THE UNIVERSITY OF ARIZONA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Year Ended June 30, 2023

Included as an Enterprise Fund of the State of Arizona

Tucson, Arizona

COVER IMAGE

Building the Infrastructure of the Future

The new Applied Research Building (ARB) is a highly anticipated and highly specialized, one-of-a-kind, 89,000-square-foot facility on main campus. Powered by renewable energy, the ARB houses state-of-the-art equipment and technologies to advance research in optics, manufacturing and space exploration, making it an integral part of the university's work to stay at the cutting edge of the Fourth Industrial Revolution.

Photo: Chris Richards, University Communications

ANNUAL COMPREHENSIVE FINANCIAL REPORT

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Tucson, Arizona
Prepared by Financial Services
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Photo: University Marketing & Brand Management

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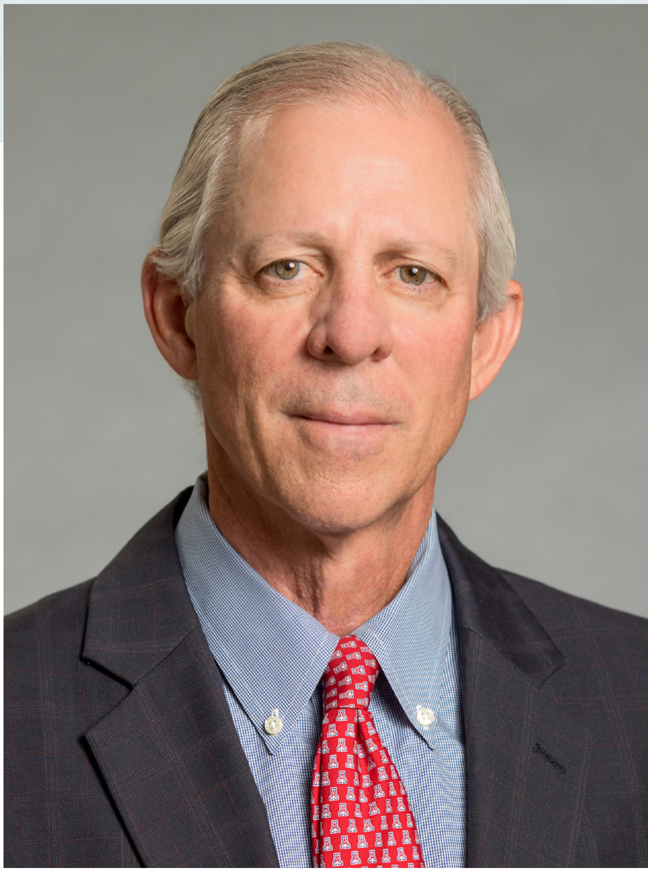
Photo: University Marketing & Brand Management

MESSAGE FROM THE PRESIDENT



The University of Arizona has made incredible strides in our strategic initiatives and continues to provide a top-tier education for our students, who work alongside world-renowned experts tackling the world's biggest challenges.

Student Success

Beyond campus safety, student success remains my top priority, and we are committed to expanding philanthropic support for our students. The generosity of our donors can make a huge difference in students' ability to reach their goals, and scholarships are a way for potential students, particularly our Arizona students, to access higher education. Our graduate programs continue to be recognized among the best in the nation among public institutions, as ranked by the U.S. News & World Report, and our retention rate for first-time, full-time students has increased to 87.7%, a new record high.

University of Arizona Global Campus

Providing access to as many students as we can is one of the reasons why we have formally transferred the assets and operations of the University of Arizona Global Campus (UAGC) into the University of Arizona. The original affiliation agreement with UAGC provided the university with a means to serve more students, particularly non-traditional, adult learners who often have significant barriers to pursuing and completing a degree. Continuing to integrate UAGC will further advance our service to its students in alignment with the university's mission, purpose, and values.

Health Sciences

With two independently accredited medical schools, the University of Arizona serves the state as a global leader in medical education and research. We have an extraordinary foundation to build upon as we become the most innovative health science network in the world. Our Center for Advanced Molecular and Immunological Therapies (CAMI) received incredible support from former Governor Doug Ducey, who designated $150 million in new state funding. Immunotherapy is the future of medicine. With the state's investment, CAMI will allow the university to remain on the forefront of medical research and meet the grand challenges of cancer, infectious diseases, and autoimmune conditions by advancing our knowledge of the immunology of these serious health issues. We also are working to prevent future pandemics with our One Health initiative, which unites physicians, veterinarians, research scientists, and other disciplines, so that we can strengthen our delivery

Photo: University Marketing & Brand Management

network and be a model for other states as we seek to understand pandemics and how the environment changing around us impacts our health.

Campus Safety

Over the past year, the University of Arizona has made many safety enhancements, including structural and physical changes based on the recommendations of the PAX report released in March. These changes also include the creation of the Office of Public Safety, which elevated safety operations for better coordination of responses and communications. We have also implemented keycard access and the installation of locks on all classroom doors, as well as the installation of Automated External Defibrillators and stop-the-bleed kits in all campus buildings. Following the tragic death of Dr. Thomas Meixner last October, I have been grateful for the ongoing dedication of our faculty and staff to our students' learning and to our mission. The outstanding people and programs we have here demonstrate to me every day why we have a bright future ahead.

Adapting to Our Drying Climate

Earlier this year, the University of Arizona began work on a collaborative Sustainability and Climate Action Plan. The plan is beginning to take shape around helping us move toward achieving the goal of a sustainable, zero-emissions, and resilient future for the university. It is one part of the university's response to the challenges posed by global climate change and a drier climate. Another such example is the Presidential Advisory Commission on the Future of Agriculture and Food Production in a Drying Climate. The Commission issued its report in August, and an implementation team is now working to forge a path forward for the university and our state based on its recommendations.

There are many more examples of the university's outstanding triumph and impact in our region. We are always improving how we educate and innovate, and I look forward to seeing how we continue to thrive.

Sincerely,

Robert C. Robbins
President

LETTER OF TRANSMITTAL

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

October 10, 2023

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

I respectfully submit the University of Arizona *Annual Comprehensive Financial Report* (ACFR) for the fiscal year ended June 30, 2023. The ACFR includes the Management's Discussion and Analysis (MD&A) and the basic financial statements, as well as other supplemental information that helps provide an understanding of the university's financial position and activities, and the economic landscape of the surrounding area. Responsibility for the accuracy, completeness, and fairness of the data presented, including all disclosures, rests with the university's management. We believe to the best of our knowledge the information is accurate in all material respects and fairly presents the university's financial position, revenues, expenses, and other changes in net position.

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

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

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

Institutional Profile

History: The University of Arizona was established as a land-grant institution in 1885, 27 years before the

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

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

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

Enrollment: Today, the university has gained an average of 1,261 students per year for the last five years. It serves 51,134 students through 21 colleges offering 433 degree programs and is ranked among the leading research universities in the country.

Enrollment Statistics: Academic Year 2022-23

Undergraduate enrollment - Fall 2022		40,407
Graduate and Professional enrollment - Fall 2022		10,727
Degrees awarded - Bachelor's		7,772
Degrees awarded - Advanced		3,287
Certificates awarded		495
Tuition and fees for full-time student - Resident	$	13,255
Tuition and fees for full-time student - Non-resident	$	39,557

The university's 2,800 full-time equivalent faculty and 1,259 full-time equivalent graduate teaching and research assistants and associates educate a diverse student population. The university's student population is 55.4% female, 24.9% Hispanic or Latino, 5.5% Asian, 3.9% African American or Black, and 1.4% American Indian or Alaska Native. It includes students from all 50 states, the District of Columbia, and 125 foreign countries. International students represented 6.9% of the Fall 2022 enrollment; this figure is primarily represented by 23.1% from China, 16.2% from India, 7.8% from Kuwait, 5.7% from Saudi Arabia, and 4.2% from Mexico.

Component Units: The basic financial statements of the university include the operations of the University of Arizona Foundation, Inc., Campus Research Corporation, Law College Association of the University of Arizona, University of Arizona Applied Research Corporation, and Eller Executive Education, all discretely presented component units. More information relating to the component units can be found in Notes 2 and 13 to the financial statements.

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

After the budget has been approved, the university monitors the budget through UAccess Financials, the university's financial enterprise system. While there are many controls built into UAccess Financials, colleges and departments also use financial reports to monitor budgetary compliance. Additionally, Financial Services, a part of the university's central administration, provides periodic financial reports to management and the Arizona Board of Regents. The reports include a comparison of actuals to budget, highlight the changes that occurred throughout the fiscal year, and project revenues, expenses, and net position for the end of the fiscal year.

Economic Condition

Local Economy: As reported by the Economic and Business Research Center of the University of Arizona Eller College of Management in June 2023, the State of Arizona's economy remains resilient despite slowing growth. In calendar year (CY) 2022, the State continued to add residents at a faster pace than the nation.

Additionally, job growth has remained strong, and the State's unemployment rate is well below pre-pandemic levels.

State personal income gains decreased to 3.3% in CY 2022, down from 7.2% growth in CY 2021. Growth in Arizona's retail sales decelerated to 11.5% in 2022, which is significantly lower than last year's rate of 21.1%. According to the June 2023 Index of State Economic Momentum, Arizona ranked No. 8 in population growth, No. 9 in economic momentum and personal income growth, and No. 38 in employment growth.

Employment growth rose 4.2% in CY 2022 for the State, up from 3.7% in CY 2021, with population growth slightly increasing from 1.5% to 1.7%. Using data through June 2022, the job gains specific to the Tucson area with the largest increases have been noted in the following sectors: construction, leisure and hospitality, other services, and information.

Long-Term Planning

The university's progress on the initiatives contained in its Strategic Plan became more visible than ever with the commencement and or completion of several projects aimed at supporting goals across several of the plan's pillars.

Notable initiatives include:

Mental Health and Wellness (Wildcat Journey pillar of the Strategic Plan): New services – including Mental Health First Aid trainings for employees, peer counseling for students, and Together We Care resources – have been integrated into Campus Health's Counseling & Psych Services to address the increased demand for mental health services for our campus community.

Arizona Space Institute (Grand Challenges pillar): The Arizona Space Institute provides essential leadership for the advancement of research and education in space sciences and the construction of the Applied Research Building. A new director has been recruited to continue the important work of Timothy Swindle, who retired as director of the institute.

Hispanic Advancement (Arizona Advantage pillar): The Hispanic Serving Institution Initiatives office has established the university as a leader through the implementation of multiple programs, including HSI Fellows, the HSI Centering Servingness webinar series, and HSI faculty seed grants. This initiative also led the way with the AZ HSI Consortium and Summit.

Other accomplishments aligned with the Arizona Advantage pillar include:

- **Tribal Leaders Summit** – At the second annual Tribal Leaders Summit, held at the University of Arizona College of Medicine – Phoenix, leaders of Arizona tribes met with university President Robert C. Robbins, learned about health sciences research and programs that serve Native American communities, and connected with resources for students interested in becoming health care professionals.

- **Pascua Yaqui Microcampus** – A new microcampus serving the Pascua Yaqui Tribe in Tucson gives tribal members unprecedented access to higher education. Initial offerings included the James E. Rogers College of Law Indigenous Governance Program's Master of Professional Studies degree and the Native Nations Institute's Continuing Education Certificate in Indigenous Governance.

Global Projects (Arizona Global pillar): The Office of Global Projects evolved into the Office of International Development within the Arizona Initiative for Resilience and International Development and is now self-sustaining. In fiscal year 2023, the office received and supported many new awards, including three awards from the U.S. Agency for International Development.

Trellis (Institutional Excellence pillar): The Trellis team implemented an enterprise customer relationship management system to improve student retention, increase student engagement, and enhance community relationships and collaborations. The launch of the CatCloud student hub dramatically enhanced the experience for all matriculated undergraduate students.

Major Initiatives

The University of Arizona, a land-grant university with two independently accredited medical schools, is one of the nation's top 50 public universities, according to U.S. News & World Report. It is widely recognized as a student-centric university and has been designated as a Hispanic-Serving Institution by the U.S. Department of Education. For decades, the university has been one of the leading research universities in the nation, with particular strengths in space, physical, biological and health sciences programs.

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

The following are notable activities of fiscal year 2023.

OSIRIS-REx: When the OSIRIS-REx sample capsule parachutes down into the Utah desert in September, OSIRIS-REx will become the United States' first-ever mission to return an asteroid sample to Earth. This spring, the OSIRIS-REx team began practicing and refining the procedures required to recover the sample collected from the asteroid Bennu and transport it from Utah to a new lab built for the material at NASA's Johnson Space Center in Houston.

James Webb Space Telescope: Using university instruments and expertise, the James Webb Space Telescope began returning stunning images that provide a new view of the cosmos, from neighboring exoplanets to the most distant observable galaxies in the early universe. The images have provided glimpses into "infant galaxies" and the fundamental architecture of the universe. The potential discoveries enabled by the telescope were celebrated at an event marking the 100-year anniversary of Steward Observatory's public evening lecture series.

Safety: The University made significant progress toward ensuring a consistent and coordinated response during a campus crisis. In addition to hiring an interim chief safety officer, the university created an Office of Public Safety, which coordinated efforts that include: the creation of a Campus Safety Commission and a Communications Advisory Group, updates to the UAlert emergency notification system, and the installation of all-hazards posters as well as locks on classroom doors.

JTED: The Pima Joint Technical Education District broke ground on the Mel and Enid Zuckerman Center for Health and Medical Careers. The facility will provide local high school students with access to health, medical and veterinary science education opportunities. The site is located at the University of Arizona Tech Park at The Bridges. The establishment of the center had been a priority for University of Arizona President Robert C. Robbins since he came to Tucson in 2017.

Presidential Commission: University of Arizona President Robert C. Robbins created the Presidential Advisory Commission on the Future of Agriculture and Food Production in a Drying Climate to identify solutions to the challenges facing Arizona agriculture in a changing climate. In a related accomplishment, the university was awarded a $70.0 million grant to develop a new variety of natural rubber from guayule, a desert shrub that is more sustainable and can be grown in the forbidding conditions of the arid Southwest.

Hypersonics: The University of Arizona – which is home to the Arizona Research Center for Hypersonics – was awarded $4.5 million to lead the development of improved systems for autonomous vehicles operating at hypersonic speeds. The work includes the development of artificial intelligence-powered guidance, control and navigation methods that will act as the "brain" of hypersonic vehicles – including interceptors, which are high-speed, maneuverable vehicles designed for defense against enemy aircraft. The University also was awarded a $1.2 million federal grant to support the development of new materials that can be used to 3-D print parts for hypersonic vehicles.

Space Command Partnership: The United States Space Command selected the University of Arizona as the inaugural member of its new Academic Engagement Enterprise, designed to train the future workforce and increase research and innovation related to space and national security.

UAGC: The university assumed the assets and operations of the University of Arizona Global Campus, which provides adult learners with a flexible online platform to pursue bachelor's, master's, and doctoral degrees. UAGC has about 24,000 students and is accredited by the Western Association of Schools and Colleges (WASC) Senior College and University Commission (WSCUC).

Awards and Acknowledgments

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the university for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the tenth consecutive year that the university has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Other notable acknowledgements include:

- The University of Arizona was ranked the nation's No. 1 producer of Fulbright Scholars, setting a new university record for the number of faculty and researchers to receive Fulbright U.S. Scholar awards. A total of 17 university faculty members and researchers received Fulbrights in 2022-23, besting the university's previous record of 11, set in 2020-21.

- The university was awarded a four-star rating and a place on Money's list of The Best Colleges in America 2023

- The University of Arizona is the top doctorate-granting institution for American Indian/Alaska Native students, according to the National Science Foundation's most recent survey of earned doctorates.

- Per U.S. News & World Report, the university ranks No. 3 among public graduate institutions in geology and has the largest mineral database in the world. The same report ranks the university No. 1 among U.S. public graduate programs in management information systems, No. 2 among public graduate programs in photography, and No. 7 among public graduate programs for entrepreneurship. The university's rehabilitation counseling program tied for No. 9 among public institutions.

- U.S. News & World Report's 2023 Best Global Universities rankings placed the university at No. 2 in the U.S. and No. 21 globally in the category of water resources. ShanghaiRanking's 2022 Global Ranking of Academic Subjects placed the university at No. 2 in the U.S. and No. 6 in the world for its water resources program.

- The Center for World University Rankings ranked the university No. 95 globally, No. 48 in the U.S., and No. 25 among public colleges and universities.

- Arizona Online tied for No. 10 out of 361 programs in the 2023 Best Online Bachelor's Programs rankings by U.S. News & World Report. Arizona Online also earned a No. 4 ranking overall (No. 3 among public universities) for its bachelor's program offerings for veterans.

- In the most recent ranking (fiscal year 2021), the National Science Foundation ranked the University of Arizona No. 1 among all public and private U.S. institutions in astronomy science expenditures – a ranking the university has held every year since 1987. Overall, the NSF ranked the university 20th among public research universities, fourth among institutions with high Hispanic enrollment, sixth for research expenditures in the physical sciences, and 36th among all public and private universities and colleges.

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

Respectfully Submitted,

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

University of Arizona

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

ARIZONA BOARD OF REGENTS

June 30, 2023

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Governor of Arizona

Honorable Tom Horne
Superintendent of Public Instruction

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Chair, Flagstaff

Fred DuVal
Chair Elect, Phoenix

Cecilia Mata
Secretary, Sierra Vista

Larry Penley
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Regent, Paradise Valley

Robert Herbold
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Jessica Pacheco
Regent, Phoenix

Doug Goodyear
Regent, Scottsdale

Rachel Kanyur
Student Regent, Northern Arizona University

Katelyn Rees
Student Regent, University of Arizona

EXECUTIVE ADMINISTRATION

June 30, 2023

Dr. Robert C. Robbins
President

Craig Henderson
Vice President, Executive Office of the President

Lehman Benson
Vice President, Black Advancement and Engagement

Elliott Cheu
Interim Senior Vice President, Research and Innovation

Michael Dake
Senior Vice President, Health Sciences

John Denker
Interim Senior Vice President, Chief Marketing and Communications Officer

Jon Dudas
Senior Vice President, Senior Associate to the President and Secretary of the University

N. Levi Esquerra
Senior Vice President, Native American Advancement and Tribal Engagement

Marla Franco
Vice President, Hispanic Serving Institution Initiatives

Dave Heeke
Vice President and Director, Athletics

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

Ronald Marx
Interim Senior Vice President, Academic Affairs and Provost

Francisco Moreno
Interim Vice President and Chief Inclusion Officer

Steve Patterson
Interim Vice President and Chief Safety Officer

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

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

Nicole Salazar
Vice President, Financial Services

Garth Perry
Vice President and Chief Budget Officer, Office of Budget and Planning

ORGANIZATION CHART

June 30, 2023

President
The University of Arizona
Robert C. Robbins

- **President & CEO**
  UA Foundation
  John-Paul Roczniak
- **Vice President,**
  Executive Office of the President
  Craig Henderson

- **Interim Senior Vice President,**
  Academic Affairs and Provost
  Ronald Marx
- **Senior Vice President,**
  Health Sciences
  Michael Dake
- **Interim Senior Vice President,**
  Research and Innovation
  Elliott Cheu
- **Senior Vice President,**
  Business Affairs and CFO
  Lisa Rulney
- **Senior Vice President,**
  Legal Affairs and General Counsel
  Laura Todd Johnson
- **Interim Senior Vice President,**
  Chief Marketing and Communications Officer
  John Denker
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  Senior Associate to the President and Secretary of the University
  Jon Dudas
- **Vice President and Director,**
  Athletics
  Dave Heeke
- **Vice President,**
  Black Advancement and Engagement
  Lehman Benson
- **Vice President,**
  Hispanic Serving Institution Initiatives
  Marla Franco
- **Interim Vice President and Chief Inclusion Officer**
  Francisco Moreno
- **Interim Vice President and Chief Safety Officer**
  Steve Patterson


Photo: University Marketing & Brand Management

FINANCIAL SECTION

LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Arizona Board of Regents

Report on the audit of the financial statements

Opinions

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the University of Arizona as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of the University of Arizona Global Campus (UAGC) and the aggregate discretely presented component units, which account for the following percentages of the assets and deferred outflows, liabilities and deferred inflows, revenues, and expenses of the opinion units affected:

Opinion unit	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses
Business-type activities—UAGC	3%	2%	3%	0%
Discretely presented component units	100%	100%	100%	100%

Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for UAGC or the aggregate discretely presented component units are based solely on the other auditors' reports.

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Basis for opinions

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the U.S. Comptroller General. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The other auditors did not audit the aggregate discretely presented component units' financial statements in accordance with *Government Auditing Standards*.

Emphasis of matters

As discussed in Note 1 to the financial statements, the University's financial statements are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only those portions of the business-type activities, major fund, and aggregate discretely presented component units of the State of Arizona that are attributable to the University's transactions. They do not purport to, and do not, present fairly the financial position of the State of Arizona as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, for the year ended June 30, 2023, the University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, for the year ended June 30, 2023, the University restated beginning net position of its financial statements, due to a transfer of operations from UAGC. Our opinion is not modified with respect to this matter.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required supplementary information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The combining statements on pages 72 and 73 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining statements are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance on the other information.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other reporting required by *Government Auditing Standards*

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

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

October 10, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The financial statements encompass the university and its discretely presented component units; however, the MD&A focuses only on the university. On June 30, 2023, the university completed a transfer of operations from the University of Arizona Global Campus (UAGC), previously reported as a discretely presented component unit. Additional information on the transfer of operations can be found in Note 1 in the accompanying notes to the financial statements. Information relating to the component units can be found in their separately issued financial statements.

The university's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. While audited financial statements for fiscal year 2022 are not presented with this report, condensed data is presented in the MD&A to illustrate certain increases and decreases in comparing with fiscal year 2023 data.

Key Reporting Implementations

For the year ended June 30, 2023, the university implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, as amended by GASB Statement No. 99, *Omnibus 2022*. GASB Statement No. 96, as amended, which defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

Overview of Financial Statements

Statement of Net Position

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

Condensed Schedule of Net Position

A comparison of the university's assets, deferred outflows of resources (consumption of the university's net position that is applicable to a future reporting period), liabilities, deferred inflows of resources (acquisition of net position by the university that is applicable to a future reporting period), and net position (in thousands of dollars) at June 30, 2023 and at June 30, 2022, is as follows:

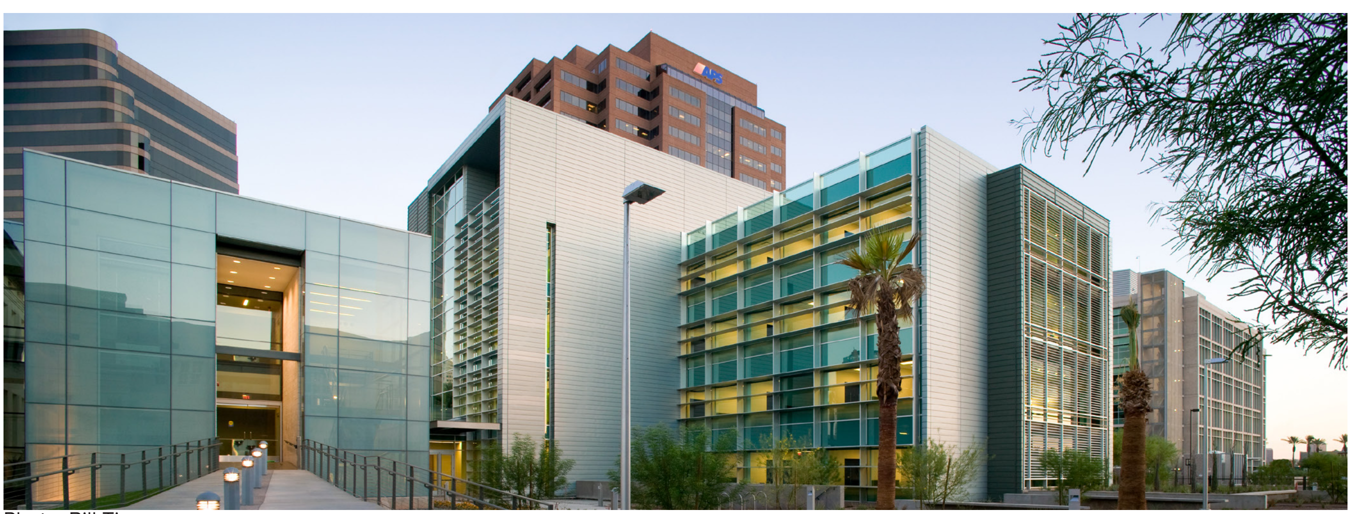


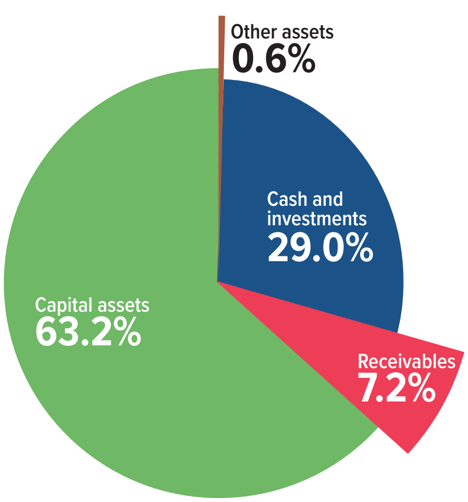
Photo: Bill Timmerman

	FY 2023	FY 2022	% Change
Other assets	$ 1,658,651	$ 1,826,227	(9.2)%
Capital assets	2,845,226	2,630,333	8.2%
Total assets	**$ 4,503,877**	**$ 4,456,560**	**1.1%**
Total deferred outflows of resources	**$ 183,447**	**$ 228,722**	**(19.8)%**
Other liabilities	$ 271,435	$ 262,620	3.4%
Long-term liabilities	2,742,476	2,671,784	2.6%
Total liabilities	**$ 3,013,911**	**$ 2,934,404**	**2.7%**
Total deferred inflows of resources	**$ 492,121**	**$ 648,927**	**(24.2)%**
Net position			
Net investment in capital assets	$ 1,044,572	$ 959,468	8.9%
Restricted - nonexpendable	191,107	179,033	6.7%
Restricted - expendable	291,609	270,661	7.7%
Unrestricted (deficit)	(345,996)	(307,211)	(12.6)%
Total net position	**$ 1,181,292**	**$ 1,101,951**	**7.2%**

