UNIVERSITY OF
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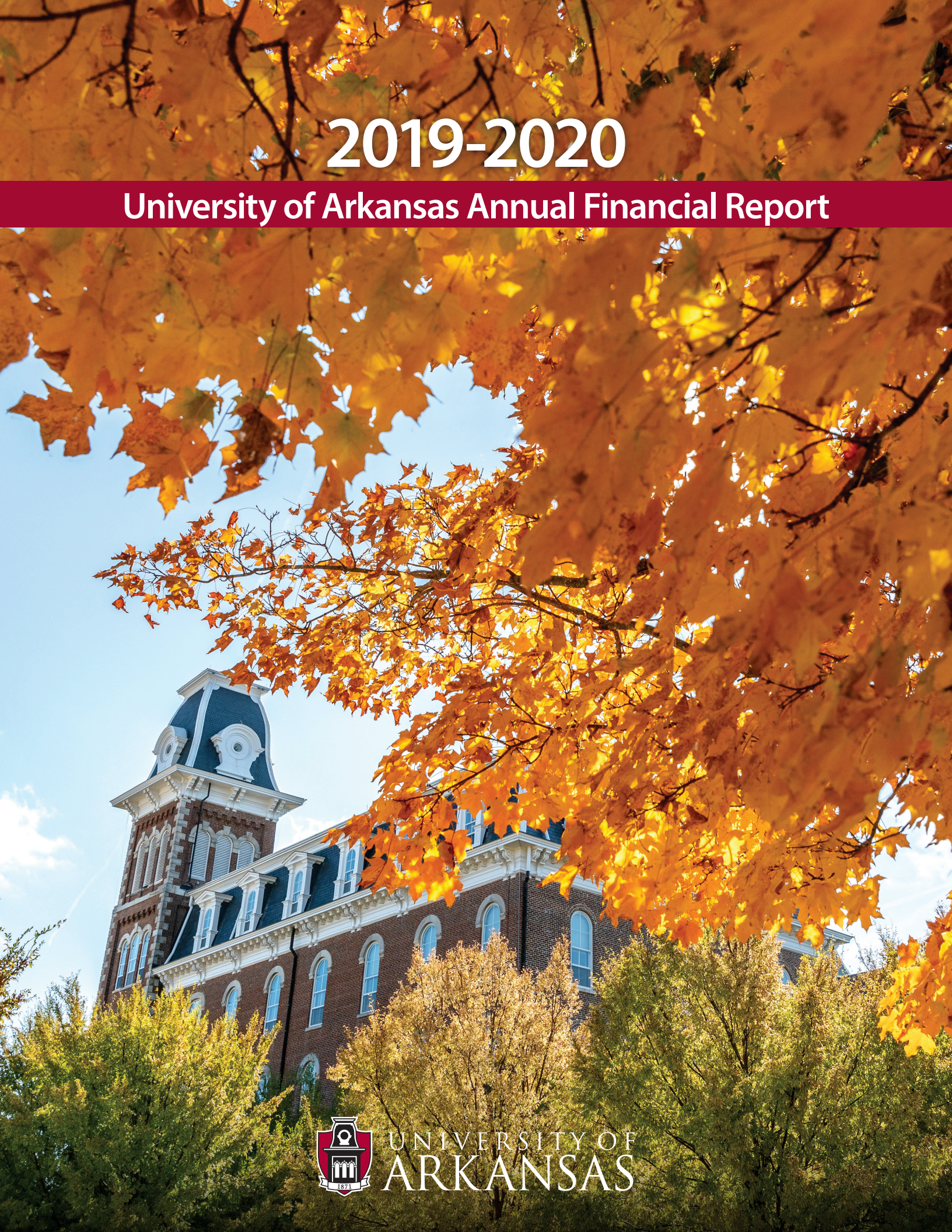
2019-2020

University of Arkansas Annual Financial Report



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MESSAGE FROM THE CHANCELLOR

Thank you for your interest in the annual financial report for the University of Arkansas. As the state's flagship university, we know how important it is to be good stewards of state resources. State resources, however, are just one component of university finances. Tuition dollars, research grants, private gift support, and various auxiliaries like housing and athletics are also critical parts of the budgetary mix. Whatever its source, it's important that we can account for how every dollar is acquired and spent.

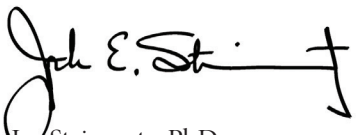
This financial report reflects our desire to be completely open in our financial accounting. Nevertheless, it must represent the diversity and complexity of financing a major public research university. While we tried to make this report as clear and straightforward as possible, it will never be mistaken as light reading.

As you know, fiscal year 2020 was extremely challenging. The COVID-19 pandemic had a profound impact on university finances, particularly in the form of lost revenue after the university went remote to ensure the health and safety of our campus community. This lost revenue ranged from issuing housing and dining credits, suspending activities like the Rome Center and summer camps, canceling all of our campus summer events (like the Walmart shareholders meeting), fee reductions on summer school classes, cancelling all spring athletic competitions and many other things that had to be discounted, delayed or cancelled. In fact, we estimate that we spent or lost roughly $22 million through summer due to COVID-19.

Fortunately, there has also been some good news. After initially cutting $8.3 million from our FY 20 budget in anticipation of lower tax revenues, the state legislature restored the cut to last year's budget on the last day of the fiscal year. And despite widespread concerns of enrollment declines expressed across the country, our own enrollment ticked up by a few students. And as you'll see here, we were able to bring Campaign Arkansas to a successful conclusion with the help of a $194.7 million gift from the Walton Family Charitable Support Foundation to establish the Institute for Integrative and Innovative Research (I3R). This pushed us to just under $1.45 billion in total for the campaign - a spectacular success by any measure.

Needless to say, the effects of the COVID-19 pandemic will be felt for years to come. For the foreseeable future, budgeting will be tight and we'll have to make the most of what we have. Just know that your university is in good hands. We care about the bottom line and we take pride in the sound fiscal management of university resources, which is all the more important in lean times. We also welcome the opportunity to share that information with our stakeholders across the state.

Thank you so much for your support.



Joe Steinmetz, PhD
Chancellor

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PROGRESS AND MAJOR INITIATIVES

Private Gift Support Impacts the Institution

Private gift support from alumni, friends, corporations and foundations remains very important to the University of Arkansas and continues to provide critical funding for students, faculty, staff, programs and facilities on campus each year. Fiscal year 2020 was the final full year of fundraising for Campaign Arkansas and helped the university surpass its goal of $1.25 billion. By the end of the campaign, nearly $1.45 billion had been raised to advance academic opportunity.

In fiscal year 2020, the impact of philanthropy was perhaps felt more than ever, as donors not only stepped up to contribute to the campaign but also invested in the university's students through its various emergency funds.

The following gifts of $500,000 or more were announced publicly as a result of the campaign.

- A $194.7 million grant from the Walton Family Charitable Support Foundation for the Institute for Integrative and Innovative Research (I3R).

- $10 million from the Fryar Family Charitable Foundation to create and support the Fryar Family Charitable Foundation Endowment in Price Risk Management, which will provide analysis and education on issues of price risk management in agriculture, finance and energy. The endowment will fund both the Fryar Price Risk Management Center of Excellence and the Fryar Endowed Professorship in Applied Price Risk Management and support research, teaching and extension outreach.

- A planned total gift of $10 million from William T. Dillard II to name the accounting department in the Sam M. Walton College of Business. The department was named the William Dillard Department of Accounting after Dillard's late father, in recognition of his pioneering work in the retail field and founding of the department store chain that bears his family name.

- $5 million from the Walmart Foundation to support student success through the construction of the new Student Success Center on campus.

- A $2 million investment from Sam and Janet Alley to create the Sam and Janet Alley Master of Science in Construction Management Program Endowment, which will establish an interdisciplinary master of science in construction management program.

- A $2 million gift from Ross and Mary Whipple and their family, which will be used to construct the Ross and Mary Whipple Family Forest Education Center at Garvan Woodland Gardens in Hot Springs.

- $1.5 million from Tom and Jill King to create the JATK Endowment for Public Programs in Architecture and Design, as well as another $450,000 to establish the JATK Endowment for the Enhancement of the Student Experience in the Fay Jones School of Architecture and Design and the JATK Endowment for the Enhancement of the Student Experience in the Fulbright College of Arts and Sciences.

- A $1 million testamentary gift from Greg Roberts to establish an endowed chair in the Fay Jones School of Architecture and Design.

- $1 million from Ken and Linda Sue Shollmier for the Anthony Timberlands Center for Design and Materials Innovation.

- A $1 million investment from Ray and Deborah Dillon to name the Ray C. and Deborah C. Dillon Entrance Hall in the Anthony Timberlands Center for Design and Materials Innovation, as well as the Ray C. Dillon Chair in Arkansas Timber and Wood Design and Innovation.

- An additional investment of $1 million from Doug and Shelley McMillon for the McMillon Innovation Studio to further student work in product management.

- $1 million from Southwestern Electric Power Company to support electrical engineering outreach, improve undergraduate research opportunities and provide upgrades to student facilities at the university.

- A testamentary gift valued at $750,000 from Sue Hein to honor the work and legacy of her father, John G. Williams, who founded the Fay Jones School in 1946.

- $500,000 from John and Carol Mott for the John K. and Carol Baer Mott Endowment for the Enrichment of the Student International Experience.
- A $500,000 planned gift from Michael Hollomon and Eric Wailes to create the Richard B. Atkinson Law and Sexuality Fund, which will enable faculty and students at the U of A to affect the quality of public discourse associated with the complex issues related to law and sexuality.

Campaign Arkansas

The silent phase of Campaign Arkansas began on July 1, 2012 with an initial goal of $1 billion. It launched publicly in fall 2016, and the goal was raised to $1.25 billion in spring 2018. More than 123,400 benefactors contributed during the campaign, and $348.9 million will be added to the endowment once received. The eight-year effort, which focused on advancing academic opportunity at the University of Arkansas, ultimately raised $1,449,703,813.

There were 706 new student support accounts, such as scholarships and fellowships, created as a result of Campaign Arkansas, as well as 92 faculty and staff support accounts, including 46 new endowed faculty positions.

Gifts to the campaign are helping students from across Arkansas access higher education at the U of A and foster their success. The campaign also built meaningful resources for teaching and research, grew innovative and collaborative programs and enhanced the university's facilities and technology. The impact of Campaign Arkansas is already being seen, and the results of the campaign are sure to make a difference for the university and the state for generations to come.

