in the University of Arkansas' self-funded health and dental benefit plan. Those individuals are now covered by the UnitedHealthcare Medicare Advantage PPO plan.

For the year ending June 30, 2014, a total of 4,504 active employees, former employees, and retirees were participants in the health plan. For the year ending June 30, 2013, the total of active employees, former employees, and retirees participating in the health plan was 5,030. The University pays 73.519% for the Point of Service Plan and 81.178% for the Classic Plan for Fayetteville, the Criminal Justice Institute and the Arkansas Archeological Survey. The University pays 74.295% for the Point of Service Plan and 79.905% for the Classic Plan for the Division of Agriculture. The University pays 75% of the health plan for federal employees.

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 Postemployment 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. The calculation reflects expected future medical costs. It includes an accrual for all active employees valuing the benefits they are anticipated to receive in retirement based on the likelihood that they will stay employed until eligible for postretirement benefits. As a result of the implementation of this statement, the University accrued $12,314,432 in retiree healthcare liability as of June 30, 2014.

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 Assumptions **University Self-Funded Plan**	
Valuation date	July 1, 2013
Valuation year	Census data was collected as of November 1, 2012
Actuarial cost method	Projected unit credit
Amortization method	30 years open, level % of payroll
Asset valuation method	N/A
Discount rate	4.50%
Projected payroll growth rate	4.00%
Medical inflation rate	Immediate rate of 7.5%, with a 0.25% decrease each year starting in year 3 to an ultimate rate of 4.75%

General Overview of the Valuation Methodology

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Calculations are based on the types of benefits provided under the terms of each plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

Changes in Actuarial Assumptions and Methods

Effective January 1, 2013, UMR, a subsidiary of United Healthcare, replaced QualChoice as the University's medical plan administrator. The effect of this change on network discounts was

estimated based on the United Healthcare book-of-business discount information contained in the Aon Hewitt Discount Analysis Database compared to the specific claims and discount data reported by QualChoice. In the aggregate, this change is estimated to reduce health care costs by 11.4%. Also, the healthcare trend rate assumption was changed to better reflect anticipated future experience. This change increased the Actuarial Accrued Liability by $2,059,046 as of July 1, 2013.

Medical Coverage – Retirees not Eligible for Medicare

Claim experience for the period February 1, 2012 through January 31, 2014 was used to develop the claims cost for non-Medicare-eligible retirees. The paid claims data was converted to an incurred basis using a completion factor approach. This experience includes 987 life years of exposure and was deemed to be 70% credible. The experience was combined with the active claims experience adjusted for demographic differences to produce the per capita claims costs used in the valuation. Adjustment factors were then applied to develop expected claims by age to be used in the valuation. Expected retiree premiums were developed to represent the expected cost sharing level anticipated by the University. Retiree premiums were also age-adjusted for use in the valuation.

Medical Coverage – Retirees Eligible for Medicare

Effective January 1, 2014, the plan for Medicare eligible retirees was changed to a fully insured Medicare Advantage program. Retirees pay 100% of the fully insured premium directly to United Healthcare. As a result, no liabilities for Medicare eligible retiree medical benefits are included in this valuation.

Dental Coverage

Dental claims coverage for the period February 1, 2013 through January 31, 2014 was used to develop per capita claims cost for dental coverage. The claims experience includes over 35,000 life years of exposure and was deemed to be fully credible. Based on this analysis, it was concluded that the retiree contributions are sufficient to fully cover the expected dental claims costs as intended. As such, the cost for dental coverage is excluded from this valuation.

Actuarial Assumptions	
University Self-Funded Plan	
Healthy Mortality	RP-2000 Generational Combined Healthy Mortality Table projected by scale AA

Actuarial Assumptions
University Self-Funded Plan

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

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

Actuarial Assumptions
University Self-Funded Plan

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

Service	Select Rates UAF	UAMS	OTHER
0	25%	30%	20%
1	25%	20%	20%
2	20%	18%	20%
3	16%	18%	15%
4	16%	15%	15%

Ultimate rates are from Sarason turnover table T-6 for UAF, table T-7 for UAMS, and table T-4 for all other locations.

Actuarial Assumptions

University Self-Funded Plan

Retirement Rates

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

Actuarial Assumptions

University Self-Funded Plan

Future Retiree Coverage

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

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

Retirees were assumed to remain in their current plan indefinitely.

75% of retiring employees are assumed to continue life insurance at retirement.