Total Assets

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

Cash and investments	$ 1,305,413	29.0%
Receivables	323,592	7.2%
Capital assets	2,845,226	63.2%
Other assets	29,646	0.6%
Total assets	**$ 4,503,877**	**100.0%**

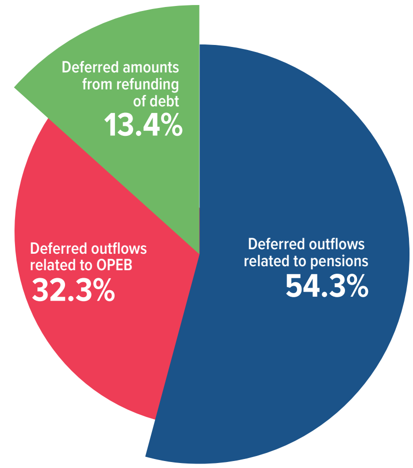


When compared to fiscal year 2022, the university's total assets increased by $47.3 million. This change is attributed to increases in capital assets and other assets of $222.2 million and receivables of $23.5 million, offset by a decrease in cash and investments of $198.4 million. The increase in capital assets of $214.9 million is primarily due to the completion of the Applied Research Building project, the Chemistry Building Renovation project and the Facilities Management Consolidated Facility project (see "Capital and Debt Analysis" on page 28 for more information), and increases in construction in progress for the Grand Challenges Research Building project for $36.9 million, the Center for Integrative Medicine project for $10.6 million, the College of Architecture, Planning, and Landscape Architecture Addition and Renovation project for $7.0 million, as well as additions to moveable equipment of $43.5 million and library materials of $13.0 million. The university also received $60.0 million in net capital assets from the transferred operations from the University of Arizona Global Campus (UAGC) as described in Note 1 in the accompanying notes to the financial statements. The increase in receivables of $23.5 million is primarily due to increases of $29.4 million for assets received from the transferred operations of UAGC to the university and $3.5 million attributed to timing of Technology and Research Initiative Funds (TRIF). This is offset by $10.3 million in the carrying value of leases where the university is the lessor. The decrease in cash and investments of $198.4 million is primarily due to decreases of $148.0 million in short and long-term investments, $90.1 million in restricted investments with bond trustees, and $9.3 million related to the Academic Enhancement Fund (AEF), offset by increases of $29.2 million in restricted cash and cash equivalents and restricted long-term investments, $13.5 million in endowment investments, and $6.3 million in current cash and cash equivalents. Current cash and cash equivalents and short and long-term investments decreased by $141.7 million primarily due to overall net increases in personal services and benefits and supplies and services across various colleges and units primarily related to research, instruction, and auxiliary enterprises. During the fiscal year, the university implemented the 2023 Salary Increase Program that included across-the-board increases and merit to recognize faculty and staff contributions that are critical to the university's success. The university also provided market adjustments and implemented an increased minimum wage for staff and student workers. Additionally, personnel increased by 2.3% (see "Faculty and Staff" in the Statistical Section for more information). This is offset by increases in cash and cash equivalents of $44.3 million and long-term investments of $2.7 million for assets received from the transferred operations of UAGC to the university. Restricted investments with bond trustees decreased by $90.1 million due to the spend down of previously issued bond proceeds of $112.5 million, offset by an increase of funds with the trustees for pending debt service payments of $22.4 million. Restricted cash and cash equivalents and restricted long-term investments increased by $29.2 million primarily due to new state funding for the Mineral and Natural Resources Educational Museum-Phoenix project of $12.0 million, the Food Product and Safety Laboratory at the Campus Agricultural Center project of $10.9 million, the Camp Verde Meat Processing Facility project for $9.7 million, and the Enclosed Feed Facility at the Campus Agricultural Center project for $9.5 million. This is offset by the net spend down of restricted construction funding of $12.9 million. Endowment investments increased by $13.5 million due to an increase of $12.0 million in unrealized change in fair value and an increase of $1.5 million in assets net of payouts, withdrawals, distributions, and fees.

Total Deferred Outflows of Resources

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

Deferred outflows related to pensions	$ 99,554	54.3%
Deferred outflows related to OPEB	59,334	32.3%
Deferred amounts from refunding of debt	24,559	13.4%
Total deferred outflows of resources	**$ 183,447**	**100.0%**

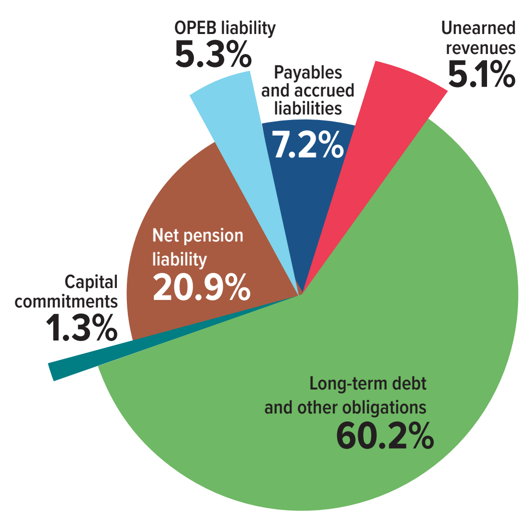


The decrease in deferred outflows of $45.3 million is primarily attributed to a $42.9 million decrease in deferred outflows of resources related to pensions and other postemployment benefits (OPEB) due to actuarial adjustments provided by the Arizona State Retirement System (ASRS), Public Safety Personnel Retirement System (PSPRS), and the Arizona Department of Administration (ADOA).

Total Liabilities

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

Payables and accrued liabilities	$ 217,181	7.2%
Unearned revenues	154,800	5.1%
Long-term debt and other obligations	1,814,559	60.2%
Capital commitments	40,000	1.3%
Net pension liability	627,564	20.9%
OPEB liability	159,807	5.3%
Total liabilities	**$ 3,013,911**	**100.0%**

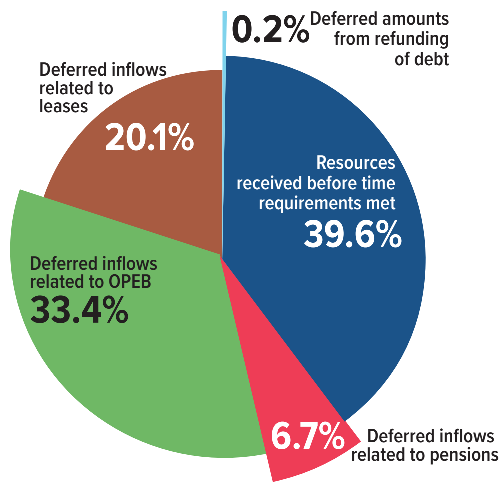


Total liabilities increased by $79.5 million compared to fiscal year 2022 due to increases in net pension liability of $105.2 million, unearned revenues of $40.9 million, and capital commitments of $40.0 million, offset by decreases in OPEB liability of $42.7 million, long-term debt and other obligations of $39.0 million, and payables and accrued liabilities of $24.9 million. The increase in net pension liability is due to actuarial adjustments as provided by ASRS and PSPRS. The increase in unearned revenues of $40.9 million is primarily due to $36.5 million received from the transferred operations of UAGC to the university. The change in capital commitments of $40.0 million is due to the addition of a fifth amendment to the university's commitment to the Giant Magellan Telescope Organization (GMTO) as disclosed in Note 4. The decrease in OPEB liability of $42.7 million is due to actuarial adjustments as provided by ASRS, PSPRS and ADOA. The decrease in long-term debt and other obligations of $39.0 million is primarily due to the annual principal payments on long-term debt of $71.9 million and the annual amortization of bond premium and discounts of $12.2 million. This is offset by $28.1 million due to the implementation of GASB Statement No. 96 for subscription-based information technology arrangements (SBITAs) and $17.1 million in lease liabilities. Included in the increases for lease liabilities and SBITAs are increases of $19.7 million and $6.6 million, respectively, related to the transferred operations from UAGC to the university. The change in payables and accrued liabilities of $24.9 million is primarily due to a decrease in accrued payroll and benefits of $44.4 million due to the final payment of $17.8 million related to the payroll tax deferment granted to employers under the Coronavirus, Aid, Relief, and Economic Security (CARES) Act and $28.2 million due to timing for the number of days accrued, offset by an increase of $1.6 million in accrued payroll and benefits received from the transferred operations of UAGC to the university. This is offset by increases of $9.7 million in payables received from the transferred operations of UAGC to the university, $7.2 million in compensated absences, and $2.6 million in miscellaneous payables due to timing differences.

Total Deferred Inflows of Resources

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

Resources received before time requirements met	$	194,730	39.6%
Deferred inflows related to pensions		33,008	6.7%
Deferred inflows related to OPEB		164,509	33.4%
Deferred inflows related to leases		98,973	20.1%
Deferred amounts from refunding of debt		901	0.2%
Total deferred inflows of resources	**$**	**492,121**	**100.0%**



The decrease in deferred inflows of $156.8 million is primarily attributed to a decrease of $167.3 million in deferred inflows of resources related to pensions due to actuarial adjustments provided by ASRS and PSPRS. Additionally, there was a decrease of $10.6 million in deferred inflows related to leases where the university is the lessor. This is offset by an increase in deferred inflows of resources related to OPEB of $29.2 million due to actuarial adjustments provided by ASRS, PSPRS and ADOA.

Total Net Position

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

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

Net investment in capital assets	$ 1,044,572	88.4%
Restricted	482,716	40.9%
Unrestricted (deficit)	(345,996)	(29.3)%
Total net position	**$ 1,181,292**	**100.0%**

Total net position increased by $79.3 million in fiscal year 2023, which is attributed to increases in net investment in capital assets and restricted net position, offset by a decrease in unrestricted net position. Net investment in capital assets increased by $85.1 million primarily due to increases in the capitalized costs for the Applied Research Building project of $27.5 million and the Chemistry Building Renovation project of $11.2 million, and ongoing capitalized construction in progress for the Grand Challenges Research Building project of $36.9 million, the Center for Integrative Medicine project of $10.6 million, the College of Architecture, Planning, and Landscape Architecture Addition and Renovation project for $7.0 million, as well as additions to library materials of $13.0 million. Additionally, an increase of $33.8 million is due to the net position of transferred operations from UAGC to the university. This is offset by an increase in liabilities for the university's commitment to the GMTO of $40.0 million, and the implementation of GASB Statement No. 96 for SBITAs of $28.1 million, of which $6.6 million is related to the transferred operations of UAGC to the university. Restricted net position increased by $33.0 million primarily due to an increase of $41.2 million for capital projects funded by non-appropriated monies and an $8.3 million increase in the fair value of endowments, offset by decreases of $14.5 million in departmental restricted accounts primarily due to an overall increase in personal services and benefits and general expenses and $2.8 million in restricted accounts for scholarships and fellowships due to an increase in scholarships awarded to students. Unrestricted net position decreased by $38.8 million primarily due to a net decrease of $72.9 million associated with increases in personal services and benefits and supplies and services across various colleges and units primarily related to research, instruction, and auxiliary enterprises, offset by an increase of $34.1 million due to the net position of transferred operations from UAGC to the university.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the university's revenues earned and the expenses incurred during fiscal year 2023, regardless of when cash is received or paid. Activities are reported as either operating or non-operating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the university, including a provision for depreciation and amortization on capital assets. Certain revenue sources that the university relies on for operations, including state appropriations, gifts, grants, and investment income are required by GASB Statement No. 35 to be classified as non-operating revenues.

Photo: Philanthropy & Alumni Engagement

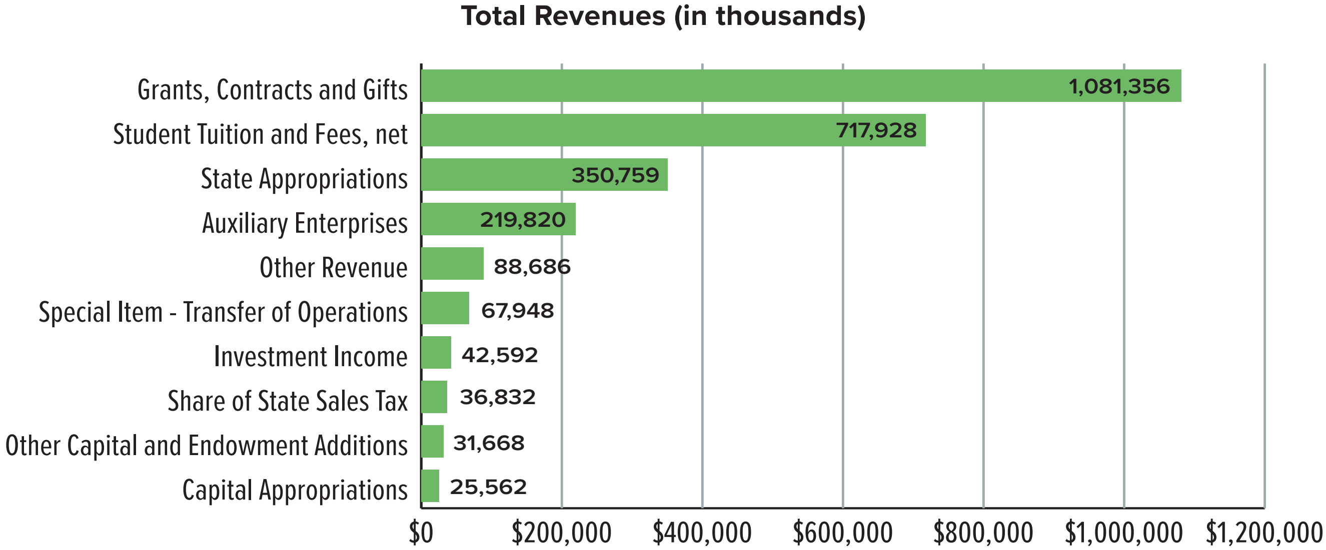
Condensed Schedule of Revenues, Expenses and Changes in Net Position

A comparison of the university's operations (in thousands of dollars) for the years ended June 30, 2023 and 2022 is as follows:

	FY 2023	FY 2022	% Change
Operating revenues			
Student tuition and fees, net	$ 717,928	$ 677,550	6.0%
Grants and contracts	618,808	554,999	11.5%
Auxiliary enterprises, net	219,820	207,223	6.1%
Other	68,630	63,174	8.6%
Total operating revenues	**$ 1,625,186**	**$ 1,502,946**	**8.1%**
Operating expenses			
Instruction and academic support	$ 939,596	$ 843,384	11.4%
Research and public service	704,469	605,072	16.4%
Student services and scholarships	161,226	183,559	(12.2)%
Institutional support and operation of plant	326,139	306,932	6.3%
Auxiliary enterprises	205,137	162,911	25.9%
Depreciation and amortization	190,848	168,320	13.4%
Total operating expenses	**$ 2,527,415**	**$ 2,270,178**	**11.3%**
Operating loss	**$ (902,229)**	**$ (767,232)**	**17.6%**
Non-operating revenues (expenses)			
State appropriations	$ 350,759	$ 310,298	13.0%
Grants, contracts and gifts	462,548	484,333	(4.5)%
Share of State sales tax revenues	36,832	46,079	(20.1)%
Investment income (loss)	42,592	(47,210)	190.2%
Interest expense on debt	(56,395)	(58,745)	(4.0)%
Other non-operating revenues, net	20,056	18,041	11.2%
Net non-operating revenues	**$ 856,392**	**$ 752,796**	**13.8%**
Loss before capital, endowments, and special item	**$ (45,837)**	**$ (14,436)**	**217.5%**
Capital appropriations	25,562	25,337	0.9%
Other capital and endowment additions	31,668	43,088	(26.5)%
Special item – Transfer of operations	67,948	-	-
Total capital, endowments, and special item	**$ 125,178**	**$ 68,425**	**82.9%**
Increase in net position	**$ 79,341**	**$ 53,989**	**47.0%**
Net position, beginning of year	**1,101,951**	**1,047,962**	**5.2%**
Net position, end of year	**$ 1,181,292**	**$ 1,101,951**	**7.2%**

Total Revenues

The following chart represents total revenues of $2,663,151 for fiscal year 2023:



Operating and non-operating grants, contracts and gifts: Revenues vary from year to year for many reasons, including the availability of funding from sponsors, the commencement or closure of particularly large sponsored projects, and unanticipated gift revenues. Grants, contracts and gifts increased by $42.0 million in comparison to fiscal year 2022 primarily due to the receipt of $42.1 million in non-appropriated revenues from the State of Arizona for capital improvements, which includes $12.0 million for the Mineral and Natural Resources Educational Museum-Phoenix, $10.9 million for the Food Product and Safety Laboratory at the Campus Agricultural Center, $9.7 million for the Camp Verde Meat Processing Facility, and $9.5 million for the Enclosed Feed Facility at the Campus Agricultural Center.

State appropriations: State appropriations increased by $40.5 million primarily due to increases of $27.5 million in various general fund appropriations and $13.0 million in new appropriated funds for the College of Veterinary Medicine and the Veterinary Diagnostic Laboratory.

Special item – Transfer of operations: Special item – Transfer of operations increased by $67.9 million due to the transferred operations from UAGC to the university.

Investment income: Investment income increased by $89.8 million resulting in current year investment income of $42.6 million primarily attributed to higher bond yields and favorable market conditions.

Other capital and endowment additions: Other capital and endowment additions decreased by $11.4 million due to decreases in capital grants, gifts, and conveyances and additions to permanent endowments primarily due to one-time gifts received in the prior fiscal year.

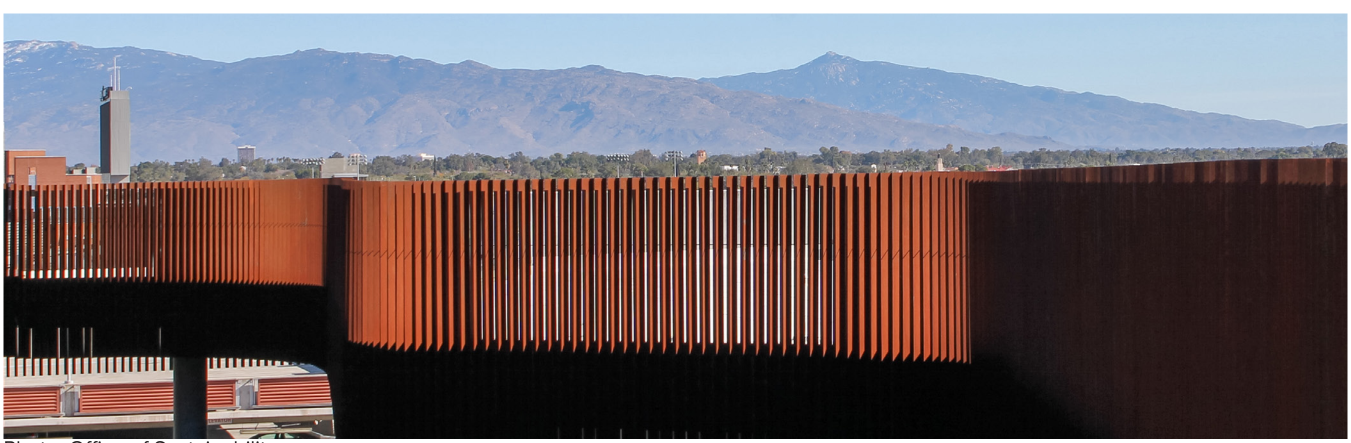
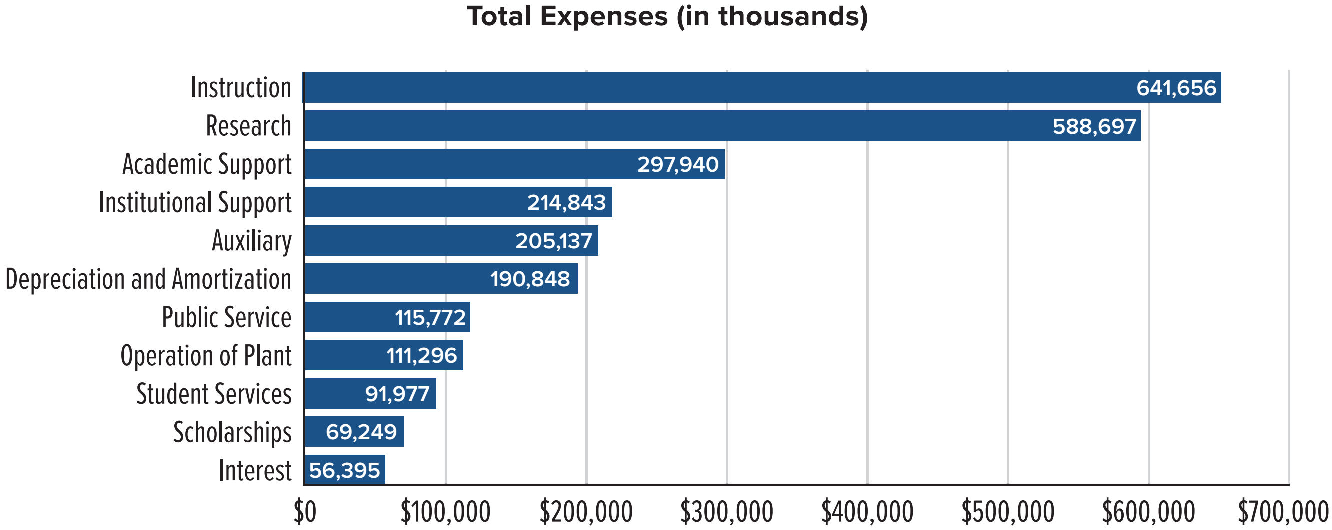


Photo: Office of Sustainability

Total Expenses

The following chart represents total expenses by functional classification of $2,583,810 for fiscal year 2023:

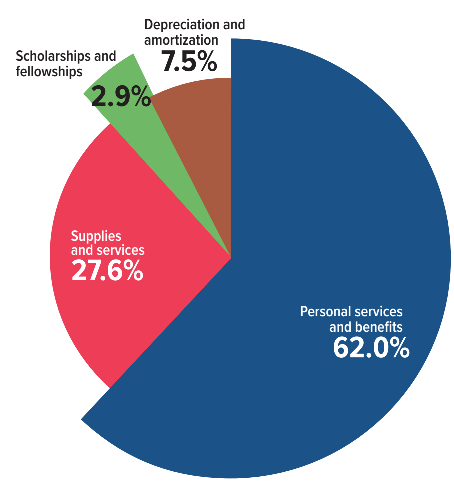


Total expenses increased by $207.7 million in comparison to fiscal year 2022. The university experienced a net increase of $156.0 million in personal services and benefits due to various factors. During the fiscal year, the university increased minimum wage for staff and student workers and implemented a Salary Increase Program that included across-the-board increases and merit and provided market adjustments to staff. The university also experienced an increase in personnel of 2.3%. Supplies and services experienced a net increase of $111.4 million across various colleges and units primarily due to increases in general expenses of $101.2 million and travel expenses of $12.9 million, offset by a net decrease in capital and utilities of $2.7 million. The primary functional expense classifications driving the change were research, instruction, and auxiliary enterprises. Depreciation and amortization increased by $22.5 million primarily due to a $9.7 million increase attributed to the implementation of GASB Statement No. 96 for SBITAs, net increases in depreciation of $8.7 million on buildings and improvements, and $3.4 million on moveable equipment. Scholarships and fellowships decreased by $32.6 million primarily due to a decrease of $38.2 million in emergency relief provided to students from federal COVID-19 relief funds for the American Rescue Plan (ARP) for the Higher Education Emergency Relief Fund (HEERF) III that was fully expended in the previous year, offset by an increase of $8.2 million in additional aid to students in the form of need-based aid and scholarships.

Operating Expenses by Natural Classification

In addition to programmatic (functional) classification of operating expenses, a summary of the university's expenses by natural classification (in thousands of dollars), as listed in Note 12, for the years ended June 30, 2023 and 2022 is as follows:

	FY 2023	FY 2022	% Change
Personal services and benefits	$ 1,566,789	$ 1,410,808	11.1%
Supplies and services	696,480	585,118	19.0%
Scholarships and fellowships	73,298	105,932	(30.8)%
Depreciation and amortization	190,848	168,320	13.4%
Total operating expenses	**$ 2,527,415**	**$ 2,270,178**	**11.3%**



Condensed Statement of Cash Flows

The statement of cash flows provides additional information about the university's financial results by reporting the major sources and uses of cash and cash equivalents. This statement assists in evaluating the university's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the university. Due to the categorization of operating and non-operating expenses by GASB, cash flows from operating activities are typically a net cash use. Net cash flows from noncapital financing activities is a major funding source for operating expenses and includes state appropriations, donations, and other activities not covered in the other sections. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show all the uses of cash and cash equivalents to purchase investments, and all the increases in cash and cash equivalents as a result of selling investments or earning income on cash and investments. The following summarizes cash flows for fiscal years 2023 and 2022 (in thousands of dollars):

Cash Provided By (Used For):	FY 2023	FY 2022
Operating activities	$ (699,188)	$ (620,121)
Noncapital financing activities	850,281	841,444
Capital financing activities	(387,043)	(323,601)
Investing activities	223,914	29,217
Net decrease in cash and cash equivalents	**(12,036)**	**(73,061)**
Cash and cash equivalents, beginning of year	95,475	168,536
Cash and cash equivalents, end of year	**$ 83,439**	**$ 95,475**

Capital and Debt Analysis

The University of Arizona capital program is developed through a formal process involving internal committees, the Arizona Board of Regents (ABOR), and the State Joint Committee on Capital Review (JCCR). The process starts with the preparation of a comprehensive annual Capital Improvement Plan (CIP) as required by Arizona Revised Statutes § 41-793 and ABOR Policy 7-102. The CIP presents the university's strategic plan on space and capital acquisition to meet short and long-term requirements. It outlines the current capital funding allocation for the university, specifically for building renewal, deferred maintenance, facility leases, and other critical construction projects. The CIP covers a three-year period and focuses on addressing space deficiencies in academic, research, student services/support services, and deferred maintenance. The CIP also provides a summary of the university debt information including debt ratio projections to comply with ABOR policy and State statutes. The projects in the CIP are prioritized at a later date by university management and presented to ABOR for approval through the Annual Capital Plan (ACP). The ACP presents immediate need for capital projects in the coming 12 months including the estimated budget costs of the project, how the project aligns with the university's strategic plan, funding source(s), and any associated debt information. Each project on the ACP must also receive an individual project and financing approval that authorizes the university to proceed with financing and execution of construction contracts for the project. Projects to be financed by debt must also be reviewed by JCCR.