Gifts by Purpose

Student Scholarships and Academic Programs	37%
Faculty and Staff Support	25%
Capital Improvements	32%
Other Key Initiatives	6%

Gifts by Source

Individuals	22%
Corporations	24%
Foundations	47%
Other Organizations	7%

Advance Arkansas

The Advance Arkansas scholarship initiative was launched in the spring of 2017 to catalyze the potential of the state's rising leaders by giving them resources to succeed academically at a nationally competitive institution. Advance Arkansas scholarships emphasize the following student support areas: (1) First Generation, which is awarded to new freshmen who aspire to be first in their families to earn a four-year college degree, (2) Community Leader, which is awarded to new freshmen who demonstrate significant acts of service within their communities, (3) Resilient Razorback, which is awarded to U of A students who have persisted in maintaining a compelling academic record, and (4) Talented Transfer, which is awarded to incoming transfer students with a strong academic record and commitment to degree completion at the U of A.

The University of Arkansas raised nearly $8 million toward the Advance Arkansas scholarship initiative through the end of Campaign Arkansas. Eighty-five students have received Advance Arkansas scholarships since 2017 and recipients have come from 29 different counties within the state.

Annual Giving

Annual Giving made a sizeable impact during the campaign. More than 500,000 gifts and pledges added up to $96.4 million during the course of the campaign, demonstrating the power of collective giving. Assisting with this was the implementation of All In for Arkansas, an annual giving day held each spring to celebrate the university's birthday. The event raised more than $1.4 million since its launch in 2016 through spring 2019.

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Research Awards Enable Cutting-Edge Research

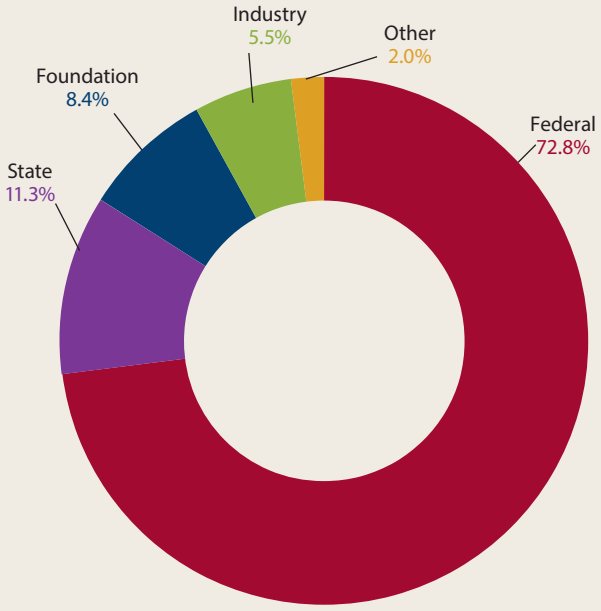
Federal agencies, research foundations and top industries turn to the University of Arkansas to solve problems, advance technology, bring innovation to the marketplace and better our world.

University of Arkansas and UA Division of Agriculture research expenditures totaled more than $168 million in FY20, a dip from FY19. COVID-19 safety measures restricted travel and lab use, hindering research activity in the second half of the year.

The pandemic didn't hinder research funding for future and continued research, however. The Office of Research and Sponsored Programs administered $98.5 million in new grants from federal, state, industry and private agencies, representing an 8 percent increase over FY19 ($91.1 million). Coupled with the $30.3 million in grants received by the Division of Agriculture, total research funding for FY20 reached $128.8 million — a 15 percent increase over FY19.

The funding supported the university's mission in three key Signature Research Areas: Advancing the Data Revolution, Improving Human Health and Community Vibrancy and Innovating a Resilient and Sustainable Future.

Fiscal Year 2020
Official OSP Research Award Snapshot



Funding		FY2020
Federal	$	71,738,306
State		11,180,496
Foundation		8,256,411
Industry		5,377,027
Other		1,995,960
Total	**$**	**98,548,200**

Sponsored Research Highlights for FY20

A landmark $194.7 million grant from the Walton Family Charitable Support Foundation created the **Institute for Integrative and Innovative Research (I3R).** The funding supports multiple projects to grow the university's cross-disciplinary research, expand the scope of discoveries made by U of A researchers and increase the velocity with which discoveries are transferred to the marketplace where they can improve or save lives.

I3R will drive and promote research across five overlapping disciplines – materials science and engineering, food technology, data science, bioscience and bioengineering research in metabolism, and integrative systems neuroscience. Bringing together some of the most brilliant minds in each of these fields and encouraging their collaboration will yield new discoveries, create vibrant startup companies and address the needs of our society.

The National Science Foundation awarded more than $21 million in grants to U of A researchers working on COVID-19-related research like anti-viral and anti-bacterial coatings for surfaces, flu and virus immunity, quantum physics, data science and more.

More than $18 million in research funding was received from the **U.S. Dept. of Education,** including CARES Act funding and funding for programs and research to make higher education more accessible to disabled and underrepresented populations.

Researchers received more than $2 million in funding from **NASA** for Mars and Venus research, as well as work developing high-density electronics packaging for a Venus mission and electronics that can withstand extreme environments like space.

National Institutes of Health grants totaled nearly $3.4 million for research that included studying biomarkers in treatment resistance, circadian rhythms and sleep disorders, cancer prevention and drug delivery systems.

Other notable research funding for FY20 included $3.5 million from the **Air Force Office of Scientific Research**, $2.7 from the **U.S. Dept. of Energy**, $4.7 million from the **U.S. Dept. of Justice** and $4.2 million of the **U.S. Dept. of Health and Human Services**.

Commercialization

In addition, the University of Arkansas continued its success in bringing its discoveries and inventions to the marketplace with:

- 20 licensing agreements
- 44 invention disclosures
- 13 patents, which includes both US and international
- 64 patent applications filed, which includes both provisional and non-provisional applications
- 48 percent of invention disclosures with at least one female inventor

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INITIATION 2020
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LETTER OF TRANSMITTAL

November 17, 2020

Chancellor Steinmetz,
President Bobbitt, and
Members of the Board of Trustees

I am pleased to present the annual Financial Report of the University of Arkansas for the year ended June 30, 2020. The report includes the annual financial statements, Management's Discussion and Analysis and supplemental information to assist the reader in clearly understanding the University's financial activities and outcomes.

University management is responsible for the accuracy and completeness of the information presented, including all disclosures. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on judgments and estimates by management.

State law, federal guidelines and certain bond covenants require the University's accounting and financial records be audited each year. The University's annual audit is performed by Arkansas Legislative Audit. The reports resulting from the audit are shared with University management and the Board of Trustees. For the year ended June 30, 2020, Arkansas Legislative Audit issued an unmodified opinion, the most favorable outcome of the audit process. The independent auditor's report follows this letter of transmittal.

The University maintains a system of internal controls over financial reporting. Such controls are designed to identify internal control weaknesses in order to permit management to take appropriate corrective action on a timely basis. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide management with reasonable, although not absolute, assurance that the financial statements are free of material misstatements.

Based on the above, I certify that the information contained in the accompanying financial statements fairly presents, in all material respects, the financial condition, changes in net position and cash flows of the University.

Sincerely,

Ann Bordelon
Vice Chancellor for Finance and Administration

INDEPENDENT AUDITOR'S REPORT

Arkansas

Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair

Rep. Richard Womack
House Chair
Rep. DeAnn Vaught
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

University of Arkansas, Fayetteville
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the University of Arkansas, Fayetteville (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Arkansas Fayetteville Campus Foundation, Inc. and the Razorback Foundation, Inc., which represents 100% of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Arkansas Fayetteville Campus Foundation, Inc. and the Razorback Foundation, Inc., is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Arkansas Fayetteville Campus Foundation, Inc. and the Razorback Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

We have previously audited the University's 2019 financial statements, and we expressed unmodified opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units in our report dated November 19, 2019. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

ARKANSAS LEGISLATIVE AUDIT

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

Little Rock, Arkansas
November 17, 2020
EDHE13520

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The University of Arkansas (the University) is pleased to present its financial statements for fiscal year 2020, with comparative figures for fiscal year 2019. The University's financial statements, notes to the financial statements and discussion and analysis are the responsibility of, and have been prepared by management. The discussion and analysis should be read in conjunction with financial statements and notes. All references to "2020", "2019" or another year refer to the fiscal year ended June 30, unless otherwise noted.

Overview of the Financial Report and Financial Analysis

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

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

Note 17, "Other Entities" refers to the University of Arkansas Foundation, Inc., (the Foundation). The University is the beneficiary of only 50.7% of the net assets of the Foundation; therefore, the Foundation does not meet the requirements of a component unit.

Statement of Net Position

The Statement of Net Position provides a fiscal snapshot of the University as of the end of the fiscal year. All assets (property that the University owns and what the University is owed by others), deferred outflows of resources (consumption of net position by the University that is applicable to a future reporting period), liabilities (what the University owes to others and has collected from others before the University has provided the service), deferred inflows of resources (acquisition of net position by the University that is applicable to a future reporting period) and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) are reported in this statement. Assets and liabilities are presented in the order of their relative liquidity and are identified as current or noncurrent. Current assets are those assets that can be realized in the coming year, and current liabilities are expected to be paid within the next year. Noncurrent assets and liabilities are not expected to be realized as cash or paid in the subsequent year. Assets, deferred outflows of resources, liabilities and deferred inflows of resources are generally measured using current values. One exception is capital assets, which are stated at historical cost less accumulated depreciation.

Net Position is presented in four categories:

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

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

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

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

The following summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2020, and 2019:

Condensed Summary of Net Position

	2020	2019
ASSETS		
Current Assets	$ 615,160,306	$ 592,522,447
Capital Assets, Net of Depreciation	1,480,264,840	1,464,377,332
Other Noncurrent Assets	189,933,450	153,265,479
Total Assets	**$ 2,285,358,596**	**$ 2,210,165,258**
Total Deferred Outflows of Resources	**$ 16,739,558**	**$ 18,299,296**
LIABILITIES		
Current Liabilities	$ 122,590,647	$ 141,248,310
Noncurrent Liabilities	898,836,157	882,325,677
Total Liabilities	**$ 1,021,426,804**	**$ 1,023,573,987**
Total Deferred Inflows of Resources	**$ 5,377,899**	**$ 5,176,476**
NET POSITION		
Net Invested in Capital Assets	$ 669,467,603	$ 649,366,007
Restricted – Nonexpendable	41,630,141	31,964,919
Restricted – Expendable	156,078,447	151,070,192
Unrestricted	408,117,260	367,312,973
Total Net Position	**$ 1,275,293,451**	**$ 1,199,714,091**

Overall, the University's total assets increased $75.2 million. A review of the Statement of Net Position reveals that most significant changes were increases in overall investments of $64.0 million, Deposits with bond trustees of $23.5 million and Capital assets, net of depreciation of $15.9 million offset by decreases in Cash and cash equivalents of $14.6 million, Pledges receivable of $8.1 million, Notes receivable net of $2.4 million and Inventories, net of $2.3 million.