Actuarial Assumptions

University Self-Funded Plan

Future Dependent Coverage	50% of employees electing medical and Rx coverage at retirement are assumed to be married and elect spouse coverage.
Spouse Age Differential	Males are assumed to be 4 years older than females.

Determination of End of Year Accrual

Unfunded actuarial accrued liability at 7/1/13	$	17,588,820
Annual Required Contribution (ARC)		
Normal cost	$	770,441
Amortization of the unfunded actuarial accrued liability over 30 years		627,977
Interest		62,928
Annual Required Contribution for FY14		1,461,346
Interest on Net OPEB Obligation		514,053
ARC Amortization Adjustment		(426,205)
Annual OPEB Cost for FY14	$	1,549,194
Net OPEB Obligation, 7/1/13	$	11,430,713
Annual OPEB Cost for FY14		1,549,194
Less: Expected Employer Contributions		(665,475)
Net OPEB Obligation, 6/30/14	$	12,314,432

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed	Net Obligation at Year End
6/30/12	$ 2,029,394	$ 802,704	39.55%	$ 10,539,604
6/30/13	$ 1,782,714	$ 891,605	50.01%	$ 11,430,713
6/30/14	$ 1,549,194	$ 665,475	42.96%	$ 12,314,432

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

Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage Of Covered Payroll
6/30/14	$ 0	$ 17,588,820	$ 17,588,820	0%	$ 269,869,374	6.52%

(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, 2014, 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 2014:

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
NONDEPRECIABLE CAPITAL ASSETS					
Land	$ 43,087,135	$ 7,536,414	$ 417,458	$ 8,500	$ 50,214,591
Construction in progress	167,332,469	97,091,848	555,389	(174,135,864)	89,733,064
Other assets	1,675,650	540,251			2,215,901
TOTAL NONDEPRECIABLE CAPITAL ASSETS	212,095,254	105,168,513	972,847	(174,127,364)	142,163,556
DEPRECIABLE CAPITAL ASSETS					
Buildings	1,209,216,835	9,180,975	687,560	167,496,886	1,385,207,136
Equipment	220,617,733	9,732,691	10,045,999	(121,465)	220,182,960
Improvements	30,257,479	190,750		68,606	30,516,835
Infrastructure	91,596,937	424,414		6,898,077	98,919,428
Intangible assets	79,476,189				79,476,189
Library holdings	75,279,844	6,528,288	39,307		81,768,825
Total depreciable capital assets	1,706,445,017	26,057,118	10,772,866	174,342,104	1,896,071,373
Less accumulated depreciation					
Buildings	(476,055,335)	(44,103,588)	486,176		(519,672,747)
Equipment	(174,694,680)	(14,701,351)	9,859,293		(179,536,738)
Improvements	(15,123,270)	(1,211,553)			(16,334,823)
Infrastructure	(35,561,602)	(4,288,577)			(39,850,179)
Intangible assets	(77,697,668)	(443,037)			(78,140,705)
Library holdings	(66,617,707)	(2,471,604)	38,093		(69,051,218)
Total accumulated depreciation	(845,750,262)	(67,219,710)	10,383,562		(902,586,410)
TOTAL DEPRECIABLE CAPITAL ASSETS	860,694,755	(41,162,592)	389,304	174,342,104	993,484,963
TOTAL CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	$ 1,072,790,009	$ 64,005,921	$ 1,362,151	$ 214,740	$ 1,135,648,519

Note 1: Land of $415,652 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.

The following schedule presents a summary of property, plant and equipment for the fiscal year 2013:

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
NONDEPRECIABLE CAPITAL ASSETS					
Land	$ 37,662,224	$ 5,400,776		$ 24,135	$ 43,087,135
Construction in progress	136,851,038	132,300,761	$ 1,494,273	(100,325,057)	167,332,469
Other assets	1,654,449	35,201	14,000		1,675,650
TOTAL NONDEPRECIABLE CAPITAL ASSETS	176,167,711	137,736,738	1,508,273	(100,300,922)	212,095,254
DEPRECIABLE CAPITAL ASSETS					
Buildings	1,144,992,857	5,059,693	1,828,235	60,992,520	1,209,216,835
Equipment	209,836,903	15,535,091	9,419,420	4,665,159	220,617,733
Improvements	26,744,361	102,913		3,410,205	30,257,479
Infrastructure	60,363,899			31,233,038	91,596,937
Intangible assets	81,620,339		2,144,150		79,476,189
Library holdings	73,430,299	1,909,344	59,799		75,279,844
Total depreciable capital assets	1,596,988,658	22,607,041	13,451,604	100,300,922	1,706,445,017
Less accumulated depreciation					
Buildings	(439,396,141)	(38,323,671)	(1,670,060)	(5,583)	(476,055,335)
Equipment	(167,740,328)	(16,211,969)	(9,267,971)	(10,354)	(174,694,680)
Improvements	(13,894,666)	(1,228,604)			(15,123,270)
Infrastructure	(31,680,821)	(3,880,781)			(35,561,602)
Intangible assets	(77,938,811)	(1,903,007)	(2,144,150)		(77,697,668)
Library holdings	(63,898,607)	(2,777,051)	(57,951)		(66,617,707)
Total accumulated depreciation	(794,549,374)	(64,325,083)	(13,140,132)	(15,937)	(845,750,262)
TOTAL DEPRECIABLE CAPITAL ASSETS	802,439,284	(41,718,042)	311,472	100,284,985	860,694,755
TOTAL CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	$ 978,606,995	$ 96,018,696	$ 1,819,745	$ (15,937)	$ 1,072,790,009

The University estimates holdings of $13.1 million in timber resources as of June 30, 2014. The estimated value of these holdings was $12.3 million as of June 30, 2013. These resources, which total 13,140 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, 2014:

	Salaries, Wages and Benefits	Scholarships and Fellowships	Supplies and Other Services	Depreciation	Total
Instruction	$ 145,740,304		$ 21,726,245		$ 167,466,549
Research	74,610,956		32,523,656		107,134,612
Public Service	57,927,917		21,743,271		79,671,188
Academic Support	26,652,887		14,335,011		40,987,898
Student Services	17,246,790		7,336,867		24,583,657
Institutional Support	40,785,259		11,254,297		52,039,556
Scholarships and Fellowships	138,724	$ 24,340,455	169,386		24,648,565
Operation and Maintenance of Plant	17,741,452		22,132,483		39,873,935
Auxiliary Enterprises	50,595,965		59,612,071		110,208,036
Depreciation				$ 67,219,710	67,219,710
Totals	$ 431,440,254	$ 24,340,455	$ 190,833,287	$ 67,219,710	$ 713,833,706

For the year ended June 30, 2013:

	Salaries, Wages and Benefits	Scholarships and Fellowships	Supplies and Other Services	Depreciation	Total
Instruction	$ 131,159,851		$ 18,893,474		$ 150,053,325
Research	74,801,961		30,747,698		105,549,659
Public Service	57,475,424		19,003,500		76,478,924
Academic Support	27,366,963		13,542,097		40,909,060
Student Services	16,868,810		7,667,281		24,536,091
Institutional Support	39,936,433		10,400,297		50,336,730
Scholarships and Fellowships	190,636	$ 27,368,387	154,506		27,713,529
Operation and Maintenance of Plant	17,996,447		18,145,972		36,142,419
Auxiliary Enterprises	48,760,996		60,643,479		109,404,475
Depreciation				$ 64,325,083	64,325,083
Totals	$ 414,557,521	$ 27,368,387	$ 179,198,304	$ 64,325,083	$ 685,449,295

(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.

On July 16, 2010, the Arts Center Council filed articles of incorporation for NWA Entertainment, LLC ("NWA") for the purpose of acquiring certain assets of the Arkansas Music Pavilion, Inc. and for the purpose of operating, managing and maintaining assets related to the promotion and presentation of the arts in Northwest Arkansas. NWA is a 100% wholly-owned subsidiary of the Council and has a fiscal year end of March 31. The results of the operations of NWA have been included in the combined financial statements of the Walton Arts Center.

The combined audited financial statements of the Walton Arts Center Council, Inc., the Walton Arts Center Foundation, Inc., and NWA Entertainment, LLC as of and for the year ended June 30, 2014, which have been audited by an independent certified public accountant, are presented below in summary form. Complete financial statements for the Walton Arts Center can be obtained from the administrative office at 229 N. School Avenue, Fayetteville, AR 72701.