During fiscal year 2023, the university completed and placed in service three major building projects: the Applied Research Building, the Chemistry Building Renovation project, and the Facilities Management Consolidation Facility project. The Applied Research Building was constructed at a total cost of $85.0 million and was financed by System Revenue Bonds. The Applied Research Building is a very specialized, one-of-a-kind research facility with a variety of programmed spaces that include high bay payload assembly areas, a large-scale vacuum chamber, clean rooms, and unique research laboratories, and office, collaboration, and classroom spaces. The Chemistry Building Renovation project was constructed with a total cost of $42.0 million and was financed by System Revenue Bonds. This project renovated and repurposed the historic Chemistry Building into an innovative teaching hub using evidence-based teaching strategies that will result in increased student learning, engagement, and development of workplace-relevant skills. The Facilities Management Consolidated Facility project was constructed at a total cost of $24.0 million and was financed with System Revenue Bonds. This project brought together Facilities Management operations from 20 different locations across campus and modernized warehouse and shop operations.

In addition, the Grand Challenges Research Building was an ongoing major building project with a total budget of $99.0 million.

The university generally finances capital improvements and acquisitions through the issuance of System Revenue Bonds (SRBs), Stimulus Plan for Economic and Education Development (SPEED) Revenue Bonds, or Certificates of Participation (COPs). Stimulus Plan for Economic and Education Development (SPEED) was authorized by the Arizona State Legislature to stimulate the State's economy through capital construction for State universities. This legislation also authorizes the use of State lottery revenue allocations to fund up to

80 percent of the annual debt service on all projects financed by SPEED Revenue Bonds. The three State universities are responsible for at least 20 percent of the debt service. Prior to issuing any non-refunding Bonds or COPs, the university must provide a financing and funding plan in the ACP for ABOR approval. Additionally, the project is required to be reviewed or approved by JCCR. The amount of debt the university is capable of issuing is limited by a debt ratio of 8% as defined by State law (Arizona Revised Statutes § 15-1683) and ABOR Policy 7-102(B)(2)(e)(3). The debt ratio is determined by annual debt service on Bonds and COPs as a percentage of total operating expenses and debt service. At June 30, 2023, the university's debt ratio was 4.2%. The university's credit rating on its outstanding SRBs is Aa2 by Moody's and AA- by Standard and Poor's.

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

Economic Outlook

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

The university has continued the Guaranteed Tuition Program, started in the fall of 2014, which is a constant tuition rate set by ABOR for eight semesters. Additionally, the university continues to return a portion of tuition revenue in the form of need-based aid. For fiscal year 2024 incoming students participating in the Guaranteed Tuition Program, the Arizona Board of Regents voted to increase undergraduate tuition and fees by 2.6% for residents and 3.8% for non-residents.

The university experienced an increase in total appropriations of $7.0 million or approximately 1.9% by the State for fiscal year 2024. The fiscal year 2024 total appropriation to the University of Arizona is $383.3 million.

The Arizona Board of Regents also recently approved the university's fiscal year 2024 annual operating budget, which includes an estimated 10.6% increase in revenues and a $28.9 million increase in net position. The university continually works to implement efficiencies and identify savings opportunities. It is committed to its students, parents, employees, and the State to providing the most efficient and effective services as possible. The fiscal year 2024 budget is one example of this commitment.

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

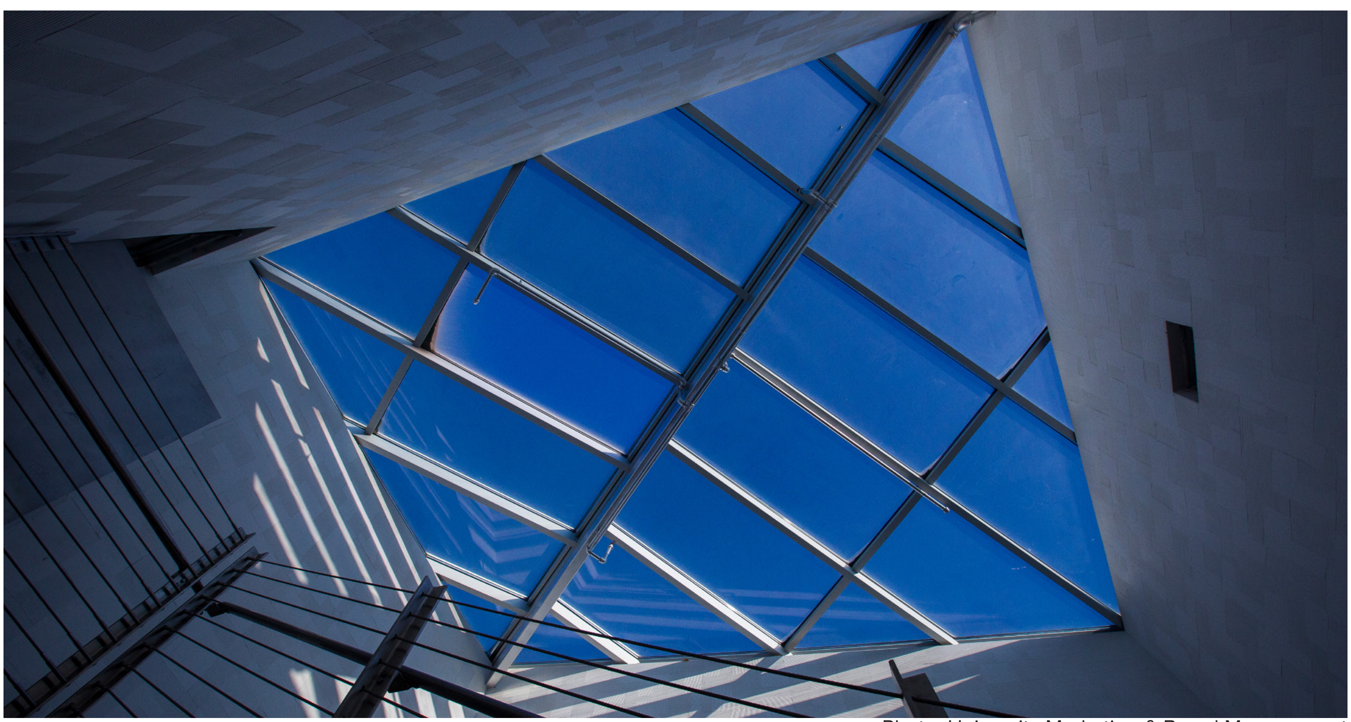


Photo: University Marketing & Brand Management

STATEMENT OF NET POSITION

June 30, 2023 *(in thousands of dollars)*

Assets

Current assets		
Cash and cash equivalents (Note 3)	$	53,802
Short-term investments (Note 3)		164,981
Receivables:		
Accounts receivable (net of allowances of $21,007)		111,608
Government grants and contracts receivable		83,640
Leases receivable		8,050
Student loans (net of allowances of $45)		1,482
Inventories		8,548
Prepaid expenses		17,791
Total current assets	**$**	**449,902**
Noncurrent assets		
Restricted cash and cash equivalents (Note 3)	$	29,637
Restricted investments with trustee (Note 3)		222,030
Restricted investments with bond trustees (Note 3)		66,290
Restricted long-term investments (Note 3)		47,609
Long-term investments (Note 3)		409,052
Endowment investments (Note 3)		312,012
Equity interest in joint venture (Note 4)		3,065
Student loans receivable (net of allowances of $1,490)		27,343
Leases receivable		91,469
Prepaid expenses		242
Capital assets, not being depreciated/amortized (Note 5)		488,689
Capital assets, being depreciated/amortized, net (Note 5)		2,356,537
Total noncurrent assets	**$**	**4,053,975**
Total Assets	**$**	**4,503,877**

Deferred Outflows of Resources

Deferred outflows related to pensions (Note 10)	$	99,554
Deferred outflows related to OPEB (Note 11)		59,334
Deferred amounts from refunding of debt		24,559
Total Deferred Outflows of Resources	**$**	**183,447**

Statement of Net Position (continued)

Liabilities

Current liabilities		
Accounts payable	$	78,925
Accrued payroll and benefits		37,710
Accrued compensated absences, current portion (Note 7)		11,703
Unearned revenue and deposits (Note 6)		154,800
Pension liability, current portion (Note 10)		4,685
Current portion of long-term debt and other obligations (Note 8)		
To be funded by university revenues		103,199
To be funded by State of Arizona appropriations and State Lottery monies		23,743
Capital commitments, current portion (Note 4)		5,000
Total current liabilities	**$**	**419,765**
Noncurrent liabilities		
Accrued compensated absences (Note 7)	$	88,843
Net pension liability (Note 10)		622,879
OPEB liability (Note 11)		159,807
Long-term debt and other obligations (Note 8)		
To be funded by university revenues		1,272,154
To be funded by State of Arizona appropriations and State Lottery monies		415,463
Capital commitments (Note 4)		35,000
Total noncurrent liabilities	**$**	**2,594,146**
Total Liabilities	**$**	**3,013,911**

Deferred Inflows of Resources

Deferred inflows related to pensions (Note 10)	$	33,008
Deferred inflows related to OPEB (Note 11)		164,509
Deferred amounts from refunding of debt		901
Deferred inflows related to leases		98,973
Resources received before time requirements met (Note 3)		194,730
Total Deferred Inflows of Resources	**$**	**492,121**

Net Position

Net investment in capital assets	$	1,044,572
Restricted for nonexpendable:		
Endowments		154,719
Student loans		36,388
Restricted for expendable:		
Scholarships and fellowships		3,543
Academic/departmental uses		182,314
Capital projects		80,812
Debt service		24,940
Unrestricted (deficit)		(345,996)
Total Net Position	**$**	**1,181,292**

See Notes to Financial Statements


Photo: University Marketing & Brand Management

STATEMENT OF FINANCIAL POSITION – COMPONENT UNITS

June 30, 2023 *(in thousands of dollars)*

	University of Arizona Foundation	Other	Total
Assets			
Cash and cash equivalents	$ 226,917	$ 9,426	$ 236,343
Pledges receivable, net	42,824	2,031	44,855
Accounts receivable, net	-	2,331	2,331
Contract assets	-	97	97
Investments in securities	1,269,924	14,484	1,284,408
Other investments	-	161	161
Prepaid expenses	-	46	46
Property and equipment, net	1,313	30,205	31,518
Intangible assets, net	-	1,333	1,333
Operating lease assets	-	4,217	4,217
Other assets	4,318	1,385	5,703
Total Assets	**$ 1,545,296**	**$ 65,716**	**$ 1,611,012**
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	$ 6,303	$ 3,694	$ 9,997
Fair value of endowments managed for the university	223,369	-	223,369
Annuities payable and other trust liabilities	16,911	-	16,911
Deferred revenue and deposits	-	2,175	2,175
Short-term and long-term debt and lease obligations	-	7,498	7,498
Total Liabilities	**$ 246,583**	**$ 13,367**	**$ 259,950**
Net Assets			
Without donor restrictions	$ 21,649	$ 35,941	$ 57,590
With donor restrictions	1,277,064	16,408	1,293,472
Total Net Assets	**$ 1,298,713**	**$ 52,349**	**$ 1,351,062**
Total Liabilities and Net Assets	**$ 1,545,296**	**$ 65,716**	**$ 1,611,012**

See Notes to Financial Statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2023 *(in thousands of dollars)*

Operating Revenues

Student tuition and fees, net of scholarship allowances of $368,272	$	717,928
Federal grants and contracts		437,943
State grants and contracts		13,156
Local grants and contracts		5,755
Nongovernment grants and contracts		161,954
Sales and services of educational departments		55,255
Auxiliary enterprises, net of scholarship allowances of $10,248		219,820
Other operating revenues		13,375
Total operating revenues	**$**	**1,625,186**

Operating Expenses

Educational and general		
Instruction	$	641,656
Research		588,697
Public service		115,772
Academic support		297,940
Student services		91,977
Institutional support		214,843
Operation and maintenance of plant		111,296
Scholarships and fellowships		69,249
Auxiliary enterprises		205,137
Depreciation and amortization (Note 5)		190,848
Total operating expenses	**$**	**2,527,415**
Operating Loss	**$**	**(902,229)**

Nonoperating Revenues (Expenses)

State appropriations	$	350,759
Share of State sales tax revenues		36,832
Federal grants and appropriations		120,403
State and other government grants		86,848
Nongovernment grants and contracts		146,666
Gifts		108,631
Investment income		42,592
Interest expense on debt		(56,395)
Other nonoperating revenues, net		20,056
Net nonoperating revenues	**$**	**856,392**
Loss before Capital, Endowments, and Special item	**$**	**(45,837)**

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

Capital grants, gifts and conveyances	$	9,141
Capital appropriations		25,562
Capital commitment - State Lottery Revenue		20,827
Additions to permanent endowments		1,700
Special item - Transfer of operations		67,948
Total capital, endowments, and special item	**$**	**125,178**
Increase in Net Position	**$**	**79,341**

Net Position

Net Position - Beginning of year		1,101,951
Net Position - End of year	**$**	**1,181,292**

See Notes to Financial Statements

Photo: Office of Sustainability

STATEMENT OF ACTIVITIES – COMPONENT UNITS

Year Ended June 30, 2023 *(in thousands of dollars)*

	University of Arizona Foundation	Other	Total
Revenues			
Sales and services	$ 5,956	$ 8,422	$ 14,378
Contributions	163,906	4,268	168,174
Rental revenues	-	12,599	12,599
Investment income, net	85,241	1,267	86,508
Other income	11,773	653	12,426
Total revenues	$ 266,876	$ 27,209	$ 294,085
Expenses			
Program services:			
Contracting related expenses	-	$ 4,723	$ 4,723
Leasing related expenses	-	13,138	13,138
Payments to the university	$ 93,877	-	93,877
Payments on behalf of the university	13,996	3,248	17,244
Supporting services:			
Administration and general	9,470	5,733	15,203
Fundraising	13,925	155	14,080
Total expenses	$ 131,268	$ 26,997	$ 158,265
Increase in Net Assets	$ 135,608	$ 212	$ 135,820
Net Assets - Beginning of year, as restated	$ 1,163,105	$ 52,137	$ 1,215,242
Net Assets - End of year	$ 1,298,713	$ 52,349	$ 1,351,062

See Notes to Financial Statements


Photo: Carlos E Moreno

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023 *(in thousands of dollars)*

Cash Flows from Operating Activities

Tuition and fees	$	712,767
Grants and contracts		627,582
Payments for salaries, wages and benefits		(1,638,205)
Payments to suppliers		(691,421)
Payments for scholarships and fellowships		(73,298)
Loans issued to students		(5,512)
Collections on loans to students		2,585
Auxiliary enterprise receipts		220,256
Sales and services of educational departments		55,854
Funds held for others received		13,069
Funds held for others disbursed		(13,993)
Proceeds from transfer of operations		44,342
Other receipts		46,786
Net cash used for operating activities	**$**	**(699,188)**

Cash Flows from Noncapital Financing Activities

State appropriations	$	350,759
Share of State sales tax receipts		33,370
Gifts, contracts and grants for other than capital purposes		469,363
Direct Loans received		263,816
Direct Loans disbursed		(267,027)
Net cash provided by noncapital financing activities	**$**	**850,281**

Cash Flows from Capital Financing Activities

Capital appropriations, grants and gifts received	$	32,732
Capital commitment - State Lottery revenue		20,827
Purchase of capital assets		(267,333)
Principal paid on capital debt/obligations		(95,551)
Interest paid on capital debt/obligations		(77,718)
Net cash used for capital financing activities	**$**	**(387,043)**

Cash Flows from Investing Activities

Proceeds from sales and maturities of investments	$	531,129
Interest and dividends on investments		37,541
Purchase of investments		(344,756)
Net cash provided by investing activities	**$**	**223,914**
Net decrease in Cash and Cash Equivalents	**$**	**(12,036)**

Statement of Cash Flows (continued)

Cash and Cash Equivalents

Cash and Cash Equivalents - Beginning of year		95,475
Cash and Cash Equivalents - End of year	**$**	**83,439**

Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating loss	$	(902,229)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization		190,848
Net funds held for others		(924)
Proceeds from transfer of operations		44,342
Miscellaneous income		32,205
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Net pension liability		105,309
Deferred outflows of resources related to pensions		28,463
Deferred inflows of resources related to pensions		(167,297)
OPEB liability		(42,698)
Deferred outflows of resources related to OPEB		14,394
Deferred inflows of resources related to OPEB		29,237
Receivables, net		(2,573)
Equity interest in joint venture		1,928
Inventories		(3,126)
Prepaid expenses		(582)
Accounts payable		6,946
Accrued payroll and benefits and compensated absences		(38,824)
Unearned revenue and deposits		5,393
Net cash used for operating activities	**$**	**(699,188)**

Significant Noncash Transactions

Gifts and conveyances of capital assets	$	1,375
Change in fair value of investments		10,256
Change in fair value of equity interest in joint venture		(1,928)
Change in fair value of restricted investments with trustee		10,707
Amortization of bond discount, prepaid insurance, and deferred cost of refundings		(2,315)
Amortization of bond premium		12,226
Net loss on disposal of capital assets with an original cost of $17,220 and accumulated depreciation of $15,713		(1,507)
State contribution to pension plan		15,646
Capital-related accounts payable		17,056
Intangible right-to-use lease and subscription asset additions		47,159

See Notes to Financial Statements

NOTE 1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements include all activities that the university directly controls. In addition, the financial statements include the financial position and activities of the university's discretely presented component units as described in Notes 2 and 13. Fiscal responsibility for the university remains with the State of Arizona; therefore, the university is an integral part of the State of Arizona's tri-university system, which is an enterprise fund in the State of Arizona's *Annual Comprehensive Financial Report*.

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

Change in Reporting Entity

University of Arizona Global Campus: In fiscal year 2022, the university announced its intent to combine the assets and operations of the University of Arizona Global Campus (UAGC), a discretely presented component unit of the university, into the university. The university determined that integrating UAGC into the university would better position the university to expand access to higher education for adult learners and other non-traditional students, enhance and accelerate online higher education offerings aimed at workforce and economic development goals within the State of Arizona, and extend those same offerings to a national and international student audience consistent with the university's mission. The two organizations commenced a formal planning process, including seeking regulatory approvals from the U.S. Department of Education, Western Association of Schools and Colleges (WASC) Senior College and University Commission (WSCUC), the university's and UAGC's accreditor, and the Arizona Board of Regents. Final approvals were obtained in June 2023, and the transaction to receive the assets and operations for 1 dollar occurred at 11:59 p.m. on June 30, 2023.

The university assumed UAGC's assets, liabilities for performance under existing vendor arrangements for periods following the closing date, and employment of its faculty, administration, and staff. UAGC will operate as a separate business unit within the university and is no longer considered a discretely presented component unit.

The transaction meets the requirements of a transfer of operations as defined by GASB Statement No, 69, *Government Combinations and Disposals of Government Operations*. Adjustments were made to convert UAGC's financial statements reported under the FASB framework to the GASB framework for inclusion in the university's financial statements. As a result of the transfer, the university recognized the following assets, liabilities, and net position (in thousands of dollars):

Transferred Assets, Net		Carrying Values
Current assets	$	78,986
Capital assets		60,040
Other assets		2,892
Total Assets	**$**	**141,918**
Transferred Liabilities		
Current liabilities	$	54,103
Noncurrent liabilities		19,867
Total Liabilities	**$**	**73,970**
Net Position of Transferred Operations		
Net investment in capital assets	$	33,777
Unrestricted		34,171
Total Net Position	**$**	**67,948**

University of Arizona Applied Research Corporation: For fiscal year 2023, the University of Arizona Applied Research Corporation (UA-ARC) was added to the reporting entity as a discretely presented component unit of the university. During fiscal year 2023, it was determined that the nature and significance of the financial relationship are such that UA-ARC meets the criteria for inclusion as a component unit.

Restatement of Component Unit Net Assets: The removal of UAGC as a discretely presented component unit resulted in a decrease in component unit net assets as UAGC assets and operations are now reported with university activity. The addition of UA-ARC as a discretely presented component unit resulted in an increase in component unit beginning net assets. Additionally, Eller Executive Education (EEE) restated its beginning net assets as described in Note 13.

The changes in reporting entity associated with the removal of UAGC and the addition of UA-ARC as discretely presented component units and the correction of beginning net assets for EEE resulted in the following restatement to the university's component unit net assets reported as of June 30, 2022 (in thousands of dollars):

Component unit net assets, as previously reported on June 30, 2022	$	1,278,698
Removal of UAGC		(64,811)
Addition of UA-ARC		2,076
Restatement of EEE		(721)
Component unit net assets, as restated July 1, 2022	**$**	**1,215,242**

Basis of Presentation

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

For the year ended June 30, 2023, the university implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, as amended by GASB Statement No. 99, *Omnibus 2022*. GASB Statement No. 96, as amended, which defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. As a result, the financial statements have been modified to reflect this new standard.

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

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

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

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

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

Significant Accounting Policies

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

Cash and Investments:

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

Endowment Spending Rate Policy: Arizona State law permits the university to expend the entire net appreciation of endowment fund investments. When determining the spending rate for endowment funds managed by the university, the Investment Committee and university administration consider long- and short-term needs, total investment return and price level trends, and general economic conditions. For fiscal year 2023, the expendable rate was established at 4.25% based on a twelve-quarter average fair value of principal account balances as of December 31, 2021. Donor restricted endowments that are available for expenditure are reported as restricted and expendable on the Statement of Net Position.

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

Special Collections and Historical Treasures: The university maintains special collections and historical treasures for educational purposes and public exhibition. These special collections include Kress, Pfeiffer, and Gallagher artwork, Ansel Adams, Harry Callahan, David Hume Kennerly, and Edward Weston photography collections, American Indians of the Southwest archeological collection, pottery whole vessel collection, and several medical and law book collections. They are not subject to disposal for financial gain or encumbrance. Accordingly, such collections are not capitalized for financial statement purposes but are inventoried for property control purposes.

Capital Assets: Capital assets are reported at actual cost or, if donated, at acquisition value. The capitalization thresholds and estimated useful lives for capital assets of the university are as follows:

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

Capital assets, other than land, construction in progress, and intangible assets with indefinite useful lives, are depreciated over their estimated useful lives using the straight-line method.

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the university has determined is reasonably certain of being exercised, then the lease asset is amortized over the useful life of the underlying asset.

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

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

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

Leases: As lessee, the university recognizes lease liabilities with an initial, individual value of $0.1 million or more. The university uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The university's estimated incremental borrowing rate is based on its most recent public debt issuance.

As lessor, the university recognizes lease receivables with an initial, individual value of $0.1 million or more. The university leases ground and building space to third parties under the provisions of various lease agreements for uses including offices, commercial space, clinical space, and mixed-use space. If there is no stated rate in the lease contract (or if the stated rate is not the rate the university charges the lessee) and the implicit rate cannot be determined, the university uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The university's estimated incremental borrowing rate is calculated as described above. During the fiscal year ended June 30, 2023, the university had $8.1 million in current leases receivable and $91.5 million in non-current leases receivable and recognized total lease-related revenues of $12.7 million.

Subscription-based Information Technology Arrangements: The university recognizes subscription liabilities with an initial, individual value of $1.0 million or more. The university uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate in the arrangement. The university's estimated incremental borrowing rate is calculated as described above.

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

NOTE 2. Component Units

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

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

Discretely Presented Component Units

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

Campus Research Corporation (CRC) is a legally separate, tax-exempt, private nonprofit corporation governed by a separate Board of Directors and was established to assist the university in the acquisition, improvement, and operation of the University of Arizona Science and Technology Parks, the original UA Tech Park at Rita Road and the UA Tech Park at the Bridges, related properties and entities. CRC currently leases from the university all the buildings at the UA Tech Park at Rita Road. CRC is responsible for assisting in the development of the presently undeveloped portions of the UA Tech Parks and for subleasing unoccupied space, newly developed space, and space now occupied by IBM or its subtenants once the current subleases terminate. The university is responsible for payment of the operational expenses associated with the space occupied by university departments, offices, and programs. All net proceeds received by CRC from its activities, after retention for operations and improvements, as defined by the master lease agreement, and reserves, will be distributed to the university. As the university approves CRC's budget and can access its resources (i.e., leased property and new building construction on the property), fiscal dependency and a benefit/burden relationship exist between the organizations, making CRC a component unit of the university. As CRC does not meet any of the blending criteria in GASB Statement No. 14, as amended, CRC is presented as a discrete component unit in the university's financial statements. For information regarding CRC's financial statements, contact the Chief Financial Officer at the following address: Tech Parks Arizona, 9070 South Rita Road, Suite 1750, Tucson, Arizona 85747-6112.