The net change in cash and cash equivalents when compared to 2019 balances was a decrease of $14.6 million. The decrease in Cash and cash equivalents is related to the intentional shift in the operating funds investment strategy which shifted cash of $50.0 million into the University's tiered portfolio of short-term investments. Beyond the shift from Cash and cash equivalents, the net change was the result of increased operating funds balances from general university operations.

Investments in total increased $64.0 million. This increase is due to the $50.0 million shift from Cash and cash equivalents mentioned above, as well as an increase in the use of the external investment pool sponsored by the University of Arkansas System by the Cooperative Extension Service in the amount of $14.6 million.

Deposits with bond trustees represent unspent bond proceeds and bond reserve funds. The increase in 2020 is the net of bond proceeds totaling $61.0 million associated with two new tax-exempt bond issues to fund various E&G and auxiliary projects, including Athletics. The increase in proceeds is offset by the spending of bond proceeds for ongoing construction projects.

The increase in Capital Assets, net of depreciation, is primarily a reflection of the University acquiring capital assets at a rate greater than these assets are disposed of or depreciated. The section "Significant Changes in Capital Assets and Long-Term Debt Activity" below and Note 4 "Capital Assets" provide additional information about capital assets.

Deferred outflows of resources consist of deferred amounts on refinancing of debt, deferred outflows related to OPEB and deferred outflows related to pensions. Overall deferred outflows decreased $1.6 million. Deferred amounts on refinancing of debt decreased $0.7 million due to normal scheduled amortization, coupled with increased deferred amounts of $0.7 million resulting from the refinancing of outstanding debt issues during the fiscal year. Deferred outflows related to OPEB increased $0.8 million. Deferred outflows related to pensions decreased $1.7 million primarily due to actuarially determined deductions. Additional information about these computations can be found at Note 12 "Employee Benefits".

Overall, liabilities decreased $2.1 million. Most of the decrease was attributable to a $11 million decrease in Accounts payable; a decrease in Accrued payroll liabilities of $2.5 million; a decrease in Advance receipts of $8.2 million; and a decrease in the Refundable federal advance – Perkins loans of $3.7 million. These decreases are offset by an increase in Bonds, notes, capital leases and installment contracts of $21.5 million, and an increase in the Compensated absences payable of $1.8 million. The decrease in Accounts payable is mainly attributable to timing differences related to capital projects. Major construction projects including the Delta Gamma House, Leroy Pond Extension/Razorback Road Intersection project, Pomfret Dining Renovation and Expansion, Adohi Residence Hall and related utility infrastructure upgrades, and the Don Tyson Agri Sciences building finish out underway at the end of 2019 and were completed, or substantially completed by the end of 2020. Accrued payroll liabilities decreased due to a timing difference in the payment of retirement matching contributions to TIAA and Fidelity. Advance receipts were down due primarily to a decrease in season ticket sales amounts collected prior to the end of the fiscal year

Bonds, notes, capital leases and installment contracts payable increased by a net amount of $21.5 million due to the issuance of bonds with a par and additional premiums of $61.4 million for new construction projects plus additional capital leases and notes payable of $2.3 million, offset primarily by the normally scheduled amortization of principal and premiums of $43.7 million. The Refundable federal advance – Perkins loans balance decreased by $3.7 million due to the return of the federal share of the balance in our Perkins Loan Revolving Fund to the U.S. Department of Education of $3 million and the institution's share of the Perkins Fund and the annual service cancellation reimbursement of $0.7 million to the institution. The liability for compensated absences increased $1.8 million due to a general increase in accrued vacation hours coupled with slightly higher rates of pay.

The University continued its investment in facilities renewal and replacement along with the addition of new facilities and improvements in 2020. Additional information about University debt, and the projects financed with debt proceeds, is provided in the "Significant Changes in Capital Assets and Long-Term Debt Activity" discussion below and at Note 8 "Long-Term Debt".

Deferred inflows of resources related to OPEB decreased $0.3 million because of actuarially determined deductions. Deferred inflow of resources related to pensions increased $0.5 million because of actuarially determined increases. Additional information about these computations can be found at Note 13 "Other Postemployment Benefits (OPEB)". Additional information about these computations can be found at Note 12 "Employee Benefits".

The increase in assets and decrease of deferred outflows of resources of $75.2 million and $1.6 million, respectively, combined with the increase in deferred inflows of resources of $0.2 million and the decrease in liabilities of $2.1 million results in a net increase of $75.5 million in net position.

The following summarizes the composition of unrestricted net position owned by the units of the University of Arkansas Fund as of June 30, 2020 and 2019:

Unrestricted Net Position

Unit	2020	2019
Fayetteville Campus	$ 326,055,760	$ 294,112,371
Agricultural Experiment Station	50,120,736	40,659,701
Cooperative Extension Service	19,767,544	20,958,847
Arkansas Archeological Survey	1,449,438	1,172,198
Criminal Justice Institute	4,285,650	4,366,037
Clinton School of Public Service	1,007,987	912,656
AREON	5,430,145	5,131,163
Total Unrestricted Net Position	**$ 408,117,260**	**$ 367,312,973**

Unrestricted net position for the Fayetteville Campus as of June 30, 2020 and 2019 is allocated as follows:

Unrestricted Net Position – Fayetteville Campus

Allocation	2020	2019
Working Capital		$ 750,000
E & G Department Uses	$ 175,950,462	176,029,992
Service Operations	1,610,684	2,629,546
Auxiliaries	24,340,642	21,866,856
Plant Funds	109,984,059	78,160,957
Quasi-Endowment Funds	14,169,913	14,675,020
Total Fayetteville Campus Unrestricted Net Position	**$ 326,055,760**	**$ 294,112,371**

Although unrestricted net position is not subject to externally imposed restrictions, most of the University's unrestricted net position is subject to internal designations to meet various specific commitments. These commitments include reserves established for capital projects, scholarships, and other academic or research priorities; working capital for self-supporting auxiliary enterprises; reserves for the continued recognition of OPEB and pension obligations; and unrestricted quasi endowments. For 2020, the increase in reserves was primarily due to additional amounts reserved for major capital projects and building and maintenance reserves as denoted by the increase in Plant Funds in the table above.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for operating revenues, and to carry out the mission of the University. Non-operating revenues are revenues received for which goods and services are not provided.

In accordance with GASB standards, significant recurring sources of University revenue such as state appropriations, gifts, investment income and certain grants and contracts are reported as non-operating revenues. As a result, the operating loss of $318.2 million highlights the University's dependency on non-operating revenues to meet the costs of operations and provide funds for the acquisition of capital assets. The utilization of capital assets is reflected in the statement as depreciation, which amortizes the cost of an asset over its expected useful life.

Changes in total net position, as presented on the Statement of Net Position, is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The statement presents the revenues earned by the University, both operating and non-operating, and the expenses incurred by the University, both operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the University.

The following summarizes the University's revenues, expenses and changes in net position for the years ended June 30, 2020 and 2019:

Condensed Summary of Net Revenues, Expenses, and Changes in Net Position

	2020	2019
Operating Revenues	$ 587,789,983	$ 607,418,298
Operating Expenses	906,035,410	906,267,759
Operating loss	(318,245,427)	(298,849,461)
Net nonoperating revenues	357,855,653	338,668,639
Gain before other revenues and changes in net position	39,610,226	39,819,178
Other revenues and changes in net position	35,969,134	55,011,591
Increase in Net Position	**$ 75,579,360**	**$ 94,830,769**

Operating revenue decreased 3.2% or $19.6 million in 2020. Net student tuition and fees increased $3.2 million, a reflection of stable enrollment and tuition rate increases for the Fayetteville campus. Grants and contracts collectively decreased $5.2 million, with a decrease in federal sources totaling $4.0 million and in state sources of $5.6 million offset by a net increase in nongovernmental sources of $4.4 million. The reduction in revenue from federal sources is attributable to a slowdown in expenditures due to the COVID-19 pandemic, as well as the fact that the PROMISE grant from the U.S. Department of Education is winding down. The decrease in state and local sources is due primarily to the $5.0 million award received by the Cooperative Extension Service for the Northeast Rice Research and Extension Center in 2019. There was not a similar award in 2020. The increase in revenue from nongovernmental sources is due to a general across the board increase, but the University did receive an award for $3.5 million from the Walmart Foundation aimed at improving food safety in the supply chain. Revenue from sales and services of educational departments was down $4.0 million primarily because of the COVID-19 pandemic. Auxiliary enterprises revenue attributable to Athletics decreased $11.5 million, primarily due to decreases in football ticket revenue, donations, and multimedia rights sponsorships. Bookstore revenue decreased $2.0 million due to the outsourcing of the store to a third-party effective March 1, 2020. The remaining auxiliary enterprises realized a net increase totaling $0.5 million collectively.

Operating expenses decreased $0.2 million or 0.03% from 2019. Compensation and benefits costs increased nearly $17.0 million, or 3.3% over 2019. Supplies and other services decreased $25.5 million or 9.1%. Part of this decrease can be attributed to the effects of the COVID-19 pandemic on normal University operations for the last quarter of the fiscal year. The University continues to focus on cost containment initiatives to control expenses. Scholarships and fellowships increased $3.8 million, or 16.4% which is reflective of the University's continuing commitment to increasing resources available for scholarships for students. Depreciation expense increased $4.4 million or 5.1% over 2019 due mainly to the completion of several large construction projects during 2020, thereby starting the annual recognition of depreciation related to those projects. See the Significant Changes in Capital Assets and Long-Term Debt Activity section below for more detailed information.