Condensed Statement of Financial Position	
Assets	
Cash and Cash Equivalents	$ 2,813,202
Investments	14,595,327
Other Assets	8,069,583
Fixed Assets, Net of Depreciation	22,553,449
Total Assets	**$ 48,031,561**
Liabilities and Net Assets	
Liabilities	$ 20,542,631
Net Assets	27,488,930
Total Liabilities and Net Assets	**$ 48,031,561**

Condensed Statement of Activities		
Ticket Sales	$	4,771,265
Contributions and Sponsorships		8,763,426
Other Income		3,687,762
Total Income and Other Additions	**$**	**17,222,453**
Total Expenditures and Other Deductions	**$**	**14,088,191**
Increase/(Decrease) in Net Assets	**$**	**3,134,262**

(17). Other Entities

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, 2014, 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 52.1% of the net assets of the Foundation. The remaining 47.9% benefits other University of Arkansas campuses. Complete financial statements for the Foundation can be obtained from the administrative office at 700 Research Center Boulevard, Fayetteville, AR 72701.

Condensed Statement of Financial Position		
Assets		
Investments	$	840,292,509
Contributions Receivable, less Allowance		38,520,860
Other Receivables		2,362,912
Fixed Assets, Net of Depreciation		1,106,752
Other Assets		1,087,458
Total Assets	**$**	**883,370,491**
Liabilities and Net Assets		
Liabilities	$	21,707,553
Net Assets		
Unrestricted		99,506,691
Restricted		762,156,247
Net Assets		861,662,938
Total Liabilities and Net Assets	**$**	**883,370,491**

Condensed Statement of Activities		
Contributions	$	58,150,827
Other Revenues, Additions and Gains/(Losses)		101,240,619
Total Income and Other Additions/(Losses)	**$**	**159,391,446**
Total Expenditures and Other Deductions	**$**	**62,555,269**
Increase/(Decrease) in Net Assets	**$**	**96,836,177**

Arkansas Alumni Association, Inc. – The Arkansas Alumni Association, Inc., was incorporated in 1960 for the purposes of promoting the welfare of the University and its graduates and former students. Audited financial statements for the year ended June 30, 2014 are presented below in summary form. Complete financial statements for the Arkansas Alumni Association, Inc. can be obtained from the administrative office at 491 N. Razorback Road, Fayetteville AR 72701.

Condensed Statement of Financial Position		
Assets		
Cash and investments	$	1,859,983
Other Assets		7,057,345
Total Assets	**$**	**8,917,328**
Liabilities and Net Assets		
Liabilities	$	1,238,918
Net Assets		7,678,410
Total Liabilities and Net Assets	**$**	**8,917,328**

Condensed Statement of Activities		
Income and Other Additions	$	3,627,399
Expenditures and Other Deductions		2,882,189
Increase/(Decrease) in Net Assets	**$**	**745,210**

University of Arkansas Technology Development Foundation – The Foundation was incorporated in May, 2003, and is considered a supporting organization of the Fayetteville campus. The Foundation's mission is to stimulate a knowledge-based economy through partnerships that lead to new opportunities for learning and discovery, that build and retain a knowledge-based workforce and that spawn the development of new technologies that enrich the economic base of Arkansas. Audited financial statements for the year ended June 30, 2014 are presented below in

summary form. Complete financial statements for the Foundation can be obtained from the administrative office at 535 W. Research Center Boulevard, Fayetteville, AR 72701

Condensed Statement of Financial Position		
Assets		
Cash and investments	$	1,197,372
Other Assets		34,245
Total Assets	**$**	**1,231,617**
Liabilities and Net Assets		
Liabilities	$	110,260
Net Assets		1,121,357
Total Liabilities and Net Assets	**$**	**1,231,617**

Condensed Statement of Activities		
Income and Other Additions	$	1,610,152
Expenditures and Other Deductions		1,512,315
Increase/(Decrease) in Net Assets	**$**	**97,837**

(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, 2014.

(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 Cypress Insurance. The auto coverage has a physical damage deductible of $1,000 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 functions.

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 $2,500 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). Related Party Transactions

There were four significant related party transactions other than those with component units discussed in Note 1.

A member of the Board of Trustees is the Bank Chairman of the privately-held First Security Bancorp based in Searcy, Arkansas. At June 30, 2014, bank balances held at First Security Bank total $23,954,504 (book balances shown on the Statement of Net Position were $23,965,688). The University has conducted business with the bank for several years. In addition, Crews and Associates, Inc. (Crews) is a wholly owned, non-bank affiliate of First Security Bancorp and has served as one of the University's bond underwriters for several years. After a Request for Proposal was issued in February, 2011, the Board selected two firms as underwriters, one of which was Crews, who, in FY14, was co-underwriter for two bond issues for the Fayetteville campus in the amount of $29,750,000.