Photo: Jacob Chinn

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

The University of Arizona Applied Research Corporation (UA-ARC) is a legally separate, tax-exempt, private nonprofit corporation governed by a separate Board of Directors, all members of which are appointed by the President and Provost of the University of Arizona. UA-ARC was established to further the educational, research and development objectives of the university through conducting applied multidisciplinary research and development in the areas of optics, hypersonics, quantum information science, artificial intelligence cyber security, and space related research. As the university President and Provost appoint all UA-ARC board members and can remove any member at will, the university can impose its will on UA-ARC, making UA-ARC a component unit of the university. As UA-ARC does not meet any of the blending criteria in GASB Statement No. 14, as amended, UA-ARC is presented as a discrete component unit in the university's financial statements. For information regarding UA-ARC's financial statements, contact UA-ARC at the following address: The University of Arizona Applied Research Corporation, 1600 East Idea Lane, Suite 401, Tucson, Arizona 85713-0011.

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

NOTE 3. Deposits and Investments

A. General

At year end, the university's deposits and investments had a fair value of $1.3 billion. The required disclosures are included in sections B through D of this footnote.

Included in the university's deposits and investments are capital project funds totaling $66.3 million which are held in trust by a commercial bank and available for future construction costs. Trust funds are invested in accordance with the Board's authorizing resolutions, as disclosed in section B of this footnote.

Endowment funds totaling $223.4 million managed by the University of Arizona Foundation (Foundation) make up a portion of the deposits and investments. These funds are primarily held in a pooled endowment fund managed under a service contract with the Foundation and invested in the Foundation's Endowment Pool (Pool). The university's endowment assets are maintained separately on the financial system of the Foundation and receive a proportional share of the Pool activity. As such, the Foundation owns the assets of the Pool; the university has an interest in the Pool, which is considered an external investment pool to the university. The Pool invests in a variety of asset classes, including common stocks, fixed income, foreign investments, private equity and hedge funds. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The Foundation's Investment Committee is responsible for oversight of the Pool in accordance with Foundation policies. Included in these investments are balances invested on behalf of the Arizona Student Financial Aid Trust (ASFAT). ASFAT was established by the Arizona Board of Regents and is funded by the Arizona State Legislature and student fees. The university's ASFAT funds are recorded as endowment investments at $48.2 million.

Further, the university is the sole beneficiary of the University of Arizona Academic Enhancement Fund Trust (Trust). Trust assets totaled $222.0 million at June 30, 2023 and are recorded in the university's Statement of Net Position as restricted investments with trustee. Trust assets, less university contributions to the trust, are offset by a $194.7 million deferred inflow of resources because not all time requirements have been met. The purpose of the Trust is to provide ongoing funding over 30 years, beginning in fiscal year 2015, in the form of $20.0 million annual distributions to the university for academic enhancements, faculty recruitment, and program development at the Arizona Health Science Center. The university has entered into an investment agreement with a third party, Banner Health, to direct the investment activity of the trustee in accordance with Banner policies. In the event the Trust becomes insolvent or does not generate sufficient income to make the annual distributions, Banner Health is contractually obligated to make the annual distribution payments to the university from other sources.

B. Statutory and Board of Regents' Policies

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

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

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

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

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

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

C. Deposit and Investment Risk

Custodial Credit Risk: University policy for its operating funds requires all repurchase agreements to be collateralized with government debt securities or cash balances held in the comptroller's demand deposit account. Beyond this requirement, the university does not have a policy that specifically addresses custodial credit risk. At June 30, 2023, $23.1 million of the university's total deposits and investments is exposed to custodial credit risk since a portion of the university's endowment funds are held by trustees. These deposits and securities are held by the counterparties in the names of the individual donors as irrevocable trusts for the benefit of the university.

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

The university does not have a formal policy that specifically addresses credit risk over endowment funds. As indicated in Section A of this note, $223.4 million of the university's endowment funds are held in the Foundation's Endowment Pool, which is not rated. The Foundation's Investment Committee manages the credit risk of the Pool's investments. Other university endowment funds held by external trustees are invested in accordance with donor restrictions and those investments' credit quality ratings are included in the following table.

The following table presents credit risk by investment type (in thousands of dollars):

Investment Type	Fair Value	Not Rated	Aaa/AAA	Aa/AA	A/A	Baa/BBB	Ba/BB
			Moody's/Standard & Poor's Rating				
Certificates of Deposit*	$ 3,897	$ 3,897	-	-	-	-	-
Corporate Bonds	518,228	-	$ 2,947	$ 27,352	$ 200,034	$ 284,358	$ 3,537
Federal Agency Securities	15,068	-	-	15,068	-	-	-
Fixed Income Mutual Funds	1,805	1,805	-	-	-	-	-
Money Market Mutual Funds	88,441	-	88,441	-	-	-	-
Municipal Bonds	2,106	-	-	2,106	-	-	-
State Treasurer's Pool 3	1,733	1,733	-	-	-	-	-
Total	**$ 631,278**	**$ 7,435**	**$ 91,388**	**$ 44,526**	**$ 200,034**	**$ 284,358**	**$ 3,537**

** Although the certificates of deposit are unrated by Moody's Investor Service or Standard & Poor's, $1.5 million is covered by federal deposit insurance and would be returned to the university in the situation of default by the issuer.*

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

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

Interest Rate Risk: The university does not have a formal policy for interest rate risk. The following chart presents the interest rate risk for the university's debt investments (in thousands of dollars) at June 30, 2023, utilizing the segmented time distribution method:

Investment Type	Fair Value	< 1 Year	1-5 Years	6-10 Years	> 10 Years
			Maturity Date		
Certificates of Deposit	$ 3,897	$ 3,659	$ 238	-	-
Corporate Bonds	518,228	152,890	364,516	$ 822	-
Federal Agency Securities	15,068	9,440	5,505	123	-
Fixed Income Mutual Funds	1,805	19	-	1,251	$ 535
Money Market Mutual Funds	88,441	88,441	-	-	-
Municipal Bonds	2,106	1,865	-	241	-
State Treasurer's Pool 3	1,733	-	1,733	-	-
US Treasury Securities	68,149	26,958	32,900	8,291	-
Total	**$ 699,427**	**$ 283,272**	**$ 404,892**	**$ 10,728**	**$ 535**

Foreign Currency Risk: The university's foreign investments (in thousands of dollars) at June 30, 2023 are shown in the table to the right. Foreign currency - denominated investments are part of the university's endowment portfolios. University policy does not include any specific requirements for foreign currency risk. University endowment funds held by external trustees are invested in accordance with donor restrictions.

Investment Type	Currency	Fair Value
Common Stocks	Various	$ 352
Equity Mutual Funds	Various	6,450
Fixed Income Mutual Funds	Various	787
Mutual Funds - Asset Allocation	Various	1,438
Total		**$ 9,027**

D. Fair Value of Investment Assets

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

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

Fair value measurements (in thousands of dollars) as of June 30, 2023, are shown in the table below.

		Hierarchy Fair Value		
	As of June 30, 2023	**Level 1**	**Level 2**	**Level 3**
Investments by Fair Value Level				
Certificates of Deposit	$ 3,897	-	$ 3,897	-
Common Stocks	5,557	$ 4,966	591	-
Corporate Bonds	516,033	-	516,033	-
Equity Mutual Funds	76,179	75,633	-	$ 546
Federal Agency Securities	14,697	-	14,697	-
Fixed Income Mutual Funds	1,805	1,805	-	-
Money Market Mutual Funds	88,127	88,127	-	-
Municipal Bonds	1,865	-	1,865	-
Mutual Funds - Asset Allocation	1,438	952	-	486
Private Equities	487	-	-	487
Real Estate	602	-	-	602
US Treasury Securities	68,149	68,149	-	-
Total investments by fair value level	**$ 778,836**	**$ 239,632**	**$ 537,083**	**$ 2,121**
Other Investments at Fair Value				
Academic Enhancement Fund Trust	222,030			
State Treasurer's Pool 3	1,733			
Interest in Permanent Endowment	11,161			
University of Arizona Foundation	223,369			
Total other investments at fair value	**$ 458,293**			
Investments at Net Asset Value (NAV)				
Equity Mutual Funds	9,138			
Total investments at net asset value	**$ 9,138**			
Total investments at fair value	**$ 1,246,267**			

Investments Classified in Fair Value Hierarchy

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

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

Other Investments at Fair Value

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

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

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

Investments at Net Asset Value

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

NOTE 4. Joint Venture and Jointly Governed Organization

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

The university has committed resources equivalent to 26.25% of LBT's construction costs and annual operating costs. The university has made total cash contributions of $19.2 million and contributions of services and materials of $3.5 million, which is recorded as equity interest in joint venture on the statement of net position. The university's financial interest represents future viewing/observation rights. As of December 31, 2007, the assets had been substantially completed and the telescope entered the commissioning phase. During calendar year 2007, the telescope became operational for research purposes and depreciation of the property and equipment commenced. The university recorded its proportionate share of the use of the viewing/observation rights, $1.9 million in calendar year 2023, as a reduction in its equity interest. At June 30, 2023, the equity interest totaled $3.1 million. According to the most recent audited financial statements of LBT for the year ended December 31, 2022, assets, liabilities, revenues and expenses totaled $100.3 million, $8.0 million, $12.5 million, and $20.2 million, respectively. For information regarding LBT's financial statements, contact the University of Arizona Comptroller at the following address: The University of Arizona, Financial Services, 888 N. Euclid Ave., Room 502, Tucson, Arizona 85721.

Jointly Governed Organization: The Giant Magellan Telescope Organization (GMTO) is a non-stock, nonprofit, jointly governed corporation founded to own and administer the planning, design, construction and operation of the 25-meter Giant Magellan Telescope, a proposed astronomical telescope and its associated buildings, equipment and instrumentation, to be located in northern Chile. The GMTO is jointly governed by several leading educational and research institutions from the United States, South Korea, and Australia, including the University of Arizona. The university comprises two of the fifteen members of the GMTO Board of Directors and is one of thirteen founders and participants. The GMTO will hold all rights, title and interest to and in the telescope. Although the university does not have a defined equity interest, as a founder the university will receive viewing rights to the telescope in proportion to its voluntary contributions to the project. The university has recognized an intangible asset related to the costs incurred during the Design Development and Construction/Commissioning Phases. The university has also signed agreements outlining capital commitments to the GMTO between July 2022 and July 2031. Changes in capital commitments related to the GMTO (in thousands of dollars) during the fiscal year ended June 30, 2023, were as follows:

GMTO Capital Commitments

Beginning balance	$	-
Additions		50,000
Reductions		(10,000)
Ending balance	**$**	**40,000**
Current portion	**$**	**5,000**

The university has contributed a total of $95.6 million to the GMTO as of June 30, 2023. The university has been and will be responsible for manufacturing the telescope's mirrors and will receive compensation from other GMTO founders and participants based on individual contractual agreements. As of June 30, 2023, the university has received contractual payments related to the project from the GMTO and related partners totaling $89.6 million. Contractual payments were for projects related to mirror construction and process development and include the acquisition of glass and mold materials, the development of mirror testing systems, design study, and engineering support.

NOTE 5. Capital Assets

Capital asset activity (in thousands of dollars) for the year ended June 30, 2023, was as follows:

	Beginning Balance July 1, 2022 (Restated)*	Additions	Retirements	Transfers/ Reclasses	Ending Balance June 30, 2023
Land	$ 129,516	$ 568	-	-	$ 130,084
Construction in progress:					
Real property	235,037	163,526	-	$ (184,024)	214,539
Intangible assets:					
Telescope viewing rights	85,642	57,706	-	-	143,348
Computer software	-	718	-	-	718
Total non-depreciable/amortizable capital assets	$ 450,195	$ 222,518	-	$ (184,024)	$ 488,689
Buildings and improvements	$ 3,305,868	$ 21,743	$ (188)	$ 169,791	$ 3,497,214
Infrastructure	312,473	642	-	13,556	326,671
Equipment	615,740	69,171	(15,546)	677	670,042
Intangible assets:					
Computer software	100,327	61,584	-	-	161,911
Right-to-use lease buildings	180,885	26,195	-	-	207,080
Right-to-use subscription assets	17,327	20,964	-	-	38,291
Library materials	377,858	14,485	(1,486)	-	390,857
Total depreciable/amortizable capital assets	$ 4,910,478	$ 214,784	$ (17,220)	$ 184,024	$ 5,292,066
Less: accumulated depreciation/amortization					
Buildings and improvements	$ 1,625,856	$ 107,393	$ (133)	$ (51)	$ 1,733,065
Infrastructure	184,420	10,605	-	-	195,025
Equipment	466,154	34,678	(14,094)	51	486,789
Intangible assets:					
Computer software	99,047	44,842	-	-	143,889
Right-to-use lease buildings	22,146	17,673	-	-	39,819
Right-to-use subscription assets	-	9,742	-	-	9,742
Library materials	315,390	13,296	(1,486)	-	327,200
Total accumulated depreciation/amortization	$ 2,713,013	$ 238,229	$ (15,713)	-	$ 2,935,529
Depreciable/amortizable capital assets, net	$ 2,197,465	$ (23,445)	$ (1,507)	$ 184,024	$ 2,356,537
Capital assets, net	**$ 2,647,660**	**$ 199,073**	**$ (1,507)**	**-**	**$ 2,845,226**

**Due to the implementation of GASB Statement No. 96 for subscription-based information technology arrangements, the university's beginning right-to-use subscription assets balance was restated from fiscal year 2022. There was no impact to net position.*

Due to the transferred operations of UAGC to the university, additions includes the following amounts recognized as a result of the transfer: $0.8 million in non-depreciable/amortizable capital assets, $106.6 million in depreciable/amortizable capital assets, and $47.4 million in accumulated depreciation/amortization

In addition to expenditures through June 30, 2023, it is estimated that $324.2 million will be required to complete projects under construction or planned for construction. Of that amount, $89.2 million is contractually encumbered.

NOTE 6. Unearned Revenue and Deposits

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

Unearned revenue and deposits (in thousands of dollars) at June 30, 2023, consisted of the following:

Current Unearned Revenue and Deposits

Unexpended cash advances received for sponsored programs	$	73,739
Tuition and fees		60,891
Auxiliary sales and services		13,966
Other unearned revenue		4,990
Deposits		1,214
Total current unearned revenue and deposits	**$**	**154,800**

NOTE 7. Accrued Compensated Absences

Compensated absences consist of vacation leave earned by employees based on services already rendered. These balances are accrued when earned. Employees may carry forward from one calendar year to the next up to 320 accrued vacation hours depending on classification and years of service. Upon termination, accrued hours up to 176 will be paid. At fiscal year-end, the university accrued all compensated absence balances accumulated to date as a liability in the financial statements. The university does not accrue sick time. Upon retirement, employees with a minimum of 500 hours of accumulated sick time are paid a formulated amount from the Retiree Accumulated Sick Leave (RASL) fund administered by the Arizona Department of Administration (ADOA). The university pays a percentage of its payroll for RASL to ADOA and does not have further liability. Accrued compensated vacation (in thousands of dollars) for the year ended June 30, 2023, was as follows:

Beginning balance	$	93,362
Additions		71,199
Reductions		(64,015)
Ending balance	**$**	**100,546**
Current portion	**$**	**11,703**

Photo: Carlos E Moreno

NOTE 8. Long-Term Liabilities

Long-term debt, financed purchase obligations, lease, and subscription activity (in thousands of dollars) for the year ended June 30, 2023, was as follows:

	Beginning Balance July 1, 2022 (Restated)*	Additions	Reductions	Ending Balance June 30, 2023	Due Within One Year
Bonds payable	$ 1,338,225	-	$ (46,225)	$ 1,292,000	$ 59,595
Certificates of participation	162,100	-	(25,635)	136,465	29,115
Financed purchase obligations	6,382	-	(61)	6,321	115
Subtotal long-term debt	$ 1,506,707	-	$ (71,921)	$ 1,434,786	$ 88,825
Premium on sale of debt	184,180	-	(12,226)	171,954	10,643
Discount on sale of debt	(58)	-	12	(47)	(12)
Total long-term debt obligations	$ 1,690,829	-	$ (84,135)	$ 1,606,693	$ 99,456
Lease liabilities	$ 162,731	$ 31,763	$ (14,703)	$ 179,791	$ 17,747
Subscription liabilities	17,327	19,675	(8,927)	28,075	9,739
Total long-term liabilities	**$ 1,870,887**	**$ 51,438**	**$ (107,765)**	**$ 1,814,559**	**$ 126,942**

**Due to the implementation of GASB Statement No. 96 for subscription-based information technology arrangements, the university's beginning liability balance was restated from fiscal year 2022. There was no impact to net position.*

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

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

In fiscal year 2020, the university refunded, in advance of maturity, a portion of outstanding SPEED Revenue Bonds Series 2013. At June 30, 2023, the total outstanding principal balance of the refunded bonds was $17.4 million, which will be paid by investments held in an irrevocable trust with a fair value of $17.6 million. Accordingly, the trust account assets and liability for these defeased bonds are not included in the university's financial statements.

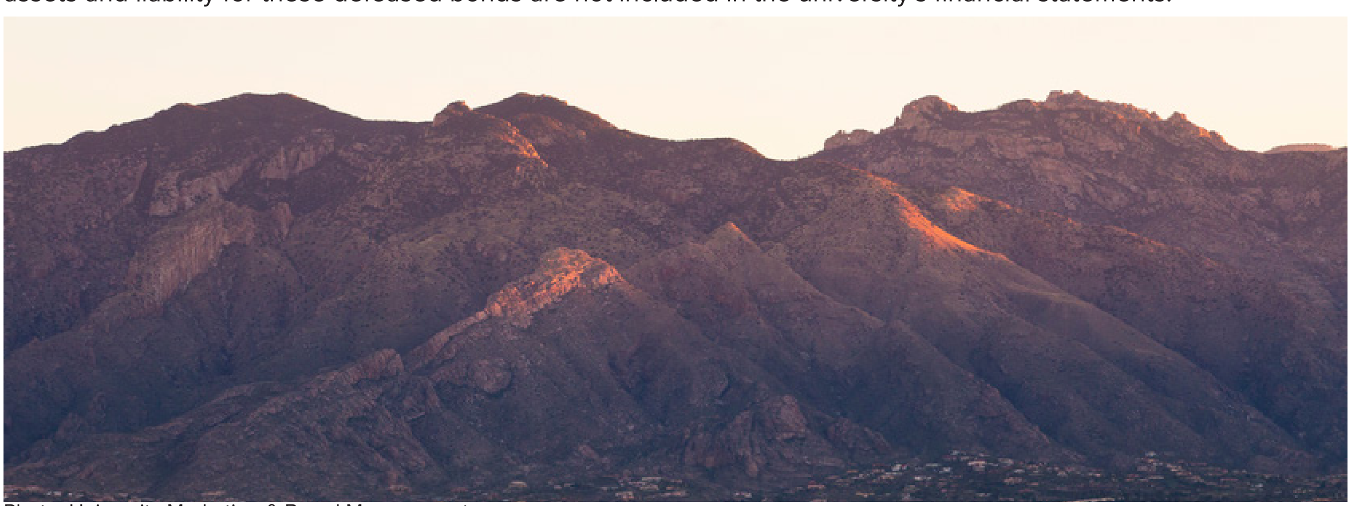


Photo: University Marketing & Brand Management

The following schedule details outstanding bonds payable (in thousands of dollars) at June 30, 2023:

Issue	Original Amount	Year of Final Maturity	Interest Rates	Outstanding Principal
2012C – System Revenue Refunding Bonds	$ 43,920	2034	3.036-3.912%	$ 14,685
2014 – System Revenue Refunding Bonds	16,025	2029	4.00-5.00%	7,120
2015A – System Revenue Refunding Bonds	103,950	2045	4.00-5.00%	91,380
2016 – System Revenue Refunding Bonds	175,385	2039	3.00-5.00%	153,420
2016A – System Revenue Refunding Bonds	44,175	2040	3.00-5.00%	33,215
2016B – System Revenue Bonds	142,390	2046	4.00-5.00%	130,580
2018A – System Revenue Bonds	93,995	2043	3.25-5.00%	84,140
2018B – System Revenue Bonds	16,840	2043	3.00-5.00%	14,970
2019A – System Revenue Bonds	55,405	2044	4.00-5.00%	50,505
2019B – System Revenue Bonds	15,950	2044	2.85-3.90%	14,985
2020 – System Revenue Refunding Bonds	72,205	2042	2.131-3.201%	69,640
2020A – System Revenue Refunding Bonds	95,575	2048	0.712-2.974%	92,470
2021A – System Revenue Bonds	140,260	2043	5.00%	140,260
2021B – System Revenue Refunding Bonds	43,075	2048	4.00-5.00%	43,075
2021C – System Revenue Bonds	42,460	2043	0.517-2.902%	42,460
Subtotal - System Revenue Bonds	$ 1,101,610			$ 982,905
2013 – SPEED Revenue Bonds	70,125	2049	3.75-5.00%	43,840
2014 – SPEED Revenue Bonds	129,185	2045	4.00-5.00%	110,615
2019 – SPEED Revenue Bonds	15,400	2045	2.74-3.94%	14,240
2020A – SPEED Revenue Refunding Bonds	108,180	2045	3.125-5.00%	100,435
2020B – SPEED Revenue Refunding Bonds	19,565	2044	1.967-3.293%	19,265
2020C – SPEED Revenue Refunding Bonds	23,120	2030	5.00%	20,700
Subtotal – SPEED Revenue Bonds	$ 365,575			$ 309,095
Total	**$ 1,467,185**			**$ 1,292,000**

The following schedule details debt service requirements to maturity for System and SPEED Revenue Bonds payable (in thousands of dollars) at June 30, 2023:

Year	Principal	Interest
2024	$ 59,595	$ 54,931
2025	57,275	52,488
2026	59,605	50,149
2027	61,235	47,649
2028	63,770	45,051
2029-2033	307,155	183,321
2034-2038	286,405	120,889
2039-2043	287,315	56,830
2044-2048	106,135	8,856
2049	3,510	70
Total	**$ 1,292,000**	**$ 620,234**

The university has pledged portions of its gross revenues towards the payment of debt related to all system revenue bonds, system revenue refunding bonds, and SPEED revenue bonds outstanding at June 30, 2023. The bonds generally provide financing for various capital projects of the university. These pledged revenues include student tuition and fees, auxiliary enterprise revenue, sales and service revenue and other operating revenues, such as indirect cost recovery and certain investment income. Pledged revenues do not include state appropriations, gifts, endowment income or other restricted revenues. At June 30, 2023, pledged revenues totaled $1.54 billion of which 6.7% ($103.1 million) was required to cover current year debt service. Future annual principal and interest payments on the bonds are expected to require approximately 4.8% of pledged revenues. Future pledged revenues required to pay all remaining debt service for the bonds through final maturity of August 1, 2048, is $1.91 billion.

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

The following schedule details outstanding Certificates of Participation payable (in thousands of dollars) at June 30, 2023:

Issue	Original Amount	Year of Final Maturity	Interest Rates	Outstanding Principal
2006 Arizona Biomedical Research Collaborative Building Project	$ 18,240	2031	4.375-4.50%	$ 8,255
2015A Refund COPS 2005A-2005C, 2005F, 2006A & 2006B	89,470	2025	5.00%	10,850
2015B Refund COPS 2007A	13,810	2025	2.99-3.09%	5,460
2018B Refund COPS 2007D	32,430	2031	5.00%	20,815
2021A Refund COPS 2012B, 2012C, 2015A, 2015B & 2018A	18,770	2031	5.00%	18,770
2021B Refund COPS 2012C	82,740	2031	0.769-2.284%	72,315
Total	$ 255,460			$ 136,465

The following schedule details debt service requirements to maturity for Certificates of Participation payable (in thousands of dollars) at June 30, 2023:

Year	Principal	Interest
2024	$ 29,115	$ 4,261
2025	22,630	3,245
2026	18,505	2,520
2027	13,095	1,933
2028	13,435	1,592
2029-33	39,685	2,457
Total	$ 136,465	$ 16,008

Financed Purchase Obligations: The university has entered into various long-term financed purchase obligations to acquire real estate and equipment. These purchases transfer ownership by the end of the contract, do not contain termination options, but may contain a fiscal funding or cancellation clause that is not reasonably certain to be exercised.

The following schedule details minimum payments to maturity for financed purchase obligations (in thousands of dollars) at June 30, 2023:

Year	Principal	Interest
2024	$ 115	$ 8
2025	157	5
2026	160	3
2027	92	-
2028	93	-
2029-2033	477	-
2034-2038	499	-
2039-2043	523	-
2044-2048	549	-
2049-2053	604	-
2054-2058	738	-
2059-2063	773	-
2064-2068	811	-
2069-2072	730	-
Total	$ 6,321	$ 16

Leases: The university has entered into certain leases that convey control of the right to use another entity's nonfinancial asset for a period of time in an exchange or exchange-like transaction. These are generally for real property.

The total amount of lease assets and the related accumulated amortization are as follows (in thousands of dollars):

Total intangible right-to-use lease assets	$	207,080
Less: accumulated amortization		(39,819)
Carrying Value	**$**	**167,261**

The following schedule details minimum payments to maturity for leases greater than $0.1 million (in thousands of dollars):

Year		Principal		Interest
2024	$	17,745	$	4,226
2025		17,856		5,111
2026		18,466		3,337
2027		18,879		2,876
2028		18,894		2,401
2029-2033		40,729		6,940
2034-2038		17,422		4,124
2039-2043		16,067		2,266
2044-2048		6,582		1,117
2049-2053		7,151		410
Total	**$**	**179,791**	**$**	**32,808**

Subscription-based Information Technology Arrangements (SBITAs): The university has entered into certain subscription-based information technology arrangements that convey control of the right to use another entity's nonfinancial asset for a period of time in an exchange or exchange-like transaction. These are generally for enterprise-scale software as a service contracts.