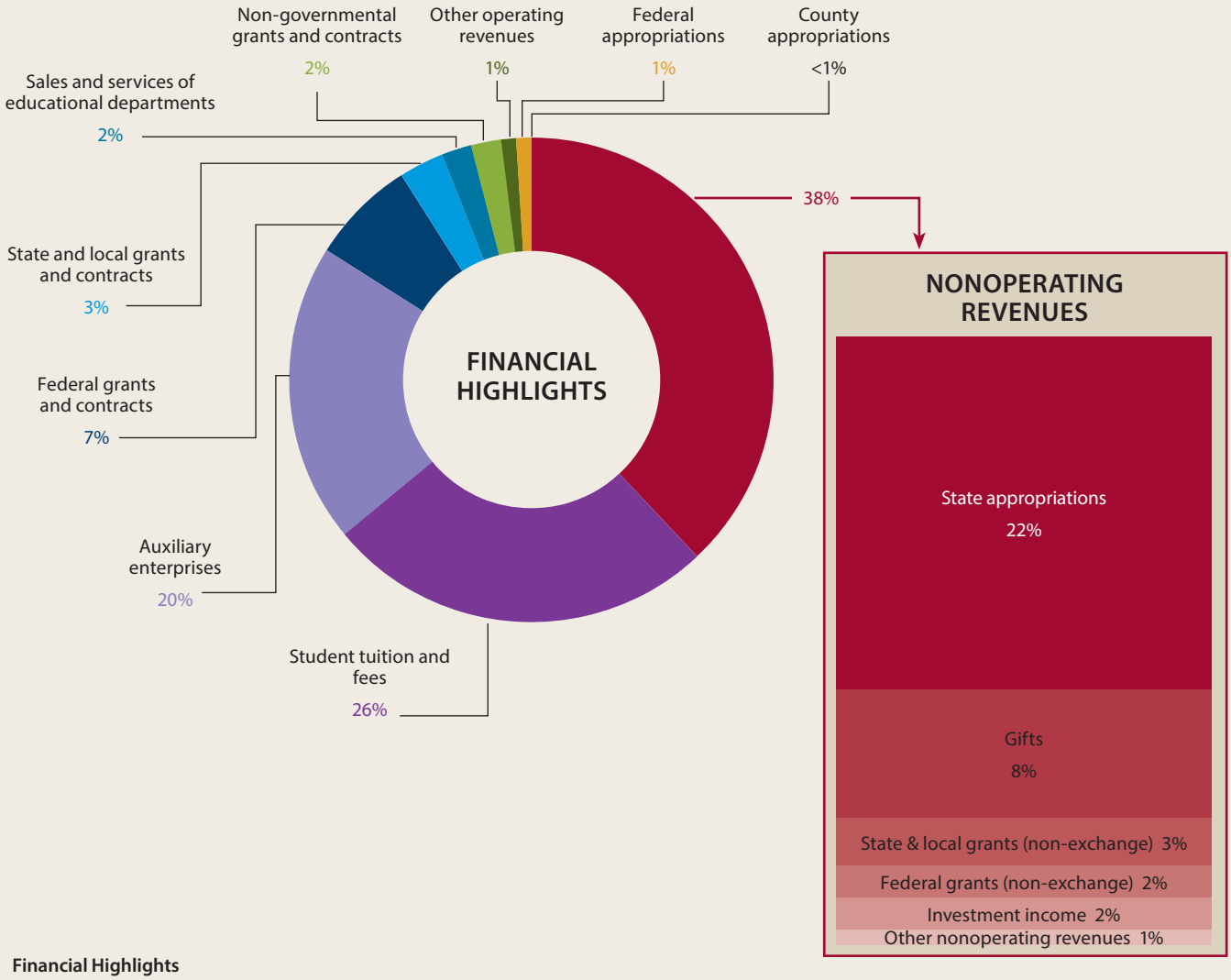
Overall, net non-operating revenues increased $19.2 million. Federal grant revenue increased $6.5 million due in large part to the receipt of $7.4 million of funds from the Higher Education Emergency Relief Fund through the CARES Act for direct student aid. Investment income decreased $3.2 million dollars. State appropriations increased $1.9 million. Gift revenue increased $7.5 million. Gain on the disposal of assets increased $5.3 million due primarily to the sale of real property owned by the Agriculture Experiment Station which resulted in a gain of $6.1 million, offset by the normal disposal of other assets.

Gifts reported on the Statement of Revenues, Expenses and Changes in Net Position only reflect a portion of the gifts available to the University. Most gifts for the benefit of the University are made to the University of Arkansas Foundation, Inc. whose financial information is presented in summary form at Note 17 "Other Entities". Gift revenue increased $7.5 million over the prior year due to increased distributions from the Razorback Foundation, Inc. for athletic salaries of $2.5 million, increased distributions from the University of Arkansas Foundation, Inc. of $3.2 million to cover increased operating costs related

to salaries and fringe benefits and scholarship expense, and an increase of $1.3 million of support for the School of Art from the University of Arkansas Foundation, Inc over the previous fiscal year.

Other Revenues and Changes in Net Position reflect changes in capital appropriations and capital gifts. The overall decrease of $19.0 million is primarily due to a $21.4 million decrease in Capital grants and gifts offset by an increase in Capital appropriations of $1.7 million. The decrease in capital gifts is due primarily to recognition of completed privately funded Greek houses in the previous fiscal year of $37.6 million compared to the same type of gifts recognized in fiscal year 2020 of $11.2 million.

Fiscal Year Operating and Nonoperating Revenues

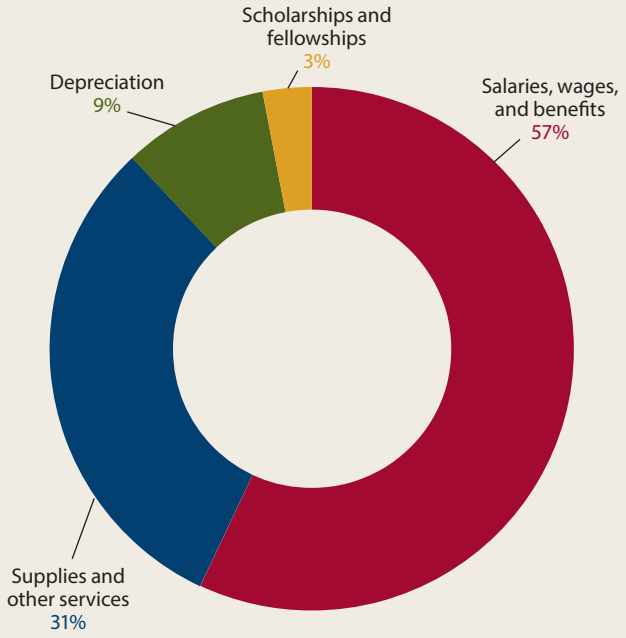


Financial Highlights

Operating Revenues	FY2020
Student tuition and fees	$ 253,947,459
Auxiliary enterprises	178,334,077
Federal grants and contracts	66,443,033
Non-governmental grants and contracts	24,015,325
State and local grants and contracts	19,966,408
Sales and services of educational departments	18,052,451
Other operating revenues	9,729,699
Federal appropriations	12,740,568
County appropriations	4,560,963
Total	**$ 587,789,983**

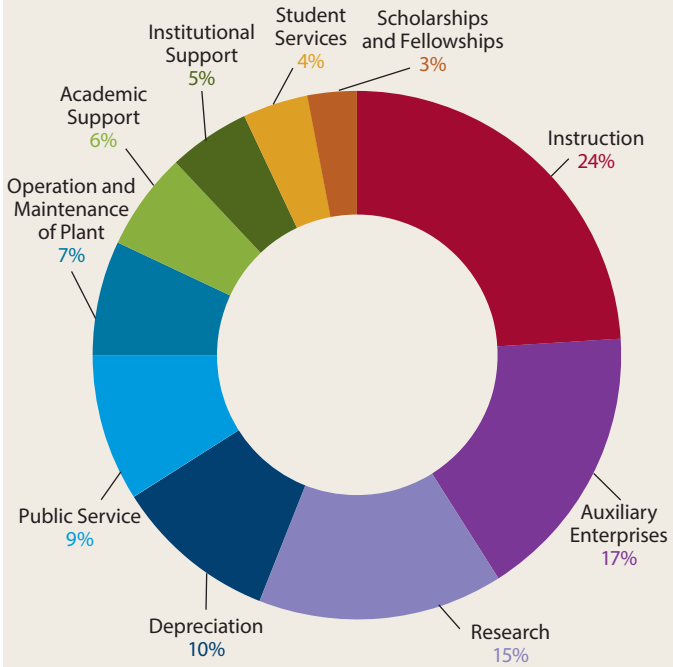
Nonoperating Revenues	FY2020
State appropriations	$ 214,519,597
Gifts	86,506,052
State & local grants (non-exchange)	30,590,181
Federal grants (non-exchange)	29,774,750
Investment income	16,134,565
Other nonoperating revenues	11,918,319
Total	**$ 389,443,464**

Fiscal Year 2020
Operating Expenses by Natural Classification



Operating Expenses by Natural Classification	FY2020
Salaries, wages, and benefits	$ 533,951,691
Supplies and other services	254,225,531
Depreciation	90,518,501
Scholarships and fellowships	27,339,687
Total operating expenses	**$ 906,035,410**

Fiscal Year 2020
Operating Expenses by Function



Operating Expenses by Function	FY2020
Instruction	$ 225,792,044
Auxiliary Enterprises	152,037,316
Research	135,304,244
Depreciation	90,518,501
Public Service	80,253,975
Operations and Maintenance of Plant	58,703,209
Academic Support	55,309,496
Institutional Support	45,541,287
Student Services	34,929,546
Scholarships and Fellowships	27,645,792
Total operating expenses	**$ 906,035,410**

Statement of Cash Flows

The Statement of Cash Flows provides information about the cash activity of the University during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

The statement aids in the assessment of the University's ability to meet obligations as they become due, the need for external financing, and the ability to generate future cash flow.

The following summarizes the University's cash flows for the years ended June 30, 2020 and 2019:

Condensed Summary of Cash Flows

	2020	2019
Net cash used by operating activities	$ (233,365,358)	$ (204,062,556)
Net cash provided by noncapital financing activities	360,842,034	347,969,526
Net cash provided by operating and noncapital financing activities	127,476,676	143,906,970
Net cash used by capital and related financing activities	(92,709,685)	(124,631,551)
Net cash provided(used) by investing activities	(49,377,765)	(4,207,178)
Net increase (decrease) in cash	**$ (14,610,774)**	**$ 15,068,241**

The University used $233.4 million of cash for operating activities in 2020 offset by cash provided by noncapital financing activities of $360.8 million. Similar to the operating loss on the Statement of Revenues, Expenses and Changes in Net Position, net cash used by operating activities does not include state support and other significant non-operating cash items and is therefore best viewed in combination with noncapital financing activities. Net cash provided by operating and noncapital financing activities is a much more meaningful number for the University and the positive amount of $127.5 million for 2020 indicates that these activities contributed to cash and liquidity for the year.

Cash used by capital financing activities reflects the University's continued use of bonded debt to finance the acquisition of capital assets. Net cash used by investing activities illustrates the continuation of the operating investments policy.