The Provost and Vice Chancellor for Academic Affairs is a member of the Board of Directors of Simmons First National Corporation (NASDAQ – SFNC) based in Pine Bluff, Arkansas. At June 30, 2014, bank balances held at Simmons First National Bank total $61,709,956 (book balances

shown on the Statement of Net Position were $61,709,956). Simmons First National Bank has served as trustee for bond proceeds for several years, and amounts on deposit represent funds held in that capacity, primarily for three bond issues.

The Vice Chancellor and Director of Athletics is a member of the Board of Directors of Arvest Bank Fayetteville, one of 16 autonomous community-oriented banks which comprise Arvest Bank Group, Inc., based in Bentonville, Arkansas. At June 30, 2014, bank balances held at Arvest Bank Group, Inc. banks total $196,095 (book balances shown on the Statement of Net Position were $185,929).

The Associate Vice Chancellor for Business Affairs is a member of the Board of Directors of the Educational and Institutional Cooperative Service, Inc., a not-for-profit corporation chartered in the State of New York in 1934. The principle role of the Cooperative is to secure group discounts and favorable terms of sale for member institutions by aggregating buying power through large volume contracts. The University has been a member institution of the E&I Cooperative since 1952. All contracts negotiated by E&I are competitively bid and approved for the university's use by the Office of State Procurement. Purchases totaling $6,851,347 were made during the fiscal year ended June 30, 2014 utilizing twenty-nine E&I contracts.

(21). Restatement of Prior Year

Statement of Net Position

The Statement of Net Position contained the following restatements for the year ended June 30, 2013 to reflect implementation of GASB Statement No. 65:
Unamortized debt issuance costs totaling $3,153,503 are no longer recognized as an asset. Other assets, both current and noncurrent, were reduced by $167,797 and 2,985,706, respectively, and Net invested in capital assets was reduced $3,153,503 as a result of this change.

Scholarships awarded in the amount of $224,991 that apply to a future term were reclassified as a deferred outflow of resources. Funding for these scholarships previously recognized as revenue was reclassified as a Deferred inflow of resources. Accordingly, Net position restricted for scholarships and fellowships was reduced $224,991. Because the deferred outflow and inflow were for the same type of transaction and were the same amount, they were netted and do not appear on the face of the statement.

The deferral on debt defeasance in the amount of $6,200,312, previously reported as a component of Bonds, notes, capital leases and installment contracts payable, was reclassified as a deferred outflow of resources. As a result, Bonds, notes, capital leases and installment contracts payable, both current and noncurrent, increased by $595,131 and $5,605,181 respectively.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position contained the following restatements for the year ended June 30, 2013 to reflect implementation of GASB Statement No. 65:

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

Interest on capital asset-related debt decreased $133,781 to reflect the fiscal year 2013 bond costs amortization.

Other nonoperating expenses increased $1,260,225 to recognize bond issuance costs for fiscal year 2013 new issues.

Net position – beginning of year was reduced a total of $2,298,304 to reflect the fiscal year 2012 deferred inflow of $271,245 for scholarship funding and $2,027,059 for unamortized bond issuance costs.

The restatements discussed above had no effect on the Statement of Cash Flows.

(22). Pollution Remediation

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* which became 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, 2013, the study has been completed and the grant closed. The University remains under no obligation to begin pollution 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.

(24). Subsequent Event

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

nine additional directors to the Board of Directors of the Arts Center Council while ensuring that the City and University maintain their proportionate number of Directors on the Board; to return the City of Fayetteville's initial payment of $1.5 million dollars to the Foundation back to the City for the City's use in the construction of a parking facility adjacent to the Walton Arts Center or as otherwise determined by the Fayetteville City Council; and with consent by the University to expend the institution's initial payment of $1.5 million dollars to the Foundation to help defray the construction costs of the proposed enlargement and enhancement of the Walton Arts Center located in Fayetteville, Arkansas. Upon return of the funds to the City and the use of University provided funds for construction, the Walton Arts Center Foundation, Inc. will no longer be an agent for the City of Fayetteville or the University of Arkansas. The City and the University will no longer have the right of appointment of Walton Arts Center Foundation, Inc. directors.