The total amount of subscription assets and the related accumulated amortization are as follows (in thousands of dollars):

Total intangible right-to-use subscription assets	$	38,291
Less: accumulated amortization		(9,742)
Carrying Value	**$**	**28,549**

The following schedule details minimum payments to maturity for subscription arrangements greater than $1.0 million (in thousands of dollars):

Year		Principal		Interest
2024	$	9,741	$	585
2025		8,053		380
2026		5,515		222
2027		3,507		106
2028		1,178		28
2029-2033		81		2
Total	**$**	**28,075**	**$**	**1,323**

NOTE 9. Self-Insurance Program

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

NOTE 10. Pension Plans

The university participates in the Arizona State Retirement System (ASRS), a cost-sharing, multiple-employer defined benefit pension plan, and two defined contribution plans which are described below. The university also contributes to the Public Safety Personnel Retirement System (PSPRS) state administered multiple-employer defined benefit pension plans. Although a PSPRS net pension liability has been recorded at June 30, 2023, PSPRS has not been further disclosed due to its relative insignificance to the university's financial statements.

For the year ended June 30, 2023, the university recognized total pension expense for all plans of $74.2 million.

Changes in the university's net pension liability (in thousands of dollars) during the fiscal year ended June 30, 2023, were as follows:

Beginning balance	$	522,357
Increases		218,639
Decreases		(113,432)
Ending balance	**$**	**627,564**
Current portion*	**$**	**4,685**

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

A. Defined Benefit Plan

Arizona State Retirement System

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

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

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

	Retirement Initial Membership Date: Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80	30 years, age 55
	10 years, age 62	25 years, age 60
	5 years, age 50*	10 years, age 62
	any years, age 65	5 years, age 50*
		any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

**With actuarially reduced benefits*

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

Contributions: In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2023, statute required active ASRS members to contribute at the actuarially determined rate of 12.03 percent of the members' annual covered payroll for retirement benefits, and statute required the university to contribute at the actuarially determined rate of 11.92 percent of the active members' annual covered payroll for retirement benefits. In addition, the university was required by statute to contribute at the actuarially determined rate of 9.62 percent of annual covered payroll of retired members who worked for the university in positions that an employee who contributes to the ASRS would typically fill. The university's contributions to the pension plan for the year ended June 30, 2023, were $59.1 million.

Pension Liability: At June 30, 2023, the university reported a liability of $611.7 million for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022. The university's proportion of the net pension liability was based on the university's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2022. The university's proportion measured as of June 30, 2022, was 3.75 percent which was a decrease of 0.02 from its proportion measured as of June 30, 2021.

Pension Expense and Deferred Outflows/Inflows of Resources: For the year ended June 30, 2023, the university recognized pension expense for ASRS of $42.0 million. At June 30, 2023, the university reported deferred outflows of resources and deferred inflows of resources related to pensions (in thousands of dollars) from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,212	-
Changes of assumptions or other inputs	30,361	-
Net difference between projected and actual earnings on pension plan investments	-	$ 16,113
Changes in proportion and differences between university contributions and proportionate share of contributions	-	16,040
University contributions subsequent to the measurement date	59,099	-
Total	**$ 94,672**	**$ 32,153**

The $59.1 million reported as deferred outflows of resources related to ASRS pensions resulting from university contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense (in thousands of dollars) as follows:

Year ending June 30		
2024	$	13,968
2025	$	(8,361)
2026	$	(27,977)
2027	$	25,790
2028		-

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

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Equity	50%	3.90%
Fixed income - credit	20%	5.30%
Fixed income - interest rate sensitive	10%	(0.20)%
Real estate	20%	6.00%
Total	**100%**	

Discount Rate: At June 30, 2022, the discount rate used to measure the ASRS total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate: The following table presents the university's proportionate share of the net pension liability (in thousands of dollars) calculated using the discount rate of 7.0 percent, as well as what the university's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
University's proportionate share of the net pension liability	$ 902,586	$ 611,727	$ 369,197

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

B. Defined Contribution Plans

Plan Descriptions: In accordance with ARS § 15-1628, defining the authority under which benefit terms are established or may be amended, university staff, faculty, academic professionals, and administrative officers have the option to participate in defined contribution pension plans. For the year ended June 30, 2023, plans offered by the Teachers Insurance Annuity Association/ College Retirement Equities Fund (TIAA/ CREF) and Fidelity Investments Tax-Exempt Services Company (Fidelity) were approved by the Arizona Board of Regents. Benefits under these plans depend solely on the contributed amounts and the returns earned on investments of those contributions. Contributions made by members vest immediately; university contributions vest after five years of full-time employment. Non-vested contributions held by the university earn interest. Member and university contributions and associated returns earned on investments may be withdrawn upon termination of employment, death, or retirement. The distribution of member contributions and associated investment earnings are made in accordance with the member's contract with the applicable insurance and annuity companies.

Funding Policy: The Arizona State Legislature establishes the contribution rates for active plan members and the university. For the year ended June 30, 2023, plan members and the university were each required by statute to contribute an amount equal to 7 percent of a member's compensation.

Pension Liability: At June 30, 2023, the university reported a liability of $13.5 million for non-vested defined contributions. If individuals terminate employment prior to vesting, any non-vested university contributions are retained by the university.

Pension Expense: For the year ended June 30, 2023, the university recognized pension expense for Defined Contribution Plans of $31.2 million. The university's recognized pension expense includes forfeitures totaling $2.2 million for the year ended June 30, 2023.

NOTE 11. Other Postemployment Benefits

Other postemployment benefits (OPEB) provided as part of university employment include the Arizona Department of Administration (ADOA) sponsored single-employer defined benefit postemployment plan as well as the ASRS sponsored cost-sharing, multi-employer defined benefit plan for the Long-Term Disability Fund and the Health Benefit Supplement Fund. University public safety personnel who are regularly assigned to hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). PSPRS administers an agent multi-employer defined benefit health insurance premium benefit plan. Although an ASRS and PSPRS net OPEB asset has been recorded at June 30, 2023, these plans have not been further disclosed due to the relative insignificance to the university's financial statements.

For the year ended June 30, 2023, the university recognized total OPEB expense for all plans of $7.2 million.

Changes in the university's OPEB liability (in thousands of dollars) during the fiscal year ended June 30, 2023, were as follows:

Beginning balance	$	202,505
Increases		12,734
Decreases		(55,432)
Ending balance	**$**	**159,807**

The Arizona Department of Administration

Plan Descriptions: The Arizona Department of Administration (ADOA) administers a single-employer defined benefit postemployment plan that provides medical and accident benefits to retired State employees, including university employees and their dependents. Title 38, Chapter 4 of the A.R.S. assigns the authority to establish and amend the benefit provisions to the Arizona State Legislature. The ADOA pays the medical costs incurred by retired employees minus a specified premium amount, which is paid for entirely by the retiree or on behalf of the retiree. These premium rates are based on a blend of active employee and retiree experience, resulting in a contribution basis which is lower than the expected claim costs for retirees only, which results in an implicit subsidization of retirees by the State. ADOA does not issue a separate, publicly available financial report.

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

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

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

OPEB Liability: At June 30, 2023, the university reported a liability of $180.6 million for its proportionate share of the ADOA's total OPEB liability. The total OPEB liability was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021. The total OPEB liability as of June 30, 2022, reflects an increase in the discount rate due to changes in the bond index.

The university's proportion measured as of June 30, 2022, was 19.54 percent, which was an increase of 1.16 from its proportion measured as of June 30, 2021.

OPEB Expense and Deferred Outflows/Inflows of Resources: For the year ended June 30, 2023, the university recognized an OPEB expense for ADOA of $10.2 million. At June 30, 2023, the university reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits (in thousands of dollars) from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Changes of assumptions or other inputs	$	46,108	$	68,366
Difference between expected and actual experience		3,728		66,781
Changes in proportion and differences between university contributions and proportionate share of contributions		2,331		15,715
University benefit payments subsequent to the measurement date		4,967		-
Total	**$**	**57,134**	**$**	**150,862**

The $5.0 million reported as deferred outflows of resources related to ADOA OPEB resulting from university benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ADOA OPEB will be recognized in OPEB expense as follows (in thousands of dollars):

Year Ended June 30		
2024	$	(16,595)
2025	$	(12,986)
2026	$	(9,780)
2027	$	(14,528)
2028	$	(20,305)
Thereafter	$	(24,501)

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

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Salary increases	2.90% to 8.40% varying by years of service
Discount rate	3.69% as of June 30, 2022
Healthcare cost trend rates:	
Medical (pre-65)	7.00% declining to 4.15% after 13 years
Medical (post-65)	5.30% declining to 4.15% after 13 years
Administrative costs	None
Contribution trend rates:	
Pre-65	7.00% declining to 4.15% after 13 years
Post-65	5.30% declining to 4.15% after 13 years
Mortality rates:	
Employees	Pub-2010 General Employee Mortality Tables projected with generational improvements from 2017 in accordance with the Ultimate MP scales.
Healthy Retirees and Spouses	2017 State Retirees of Arizona Mortality Tables projected with generational improvements from 2017 in accordance with the Ultimate MP scales.
Disabled Retirees	Pub-2010 Disabled Retiree Mortality Tables projected with generational improvements from 2017 in accordance with the Ultimate MP scales.

Benefit projections assume the specified premium amount will follow the current pattern of practice of being paid for entirely by the retiree or on behalf of the retiree. The specified premium amounts are projected to increase at the contribution trend rates noted above. Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020.

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

Sensitivity of the University's Proportionate Share of the ADOA's Total OPEB Liability: The following table presents the university's proportionate share of the total OPEB liability (in thousands of dollars) calculated using the discount rate of 3.69 percent, as well as what the university's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.69 percent) or 1 percentage point higher (4.69 percent) than the current rate (in thousands of dollars):

	1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
University's proportionate share of the total OPEB liability	$ 212,397	$ 180,617	$ 155,438

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

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
University's proportionate share of the total OPEB liability	$ 149,837	$ 180,617	$ 220,792

NOTE 12. Operating Expenses by Classification

Operating expenses by functional and natural classification (in thousands of dollars) for the year ended June 30, 2023, consisted of the following:

	Personal Services and Benefits	Supplies and Services	Scholarships and Fellowships	Depreciation and Amortization	Total
Instruction	$ 534,023	$ 107,633	-	-	$ 641,656
Research	382,876	205,821	-	-	588,697
Public service	72,686	43,086	-	-	115,772
Academic support	196,522	101,418	-	-	297,940
Student services	73,394	17,846	$ 737	-	91,977
Institutional support	150,918	63,925	-	-	214,843
Operation and maintenance of plant	39,761	71,535	-	-	111,296
Scholarships and fellowships	143	-	69,106	-	69,249
Auxiliary enterprises	116,466	85,216	3,455	-	205,137
Depreciation and amortization	-	-	-	$ 190,848	190,848
Total operating expenses	**$ 1,566,789**	**$ 696,480**	**$ 73,298**	**$ 190,848**	**$ 2,527,415**

NOTE 13. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

The University of Arizona Foundation

Basis of Accounting: For financial reporting purposes, two net asset categories are utilized to reflect resources according to the existence or lack thereof of donor-imposed restrictions.

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

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

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

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

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

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

Annuities Payable and Other Trust Liabilities: Annuities payable and other trust liabilities of $16.9 million at June 30, 2023 are stated at the actuarially-computed present value of future payments to the annuitants, which approximates fair value. The excess of the fair values of assets received (classified according to their nature in the statement of financial position) pursuant to annuity agreements over the actuarially computed annuities payable (using market rates in effect on the contribution date) is recorded as contributions in the year received ($1.4 million in the year ended June 30, 2023). The fair values of assets held in trust at June 30, 2023 are $27.2 million, of which $1.3 million were without donor restrictions and $25.9 million were with donor restrictions and are included in cash and cash equivalents and investments in securities.

Net Assets Released from Restriction: As the restrictions on donor-restricted net assets are met, the net assets are reported as released from restriction and reclassified to net assets without donor restrictions. Payouts made from donor-restricted net assets are reported as released from restriction and transferred to net assets without donor restrictions. The total net assets reclassified and reported as net assets released from restriction for the year ended June 30, 2023, was $109.2 million.

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

Campus Research Corporation

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

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

Protected Water Facility Rights: CRC developed a well, well pump, one million gallon storage tank, various booster pumps, piping, valving, electrical and other equipment and improvements required to operate a well booster station and water storage facility (Water Project) in accordance with their master water plan. The purpose of this development is to provide water throughout the Tech Park. The Water Project is substantially complete and title is held by ABOR. Ultimately, title of the Water Project will pass to the City of Tucson in exchange for protected water rights. Costs related to the construction of the Water Project are capitalized as incurred and allocated to specific phases of the project. These capitalized costs are expected to be reimbursed over time through the realization of the protected water rights. As each phase of the project is complete, CRC negotiates cost reimbursement from the end water user. These reimbursements are recognized as other revenue in the period that they are determined realizable. The allocated capitalized costs related to each phase are expensed in the period that the related reimbursement is recognized.

B. Investments

The University of Arizona Foundation

Investments in securities (in thousands of dollars) are comprised of the following amounts at June 30, 2023:

	Carrying Value	Cost
Domestic/international equity securities and mutual funds	$ 439,334	$ 423,488
Private capital limited partnerships	263,445	183,305
Absolute return and private credit limited partnerships and funds	261,507	216,033
U.S. fixed income obligations and mutual funds	150,692	159,100
Natural resources limited partnerships	113,185	79,546
REIT funds and real estate limited partnerships	40,097	38,341
International fixed income mutual fund	1,664	1,856
Totals	**$ 1,269,924**	**$ 1,101,669**

Fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Market or observable inputs are the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

Photo: University Marketing & Brand Management

As a basis for considering such assumptions, the Foundation utilizes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- *Level 1* – Quoted prices in active markets for identical securities.
- *Level 2* – Other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.) and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investments.
- *Level 3* – Significant unobservable inputs (including investee partnership's own assumptions in determining the fair value of investments). The inputs into determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the investments. The fair values are determined using factors involving considerable judgment.

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

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

The following table presents the Foundation's investments in securities (in thousands of dollars) at June 30, 2023, by valuation hierarchy:

	Quoted Prices In Active Markets for Identical Securities (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Domestic/international equity securities and mutual funds	$ 258,909	-	-	$ 258,909
U.S. fixed income obligations and mutual funds	131,276	-	-	131,276
Absolute return funds	43,056	-	-	43,056
REIT funds	3,853	-	-	3,853
International fixed income mutual fund	1,664	-	-	1,664
Totals	**$ 438,758**			$ 438,758
Investments measured at NAV				831,166
				$ 1,269,924

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

Additional information on investments that are measured at NAV per share as a practical expedient (in thousands of dollars):

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private capital limited partnerships	$ 263,445	$ 115,283	Not Applicable	Not Applicable
Natural resources limited partnerships	113,185	28,101	Not Applicable	Not Applicable
Equity long/short hedge funds	95,855	-	Quarterly, biannually	60-120 days
Equity long-only funds	95,038	-	Daily to semi-annually	5-90 days
Equity long-only hedge funds	85,387	-	Monthly to triennially	60-90 days
Multi-strategy hedge funds	83,132	5,531	Quarterly	60-90 days
Private credit limited partnerships	38,830	16,536	Not Applicable	Not Applicable
Private real estate limited partnerships	36,244	18,705	Not Applicable	Not Applicable
U.S. fixed income funds	19,417	-	Daily	5 days
Fixed income hedge funds	633	-	Not Applicable	Not Applicable
Totals	**$ 831,166**	**$ 184,156**		

C. Endowment

The University of Arizona Foundation

The Foundation's endowment pool, included in assets with donor restrictions, consists of approximately 3,100 individual funds (2,400 for the Foundation and 700 for the university) established for a variety of purposes. The endowment pool is subject to the Arizona Management of Charitable Funds Act. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

The endowment payout rate (Payout Rate), a percentage (4.25% of the average fair value at the end of the twelve quarterly periods within the three previous calendar year-ends) of the fair value of each endowment account, as determined from time to time by the Foundation's Board of Trustees, is made available to support the purposes as specified by the donors of the individual endowment accounts that comprise the endowment pool. The Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds:

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

The Foundation charges an endowment fee (Endowment Fee), based on a percentage of the fair value of the endowment pool as determined from time to time by the Foundation's Board of Trustees (1.00% in fiscal 2023). The Endowment Fee is used to defray the Foundation's costs of holding, managing and stewarding the endowment pool, including costs for safeguarding, investing and accounting for such funds. During fiscal year 2023, endowment fees of $11.4 million were recognized by the Foundation and $2.2 million in such fees were distributed to the university.

The Foundation's goal is to manage endowment assets such that the annual nominal return exceeds the annual "hurdle rate" (the sum of the Payout Rate and the Endowment Fee) so the endowment principal is able to grow and continue to fund in perpetuity the set of activities envisioned by the donor(s) at the time of the gift. The Foundation expects its endowment pool to provide an annual average rate of return of 8.1% with a standard deviation of 11.6% over a 10-year period. Actual returns in any given year may vary from this goal. These returns and risks reflect a broadly diversified asset allocation including domestic and international equities, domestic and international fixed income securities, private capital, private credit, absolute return, and natural resources strategies.

The Foundation holds certain endowment funds that have a historic dollar value larger than fair value. As of June 30, 2023, the Foundation had endowment funds in this category with an aggregated historic dollar value of $175.5 million and an aggregated current fair value of $164.9 million and deficiencies totaling $10.6 million. As documented in endowment gift agreements with donors and the Investment Policy Statement, the payout will continue to be distributed even if the historic dollar value of an endowment fund exceeds its fair value.

The following shows the changes in endowment net assets (in thousands of dollars) for the fiscal year ended June 30, 2023:

	With Donor Restrictions
Endowment net assets, beginning of fiscal year	$ 1,102,981
Investment return:	
Investment income	28,826
Less endowment fee	(11,428)
Net appreciation	65,863
Total investment return	83,261
Contributions	61,217
Transfers	1,563
Appropriation for payout	(48,389)
Capitalization of payout	6,517
Endowment net assets, end of fiscal year	**$ 1,207,150**

Photo: University Marketing & Brand Management

D. Pledges Receivable

The University of Arizona Foundation

Unconditional promises are included in the financial statements as pledges receivable and contribution revenue in the period pledges are received. Pledges that are to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of an expected present value calculation using yields on U.S. Treasury obligations of equivalent maturity dates in the fiscal year in which they were received. The change in the estimated value of the future cash flows in periods subsequent to initial recognition is included in contribution revenue. Pledges receivable, net at June 30, 2023, totaled $42.8 million.

E. Property and Equipment

Campus Research Corporation

Property and equipment, net (in thousands of dollars) consisted of the following as of June 30, 2023:

Building, infrastructure and improvements	$	54,934
Furniture, equipment and other property		5,292
Total	$	60,226
Less accumulated depreciation		(30,064)
Property and equipment, net	**$**	**30,162**

F. Long-Term Debt and Lease Obligations

Campus Research Corporation

Long-term debt (in thousands of dollars) is comprised of the following as of June 30, 2023:

Note payable, Washington Federal Bank, payable in monthly installments of $23.5 thousand including interest at 3.60% through October 2026.	$	899
Note payable, Washington Federal Bank, payable in monthly installments of $26.4 thousand including interest at 2.68% through July 2024.		341
Note payable, Washington Federal Bank, payable in monthly installments of $17.0 thousand including interest at 2.95% through October 2026.		650
Note payable, Washington Federal Bank, payable in monthly installments of $28.3 thousand including interest at 2.66% through October 2024.		447
Note payable, Washington Federal Bank, payable in monthly installments of $11.6 thousand including interest at 3.06% through October 2028.		683
Less unamortized deferred financing fees		(13)
Total long-term debt	**$**	**3,007**

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

CRC entered into a line of credit agreement during 2022 with Washington Federal Bank for a maximum amount of $1.5 million through September 2023. Interest is payable at the LIBOR rate (5.22% at June 30, 2023) plus 0.25%. CRC did not have an outstanding balance related to this line of credit at June 30, 2023. Washington Federal Bank requires CRC to be in compliance with certain financial and nonfinancial covenants.

CRC leases real estate under noncancelable operating leases, which expire at various dates through December 2031. Lease liabilities (in thousands of dollars) as of June 30, 2023 were as follows:

Future lease payments	$	276
Less interest		(19)
Present value of lease liabilities	**$**	**257**

The University of Arizona Applied Research Corporation

UA-ARC subleases office space and other facilities, which expire at various dates through March 2027. Lease liabilities (in thousands of dollars) as of June 30, 2023 were as follows:

Future lease payments	$	4,291
Less interest		(221)
Present value of lease liabilities	**$**	**4,070**

G. Project Operation Agreement (POA)

Campus Research Corporation

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

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

H. Related Party Transactions

The University of Arizona Foundation

The Foundation has a Fee for Service Agreement with the university, under which the Foundation provides fundraising, funds management and other services to advance the mission and interests of the university. The Foundation received $6.0 million for services rendered for the year ended June 30, 2023.

Campus Research Corporation

CRC has master lease agreements expiring in 2113 with ABOR on behalf of the university under which CRC develops, leases and operates certain buildings at the Tech Park and The Bridges. The leases provide that all new buildings constructed by CRC are owned by ABOR on behalf of the university. The leases require CRC to pay $1 annually and additional, discretionary rent on an annual basis based in part on the previous year's net proceeds as defined in the agreement.

During 2023, CRC incurred development costs related to land owned by ABOR on behalf of the university. Total costs incurred during 2023 applicable to these projects were $191.0 thousand. It was determined through an agreement between CRC and the university that CRC would incur these costs. Accordingly, CRC has expensed the costs incurred on behalf of the university related to these projects. Although there is no contractual agreement, CRC may be reimbursed by the university for these costs at a later date. During 2023, CRC did not receive any reimbursements.

Law College Association of the University of Arizona

During the year ended June 30, 2023, the Law College Association distributed funds or paid distributions on behalf of the Law College of the University of Arizona in the amount of $1.9 million.

The University of Arizona Applied Research Corporation

UA-ARC and the university have executed Interpersonnel, Business Services, and IT Service Agreements. Under these agreements, UA-ARC may use the university's personnel, facilities, and materials on a reimbursement basis. Total payments due to the university under these agreements at June 30, 2023 were $0.2 million.

UA-ARC and the university have agreements in place whereby the university has made payments to UA-ARC in consideration of technical services. Total revenue received by UA-ARC from the university for technical services was $2.6 million for the year ended June 30,

Photo: Office of Sustainability

2023. Additionally, UA-ARC received $0.4 million in revenue from the university for services performed as part of its normal course of operations during the year ended June 30, 2023.

Eller Executive Education

EEE has an Affiliation Agreement with the Arizona Board of Regents for and on behalf of the university through June 2026. The agreement covers policies, procedures, working relationships, respective rights and responsibilities between EEE and the university. The university provides the services of certain university employees to perform management and program support functions on a part-time basis for EEE, for which EEE must reimburse the university for all salary and employee related expenses. Program expenses relating to the university during the year ended June 30, 2023, were $0.4 million.

I. Concentrations

Campus Research Corporation

CRC derives its rental revenue from leases with various tenants. At times, rental revenue from particular tenants may constitute a concentration of credit risk. Rent from two tenants comprised 71% of rental revenues in fiscal year 2023. In addition, receivables from two tenants comprised 32% of accounts receivable at June 30, 2023.

Eller Executive Education

At June 30, 2023, one customer comprised 46% of total revenue, and two customers comprised 92% of accounts receivable.