Significant Changes in Capital Assets and Long-Term Debt Activity

The University continued work on the multi-year Facilities Renewal and Stewardship Plan in 2020. This large-scale, long-range plan is intended to renew, upgrade, and add facilities to expand capacity and modernize the campus. A dedicated facilities fee phased in over time beginning in 2009, and the creation of several targeted, operating budget lines provides a revenue stream that is used to leverage bonded debt and other resources to fund a portion of this aggressive plan. University gifts, central reserves, various grants, Athletics support, targeted facilities operating budget lines, energy saving performance contracts and other miscellaneous sources of funds all contribute to this overall program. The condition of the University's capital assets is a critical measure of the University's overall financial health. Creating and maintaining facilities that provide an exceptional academic environment in which to learn, live and work is vital to attracting new students, as well as recruiting excellent faculty and staff. The University maintains a Facility Condition Index (FCI) to assist in assessment of the overall stewardship of capital assets. The index trend is positive, demonstrating the positive effect of renewal, stewardship, renovations and the continued reduction of deferred maintenance to campus infrastructure and educational and general buildings as the Facilities Renewal and Stewardship Plan has continued to be pursued after over 11 years of deliberate effort.

A summary of the change in Net invested in capital assets is as follows:

Changes in Net Invested in Capital Assets

	Amount
Net Invested in Capital Assets as of July 1, 2019	$ 649,366,007
Land Additions and Disposals (net)	2,932,066
Buildings Additions and Disposals, net of depreciation	54,558,533
Improvements/Infrastructure Additions, net of depreciation	5,406,335
Equipment Additions and Disposals, net of depreciation	(1,800,527)
Construction in Progress Additions net of transfers to buildings, improvements/infrastructure, and intangible assets	14,057,402
Livestock Additions/deductions	(302,052)
Library Holdings Additions and Disposals, net of depreciation	(1,458,910)
Intangible Assets, net of amortization	(154,590)
Bond debt moved to Net invested in capital assets	(254,350,187)
Bond Principal Paid in 2020	32,480,000
Bond debt refinanced	171,880,000
Deferred loss on refinanced bond issues, amortized	(707,309)
Net unamortized bond issue premium	(5,536,891)
Capital Leases Assumed in 2020	(2,270,304)
Note, Capital Lease and Installment Contract Principal Paid in 2020	5,772,181
Prepaid maintenance contract on equipment and other	(404,151)
Net Invested in Capital Assets as of June 30, 2020	**$ 669,467,603**

Note 4, "Capital Assets" provides additional information related to the University's depreciable and non-depreciable capital assets.

Capital projects continued at an impressive pace in 2020, with several construction projects begun in previous years completed or substantially completed, continued progress on multi-year projects and new projects initiated.

The list of projects begun in previous years completed in 2020 include:

- Adohi Hall – Project constructed a 700-bed residence hall to include multi-use meeting rooms, advising and administrative offices, laundry, vending, kitchen, and front desk communal areas. This project is envisioned as part of a larger residential district to be developed in the Athletic Valley area of campus. Project cost was $74 million, funded by bonds.

- Pomfret Dining Renovation & Expansion – Project consisted of renovation and expansion of Pomfret Dining Hall will include new food preparation areas, serving stations, and general kitchen work flow improvements to the existing 12,000 square feet buffet-style controlled access food venue, as well as providing additional seating created by an expansion of the dining pavilion to the west to accommodate around 385-400 seats. The west addition will also house a small, 75 seat a la carte dining venue and will address the ADA access to the building entrance, to the various levels of the dining pavilion. The estimated project cost is $17.6 million funded by $5.5 million in bonds, $10 million in contract revenue from the campus food service provider and $2.1 million from dining reserves.

- Greek Housing Projects – The last of four separate Greek organizations that were granted the ability to either construct new residence facilities or renovate existing residence facilities on university-owned property under a long-term lease was completed as of June 30, 2020. The other three residence facilities were completed as of June 30, 2019. All four of these projects are the responsibility of the Greek organizations and are funded by arrangements made by the organizations. An additional Greek organization has begun another renovation project which is being funded by arrangements made by the organization. See Note 19, Commitments and Contingencies for additional information about these projects.

Construction continuing, and new projects begun in 2020 include:

- Entrance Monument Signs – Project continues to construct monument signs to mark the three major vehicular entrances to the University of Arkansas Campus. The design of each location includes a native stone wall with capstone featuring the University of Arkansas name, new sidewalks and curbs, trees, and other landscaping. The remaining estimated project cost is $0.9 million, funded by bonds. Completion of Phase 2 is estimated to be December 2020.

- University Recreation Intramural Fields – Project continues to construct new University playing fields that will supplement the Mitchel Fields multi-purpose fields located on campus. Land located near the campus has been designed for two projects, the Cato Springs Softball/Soccer Fields Complex, and the Indian Trails Tennis Complex/ Mountain Biking Trails. The Cato Springs project will provide space for an additional six flag football/soccer fields, four softball fields, three basketball courts, and four volleyball courts: along with parking lots, lighting, a maintenance barn, and restrooms. The Indian Trails project will provide 12 tennis courts, biking trails, and parking. The overall project will be funded in phases with initial funding in 2016 of $4 million in bonds. An additional $3 million in bonds were added to the project in 2017 with an additional $3 million in bonds added in 2019 as well. Estimated project completion for Indian Trail courts is August 2021.

- Civil Engineering Research & Education Center – Project continues to construct a research and education facility for the civil engineering department. Project design, which included planning and programming, site options/ selections at the Arkansas Research and Technology Park, early schematic design, and fundraising support images, was completed in 2017. The facility is approximately 25,000 square feet of high bay lab and an adjacent 2-story space. Lab will feature structural testing floor, associated materials preparation and testing areas, lab personnel office and research space. Total estimated project cost is $13.3 million and will be managed in phases. Funding consists of $6 million in bonds issued in 2016, 2017 and 2019, $1 million in grant funds, $.05 million in State Funds with the remaining funding from gifts. Estimated project completion in July 2021.

- South Campus Steam Improvements – Project continues to replace and upgrade a portion of the steam and condensation infrastructure that provides building heat and domestic hot water to the campus. The upgraded system will provide additional capacity for future development of the Athletic Valley district on campus. Estimated project cost is $3 million, funded by $2.7 million in bonds and the remainder from utility reserves. Estimated project completion in December 2020.

- Mullins Library Renovation – Project continues to fully reorganize and renovate the interior to create a collaborative and interdisciplinary learning space focused on student and faculty engagement. The project includes installing fire sprinklers, asbestos abatement, and renovating 116,000 square feet on the third and fourth floors to upgrade study and collaboration spaces to standards expected in modern libraries. The design phase is funded by $1 million in bonds. The estimated construction costs are $25 million funded by $9.2 million in bonds and $14.8 million in university reserves and gift funds. Estimated completion is July 2021.

- Student Success Center – Project continues to construct a 71,000 square foot facility. The student success center will create a home for a new program which has a mission to maximize the success of students, especially first-generation Arkansas students starting with pre-enrollment and transition to the university, through semester to semester retention, to on time graduation and ending with their transitions to careers. The student success center will be in the core campus, just north of Old Main and adjacent to Memorial Hall. The design phase was funded by $1 million in bonds. The estimated construction cost is $45 million funded by $19.2 million in bond proceeds with the remaining funds from university reserves, gifts, and future bond proceeds. Estimated completion is December 2021.

- Windgate Art & Design District Buildings – Construction of a new 142,600 square foot facility for the School of Art at SE corner of Martin Luther King and Hill to consolidate several disciplines across campus. Supports the planned expansion of students and faculty. The estimated project cost is $55 million funded by $40 million in gifts and the remaining amount from University sources. Estimated completion is Summer 2022.

- Baseball Development Center – To construct a facility at the Baum Walker Stadium. Located at the southwest corner of Baum Walker Stadium, the 47,700 square foot facility will provide improved and expanded locker room spaces, team room, weight room, equipment room, training room, meeting rooms, nutrition space, player development spaces, in-venue batting cages and pitching development space and coaches' offices. The estimated project cost is $27 million funded by $20.8 million in bonds, $5.1 million in gifts and $1.1 million from Athletic reserves. Estimated project completion is June 2021.

- Randal Tyson Track Center Renovation – Project provides audio visual and graphic upgrades to the facility. Renovation of the 106,000 square foot track facility. Reconfigure seating and enhanced circulation throughout the building. Total estimated project cost is $5.1 million to be funded from gifts and Athletic reserves. The estimated project completion date is December 2020.

- Track and Field High Performance Center – To construct a track operations facility. This facility will house the Men's and Women's Track and Field teams and will combine many of the program's day to day operations to create an efficient space to serve both programs. The building is expected to be 21,000 square feet and located at the south end of the John McDonnell Field. The facility will provide an improved and expanded training room, weight room, team room and equipment storage space. The estimated project cost is $15 million funded by $10.1 million in bonds and the remaining fund amount to be funded from gifts and Athletic reserves.

- Anthony Timberlands Center for Design & Material Innovation – To construct a 50,000 square foot facility located at the NE corner of the Art & Design District. This facility will provide space for timber and wood design graduate programs and an applied research center for wood innovation. This will include classroom, studio, conference, office, and fabrication space. The estimated project cost is $19.5 million funded by gifts, University reserves and state funds.

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

Summary of Changes in Long-Term Debt

	Bonds	Notes	Installment Contracts and Leases
Balance as of July 1, 2019	$ 835,503,600	$ 5,395,418	$ 16,957,211
Additions	223,775,000	707,969	1,608,004
Retirement of principal	(204,360,000)	(1,340,065)	(4,455,348)
Amortization of net bond premium	5,536,891		
Balance as of June 30, 2020	**$ 860,455,491**	**$ 4,763,322**	**$ 14,109,867**

Note 8, "Long-Term Debt" provides additional information related to the University's long-term debt.

The University issued bonds during 2020 to provide funds to finance various construction and renovation projects. Notable among these are construction of the Baseball Development Center, the Track and Field High Performance Center, a new Student Success Center, intramural sports fields, renewal of the north chiller, renovation of the Randal Tyson Track Center, and the continuing renovation of Mullins Library. Proceeds of over $61 million, were generated to fund these projects.

In addition, bonds were issued to accomplish a current refunding of $42.3 million of the Series 2009 bond issue, and to accomplish the advance refunding of $78.9 million of the outstanding Series 2011A and $50.6 million of the outstanding 2012B bond issues.