An Amended and Restated Interlocal Cooperation Agreement was also executed that permits the Walton Arts Center to conduct business as a separate, free-standing non-profit corporation; that budget and operational oversight rests exclusively with the Walton Arts Center Council and confirms the Walton Arts Center is no longer and agent of the University or the City, nor restricted to the terms of the original agreement; and affirms the Walton Arts Center must comply with the terms of a new lease agreement executed by the University, City of Fayetteville and the Walton Arts Center Council.

The lease agreement extends the term to twenty-five years and recognizes the changed scope of the Walton Arts Center. The lease also provides assurances regarding the on-going quality and type of performances at the Walton Arts Center in Fayetteville.

UNIVERSITY OF ARKANSAS, FAYETTEVILLE

2014
ANNUAL FINANCIAL REPORT

REQUIRED SUPPLEMENTAL INFORMATION

Other Postemployment Benefits

Determination of End of Year Accrual		
Unfunded actuarial accrued liability at 7/1/13	$	17,588,820
Annual Required Contribution (ARC)		
Normal cost	$	770,441
Amortization of the unfunded actuarial accrued liability over 30 years		627,977
Interest		62,928
Annual Required Contribution for FY14		1,461,346
Interest on Net OPEB Obligation		514,053
ARC Amortization Adjustment		(426,205)
Annual OPEB Cost for FY14	$	1,549,194
Net OPEB Obligation, 7/1/13	$	11,430,713
Annual OPEB Cost for FY14		1,549,194
Less: Expected Employer Contributions		(665,475)
Net OPEB Obligation, 6/30/14	$	12,314,432

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed	Net Obligation at Year End
6/30/12	$ 2,029,394	$ 802,704	39.55%	$ 10,539,604
6/30/13	$ 1,782,714	$ 891,605	50.01%	$ 11,430,713
6/30/14	$ 1,549,194	$ 665,475	42.96%	$ 12,314,432

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 differences in the annual required contribution 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
6/30/12	$ 0	$ 22,239,601	$ 22,239,601	0%	$ 247,779,672	8.98%
6/30/13	$ 0	$ 19,691,029	$ 19,691,029	0%	$ 257,844,616	7.64%
6/30/14	$ 0	$ 17,588,820	$ 17,588,820	0%	$ 269,869,374	6.52%

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.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Calculations are based on the types of benefits provided under the terms of each plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

Changes in Actuarial Assumptions and Methods

Effective January 1, 2013, UMR, a subsidiary of United Healthcare, replaced QualChoice as the University's medical plan administrator. The effect of this change on network discounts was estimated based on the United Healthcare book-of-business discount information contained in the Aon Hewitt Discount Analysis Database compared to the specific claims and discount data reported by QualChoice. In the aggregate, this change is estimated to reduce health care costs by 11.4%. Also, the healthcare trend rate assumption was changed to better reflect anticipated future experience. This change increased the Actuarial Accrued Liability by $2,059,046 as of July 1, 2013.

Medical Coverage – Retirees not Eligible for Medicare

Claim experience for the period February 1, 2012 through January 31, 2014 was used to develop the claims cost for non-Medicare-eligible retirees. The paid claims data was converted to an incurred basis using a completion factor approach. This experience includes 987 life years of exposure and was deemed to be 70% credible. The experience was combined with the active claims experience adjusted for demographic differences to produce the per capita claims costs used in the valuation. Adjustment factors were then applied to develop expected

claims by age to be used in the valuation. Expected retiree premiums were developed to represent the expected cost sharing level anticipated by the University. Retiree premiums were also age-adjusted for use in the valuation.

Medical Coverage – Retirees Eligible for Medicare

Effective January 1, 2014, the plan for Medicare eligible retirees was changed to a fully insured Medicare Advantage program. Retirees pay 100% of the fully insured premium directly to United Healthcare. As a result, no liabilities for Medicare eligible retiree medical benefits are included in this valuation.

Dental Coverage

Dental claims coverage for the period February 1, 2013 through January 31, 2014 was used to develop per capita claims cost for dental coverage. The claims experience includes over 35,000 life years of exposure and was deemed to be fully credible. Based on this analysis, it was concluded that the retiree contributions are sufficient to fully cover the expected dental claims costs as intended. As such, the cost for dental coverage is excluded from this valuation.

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Finance & Administration
(retired June 30, 2014)

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Associate Vice Chancellor for
Finance & Administration

Larrie Stolfi
Controller

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