J. Restatement

Eller Executive Education

EEE previously recorded their Paycheck Protection Program (PPP) loans to income under the contribution guidance, but subsequently determined they did not meet all the conditions for forgiveness. Further, EEE has corrected their assessment of performance obligations on certain contracts. As a result, deferred revenue, accounts payable, and long-term debt were understated in the previously issued financial statements, which has been corrected at June 30, 2023. This resulted in the following changes to net assets without donor restrictions (in thousands of dollars), as of June 30, 2022:

Net assets without donor restrictions, as previously reported, June 30, 2022	$ 553
Adjustments:	
Understatement of deferred revenue	(480)
Understatement of accounts payable	(54)
Understatement of long-term debt	(187)
	(721)
Net assets without donor restrictions, as restated, July 1, 2022	**$ (168)**

Photo: University Marketing & Brand Management

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – ARIZONA STATE RETIREMENT SYSTEM

Year Ended June 30, 2023 *(in thousands of dollars)*

Reporting Fiscal Year (Measurement Date)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
University's proportion of the net pension liability	3.75%	3.77%	4.06%	4.28%	4.05%	3.84%	3.85%	3.91%	3.94%	Information Not Available
University's proportionate share of the net pension liability	$ 611,727	$ 495,225	$ 702,890	$ 622,751	$ 565,000	$ 598,493	$ 621,697	$ 608,338	$ 582,754	
University's covered payroll	$ 447,627	$ 424,788	$ 443,989	$ 452,293	$ 403,949	$ 375,912	$ 362,043	$ 362,516	$ 365,347	
University's proportionate share of the net pension liability as a percentage of its covered payroll	136.66%	116.58%	158.31%	137.69%	139.87%	159.21%	171.72%	167.81%	159.51%	
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

SCHEDULE OF UNIVERSITY PENSION CONTRIBUTIONS – ARIZONA STATE RETIREMENT SYSTEM

Year Ended June 30, 2023 *(in thousands of dollars)*

Fiscal Year Ended June 30	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 59,099	$ 53,618	$ 49,388	$ 50,804	$ 50,496	$ 43,892	$ 40,395	$ 39,128	$ 39,376	$ 38,172
University's contribution in relation to the statutorily required contribution	$ 59,099	$ 53,618	$ 49,388	$ 50,804	$ 50,496	$ 43,892	$ 40,395	$ 39,128	$ 39,376	$ 38,172
University's contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
University's covered payroll	$ 497,425	$ 447,627	$ 424,788	$ 443,989	$ 452,293	$ 403,949	$ 375,912	$ 362,043	$ 362,516	$ 365,347
University's contributions as a percentage of covered payroll	11.88%	11.98%	11.63%	11.44%	11.16%	10.87%	10.75%	10.81%	10.86%	10.45%

SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY – ARIZONA DEPARTMENT OF ADMINISTRATION

Year Ended June 30, 2023 *(in thousands of dollars)*

Reporting Fiscal Year (Measurement Date)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 - 2014
University's proportion of the total OPEB liability	19.54%	18.38%	19.32%	19.70%	19.13%	19.20%	Information Not Available
University's proportionate share of the total OPEB liability	$ 180,617	$ 220,277	$ 311,107	$ 250,691	$ 166,725	$ 161,905	
University's covered-employee payroll	$ 827,953	$ 804,619	$ 841,752	$ 819,622	$ 738,315	$ 718,904	
University's proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	21.81%	27.38%	36.96%	30.59%	22.58%	22.52%	

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

COMBINING STATEMENT OF FINANCIAL POSITION – OTHER COMPONENT UNITS

June 30, 2023 *(in thousands of dollars)*

	Other				
	Campus Research Corporation	Law College Association	Applied Research Corporation	Eller Executive Education	Total Nonmajor Component Units
Assets					
Cash and cash equivalents	$ 6,537	$ 1,252	$ 1,342	$ 295	$ 9,426
Pledges receivable, net	-	2,031	-	-	2,031
Accounts receivable, net	1,435	2	334	560	2,331
Contract assets	-	-	17	80	97
Investments in securities	-	14,484	-	-	14,484
Other investments	-	161	-	-	161
Deferred expenses	46	-	-	-	46
Property and equipment, net	30,162	-	43	-	30,205
Intangible assets, net	1,333	-	-	-	1,333
Operating lease assets	188	-	4,029	-	4,217
Other assets	1,224	6	154	1	1,385
Total Assets	**$ 40,925**	**$ 17,936**	**$ 5,919**	**$ 936**	**$ 65,716**
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses	$ 2,615	$ 298	$ 509	$ 272	$ 3,694
Deferred revenue and deposits	2,042	-	26	107	2,175
Short-term and long-term debt and lease obligations	3,264	-	4,070	164	7,498
Total Liabilities	**$ 7,921**	**$ 298**	**$ 4,605**	**$ 543**	**$ 13,367**
Net Assets					
Without donor restrictions	$ 33,004	$ 1,230	$ 1,314	$ 393	$ 35,941
With donor restrictions	-	16,408	-	-	16,408
Total Net Assets	**$ 33,004**	**$ 17,638**	**$ 1,314**	**$ 393**	**$ 52,349**
Total Liabilities and Net Assets	**$ 40,925**	**$ 17,936**	**$ 5,919**	**$ 936**	**$ 65,716**

COMBINING STATEMENT OF ACTIVITIES – OTHER COMPONENT UNITS

Year Ended June 30, 2023 *(in thousands of dollars)*

	Other				
	Campus Research Corporation	Law College Association	Applied Research Corporation	Eller Executive Education	Total Nonmajor Component Units
Revenues					
Sales and services	-	-	$ 6,224	$ 2,198	$ 8,422
Contributions	-	$ 4,268	-	-	4,268
Rental revenues	$ 12,599	-	-	-	12,599
Investment income, net	55	1,212	-	-	1,267
Other income	585	67	1	-	653
Total revenues	**$ 13,239**	**$ 5,547**	**$ 6,225**	**$ 2,198**	**$ 27,209**
Expenses					
Program services:					
Contracting related expenses	-	-	$ 3,431	$ 1,292	$ 4,723
Leasing related expenses	$ 13,138	-	-	-	13,138
Payments on behalf of the university	191	$ 3,057	-	-	3,248
Supporting services:					
Administration and general	1,494	338	3,556	345	5,733
Fundraising	-	155	-	-	155
Total expenses	**$ 14,823**	**$ 3,550**	**$ 6,987**	**$ 1,637**	**$ 26,997**
Increase (Decrease) in Net Assets	**$ (1,584)**	**$ 1,997**	**$ (762)**	**$ 561**	**$ 212**
Net Assets - Beginning of year, as restated	**$ 34,588**	**$ 15,641**	**$ 2,076**	**$ (168)**	**$ 52,137**
Net Assets - End of year	**$ 33,004**	**$ 17,638**	**$ 1,314**	**$ 393**	**$ 52,349**

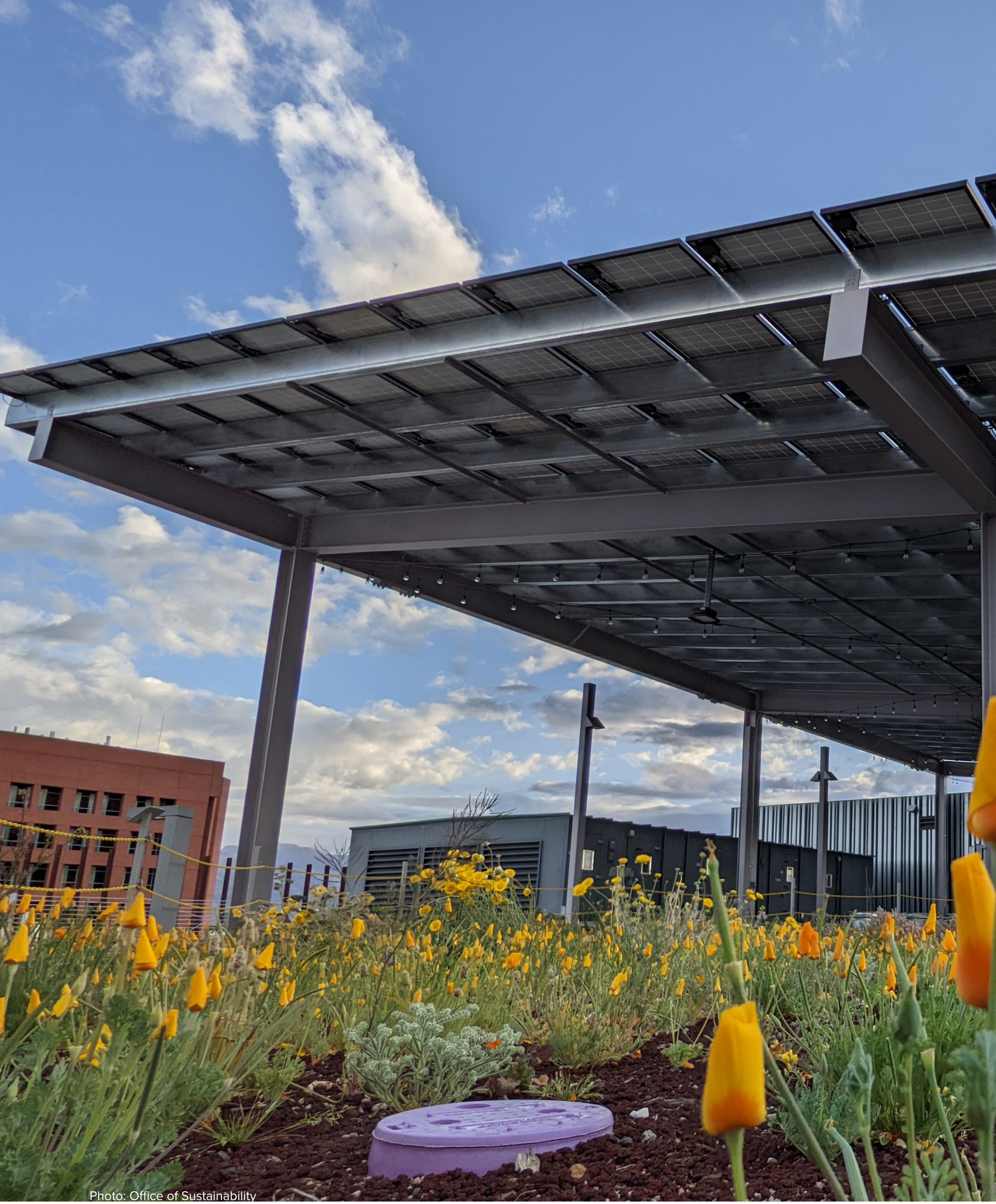


Photo: Office of Sustainability

STATISTICAL SECTION

STATISTICAL SECTION TABLE OF CONTENTS

June 30, 2023

FINANCIAL TRENDS

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

REVENUE CAPACITY

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

DEBT CAPACITY

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

OPERATING INFORMATION

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

NET POSITION BY COMPONENT

As of June 30 *(in thousands of dollars)*	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net investment in capital assets	$ 1,044,572	$ 959,468	$ 888,422	$ 951,375	$ 801,215	$ 776,373	$ 730,135	$ 687,149	$ 637,380	$ 612,081
Restricted, Non-expendable	191,107	179,033	189,845	157,378	161,496	154,227	142,774	134,356	138,464	138,512
Restricted, Expendable	291,609	270,661	239,189	203,957	233,337	244,542	241,080	238,522	218,805	161,894
Unrestricted	(345,996)	(307,211)	(269,494)	(320,257)	(130,727)	(135,502)	20,756	(80,965)	(124,204)	373,103
Total Net Position	**$ 1,181,292**	**$ 1,101,951**	**$ 1,047,962**	**$ 992,453**	**$ 1,065,321**	**$ 1,039,640**	**$ 1,134,745**	**$ 979,062**	**$ 870,445**	**$ 1,285,590**
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	88.4	87.1	84.8	95.9	75.2	74.6	64.3	70.2	73.2	47.6
Restricted, Non-expendable	16.2	16.2	18.1	15.9	15.2	14.8	12.6	13.7	16.0	10.8
Restricted, Expendable	24.7	24.6	22.8	20.5	21.9	23.6	21.3	24.4	25.1	12.6
Unrestricted	(29.3)	(27.9)	(25.7)	(32.3)	(12.3)	(13.0)	1.8	(8.3)	(14.3)	29.0
Total Net Position	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Percentage increase/(decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Net investment in capital assets	8.9	8.0	(6.6)	18.7	3.2	6.3	6.3	7.8	4.1	0.3
Restricted, Non-expendable	6.7	(5.7)	20.6	(2.5)	4.7	8.0	6.3	(3.0)	-	12.9
Restricted, Expendable	7.7	13.2	17.3	(12.6)	(4.6)	1.4	1.1	9.0	35.2	29.9
Unrestricted	(12.6)	14.0	15.9	(145.0)	3.5	(752.8)	125.6	34.8	(133.3)	3.3
Total Net Position	**7.2**	**5.2**	**5.6**	**(6.8)**	**2.5**	**(8.4)**	**15.9**	**12.5**	**(32.3)**	**5.5**

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

CHANGE IN NET POSITION

Fiscal Year Ended June 30 *(in thousands of dollars)*	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues										
Operating Revenues										
Student tuition and fees, net of scholarship allowance	$ 717,928	$ 677,550	$ 634,092	$ 644,352	$ 658,090	$ 653,519	$ 653,725	$ 608,679	$ 554,768	$ 484,809
Federal grants and contracts	437,943	384,520	373,496	327,006	339,196	304,183	297,409	283,083	290,967	308,291
State grants and contracts	13,156	13,359	16,911	12,582	12,050	13,592	14,201	14,191	8,121	11,286
Local grants and contracts	5,755	5,695	3,793	3,771	2,352	2,424	2,082	1,533	1,754	1,614
Nongovernment grants and contracts	161,954	151,425	174,734	166,144	178,531	179,667	200,291	243,468	174,556	96,096
Sales and services of educational departments	55,255	52,802	59,372	57,622	56,083	54,180	51,753	52,934	51,436	44,321
Auxiliary enterprises	219,820	207,223	110,226	186,918	205,457	205,468	210,496	206,710	203,740	191,163
Other operating revenues *	13,375	10,372	11,213	10,792	16,116	18,558	18,485	14,172	29,749	16,387
Total Operating Revenues	**$ 1,625,186**	**$ 1,502,946**	**$ 1,383,837**	**$ 1,409,187**	**$ 1,467,875**	**$ 1,431,591**	**$ 1,448,442**	**$ 1,424,770**	**$ 1,315,091**	**$ 1,153,967**
Expenses										
Operating Expenses										
Educational and general										
Instruction	$ 641,656	$ 577,335	$ 542,050	$ 562,485	$ 527,927	$ 505,879	$ 459,357	$ 460,005	$ 417,300	$ 425,722
Research	588,697	509,383	492,534	495,462	462,112	426,873	397,512	391,122	421,973	396,680
Public Service	115,772	95,689	98,679	88,365	85,822	82,167	89,221	78,604	78,231	84,572
Academic support	297,940	266,049	258,786	283,095	295,024	302,360	314,480	344,380	264,336	203,545
Student services	91,977	81,454	95,269	108,833	91,224	74,253	56,022	53,033	47,187	46,380
Institutional support	214,843	205,615	201,955	197,209	169,176	146,222	146,185	129,501	136,347	117,956
Operation and maintenance of plant	111,296	101,317	96,017	107,704	105,311	103,087	87,925	84,418	87,079	86,097
Scholarships and fellowships	69,249	102,105	89,556	67,450	58,673	55,421	54,884	51,808	57,158	64,070
Auxiliary enterprises	205,137	162,911	145,242	172,106	167,387	175,576	164,539	164,187	167,150	160,938
Depreciation and amortization	190,848	168,320	150,138	149,793	144,250	135,565	132,726	125,455	124,870	116,781
Total Operating Expenses	**$ 2,527,415**	**$ 2,270,178**	**$ 2,170,226**	**$ 2,232,502**	**$ 2,106,906**	**$ 2,007,403**	**$ 1,902,851**	**$ 1,882,513**	**$ 1,801,631**	**$ 1,702,741**
Operating loss	**$ (902,229)**	**$ (767,232)**	**$ (786,389)**	**$ (823,315)**	**$ (639,031)**	**$ (575,812)**	**$ (454,409)**	**$ (457,743)**	**$ (486,540)**	**$ (548,774)**
Nonoperating Revenues (Expenses)										
State appropriations	$ 350,759	$ 310,298	$ 259,415	$ 269,495	$ 252,931	$ 254,789	$ 245,146	$ 241,257	$ 270,538	$ 265,038
Share of State sales tax revenues	36,832	46,079	31,979	30,683	30,970	28,763	27,618	25,025	24,964	23,576
Federal grants and appropriations	120,403	192,396	218,206	96,357	93,817	78,951	65,128	77,423	79,316	79,287
State and other government grants	86,848	30,862	21,798	20,751	25,524	25,968	21,722	5,609	14,138	16,353
Nongovernment grants and contracts	146,666	151,837	120,989	142,094	112,437	129,621	123,478	128,111	114,408	91,890
Gifts	108,631	109,238	80,582	88,956	84,578	81,746	80,060	80,890	89,975	78,287
Investment income (loss)	42,592	(47,210)	83,281	13,070	48,396	30,911	31,962	10,046	6,638	43,229
Interest expense on debt	(56,395)	(58,745)	(50,672)	(60,187)	(55,072)	(53,275)	(51,253)	(49,748)	(46,293)	(50,596)
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	-	46,874	-
Other nonoperating revenues, net	20,056	18,041	9,911	15,015	8,404	9,040	11,072	9,480	18,103	20,009
Net Nonoperating Revenues	**$ 856,392**	**$ 752,796**	**$ 775,489**	**$ 616,234**	**$ 601,985**	**$ 586,514**	**$ 554,933**	**$ 528,093**	**$ 618,661**	**$ 567,073**
Income/(Loss) before Capital, Endowments, and Special Item	**$ (45,837)**	**$ (14,436)**	**$ (10,900)**	**$ (207,081)**	**$ (37,046)**	**$ 10,702**	**$ 100,524**	**$ 70,350**	**$ 132,121**	**$ 18,299**
Capital grants, gifts and conveyances	$ 9,141	$ 18,720	$ 17,078	$ 85,677	$ 11,068	$ 11,447	$ 9,304	$ 3,472	$ 36,489	$ 31,985
Capital appropriations	25,562	25,337	25,205	25,013	24,803	14,249	21,978	9,594	11,204	14,253
Capital commitment - State Lottery Revenue	20,827	20,811	20,827	21,772	21,430	21,211	21,520	22,169	11,604	9,599
Additions to permanent endowments	1,700	3,557	3,299	1,751	5,426	4,746	2,357	3,032	2,793	4,831
Special item - Transfer of operations	67,948	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in Net Position	**$ 79,341**	**$ 53,989**	**$ 55,509**	**$ (72,868)**	**$ 25,681**	**$ 62,355**	**$ 155,683**	**$ 108,617**	**$ 194,211**	**$ 78,967**
Total Revenues	$ 2,663,151	$ 2,430,122	$ 2,276,407	$ 2,219,821	$ 2,187,659	$ 2,123,033	$ 2,109,787	$ 2,040,878	$ 2,042,135	$ 1,832,304
Total Expenses	2,583,810	2,376,133	2,220,898	2,292,689	2,161,978	2,060,678	1,954,104	1,932,261	1,847,924	1,753,337
Increase/(Decrease) in Net Position	**$ 79,341**	**$ 53,989**	**$ 55,509**	**$ (72,868)**	**$ 25,681**	**$ 62,355**	**$ 155,683**	**$ 108,617**	**$ 194,211**	**$ 78,967**

**In compliance with Arizona Revised Statues 35-391, the University of Arizona discloses the following: For fiscal year 2023, the university received a rebate in the amount of $2.1 million from J.P. Morgan for Purchase Card purchases for the year.*

Change in Net Position (continued)

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

Fiscal Year Ended June 30	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues	%	%	%	%	%	%	%	%	%	%
Operating Revenues										
Student tuition and fees, net of scholarship allowance	27.0	27.9	27.9	29.0	30.1	30.8	31.0	29.8	27.2	26.5
Federal grants and contracts	16.4	15.8	16.4	14.6	15.4	14.3	14.1	13.9	14.2	16.8
State grants and contracts	0.4	0.6	0.7	0.6	0.6	0.6	0.7	0.7	0.4	0.6
Local grants and contracts	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Nongovernment grants and contracts	6.1	6.2	7.7	7.5	8.2	8.5	9.5	11.9	8.5	5.2
Sales and services of educational departments	2.1	2.2	2.6	2.6	2.6	2.6	2.5	2.6	2.5	2.4
Auxiliary enterprises	8.3	8.5	4.8	8.4	9.4	9.7	10.0	10.1	10.0	10.4
Other operating revenues	0.5	0.4	0.5	0.5	0.7	0.9	0.9	0.7	1.5	0.9
Total Operating Revenues	**61.0**	**61.8**	**60.8**	**63.4**	**67.1**	**67.4**	**68.7**	**69.8**	**64.4**	**63.0**
Expenses										
Operating Expenses										
Educational and general										
Instruction	24.8	24.3	24.4	24.6	24.5	24.5	23.5	23.8	22.6	24.3
Research	22.8	21.4	22.2	21.6	21.4	20.7	20.3	20.2	22.8	22.6
Public Service	4.5	4.0	4.4	3.9	4.0	4.0	4.6	4.1	4.2	4.8
Academic support	11.5	11.2	11.7	12.3	13.6	14.7	16.1	17.8	14.3	11.6
Student services	3.6	3.4	4.3	4.8	4.2	3.6	2.9	2.7	2.6	2.6
Institutional support	8.3	8.7	9.1	8.6	7.8	7.1	7.5	6.7	7.4	6.7
Operation and maintenance of plant	4.3	4.3	4.3	4.7	4.9	5.0	4.5	4.4	4.7	4.9
Scholarships and fellowships	2.7	4.3	4.0	2.9	2.7	2.7	2.8	2.7	3.1	3.7
Auxiliary enterprises	7.9	6.9	6.5	7.5	7.7	8.5	8.4	8.5	9.0	9.2
Depreciation and amortization	7.4	7.1	6.8	6.5	6.7	6.6	6.8	6.5	6.8	6.7
Total Operating Expenses	**97.8**	**95.6**	**97.7**	**97.4**	**97.5**	**97.4**	**97.4**	**97.4**	**97.5**	**97.1**
Operating loss	**(34.9)**	**(32.3)**	**(35.4)**	**(35.9)**	**(29.6)**	**(27.9)**	**(23.3)**	**(22.4)**	**(23.8)**	**(29.9)**
Nonoperating Revenues (Expenses)										
State operating appropriations	13.2	12.8	11.4	12.1	11.6	12.0	11.6	11.8	13.2	14.5
Share of State sales tax revenues	1.4	1.9	1.5	1.4	1.4	1.4	1.3	1.2	1.2	1.3
Federal grants and appropriations	4.5	7.9	9.6	4.3	4.3	3.7	3.1	3.8	3.9	4.3
State and other government grants	3.3	1.3	1.0	0.9	1.2	1.2	1.0	0.3	0.7	0.9
Nongovernment grants and contracts	5.5	6.3	5.3	6.4	5.1	6.1	5.9	6.3	5.6	5.0
Gifts	4.1	4.5	3.5	4.0	3.9	3.9	3.8	4.0	4.4	4.3
Investment income (loss)	1.6	(2.0)	3.7	0.6	2.2	1.5	1.5	0.5	0.3	2.4
Interest expense on debt	(2.2)	(2.5)	(2.3)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.5)	(2.9)
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	-	2.3	-
Other nonoperating revenues, net	0.8	0.7	0.4	0.7	0.4	0.4	0.5	0.5	0.9	1.1
Net Nonoperating Revenues	**32.2**	**31.0**	**34.1**	**27.8**	**27.5**	**27.6**	**26.3**	**25.9**	**30.3**	**30.9**
Income/(Loss) before Capital, Endowments, and Special Item	**(1.7)**	**(0.6)**	**(0.5)**	**(9.3)**	**(1.7)**	**0.5**	**4.8**	**3.4**	**6.5**	**1.0**
Capital grants, gifts and conveyances	0.3	0.8	0.8	3.9	0.5	0.5	0.5	0.2	1.8	1.7
Capital appropriations	1.0	1.0	1.1	1.1	1.1	0.7	1.0	0.5	0.5	0.8
Capital commitment - State Lottery Revenue	0.8	0.9	0.9	1.0	1.0	1.0	1.0	1.1	0.6	0.5
Additions to permanent endowments	0.1	0.1	0.1	0.1	0.3	0.2	0.1	0.1	0.1	0.3
Special item - Transfer of operations	2.5	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in Net Position	**3.0**	**2.2**	**2.4**	**(3.3)**	**1.2**	**2.9**	**7.4**	**5.3**	**9.5**	**4.3**

Change in Net Position (continued)

(Percentage increase (decrease) from prior year)

Fiscal Year Ended June 30	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues	%	%	%	%	%	%	%	%	%	%
Operating Revenues										
Student tuition and fees, net of scholarship allowance	6.0	6.9	(1.6)	(2.1)	0.7	-	7.4	9.7	14.4	5.0
Federal grants and contracts	13.9	3.0	14.2	(3.6)	11.5	2.3	5.1	(2.7)	(5.6)	(15.9)
State grants and contracts	(1.5)	(21.0)	34.4	4.4	(11.3)	(4.3)	0.1	74.7	(28.0)	(3.5)
Local grants and contracts	1.1	50.1	0.6	60.3	(3.0)	16.4	35.8	(12.6)	8.7	(41.3)
Nongovernment grants and contracts	7.0	(13.3)	5.2	(6.9)	(0.6)	(10.3)	(17.7)	39.5	81.6	3.8
Sales and services of educational departments	4.6	(11.1)	3.0	2.7	3.5	4.7	(2.2)	2.9	16.1	23.3
Auxiliary enterprises	6.1	88.0	(41.0)	(9.0)	-	(2.4)	1.8	1.5	6.6	0.5
Other operating revenues	29.0	(7.5)	3.9	(33.0)	(13.2)	0.4	30.4	(52.4)	81.5	14.7
Total Operating Revenues	**8.1**	**8.6**	**(1.8)**	**(4.0)**	**2.5**	**(1.2)**	**1.7**	**8.3**	**14.0**	**(1.8)**
Expenses										
Operating Expenses										
Educational and general										
Instruction	11.1	6.5	(3.6)	6.5	4.4	10.1	(0.1)	10.2	(2.0)	8.7
Research	15.6	3.4	(0.6)	7.2	8.3	7.4	1.6	(7.3)	6.4	(8.9)
Public Service	21.0	(3.0)	11.7	3.0	4.4	(7.9)	13.5	0.5	(7.5)	(7.2)
Academic support	12.0	2.8	(8.6)	(4.0)	(2.4)	(3.9)	(8.7)	30.3	29.9	17.4
Student services	12.9	(14.5)	(12.5)	19.3	22.9	32.5	5.6	12.4	1.7	8.8
Institutional support	4.5	1.8	2.4	16.6	15.7	-	12.9	(5.0)	15.6	18.1
Operation and maintenance of plant	9.8	5.5	(10.9)	2.3	2.2	17.2	4.2	(3.1)	1.1	(3.0)
Scholarships and fellowships	(32.2)	14.0	32.8	15.0	5.9	1.0	5.9	(9.4)	(10.8)	10.2
Auxiliary enterprises	25.9	12.2	(15.6)	2.8	(4.7)	6.7	0.2	(1.8)	3.9	2.5
Depreciation and amortization	13.4	12.1	0.2	3.8	6.4	2.1	5.8	0.5	6.9	3.0
Total Operating Expenses	**11.3**	**4.6**	**(2.8)**	**6.0**	**5.0**	**5.5**	**1.1**	**4.5**	**5.8**	**3.1**
Operating loss	**17.6**	**(2.4)**	**(4.5)**	**28.8**	**11.0**	**26.7**	**(0.7)**	**(5.9)**	**(11.3)**	**15.3**
Nonoperating Revenues (Expenses)										
State operating appropriations	13.0	19.6	(3.7)	6.5	(0.7)	3.9	1.6	(10.8)	2.1	4.1
Share of State sales tax revenues	(20.1)	44.1	4.2	(0.9)	7.7	4.1	10.4	0.2	5.9	13.5
Federal grants and appropriations	(37.4)	(11.8)	126.5	2.7	18.8	21.2	(15.9)	(2.4)	-	(4.5)
State and other government grants	181.4	41.6	5.0	(18.7)	(1.7)	19.5	287.3	(60.3)	(13.5)	(5.3)
Nongovernment grants and contracts	(3.4)	25.5	(14.9)	26.4	(13.3)	5.0	(3.6)	12.0	24.5	(7.4)
Gifts	(0.6)	35.6	(9.4)	5.2	3.5	2.1	(1.0)	(10.1)	14.9	5.0
Investment income (loss)	190.2	(156.7)	537.2	(73.0)	56.6	(3.3)	218.2	51.3	(84.6)	109.7
Interest expense on debt	(4.0)	15.9	(15.8)	9.3	3.4	3.9	3.0	7.5	(8.5)	6.2
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	(100.0)	100.0	-
Other nonoperating revenues, net	11.2	82.0	(34.0)	78.7	(7.0)	(18.4)	16.8	(47.6)	(9.5)	48.9
Net Nonoperating Revenues	**13.8**	**(2.9)**	**25.8**	**2.4**	**2.6**	**5.7**	**5.1**	**(14.6)**	**9.1**	**5.8**
Income/(Loss) before Capital, Endowments, and Special Item	**217.5**	**32.4**	**(94.7)**	**459.0**	**(446.2)**	**(89.4)**	**42.9**	**(46.8)**	**622.0**	**(69.5)**
Capital grants, gifts and conveyances	(51.2)	9.6	(80.1)	674.1	(3.3)	23.0	168.0	(90.5)	14.1	229.8
Capital appropriations	0.9	0.5	0.8	0.8	74.1	(35.2)	129.1	(14.4)	(21.4)	-
Capital commitment - State Lottery Revenue	0.1	(0.1)	(4.3)	1.6	1.0	(1.4)	(2.9)	91.0	20.9	48.4
Additions to permanent endowments	(52.2)	7.8	88.4	(67.7)	14.3	101.4	(22.3)	8.6	(42.2)	116.5
Special item - Transfer of Operations	-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in Net Position	**47.0**	**(2.7)**	**176.2**	**(383.7)**	**(58.8)**	**(59.9)**	**43.3**	**(44.1)**	**145.9**	**(14.8)**