Conditions and other factors having a significant effect

The COVID-19 pandemic caused a rapid evolution in the University's operating environment for FY 2020. The pandemic has, and will continue to, foster a great deal of uncertainty in the University's operations through fiscal year 2021 and potentially beyond.

In the face of this uncertainty, the University has maintained its conservative fiscal approach in 2021 with respect to budgeting overall and in particular in budgeting for State Appropriations. While state funding has not decreased to the degree anticipated, the University continues to rely on its conservative projections of fiscal support from the state for 2021. The University has been allocated over $15.5 million in Federal CARES Act funding in response to the COVID-19 pandemic. In line with federal requirements, half of this funding was provided directly as aid to the University's students. As of June 30, 2020, $7.4 million of the funds intended for aid to students has been disbursed. The remaining $0.3 million will be awarded to qualifying students with need in the fall 2020 semester.

The remaining $7.7 million will be utilized by the University throughout 2021 to offset expenses related to the COVID-19 pandemic's impacts on instructional delivery.

The COVID-19 pandemic has had an impact on auxiliary revenue. Traditional summer programs that result in auxiliary revenue for University Housing and Dining did not happen such as summer camps, in-person orientation, and any regular summer housing for students living on campus. Athletics revenue was also affected during the spring semester due to the fact the baseball season was suspended and the NCAA basketball tournament was cancelled. These cancellations had an impact on conference revenue distributions. Looking forward into 2021, there will be a loss of ticket revenue for football due to limited attendance requirements. The duration of these limitations remains unknown due to the ongoing pandemic.

Financial and political support from state government remains a critical element to the continued financial health of the University. In 2020, the total general revenue distribution from the State, which is a portion of the state appropriation revenue on the Statement of Revenues, Expenses and Changes in Net Position, increased slightly to $209.3 million from the $208.2 million reported in 2019. The forecast for 2021 indicates general revenue and Educational Excellence Trust Fund distributions from the State may decrease 3.9%. If State revenue continues as strong as it has, the University may receive essentially the same level of funding in 2021 that was received in 2020. Management will continue to institute both internal and external efforts to maximize the state resources available, while seeking ways to minimize the effect of state funding levels not keeping pace with growth.

In 2017, The Arkansas Legislature enacted Act 148 which adopted a productivity-based funding model for most state-supported higher education institutions. As provided in the Act, the Arkansas Department of Higher Education developed a productivity-based funding model with measures for effectiveness, affordability, and efficiency. That model was first used to determine funding recommendations for the 2018-19 academic year and resulted in a small increase in university funding based on those measures. The university does not anticipate material changes in its funding level over the short term based on this funding policy.

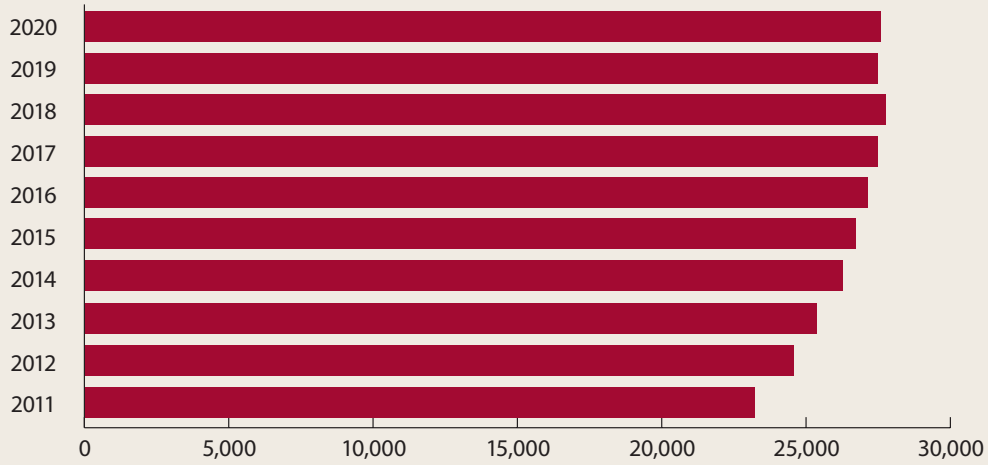
We continue to seek ways to manage the cost of attendance so that it remains affordable while achieving revenue support necessary to offer a high-quality university experience. Diverse revenue resources, including state appropriations, tuition and fees (net of scholarship allowance), private support and sponsored grants and contracts all contribute to support the mission of teaching, research and service. Tuition and mandatory fee increases totaling 2.8% for resident and nonresident students, respectively, were necessary in 2020 to maintain the facilities, faculty and other support needed to fulfill our mission. As enrollment stabilizes, together with state funding levels not able to keep pace with formula calculations, it is expected that the University must continue to look to increases in tuition rates for revenue support as well as grow other revenue streams.

Fiscal year 2020 was the final year of Campaign Arkansas, the university's capital campaign to advance academic opportunity at the U of A. Campaign Arkansas had a goal of $1.25 billion, and the university surpassed this amount by raising nearly $1.45 billion – a new record for fundraising. The largest contribution to Campaign Arkansas was announced shortly before its conclusion – a $194.7 million grant from the Walton Family Charitable Support Foundation for the Institute for Integrative and Innovative Research. Annual Giving also made a sizeable impact during the campaign, with more than 500,000 gifts and pledges adding up to $96.4 million.

More than 123,000 benefactors invested in scholarships and fellowships, endowed faculty chairs, capital projects, interdisciplinary academic programs, and other priority areas during the campaign, and nearly $350 million was added to the university's endowment. There were 706 new student support accounts, such as scholarships and fellowships, created as a result of Campaign Arkansas, as well as 92 faculty and staff support accounts, including 46 new endowed faculty positions.

Preliminary figures indicate that the university enrolled 27,562 students for the fall 2020 semester while setting new records for retention and graduation rates. As the charts below indicate, university enrollment has increased 18.8%, or 4,363 students over the past ten years. Enrollment topped 27,500 for the third year in a row, with this year's total being virtually the same as last year's enrollment of 27,559. This modest decline from two years ago is an indication that the size of the university's enrollment is stabilizing after two decades of unprecedented growth. This is also a positive sign considering the uncertainty brought on by the COVID 19 pandemic. This more stable enrollment is welcomed as the university assesses future goals and the optimum number of students.