OPERATING EXPENSES BY NATURAL CLASSIFICATION

Fiscal Year Ended June 30 *(in thousands of dollars)*	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Personal Services and Benefits	$ 1,566,789	$ 1,410,808	$ 1,420,434	$ 1,462,234	$ 1,340,973	$ 1,283,072	$ 1,229,939	$ 1,248,749	$ 1,138,615	$ 1,048,926
Supplies and Services	696,480	585,118	506,999	549,572	560,018	530,930	482,530	454,215	479,021	470,546
Scholarships and Fellowships	73,298	105,932	92,655	70,903	61,665	57,836	57,656	54,094	59,125	66,488
Depreciation and amortization	190,848	168,320	150,138	149,793	144,250	135,565	132,726	125,455	124,870	116,781
Total Operating Expenses by Natural Classification	**$ 2,527,415**	**$ 2,270,178**	**$ 2,170,226**	**$ 2,232,502**	**$ 2,106,906**	**$ 2,007,403**	**$ 1,902,851**	**$ 1,882,513**	**$ 1,801,631**	**$ 1,702,741**
Expressed as a percent of the total	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	62.0	62.1	65.4	65.5	63.6	63.9	64.6	66.3	63.2	61.6
Supplies and Services	27.6	25.8	23.4	24.6	26.6	26.4	25.4	24.1	26.6	27.6
Scholarships and Fellowships	2.9	4.7	4.3	3.2	2.9	2.9	3.0	2.9	3.3	3.9
Depreciation and amortization	7.5	7.4	6.9	6.7	6.9	6.8	7.0	6.7	6.9	6.9
Total Operating Expenses by Natural Classification	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Percentage increase/(decrease) from prior year	%	%	%	%	%	%	%	%	%	%
Personal Services and Benefits	11.1	(0.7)	(2.9)	9.0	4.5	4.3	(1.5)	9.7	8.6	4.3
Supplies and Services	19.0	15.4	(7.7)	(1.9)	5.5	10.0	6.2	(5.2)	1.8	(0.4)
Scholarships and Fellowships	(30.8)	14.3	30.7	15.0	6.6	0.3	6.6	(8.5)	(11.1)	10.1
Depreciation and amortization	13.4	12.1	0.2	3.8	6.4	2.1	5.8	0.5	6.9	3.0
Total Operating Expenses by Natural Classification	**11.3**	**4.6**	**(2.8)**	**6.0**	**5.0**	**5.5**	**1.1**	**4.5**	**5.8**	**3.1**

ACADEMIC YEAR TUITION AND REQUIRED FEES

Fiscal Year Ended June 30	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Resident Undergraduate										
University of Arizona	$ 13,255	$ 12,696	$ 12,696	$ 12,691	$ 12,467	$ 12,248	$ 11,789	$ 11,424	$ 10,957	$ 10,391
percent increase from prior year	4.4%	0.0%	0.0%	1.8%	1.8%	3.9%	3.2%	4.3%	5.4%	3.5%
Pac-12 Public Average	$ 13,005	$ 12,529	$ 12,350	$ 12,126	$ 11,823	$ 11,586	$ 10,885	$ 10,866	$ 10,217	$ 10,150
percent increase/(decrease) from prior year	3.8%	1.4%	1.8%	2.6%	2.0%	6.4%	0.2%	6.4%	0.7%	(1.4)%
ABOR Peers Average	$ 12,876	$ 12,583	$ 12,374	$ 12,197	$ 12,034	$ 11,904	$ 11,613	$ 11,454	$ 11,289	$ 11,130
percent increase from prior year	2.3%	1.7%	1.5%	1.4%	1.1%	2.5%	1.4%	1.5%	1.4%	1.1%
Non-Resident Undergraduate										
University of Arizona	$ 39,557	$ 37,218	$ 36,723	$ 36,718	$ 36,366	$ 35,678	$ 34,987	$ 32,652	$ 29,421	$ 27,073
percent increase from prior year	6.3%	1.3%	0.0%	1.0%	1.9%	2.0%	7.2%	11.0%	8.7%	3.2%
Pac-12 Public Average	$ 38,001	$ 36,570	$ 35,953	$ 35,401	$ 34,447	$ 33,561	$ 31,640	$ 30,492	$ 28,088	$ 27,698
percent increase/(decrease) from prior year	3.9%	1.7%	1.6%	2.8%	2.6%	6.1%	3.8%	8.6%	1.4%	(1.3)%
ABOR Peers Average	$ 38,429	$ 37,503	$ 36,881	$ 36,430	$ 35,452	$ 34,457	$ 32,728	$ 31,480	$ 30,159	$ 29,315
percent increase from prior year	2.5%	1.7%	1.2%	2.8%	2.9%	5.3%	4.0%	4.4%	2.9%	1.9%
Resident Graduate										
University of Arizona	$ 14,015	$ 13,460	$ 13,272	$ 13,271	$ 13,044	$ 12,812	$ 12,397	$ 12,062	$ 11,723	$ 11,511
percent increase from prior year	4.1%	1.4%	0.0%	1.7%	1.8%	3.3%	2.8%	2.9%	1.8%	3.5%
Pac-12 Public Average	$ 14,593	$ 14,196	$ 14,011	$ 13,800	$ 13,427	$ 13,246	$ 13,057	$ 12,897	$ 12,007	$ 11,710
percent increase/(decrease) from prior year	2.8%	1.3%	1.5%	2.8%	1.4%	1.4%	1.2%	7.4%	2.5%	(0.9)%
ABOR Peers Average	$ 15,637	$ 15,324	$ 15,079	$ 14,993	$ 14,680	$ 14,358	$ 13,994	$ 13,760	$ 13,247	$ 13,031
percent increase from prior year	2.0%	1.6%	0.6%	2.1%	2.2%	2.6%	1.7%	3.9%	1.7%	2.0%
Non-Resident Graduate										
University of Arizona	$ 33,957	$ 33,644	$ 33,399	$ 33,398	$ 33,393	$ 32,762	$ 32,149	$ 30,384	$ 28,705	$ 27,383
percent increase from prior year	0.9%	0.7%	0.0%	0.0%	1.9%	1.9%	5.8%	5.8%	4.8%	3.2%
Pac-12 Public Average	$ 31,591	$ 30,731	$ 30,270	$ 29,877	$ 28,860	$ 28,223	$ 27,978	$ 27,336	$ 25,622	$ 24,918
percent increase from prior year	2.8%	1.5%	1.3%	3.5%	2.3%	0.9%	2.3%	6.7%	2.8%	1.5%
ABOR Peers Average	$ 32,114	$ 31,557	$ 30,914	$ 30,759	$ 30,079	$ 29,413	$ 28,673	$ 28,077	$ 27,474	$ 26,995
percent increase from prior year	1.8%	2.1%	0.5%	2.3%	2.3%	2.6%	2.1%	2.2%	1.8%	2.0%

Sources:

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

A complete list of the university's fifteen ABOR peers can be found at https://uair.arizona.edu/content/uarizona-peers.

Tuition rates are approved by the Arizona Board of Regents.

Some Pac-12 Tuition and Fees were acquired from the Association of American Universities Data Exchange (AAUDE) and universities' websites.

PRINCIPAL REVENUE SOURCES

Fiscal Year Ended June 30 *(in thousands of dollars)*	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Tuition and Fees, net of scholarship allowance	**$ 717,928**	**$ 677,550**	**$ 634,092**	**$ 644,352**	**$ 658,090**	**$ 653,519**	**$ 653,725**	**$ 608,679**	**$ 554,768**	**$ 484,809**
percent of total revenue	27%	28%	28%	29%	30%	31%	31%	30%	27%	26%
percent increase/(decrease) from prior year	6%	7%	(2)%	(2)%	1%	0%	7%	10%	14%	5%
State of Arizona Government										
State and local grants and contracts	$ 98,269	$ 44,805	$ 40,487	$ 37,104	$ 39,926	$ 41,984	$ 38,005	$ 21,333	$ 24,013	$ 29,253
State appropriations	350,759	310,298	259,415	269,495	252,931	254,789	245,146	241,257	270,538	265,038
Technology and research initiatives funding	36,832	46,079	31,979	30,683	30,970	28,763	27,618	25,025	24,964	23,576
Capital appropriations and capital commitments	46,389	46,148	46,032	46,785	46,233	35,460	43,498	31,763	22,808	23,852
Financial aid grants	7,490	5,111	2,015	-	-	-	-	-	-	-
State of Arizona Government	**$ 539,739**	**$ 452,441**	**$ 379,928**	**$ 384,067**	**$ 370,060**	**$ 360,996**	**$ 354,267**	**$ 319,378**	**$ 342,323**	**$ 341,719**
percent of total revenue	20%	19%	17%	17%	17%	17%	17%	16%	17%	19%
percent increase/(decrease) from prior year	19%	19%	(1)%	4%	3%	2%	11%	(7)%	0%	4%
Federal Government										
Federal grants and contracts	$ 496,498	$ 481,392	$ 505,365	$ 360,286	$ 376,132	$ 329,388	$ 312,547	$ 308,469	$ 318,118	$ 336,288
Financial aid grants	61,848	95,524	86,337	63,077	56,881	53,746	49,990	52,037	52,165	51,290
Federal Government	**$ 558,346**	**$ 576,916**	**$ 591,702**	**$ 423,363**	**$ 433,013**	**$ 383,134**	**$ 362,537**	**$ 360,506**	**$ 370,283**	**$ 387,578**
percent of total revenue	21%	24%	26%	19%	20%	18%	17%	18%	18%	21%
percent increase/(decrease) from prior year	(3)%	(2)%	40%	(2)%	13%	6%	1%	(3)%	(4)%	(14)%
Total from principal revenue payers	**$ 1,816,013**	**$ 1,706,907**	**$ 1,605,722**	**$ 1,451,782**	**$ 1,461,163**	**$ 1,397,649**	**$ 1,370,529**	**$ 1,288,563**	**$ 1,267,374**	**$ 1,214,106**
percent of total revenue	68%	70%	71%	65%	67%	66%	65%	63%	62%	66%
percent increase/(decrease) from prior year	6%	6%	11%	(1)%	5%	2%	6%	2%	4%	(2)%

LONG-TERM DEBT

Fiscal Year Ended June 30 *(in thousands of dollars)*	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
System Revenue Bonds and SPEED Revenue Bonds	$ 1,292,000	$ 1,338,225	$ 1,379,595	$ 1,168,675	$ 1,218,745	$ 1,166,915	$ 1,090,805	$ 953,005	$ 984,265	$ 788,685
Plus Unamortized Premium/(Discount)	164,378	173,231	182,320	137,464	128,207	124,003	115,487	91,269	68,835	36,311
Net System Revenue Bonds and SPEED Revenue Bonds	**$ 1,456,378**	**$ 1,511,456**	**$ 1,561,915**	**$ 1,306,139**	**$ 1,346,952**	**$ 1,290,918**	**$ 1,206,292**	**$ 1,044,274**	**$ 1,053,100**	**$ 824,996**
Certificates of Participation	$ 136,465	$ 162,100	$ 193,635	$ 199,385	$ 232,816	$ 264,761	$ 302,176	$ 331,861	$ 354,736	$ 377,990
Plus Unamortized Premium/(Discount)	7,529	10,891	15,089	22,899	26,330	29,760	23,959	26,478	29,001	19,145
Net Certificates of Participation	**$ 143,994**	**$ 172,991**	**$ 208,724**	**$ 222,284**	**$ 259,146**	**$ 294,521**	**$ 326,135**	**$ 358,339**	**$ 383,737**	**$ 397,135**
Total Bonds Payable	$ 1,456,378	$ 1,511,456	$ 1,561,915	$ 1,306,139	$ 1,346,952	$ 1,290,918	$ 1,206,292	$ 1,044,274	$ 1,053,100	$ 824,996
COPs Payable	143,994	172,991	208,724	222,284	259,146	294,521	326,135	358,339	383,737	397,135
Financed Purchase Obligations Payable	6,321	6,382	12,702	13,261	14,916	15,514	16,308	17,134	41,699	37,555
Total	**$ 1,606,693**	**$ 1,690,829**	**$ 1,783,341**	**$ 1,541,684**	**$ 1,621,014**	**$ 1,600,953**	**$ 1,548,735**	**$ 1,419,747**	**$ 1,478,536**	**$ 1,259,686**
Long Term Debt (whole dollars)										
per student FTE	$ 33,524	$ 36,106	$ 39,180	$ 34,479	$ 36,529	$ 36,279	$ 35,546	$ 32,771	$ 34,881	$ 30,881
per Dollar of State Appropriations and State Capital Appropriations	$ 4.27	$ 5.04	$ 6.27	$ 5.23	$ 5.84	$ 5.95	$ 5.80	$ 5.66	$ 5.25	$ 4.51
per Dollar of Total Grants and Contracts	$ 1.65	$ 1.82	$ 1.92	$ 2.01	$ 2.12	$ 2.17	$ 2.13	$ 1.91	$ 2.16	$ 2.07
Data Used in Above Calculations										
Total Student FTE	47,926	46,829	45,517	44,714	44,376	44,129	43,570	43,323	42,388	40,791
State appropriations and State Capital Appropriations	$ 376,321	$ 335,635	$ 284,620	$ 294,508	$ 277,734	$ 269,038	$ 267,124	$ 250,851	$ 281,742	$ 279,291
Grants and Contracts	$ 972,725	$ 930,094	$ 930,488	$ 768,705	$ 764,429	$ 738,688	$ 726,420	$ 743,216	$ 685,400	$ 609,596

SUMMARY OF RATIOS

Summary of Composite Financial Index Ratios

Fiscal Year Ended June 30	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
COMPOSITE FINANCIAL INDEX										
+ Primary Reserve Ratio	**0.09**	**0.10**	**0.10**	**0.04**	**0.13**	**0.13**	**0.20**	**0.14**	**0.12**	**0.36**
/ Strength Factor	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133
= Ratio / Strength Factor	0.68	0.75	0.75	0.30	0.98	0.98	1.50	1.05	0.90	2.71
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.24	0.26	0.26	0.11	0.34	0.34	0.53	0.37	0.32	0.95
= Ratio 10.00 Cap Subtotal	0.24	0.26	0.26	0.11	0.34	0.34	0.53	0.37	0.32	0.95
+ Return on Net Assets Ratio	**9.3%**	**1.3%**	**17.2%**	**(4.4)%**	**6.6%**	**12.7%**	**13.7%**	**6.2%**	**17.5%**	**9.3%**
/ Strength Factor	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
= Ratio / Strength Factor	4.65	0.65	8.60	(1.00)	3.30	6.35	6.85	3.10	8.75	4.65
* Weighting Factor	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.93	0.13	1.72	(0.20)	0.66	1.27	1.37	0.62	1.75	0.93
= Ratio 10.00 Cap Subtotal	0.93	0.13	1.72	(0.20)	0.66	1.27	1.37	0.62	1.75	0.93
+ Net Operating Revenues Ratio	**(4.8%)**	**1.4%**	**0.2%**	**(10.5)%**	**(1.5)%**	**0.7%**	**5.5%**	**3.7%**	**7.3%**	**1.4%**
/ Strength Factor	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
= Ratio / Strength Factor	(1.00)	1.08	0.15	(1.00)	(1.00)	0.54	4.23	2.85	5.62	1.08
* Weighting Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	(0.10)	0.11	0.02	(0.10)	(0.10)	0.05	0.42	0.28	0.56	0.11
= Ratio 10.00 Cap Subtotal	(0.10)	0.11	0.02	(0.10)	(0.10)	0.05	0.42	0.28	0.56	0.11
+ Viability Ratio	**0.1**	**0.2**	**0.2**	**0.1**	**0.2**	**0.2**	**0.3**	**0.2**	**0.2**	**0.6**
/ Strength Factor	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417
= Ratio / Strength Factor	0.24	0.48	0.48	0.24	0.48	0.48	0.72	0.48	0.48	1.44
* Weighting Factor	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	0.08	0.17	0.17	0.08	0.17	0.17	0.25	0.17	0.17	0.50
= Ratio 10.00 Cap Subtotal	0.08	0.17	0.17	0.08	0.17	0.17	0.25	0.17	0.17	0.50
Composite Financial Index	**1.15**	**0.67**	**2.17**	**(0.11)**	**1.07**	**1.83**	**2.57**	**1.44**	**2.80**	**2.49**
Composite Financial Index with 10.00 Cap	**1.15**	**0.67**	**2.17**	**(0.11)**	**1.07**	**1.83**	**2.57**	**1.44**	**2.80**	**2.49**

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

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

Summary of Ratios (continued)

Fiscal Year Ended June 30 *(in thousands of dollars)*	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
PRIMARY RESERVE RATIO										
Unrestricted Net Assets	$ (345,996)	$ (307,211)	$ (269,494)	$ (320,257)	$ (130,727)	$ (135,502)	$ 20,756	$ (80,965)	$ (124,204)	$ 373,103
Net Assets Without Donor Restrictions – Component Units	57,590	126,842	77,930	63,733	62,819	56,189	52,612	44,154	43,592	39,419
Expendable Restricted Net Assets	291,609	270,661	239,189	203,957	233,337	244,542	241,080	238,522	218,805	161,894
Expendable Restricted Net Assets – Component Units*	261,814	223,051	226,345	184,247	152,068	143,895	128,288	122,486	126,134	125,534
Investment in Plant - Component Units	(31,518)	(33,485)	(37,273)	(34,166)	(31,095)	(27,696)	(26,777)	(33,163)	(32,712)	(31,088)
Expendable Net Assets	**$ 233,499**	**$ 279,858**	**$ 236,697**	**$ 97,514**	**$ 286,402**	**$ 281,428**	**$ 415,959**	**$ 291,034**	**$ 231,615**	**$ 668,862**
Operating Expenses	$ 2,527,415	$ 2,270,178	$ 2,170,226	$ 2,232,502	$ 2,106,906	$ 2,007,403	$ 1,902,851	$ 1,882,513	$ 1,801,631	$ 1,702,741
Nonoperating Expenses	56,395	105,955	50,672	60,187	55,072	53,275	51,253	49,748	46,293	50,596
Component Unit Total Expenses	158,265	452,923	132,942	126,925	128,604	108,606	103,419	110,428	130,081	119,033
Total Expenses	**$ 2,742,075**	**$ 2,829,056**	**$ 2,353,840**	**$ 2,419,614**	**$ 2,290,582**	**$ 2,169,284**	**$ 2,057,523**	**$ 2,042,689**	**$ 1,978,005**	**$ 1,872,370**
Expendable Net Assets	$ 233,499	$ 279,858	$ 236,697	$ 97,514	$ 286,402	$ 281,428	$ 415,959	$ 291,034	$ 231,615	$ 668,862
Total Expenses	$ 2,742,075	$ 2,829,056	$ 2,353,840	$ 2,419,614	$ 2,290,582	$ 2,169,284	$ 2,057,523	$ 2,042,689	$ 1,978,005	$ 1,872,370
Ratio	**0.09**	**0.10**	**0.10**	**0.04**	**0.13**	**0.13**	**0.20**	**0.14**	**0.12**	**0.36**

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

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

RETURN ON NET ASSETS RATIO										
Change in Net assets	$ 215,161	$ 30,374	$ 335,681	$ (89,445)	$ 125,916	$ 215,540	$ 224,673	$ 96,154	$ 229,469	$ 163,058
Total Net Assets (Beginning of Year)	$ 2,317,193	$ 2,350,275	$ 1,954,449	$ 2,043,894	$ 1,917,978	$ 1,702,438	$ 1,635,225	$ 1,539,071	$ 1,309,602	$ 1,755,900
Ratio	**9.3%**	**1.3%**	**17.2%**	**(4.4)%**	**6.6%**	**12.7%**	**13.7%**	**6.2%**	**17.5%**	**9.3%**

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

NET OPERATING REVENUES RATIO										
Income/(Loss) before Capital, Endowments, and Special Item	$ (45,837)	$ (14,436)	$ (10,900)	$ (207,081)	$ (37,046)	$ 10,702	$ 100,524	$ 70,350	$ 132,121	$ 18,299
Component Units Change in Net Assets Without Donor Restrictions Before Extraordinary or Special Items	(69,252)	48,912	14,197	914	6,630	3,577	8,458	562	4,173	5,474
Adjusted Income/(Loss) before Capital, Endowments, and Special Item and Component Units Change in Net Assets without Donor Restrictions Before Extraordinary or Special Items	$ (115,089)	$ 34,476	$ 3,297	$ (206,167)	$ (30,416)	$ 14,279	$ 108,982	$ 70,912	$ 136,294	$ 23,773
Total Operating Revenues	$ 1,625,186	$ 1,502,946	$ 1,383,837	$ 1,409,187	$ 1,467,875	$ 1,431,591	$ 1,448,442	$ 1,424,770	$ 1,315,091	$ 1,153,967
State Appropriation and State related revenues	464,220	379,399	308,448	318,200	306,696	306,791	294,486	271,891	309,640	304,967
Non-capital Gifts and Grants, net	108,631	109,238	80,582	88,956	84,578	81,746	80,060	80,890	89,975	78,287
Financial Aid Trust Funds*	2,729	2,729	2,729	2,729	2,729	2,729	2,761	2,880	3,030	3,154
Financial Aid - State Grants	7,490	5,111	2,015	-	-	-	-	-	-	-
Investment Income/(Loss), net	42,592	(47,210)	83,281	13,070	48,396	30,911	31,962	10,046	6,638	43,229
Component Units Total Revenue Without Donor Restrictions	152,579	438,721	148,392	127,732	135,079	112,932	111,633	110,779	134,054	124,081
Adjusted Net Operating Revenues	$ 2,403,427	$ 2,390,934	$ 2,009,284	$ 1,959,874	$ 2,045,353	$ 1,966,700	$ 1,969,344	$ 1,901,256	$ 1,858,428	$ 1,707,685
Adjusted Income/(Loss) before Capital, Endowments, and Special Item and Component Units Change in Net Assets without Donor Restrictions Before Extraordinary or Special Items	$ (115,089)	$ 34,476	$ 3,297	$ (206,167)	$ (30,416)	$ 14,279	$ 108,982	$ 70,912	$ 136,294	$ 23,773
Adjusted Net Operating Revenues	$ 2,403,427	$ 2,390,934	$ 2,009,284	$ 1,959,874	$ 2,045,353	$ 1,966,700	$ 1,969,344	$ 1,901,256	$ 1,858,428	$ 1,707,685
Ratio	**(4.8)%**	**1.4%**	**0.2%**	**(10.5)%**	**(1.5)%**	**0.7%**	**5.5%**	**3.7%**	**7.3%**	**1.4%**

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

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

Summary of Ratios (continued)