Enrollment Trend Over the Last 10 Years

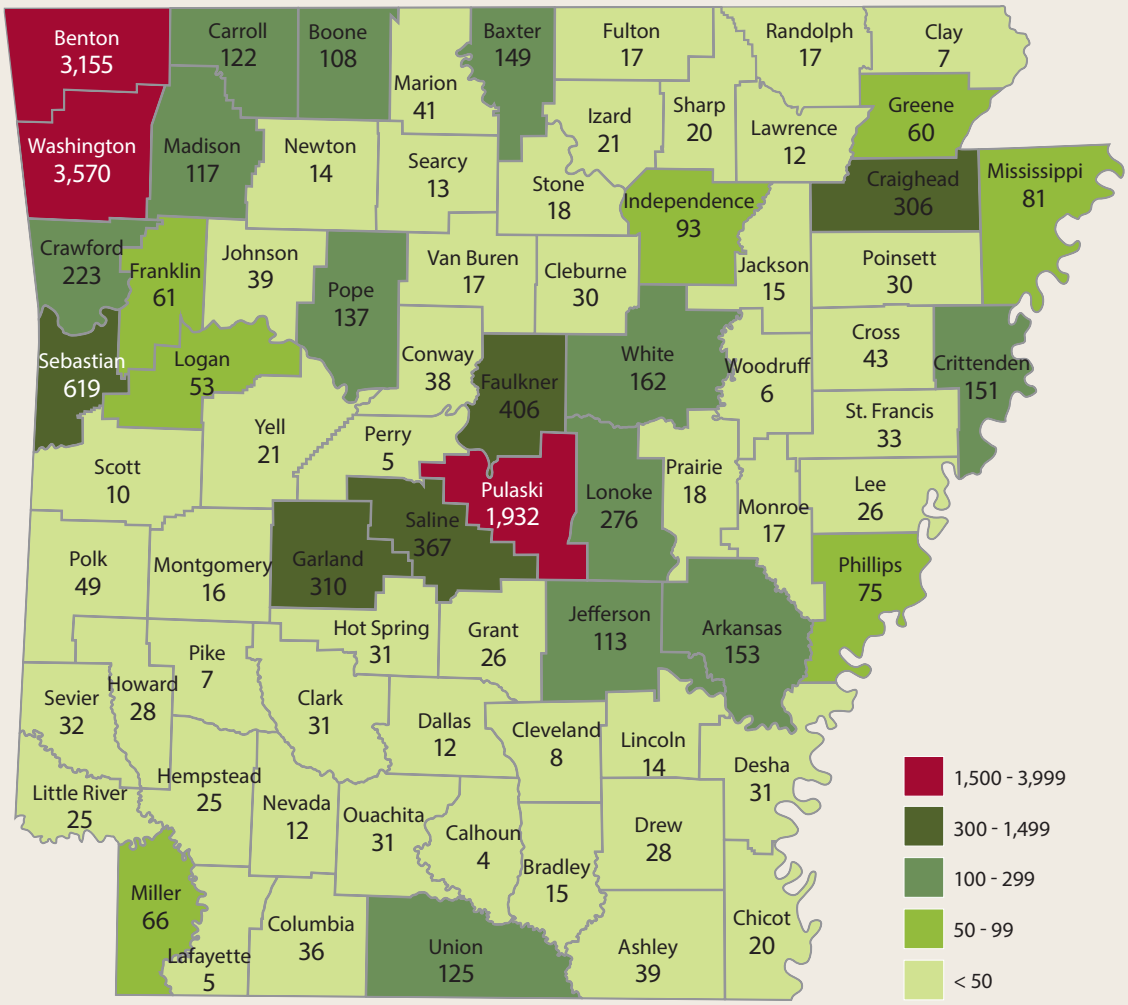


Fall Semester Enrollment

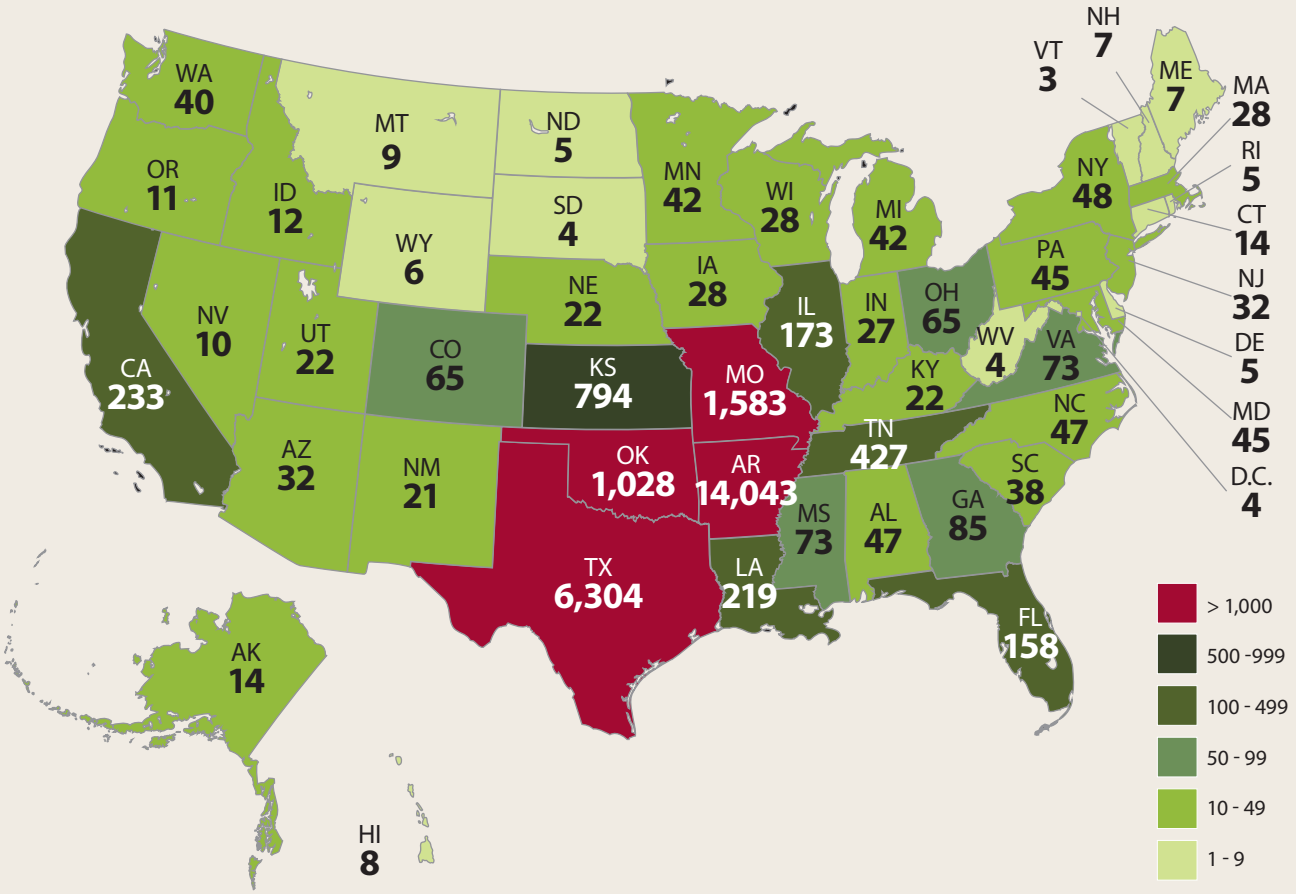
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total	23,199	24,537	25,341	26,237	26,754	27,194	27,558	27,778	27,559	27,562
Undergraduate	19,027	20,350	21,009	21,836	22,158	22,548	23,044	23,386	23,025	22,825
Law	413	410	390	379	375	371	353	368	364	383
Graduate	3,759	3,777	3,942	4,022	4,221	4,275	4,161	4,024	4,170	4,354
New Freshmen	4,462	4,591	4,357	4,590	4,927	4,998	5,092	5,019	4,653	4,782

Per the Office of Institutional Research and Assessment

In-State Enrollment by County of Origin



Enrollment by State



Foreign Countries

1,465

STATEMENT OF NET POSITION

For the Year Ended June 30, 2020 (With Comparative Figures at June 30, 2019)

	June 30, 2020	June 30, 2019
ASSETS		
Current Assets		
Cash and cash equivalents	$ 148,057,214	$ 162,667,988
Short-term investments	376,728,528	337,800,994
Accounts receivable, net	58,066,686	56,175,037
Accrued interest receivable	700,861	1,064,994
Pledges receivable	14,451,446	11,839,918
Inventories, net	4,808,496	7,081,785
Deposits with bond trustees	4,822,089	4,659,661
Notes receivable, net	3,077,655	3,865,795
Other assets	4,447,331	7,366,275
Total current assets	615,160,306	592,522,447
Noncurrent Assets		
Cash and cash equivalents		
Endowment investments	82,502,506	84,409,953
Other long-term investments	32,180,431	5,231,004
Notes receivable, net	8,703,116	10,318,903
Pledges receivable	4,665,168	15,339,876
Deposits with bond trustees	60,533,075	37,176,347
Other assets	1,349,154	789,396
Capital assets, net	1,480,264,840	1,464,377,332
Total noncurrent assets	1,670,198,290	1,617,642,811
Total assets	**$ 2,285,358,596**	**$ 2,210,165,258**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	$ 12,260,356	$ 12,967,665
Deferred outflows related to other post employment benefits	1,517,000	698,732
Deferred outflows related to pensions	2,962,202	4,632,899
Total deferred outflows of resources	**$ 16,739,558**	**$ 18,299,296**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 26,100,641	$ 37,150,530
Accrued payroll liabilities	16,202,791	18,701,962
Accrued interest expense	6,433,555	6,550,387
Student overpayments	238,182	207,707
Funds held in trust for others	1,611,889	1,645,803
Advance receipts	24,004,429	32,246,315
Compensated absences payable - current portion	1,804,612	1,770,865
Liability for other post employment benefits	654,000	698,732
Bonds, notes, capital leases & installment contracts payable - current portion	45,540,548	42,276,009
Total current liabilities	122,590,647	141,248,310

Noncurrent Liabilities		
Refundable federal advance – Perkins loans	10,692,082	14,380,000
Compensated absences payable	20,861,657	19,087,187
Liability for other post employment benefits	21,922,000	20,494,321
Pension liability	11,540,232	12,751,895
Bonds, notes capital leases and installment contracts payable	833,788,132	815,580,220
Other noncurrent liabilities	32,054	32,054
Total noncurrent liabilities	898,836,157	882,325,677
Total liabilities	**$ 1,021,426,804**	**$ 1,023,573,987**
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to other post employment benefits	$ 2,508,000	$ 2,843,268
Deferred inflows related to pensions	2,869,899	2,333,208
Total deferred inflows of resources	**$ 5,377,899**	**$ 5,176,476**
NET POSITION		
Net invested in capital assets	$ 669,467,603	$ 649,366,007
Restricted for		
Nonexpendable		
Scholarships and fellowships	8,761,367	8,658,175
Research	5,739,659	5,739,659
Instructional department uses	10,686,325	10,686,325
Loans	1,170,074	1,608,044
Other	15,272,716	5,272,716
Expendable		
Scholarships and fellowships	18,223,185	17,088,923
Research	41,244,159	36,662,420
Public service	9,925,912	8,269,424
Instructional department uses	13,205,198	13,934,551
Loans	2,490,078	2,816,890
Capital projects	63,512,062	65,834,505
Debt service	205,870	212,469
Other	7,271,983	6,251,010
Unrestricted	408,117,260	367,312,973
Total net position	**$ 1,275,293,451**	**$ 1,199,714,091**

See Accompanying Notes To Financial Statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2020 (With Comparative Figures for 2019)

	Fiscal 2020 Total	Fiscal 2019 Total
REVENUES		
Operating Revenues		
Student tuition and fees (net of scholarship allowances of $81,823,058 in fiscal year 2020, and $77,294,871 in fiscal year 2019)	$ 253,947,459	$ 250,731,149
Federal appropriations	12,740,568	11,436,062
County appropriations	4,560,963	4,551,791
Federal grants and contracts	66,443,033	70,399,139
State and local grants and contracts	19,966,408	25,556,054
Nongovernmental grants and contracts	24,015,325	19,641,617
Sales and services of educational departments	18,052,451	22,098,014
Auxiliary enterprises		
Residence Life (net of scholarship allowances of $15,377,271 in fiscal year 2020, and $14,981,831 in fiscal year 2019)	57,508,166	55,654,857
Athletics	101,090,667	112,613,294
Bookstore (net of scholarship allowances of $47,973 in fiscal year 2020, and $136,095 in fiscal year 2019)	8,906,318	10,903,754
Student Health Services	2,635,306	3,051,023
Transit and Parking	8,087,870	8,960,419
Student Organizations/Activities	33,610	110,272
Other Auxiliary Enterprises	72,140	58,510
Other operating revenues	9,729,699	11,652,343
Total operating revenues	**587,789,983**	**607,418,298**
EXPENSES		
Operating Expenses		
Salaries, wages, and benefits	533,951,691	516,859,882
Scholarships and fellowships	27,339,687	23,495,596
Supplies and other services	254,225,531	279,744,590
Depreciation	90,518,501	86,167,691
Total operating expenses	**906,035,410**	**906,267,759**
Operating loss	**(318,245,427)**	**(298,849,461)**
NONOPERATING REVENUES (EXPENSES)		
State appropriations	214,519,597	212,639,371
Gifts	86,506,052	78,997,092
Investment income (net of investment expense of $245,954 in fiscal year 2020, and $447,530 in fiscal year 2019)	16,134,565	19,356,562
Interest on capital asset - related debt	(30,341,700)	(31,883,875)
Federal grants (nonexchange)	29,774,750	23,262,107
State and local grants (nonexchange)	30,590,181	30,816,891
Nongovernmental grants (nonexchange)		39,414
Gain (loss) on disposal of assets	5,448,183	135,459
Other nonoperating revenues	6,470,136	5,556,290
Other nonoperating expenses	(1,246,111)	(250,672)
Net nonoperating revenues	**357,855,653**	**338,668,639**
Gain before other revenues and changes in net position	**39,610,226**	**39,819,178**

OTHER REVENUES AND CHANGES IN NET POSITION		
Capital appropriations	2,900,000	1,173,500
Capital grants and gifts	32,852,948	54,209,072
Other changes	216,186	200,173
Extraordinary item - pollution remediation		(571,154)
Total other revenues and changes in net position	**35,969,134**	**55,011,591**
Increase in net position	**75,579,360**	**94,830,769**
NET POSITION		
Net position, beginning of year	1,199,714,091	1,104,883,322
Net position, end of year	**$ 1,275,293,451**	**$ 1,199,714,091**

See Accompanying Notes To Financial Statements.