Fiscal Year Ended June 30 *(in thousands of dollars)*	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
VIABILITY RATIO										
Unrestricted Net Assets	$ (345,996)	$ (307,211)	$ (269,494)	$ (320,257)	$ (130,727)	$ (135,502)	$ 20,756	$ (80,965)	$ (124,204)	$ 373,103
Net Assets Without Donor Restriction – Component Units	57,590	126,842	77,930	63,733	62,819	56,189	52,612	44,154	43,592	39,419
Expendable Restricted Net Assets	291,609	270,661	239,189	203,957	233,337	244,542	241,080	238,522	218,805	161,894
Expendable Restricted Net Assets – Component Units*	261,814	223,051	226,345	184,247	152,068	143,895	128,288	122,486	126,134	125,534
Expendable Net Assets	$ 265,017	$ 313,343	$ 273,970	$ 131,680	$ 317,497	$ 309,124	$ 442,736	$ 324,197	$ 264,327	$ 699,950
University Long Term Debt and Other Obligations	$ 1,814,559	$ 1,853,560	$ 1,783,341	$ 1,541,684	$ 1,621,014	$ 1,600,953	$ 1,548,735	$ 1,419,747	$ 1,478,536	$ 1,259,686
Component Units Long Term Debt and Other Obligations	7,498	3,464	5,245	8,154	5,840	5,553	6,024	4,255	5,279	6,682
Total Adjusted University Debt and Other Obligations	$ 1,822,057	$ 1,857,024	$ 1,788,586	$ 1,549,838	$ 1,626,854	$ 1,606,506	$ 1,554,759	$ 1,424,002	$ 1,483,815	$ 1,266,368
Expendable Net Assets	$ 265,017	$ 313,343	$ 273,970	$ 131,680	$ 317,497	$ 309,124	$ 442,736	$ 324,197	$ 264,327	$ 699,950
Total Adjusted University Debt and Other Obligations	$ 1,822,057	$ 1,857,024	$ 1,788,586	$ 1,549,838	$ 1,626,854	$ 1,606,506	$ 1,554,759	$ 1,424,002	$ 1,483,815	$ 1,266,368
Ratio	**0.1**	**0.2**	**0.2**	**0.1**	**0.2**	**0.2**	**0.3**	**0.2**	**0.2**	**0.6**

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

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

Summary of Ratios – Other Ratios

Fiscal Year Ended June 30 *(in thousands of dollars)*	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
OPERATING MARGIN EXCLUDING GIFTS										
Income/(Loss) before Capital, Endowments, and Special Item	$ (45,837)	$ (14,436)	$ (10,900)	$ (207,081)	$ (37,046)	$ 10,702	$ 100,524	$ 70,350	$ 132,121	$ 18,299
Capital appropriations	25,562	25,337	25,205	25,013	24,803	14,249	21,978	9,594	11,204	14,253
Less: Non-capital Gifts	(108,631)	(109,238)	(80,582)	(88,956)	(84,578)	(81,746)	(80,060)	(80,890)	(89,975)	(78,287)
Less: Net investment return/loss	(42,592)	47,210	(83,281)	(13,070)	(48,396)	(30,911)	(31,962)	(10,046)	(6,638)	(43,229)
Less: Other nonoperating revenue, net	(20,056)	(18,041)	(9,911)	(15,015)	(8,404)	(9,040)	(11,072)	(9,480)	(18,103)	(20,009)
Adjusted Income/(Loss) before Capital, Endowments, and Special Item	$ (191,554)	$ (69,168)	$ (159,469)	$ (299,109)	$ (153,621)	$ (96,746)	$ (592)	$ (20,472)	$ 28,609	$ (108,973)
Total Operating Revenues	$ 1,625,186	$ 1,502,946	$ 1,383,837	$ 1,409,187	$ 1,467,875	$ 1,431,591	$ 1,448,442	$ 1,424,770	$ 1,315,091	$ 1,153,967
Less: Scholarships and Fellowships	(69,249)	(102,105)	(89,556)	(67,450)	(58,673)	(55,421)	(54,884)	(51,808)	(57,158)	(64,070)
State Appropriation and share of sales tax	384,862	353,648	288,665	297,449	281,172	280,823	272,764	266,282	295,502	288,614
Financial aid grants	69,338	100,635	88,352	63,077	56,881	53,746	49,990	52,037	52,165	51,290
Grants and contracts (Nonoperating)	226,024	177,588	140,772	162,845	137,961	155,589	145,200	133,720	128,546	108,243
Financial Aid Trust Funds*	2,729	2,729	2,729	2,729	2,729	2,729	2,761	2,880	3,030	3,154
Capital appropriations	25,562	25,337	25,205	25,013	24,803	14,249	21,978	9,594	11,204	14,253
Adjust Net Operating Revenues less Non-capital Gifts and Grants	$ 2,264,452	$ 2,060,778	$ 1,840,004	$ 1,892,850	$ 1,912,748	$ 1,883,306	$ 1,886,251	$ 1,837,475	$ 1,748,380	$ 1,555,452
Adjusted Income/(Loss) before Capital, Endowments, and Special Item	$ (191,554)	$ (69,168)	$ (159,469)	$ (299,109)	$ (153,621)	$ (96,746)	$ (592)	$ (20,472)	$ 28,609	$ (108,973)
Adjust Net Operating Revenues less Non-capital Gifts and Grants	$ 2,264,452	$ 2,060,778	$ 1,840,004	$ 1,892,850	$ 1,912,748	$ 1,883,306	$ 1,886,251	$ 1,837,475	$ 1,748,380	$ 1,555,452
Ratio	**(8.5)%**	**(3.4)%**	**(8.7)%**	**(15.8)%**	**(8.0)%**	**(5.1)%**	**0.0%**	**(1.1)%**	**1.6%**	**(7.0)%**

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

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

Summary of Ratios – Other Ratios (continued)

Fiscal Year Ended June 30 *(in thousands of dollars)*	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
RESEARCH EXPENSES TO TOTAL OPERATING EXPENSES										
Operating Expenses	$ 2,527,415	$ 2,270,178	$ 2,170,226	$ 2,232,502	$ 2,106,906	$ 2,007,403	$ 1,902,851	$ 1,882,513	$ 1,801,631	$ 1,702,741
Less: Scholarships and Fellowships	(69,249)	(102,105)	(89,556)	(67,450)	(58,673)	(55,421)	(54,884)	(51,808)	(57,158)	(64,070)
Interest on Debt	56,395	58,745	50,672	60,187	55,072	53,275	51,253	49,748	46,293	50,596
Total Adjusted Operating Expenses	$ 2,514,561	$ 2,226,818	$ 2,131,342	$ 2,225,239	$ 2,103,305	$ 2,005,257	$ 1,899,220	$ 1,880,453	$ 1,790,766	$ 1,689,267
Research Expenses	$ 588,697	$ 509,383	$ 492,534	$ 495,462	$ 462,112	$ 426,873	$ 397,512	$ 391,122	$ 421,973	$ 396,680
Total Adjusted Operating Expenses	$ 2,514,561	$ 2,226,818	$ 2,131,342	$ 2,225,239	$ 2,103,305	$ 2,005,257	$ 1,899,220	$ 1,880,453	$ 1,790,766	$ 1,689,267
Ratio	**23%**	**23%**	**23%**	**22%**	**22%**	**21%**	**21%**	**21%**	**24%**	**23%**

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

NET TUITION PER STUDENT										
Student Tuition and Fees, net	$ 717,928	$ 677,550	$ 634,092	$ 644,352	$ 658,090	$ 653,519	$ 653,725	$ 608,679	$ 554,768	$ 484,809
Financial Aid Grants	72,067	103,364	91,081	65,806	59,610	56,475	52,751	54,917	55,195	54,444
Less Scholarships and Fellowships	(69,249)	(102,105)	(89,556)	(67,450)	(58,673)	(55,421)	(54,884)	(51,808)	(57,158)	(64,070)
Net Tuition and Fees	$ 720,746	$ 678,809	$ 635,617	$ 642,708	$ 659,027	$ 654,573	$ 651,592	$ 611,788	$ 552,805	$ 475,183
Net Tuition and Fees	$ 720,746	$ 678,809	$ 635,617	$ 642,708	$ 659,027	$ 654,573	$ 651,592	$ 611,788	$ 552,805	$ 475,183
Undergraduate, Graduate, and Professional FTE	47,926	46,829	45,517	44,714	44,376	44,129	43,570	43,323	42,388	40,791
Net Tuition per Student (whole dollars)	**$ 15,039**	**$ 14,495**	**$ 13,964**	**$ 14,374**	**$ 14,851**	**$ 14,833**	**$ 14,955**	**$ 14,122**	**$ 13,042**	**$ 11,649**

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

STATE APPROPRIATIONS PER STUDENT										
State Appropriations	$ 350,759	$ 310,298	$ 259,415	$ 269,495	$ 252,931	$ 254,789	$ 245,146	$ 241,257	$ 270,538	$ 265,038
Capital Appropriations	25,562	25,337	25,205	25,013	24,803	14,249	21,978	9,594	11,204	14,253
Adjusted State Appropriations	$ 376,321	$ 335,635	$ 284,620	$ 294,508	$ 277,734	$ 269,038	$ 267,124	$ 250,851	$ 281,742	$ 279,291
State Appropriations	$ 376,321	$ 335,635	$ 284,620	$ 294,508	$ 277,734	$ 269,038	$ 267,124	$ 250,851	$ 281,742	$ 279,291
Undergraduate, Graduate, and Professional FTE	47,926	46,829	45,517	44,714	44,376	44,129	43,570	43,323	42,388	40,791
State Appropriation per Student (whole dollars)	**$ 7,852**	**$ 7,167**	**$ 6,253**	**$ 6,586**	**$ 6,259**	**$ 6,097**	**$ 6,131**	**$ 5,790**	**$ 6,647**	**$ 6,847**

Measures the institution's dependency on state appropriations.

Summary of Ratios – Debt Related Ratios

Fiscal Year Ended June 30 *(in thousands of dollars)*	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
EXPENDABLE RESOURCES TO DEBT										
Unrestricted Net Assets	$ (345,996)	$ (307,211)	$ (269,494)	$ (320,257)	$ (130,727)	$ (135,502)	$ 20,756	$ (80,965)	$ (124,204)	$ 373,103
Expendable Restricted Net Assets	291,609	270,661	239,189	203,957	233,337	244,542	241,080	238,522	218,805	161,894
Expendable Net Assets	**$ (54,387)**	**$ (36,550)**	**$ (30,305)**	**$ (116,300)**	**$ 102,610**	**$ 109,040**	**$ 261,836**	**$ 157,557**	**$ 94,601**	**$ 534,997**
Expendable Net Assets	$ (54,387)	$ (36,550)	$ (30,305)	$ (116,300)	$ 102,610	$ 109,040	$ 261,836	$ 157,557	$ 94,601	$ 534,997
Total Bonds, COPs and Financed Purchase Obligations	$ 1,606,693	$ 1,690,829	$ 1,783,341	$ 1,541,684	$ 1,621,014	$ 1,600,953	$ 1,548,735	$ 1,419,747	$ 1,478,536	$ 1,259,686
Ratio	**(0.03)**	**(0.02)**	**(0.02)**	**(0.08)**	**0.06**	**0.07**	**0.17**	**0.11**	**0.06**	**0.40**

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL FINANCIAL RESOURCES TO DIRECT DEBT										
Unrestricted Net Assets	$ (345,996)	$ (307,211)	$ (269,494)	$ (320,257)	$ (130,727)	$ (135,502)	$ 20,756	$ (80,965)	$ (124,204)	$ 373,103
Expendable Restricted Net Assets	291,609	270,661	239,189	203,957	233,337	244,542	241,080	238,522	218,805	161,894
Non-expendable Restricted Net Assets	191,107	179,033	189,845	157,378	161,496	154,227	142,774	134,356	138,464	138,512
Total Financial Resources	**$ 136,720**	**$ 142,483**	**$ 159,540**	**$ 41,078**	**$ 264,106**	**$ 263,267**	**$ 404,610**	**$ 291,913**	**$ 233,065**	**$ 673,509**
Total Financial Resources	$ 136,720	$ 142,483	$ 159,540	$ 41,078	$ 264,106	$ 263,267	$ 404,610	$ 291,913	$ 233,065	$ 673,509
Total Bonds, COPs and Financed Purchase Obligations	$ 1,606,693	$ 1,690,829	$ 1,783,341	$ 1,541,684	$ 1,621,014	$ 1,600,953	$ 1,548,735	$ 1,419,747	$ 1,478,536	$ 1,259,686
Ratio	**0.09**	**0.08**	**0.09**	**0.03**	**0.16**	**0.16**	**0.26**	**0.21**	**0.16**	**0.50**

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
DIRECT DEBT TO ADJUSTED CASH FLOW										
Net Cash Used by Operating Activities	$ (699,188)	$ (620,121)	$ (517,369)	$ (571,080)	$ (551,720)	$ (464,708)	$ (295,594)	$ (287,171)	$ (336,897)	$ (402,380)
State Appropriations	350,759	310,298	259,415	269,495	252,931	254,789	245,146	241,257	270,538	265,038
Share of State Sales Tax - TRIF	36,832	46,079	31,979	30,683	30,970	28,763	27,618	25,025	24,964	23,576
Non-capital Grants and Contracts and Gifts (1)	462,548	484,333	441,575	348,158	316,356	316,286	290,388	292,033	297,837	265,817
Adjusted Cash Flow from Operations	**$ 150,951**	**$ 220,589**	**$ 215,600**	**$ 77,256**	**$ 48,537**	**$ 135,130**	**$ 267,558**	**$ 271,144**	**$ 256,442**	**$ 152,051**
Total Bonds, COPs and Financed Purchase Obligations	$ 1,606,693	$ 1,690,829	$ 1,783,341	$ 1,541,684	$ 1,621,014	$ 1,600,953	$ 1,548,735	$ 1,419,747	$ 1,478,536	$ 1,259,686
Adjusted Cash Flow from Operations	$ 150,951	$ 220,589	$ 215,600	$ 77,256	$ 48,537	$ 135,130	$ 267,558	$ 271,144	$ 256,442	$ 152,051
Ratio	**10.64**	**7.67**	**8.27**	**19.96**	**33.40**	**11.85**	**5.79**	**5.24**	**5.77**	**8.28**

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
DEBT SERVICE TO OPERATIONS										
Interest and Fees Paid on Debt and Financed Purchase Obligations	$ 56,395	$ 58,745	$ 50,672	$ 60,187	$ 55,072	$ 53,275	$ 51,253	$ 49,748	$ 46,293	$ 50,596
Principal Paid on Debt and Financed Purchase Obligations	71,921	73,339	241,389	285,106	67,468	132,499	79,838	254,284	197,381	47,605
Less: Principal Paid from Refinancing Activities	-	-	(172,510)	(210,660)	-	(65,950)	(15,685)	(181,440)	(157,050)	-
Debt Service	**$ 128,316**	**$ 132,084**	**$ 119,551**	**$ 134,633**	**$ 122,540**	**$ 119,824**	**$ 115,406**	**$ 122,592**	**$ 86,624**	**$ 98,201**
Debt Service	$ 128,316	$ 132,084	$ 119,551	$ 134,633	$ 122,540	$ 119,824	$ 115,406	$ 122,592	$ 86,624	$ 98,201
Operating Expenses	$ 2,527,415	$ 2,270,178	$ 2,170,226	$ 2,232,502	$ 2,106,906	$ 2,007,403	$ 1,902,851	$ 1,882,513	$ 1,801,631	$ 1,702,741
Ratio	**5.1%**	**5.8%**	**5.5%**	**6.0%**	**5.8%**	**6.0%**	**6.1%**	**6.5%**	**4.8%**	**5.8%**

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

DEBT SERVICE COVERAGE FOR SENIOR LIEN SYSTEM AND SUBORDINATE LIEN SYSTEM REVENUE BONDS

Fiscal Year Ended June 30 *(in thousands of dollars)*	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Tuition and Fees, net of scholarship allowance	$ 717,928	$ 677,550	$ 634,092	$ 644,352	$ 658,090	$ 653,519	$ 653,725	$ 608,679	$ 554,768	$ 484,809
Receipts from Other Major Revenue Sources (Facilities Revenues)	446,213	429,641	316,980	396,227	425,920	416,819	410,659	402,760	397,917	374,153
Net Revenues Available for Debt Service	**$ 1,164,141**	**$ 1,107,191**	**$ 951,072**	**$ 1,040,579**	**$ 1,084,010**	**$ 1,070,338**	**$ 1,064,384**	**$ 1,011,439**	**$ 952,685**	**$ 858,962**
Senior Lien Bonds Debt Service										
Interest on Debt	$ 42,422	$ 44,339	$ 34,259	$ 37,752	$ 37,730	$ 31,849	$ 28,936	$ 24,121	$ 23,290	$ 24,887
Principal Paid on Debt	34,970	30,335	26,320	28,960	24,955	25,135	23,820	25,205	21,575	22,600
Senior Lien Bonds Debt Service Requirements	**$ 77,392**	**$ 74,674**	**$ 60,579**	**$ 66,712**	**$ 62,685**	**$ 56,984**	**$ 52,756**	**$ 49,326**	**$ 44,865**	**$ 47,487**
Coverage	**15.04**	**14.83**	**15.70**	**15.60**	**17.29**	**18.78**	**20.18**	**20.51**	**21.23**	**18.09**

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Subordinate Lien Bonds Debt Service										
Interest on Debt	$ 14,484	$ 14,689	$ 15,271	$ 19,475	$ 19,575	$ 20,044	$ 20,458	$ 21,412	$ 14,442	$ 13,362
Principal Paid on Debt	11,255	11,035	11,440	10,400	9,970	9,590	9,260	-	-	-
Subordinate Lien Bonds Debt Service Requirements	**$ 25,739**	**$ 25,724**	**$ 26,711**	**$ 29,875**	**$ 29,545**	**$ 29,634**	**$ 29,718**	**$ 21,412**	**$ 14,442**	**$ 13,362**
Combined Senior/Subordinate Lien Debt Service	**$ 103,131**	**$ 100,398**	**$ 87,290**	**$ 96,587**	**$ 92,230**	**$ 86,618**	**$ 82,474**	**$ 70,738**	**$ 59,307**	**$ 60,849**
Coverage	**11.29**	**11.03**	**10.90**	**10.77**	**11.75**	**12.36**	**12.91**	**14.30**	**16.06**	**14.12**

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

ADMISSIONS, ENROLLMENT AND DEGREES EARNED

Fall enrollment of fiscal year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
ADMISSIONS - FIRST YEAR UNDERGRADUATES										
Applied	52,103	48,202	43,540	40,854	39,941	33,608	36,166	35,383	32,723	26,480
Admitted	45,195	41,996	37,064	34,557	33,714	28,089	28,433	27,042	24,417	20,546
Enrolled	9,091	8,485	7,334	7,683	7,750	7,360	7,753	8,037	7,744	6,881
Accepted as Percentage of Applied	87%	87%	85%	85%	84%	84%	79%	76%	75%	78%
Enrolled as Percentage of Admitted	20%	20%	20%	22%	23%	26%	27%	30%	32%	33%
Average SAT scores - Total	1265	1275	1256	1262	1229	1136	1123	1121	1114	1114
Verbal	628	634	622	623	611	563	555	540	549	548
Math	637	642	633	639	618	575	568	567	565	565
ENROLLMENT										
Undergraduate, Graduate and Professional FTE	47,926	46,829	45,517	44,714	44,376	44,129	43,570	43,323	42,388	40,791
Undergraduate, Graduate and Professional Headcount	51,134	49,471	46,932	45,918	45,217	44,831	43,625	43,088	42,236	40,621
Men (Headcount)	22,790	21,956	21,132	21,383	21,456	21,673	21,011	20,833	20,345	19,518
Percentage of Total	44.6%	44.4%	45.0%	46.6%	47.5%	48.3%	48.2%	48.3%	48.2%	48.0%
Women (Headcount)	28,344	27,515	25,800	24,535	23,761	23,158	22,614	22,255	21,891	21,103
Percentage of Total	55.4%	55.6%	55.0%	53.4%	52.5%	51.7%	51.8%	51.7%	51.8%	52.0%
Black or African American (Headcount)	1,995	1,885	1,745	1,670	1,657	1,679	1,601	1,510	1,402	1,266
Percentage of Total	3.9%	3.8%	3.7%	3.6%	3.7%	3.7%	3.7%	3.5%	3.3%	3.1%
Hispanic or Latino (Headcount)	12,723	12,478	12,114	10,869	10,729	10,753	10,161	9,790	9,405	8,676
Percentage of Total	24.9%	25.2%	25.8%	23.7%	23.7%	24.0%	23.3%	22.7%	22.3%	21.4%
White (Headcount)	23,714	23,343	22,073	21,878	21,869	22,040	22,069	22,198	22,050	21,825
Percentage of Total	46.4%	47.2%	47.0%	47.7%	48.4%	49.2%	50.6%	51.5%	52.2%	53.7%
Other (Headcount)	12,702	11,765	11,000	11,501	10,962	10,359	9,794	9,590	9,379	8,854
Percentage of Total	24.8%	23.8%	23.5%	25.0%	24.2%	23.1%	22.4%	22.3%	22.2%	21.8%
DEGREES EARNED *										
Bachelor's	7,772	7,410	7,543	7,406	7,754	7,248	6,949	7,039	6,743	6,370
Master's	2,297	2,358	2,256	2,037	2,100	1,987	1,987	1,960	1,735	1,702
Doctoral	467	410	486	435	448	435	442	524	528	460
Professional	523	583	524	516	533	513	494	383	411	410
Certificates	495	504	425	343	309	261	220	217	219	178

Sources: University Analytics & Institutional Research (UAIR) https://uair.arizona.edu

** Degrees awarded as reported to IPEDS and ABOR. Includes primary awards only.*

DEMOGRAPHIC DATA

Fiscal Year Ended June 30	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Arizona Population	7,359,197	7,276,316	7,421,401	7,278,717	7,171,646	7,016,270	6,931,071	6,829,397	6,731,484	6,626,624
Arizona Personal Income (in millions)	$ 417,021	$ 395,111	$ 363,274	$ 336,514	$ 313,040	$ 292,108	$ 278,925	$ 266,756	$ 261,314	$ 249,027
Arizona Per Capita Personal Income	$ 56,667	$ 54,201	$ 48,950	$ 46,233	$ 43,650	$ 41,633	$ 40,243	$ 39,060	$ 37,895	$ 36,823
Arizona Unemployment Rate	3.50%	3.30%	6.80%	10.00%	4.90%	4.70%	5.00%	5.60%	5.90%	6.90%

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

PRINCIPAL EMPLOYERS

Employer	2023			2014		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
The University of Arizona	15,907	1	3.2%	11,047	1	2.5%
Raytheon Technologies	13,381	2	2.7%	9,933	2	2.2%
Tucson Unified School District	8,125	3	1.6%	6,525	6	1.4%
Banner - University Medical Center	7,691	4	1.6%	-	-	-
Pima County Government	7,295	5	1.5%	7,328	5	1.6%
Tucson Medical Center	6,724	6	1.4%	-	-	-
Davis Monthan Air Force Base	6,157	7	1.2%	8,933	4	2.0%
State of Arizona	5,609	8	1.1%	9,439	3	2.1%
City of Tucson	4,624	9	0.9%	-	-	-
Wal-Mart Stores, Inc.	4,337	10	0.9%	5,200	10	1.2%
The University of Arizona Health Network	-	-	-	6,329	7	1.4%
Fort Huachuca	-	-	-	5,717	8	1.3%
Freeman-McMoran Copper	-	-	-	5,600	9	1.2%
Total	**79,850**		**16.1%**	**76,051**		**16.9%**
Total Work Force			**495,789**			**450,006**

Sources:
The University of Arizona Interactive Fact Book and University Analytics & Institutional Research (UAIR) https://uair.arizona.edu
Pima Association of Governments (PAG) - 2023
Economic and Business Research Center, Eller College of Management, June 2023

FACULTY AND STAFF

Fall employment of fiscal year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
FACULTY										
Full-time	2,483	2,458	2,395	2,414	2,447	2,320	2,281	2,363	2,343	2,297
Part-time	845	808	732	798	754	770	789	795	801	752
Total Faculty	**3,328**	**3,266**	**3,127**	**3,212**	**3,201**	**3,090**	**3,070**	**3,158**	**3,144**	**3,049**
Percentage Tenured	46.4%	47.9%	51.5%	51.3%	51.4%	52.4%	51.4%	49.4%	49.6%	51.3%
Tenured Track - Dept. Head	89	107	108	110	84	85	85	89	90	92
Tenured Track - Faculty	1,454	1,459	1,502	1,539	1,562	1,535	1,493	1,470	1,469	1,471
Total Tenured Track	1,543	1,566	1,610	1,649	1,646	1,620	1,578	1,559	1,559	1,563
STAFF										
Full-time	8,710	8,243	8,367	8,628	8,249	7,793	7,329	7,786	7,775	7,663
Part-time	3,869	4,041	4,073	4,683	4,767	4,740	4,657	4,586	4,696	4,630
Total Staff	**12,579**	**12,284**	**12,440**	**13,311**	**13,016**	**12,533**	**11,986**	**12,372**	**12,471**	**12,293**
Total Faculty and Staff	**15,907**	**15,550**	**15,567**	**16,523**	**16,217**	**15,623**	**15,056**	**15,530**	**15,615**	**15,342**

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

CAPITAL ASSETS

Fiscal Year Ended June 30	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Academic/Support Facilities	611	620	619	622	621	646	651	651	643	647
Auxiliary Facilities	84	84	78	78	74	71	75	74	74	71
Total	**695**	**704**	**697**	**700**	**695**	**717**	**726**	**725**	**717**	**718**

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


ARIZONA
LOWELL-STEVENS
FOOTBALL FACILITY
ENKE DR
STOP
GATE 2

Photo: K2 Creative, LLC


Photo: Bill Timmerman

THE UNIVERSITY OF ARIZONA
Financial Services

Credits

Content

Lisa Rulney
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Vice President, Financial Services

Stacey Lemos
Assistant Vice President and Comptroller, Financial Services

Bethany Prim
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Student Contributions

Erick Lemos

THE UNIVERSITY OF ARIZONA