STATEMENT OF CASH FLOWS – DIRECT METHOD

For the Year Ended June 30, 2020 (With Comparative Figures for 2019)

Statement of Cash Flows - Direct Method

For the Year Ended June 30, 2020 (With Comparative Figures for 2019)

	Fiscal 2020 Total	Fiscal 2019 Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 253,769,278	$ 250,387,437
Federal appropriations	9,708,962	11,768,439
County appropriations	4,560,963	4,551,791
Grants and contracts	107,446,964	114,405,574
Payments to suppliers	(253,609,214)	(272,322,848)
Payments to employees	(416,409,942)	(409,412,975)
Payments for benefits	(117,042,179)	(102,875,179)
Payments for scholarships and fellowships	(27,439,543)	(23,639,271)
Loans issued to students and employees	(445,619)	(1,350,313)
Collections of loans to students	3,086,028	3,597,574
Collections of interest on loans to students	942,770	693,516
Auxiliary enterprise charges		
Residence Life	57,585,682	55,761,186
Athletics	91,763,187	110,459,379
Bookstore	7,522,640	11,144,414
Student Health Services	2,660,268	3,037,223
Transit and Parking	8,274,439	8,976,032
Student Organizations/Activities	36,726	110,475
Other Auxiliary Enterprises	72,153	139,046
Sales and services of educational departments	19,766,237	21,493,858
Other receipts	15,330,600	16,676,429
Extraordinary item - pollution remediation	(945,758)	(7,664,343)
Net cash used by operating activities	**(233,365,358)**	**(204,062,556)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	214,519,597	212,639,371
Gifts and grants for other than capital purposes	86,145,527	78,406,004
Federal grants (nonexchange)	29,774,750	23,262,107
State and local grants (nonexchange)	29,956,675	30,782,945
Nongovernmental grants (nonexchange)		39,414
Direct Lending, and private loan receipts	130,813,565	132,284,770
Direct Lending, and private loan payments	(130,314,252)	(129,569,558)
Net agency fund transactions	(53,828)	124,473
Net cash provided by noncapital financing activities	**360,842,034**	**347,969,526**
Net cash provided by operating activities and noncapital financing activities	**127,476,676**	**143,906,970**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Realized proceeds related to capital debt transactions	38,813,567	85,187,322
Capital appropriations	2,891,209	1,173,500
Capital grants and gifts received	30,574,512	23,888,632
Proceeds from sale of capital assets	6,185,742	
Purchases of capital assets	(98,669,315)	(164,021,216)
Principal paid on capital debt and leases	(38,275,417)	(35,809,393)
Interest paid on capital debt and leases	(34,229,983)	(35,050,396)
Net cash used by capital and related financing activities	**(92,709,685)**	**(124,631,551)**

CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	2,800,000	114,023,052
Investment income	1,882,235	2,315,480
Purchase of investments	(54,060,000)	(120,545,710)
Net cash provided (used) by investing activities	**(49,377,765)**	**(4,207,178)**
NET INCREASE (DECREASE) IN CASH	(14,610,774)	15,068,241
Cash - beginning of year	162,667,988	147,599,747
Cash - end of year	**$ 148,057,214**	**$ 162,667,988**
RECONCILIATION OF NET OPERATING LOSS TO		
NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (318,245,427)	$ (298,849,461)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	90,518,501	86,167,691
Other miscellaneous operating receipts	7,335,671	5,816,480
Extraordinary item - pollution remediation	(945,758)	(7,664,343)
Changes in assets and liabilities		
Receivables (net)	(2,564,349)	(1,809,644)
Inventories	2,273,289	(2,367,991)
Prepaid expenses	2,552,208	(130,228)
Accounts payable and accrued liabilities	(9,724,252)	9,861,950
Accrued payroll liabilities (Employees)	63,606	(360,710)
Accrued payroll liabilities (Benefits)	(2,637,635)	4,370,040
Student overpayments	30,475	119,332
Advance receipts	(8,241,886)	(2,241,569)
Refundable federal advance	(3,687,918)	(834)
Compensated absences	1,808,217	(744,328)
OPEB related	1,865,947	218,724
Pension related	3,419,051	1,088,005
Loans to students and employees	2,814,902	2,464,330
Net cash used by operating activities	**$ (233,365,358)**	**$ (204,062,556)**
NONCASH TRANSACTIONS		
Donations of land, buildings, improvements, infrastructure and library holdings	$ 11,279,063	$ 42,469,810
Equipment donations	32,780	236,392
Payment of bond escrow directly from bond proceeds		
Payment of bond proceeds directly into deposits with trustees	243,045,931	30,210,536
Payment of underwriter's discounts paid directly from bond proceeds	409,869	93,765
Bond issuance costs paid directly from bond proceeds	639,417	156,907
Interest on long-term debt paid directly from deposits with trustees	226,154	20,976
Investment income paid on and deposited directly into deposits with trustees	1,544,840	1,813,143
Capital outlay and other related expenses paid directly from proceeds of University of Arkansas long-term debt instruments	2,313,073	4,972,013
Net loss on disposal of assets	976,205	664,984
Value of goods received from sponsorship agreements with vendors	3,503,323	3,486,821
Valuation adjustments of capital assets--increase (decrease)	239,951	

See Accompanying Notes To Financial Statements

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DISCRETELY PRESENTED COMPONENT UNITS

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

THE UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
Assets		
Contribution receivable, net	$ 4,780,000	$ 4,608,550
Investments	560,054,472	573,191,353
Total assets	$ 564,834,472	$ 577,799,903
Liabilities and Net Assets		
Accounts payable	$ 1,336,744	$ 2,556,928
Net assets with donor restrictions	563,497,728	575,242,975
Total liabilities and net assets	$ 564,834,472	$ 577,799,903

THE UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Contribution	$ -	$ 171,450	$ 171,450
Interest and dividends	-	3,561,648	3,561,648
Net realized and unrealized gains on investments	-	7,909,565	7,909,565
Net assets released from restrictions	23,387,910	(23,387,910)	-
Total revenue, gains and other support	23,387,910	(11,745,247)	11,642,663
Expenses and losses:			
Program services:			
Fayetteville campus support	23,387,910	-	23,387,910
Changes in net assets	-	(11,745,247)	(11,745,247)
Net assets, beginning of year	-	575,242,975	575,242,975
Net assets, end of year	$ -	$ 563,497,728	$ 563,497,728

THE UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Contribution	$ -	$ 171,450	$ 171,450
Interest and dividends	-	3,974,565	3,974,565
Net realized and unrealized gains on investments	-	22,716,071	22,716,071
Net assets released from restrictions	23,618,294	(23,618,294)	-
Total revenue, gains and other support	23,618,294	3,243,792	26,862,086
Expenses and losses:			
Program services:			
Fayetteville campus support	23,618,294	-	23,618,294
Changes in net assets	-	3,243,792	3,243,792
Net assets, beginning of year	-	571,999,183	571,999,183
Net assets, end of year	$ -	$ 575,242,975	$ 575,242,975

DISCRETELY PRESENTED COMPONENT UNITS

THE RAZORBACK FOUNDATION, INC.

THE RAZORBACK FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2020

Assets	
Cash and cash equivalents	$ 6,819,185
Restricted cash and cash equivalents	1,572,987
Contributions receivable, net	26,895,510
Investments, at fair value	22,343,051
Prepaid rent	570,409
Other	1,864,502
Property and equipment, net	2,578,954
Total assets	$ 62,644,598
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued liabilities	$ 272,647
Net assets:	
Net assets of nonprofit parent without donor restriction	40,146,912
Stockholder's equity in for-profit subsidiary	100
Total net assets without donor restrictions	40,147,012
With donor restrictions	22,224,939
Total net assets	62,371,951
Total liabilities and net assets	$ 62,644,598

THE RAZORBACK FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	$ 15,772,216	$ 12,190,549	$ 27,962,765
Interest and dividends	130,500	131,890	262,390
Net realized and unrealized gains on investments	377,880	18,086	395,966
Other	92,794	-	92,794
Net assets released from restrictions	9,144,325	(9,144,325)	-
Total revenues, gains and other support	25,517,715	3,196,200	28,713,915
Expenses and losses:			
Program services:			
Athletic department expenses	14,117,449	-	14,117,449
Construction and capital projects	9,927,326	-	9,927,326
Scholarships	198,927	-	198,927
Total program services	24,243,702	-	24,243,702
Supporting services:			
Management and general	2,640,128	-	2,640,128
Membership, fundraising and development	1,420,579	-	1,420,579
Change in cash surrender value of life insurance policies	4,872	-	4,872
Provision for loss on uncollectible contributions	577,276	-	577,276
Loss on sale of property	148,905	-	148,905
Total supporting services	4,791,760	-	4,791,760
Total expenses and losses	29,035,462	-	29,035,462
Change in net assets	(3,517,747)	3,196,200	(321,547)
Net assets, beginning of year	43,664,759	19,028,739	62,693,498
Net assets, end of year	$ 40,147,012	$ 22,224,939	$ 62,371,951

THE RAZORBACK FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019

Assets	
Cash and cash equivalents	$ 7,098,096
Restricted cash and cash equivalents	1,782,569
Contributions receivable, net	25,832,840
Investments, at fair value	13,979,657
Prepaid rent	655,339
Other	1,804,609
Property and equipment, net	12,118,044
Total assets	$ 63,271,154
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued liabilities	$ 577,656
Net assets:	
Net assets of nonprofit parent without donor restriction	43,664,659
Stockholder's equity in for-profit subsidiary	100
Total net assets without donor restrictions	43,664,759
With donor restrictions	19,028,739
Total net assets	62,693,498
Total liabilities and net assets	$ 63,271,154

THE RAZORBACK FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	$ 18,423,981	$ 16,525,114	$ 34,949,095
Interest and dividends	110,521	198,290	308,811
Net realized and unrealized gains on investments	343,883	62,915	406,798
Other	468,576	-	468,576
Net assets released from restrictions	28,799,226	(28,799,226)	-
Total revenues, gains and other support	48,146,187	(12,012,907)	36,133,280
Expenses and losses:			
Program services:			
Athletic department expenses	13,618,656	-	13,618,656
Construction and capital projects	13,253,267	-	13,253,267
Scholarships	187,563	-	187,563
Total program services	27,059,486	-	27,059,486
Supporting services:			
Management and general	2,881,928	-	2,881,928
Membership, fundraising and development	4,680,980	-	4,680,980
Change in guaranty payment	(7,072,771)	-	(7,072,771)
Impairment of land	1,800,000		1,800,000
Change in cash surrender value of life insurance policies	(8,574)	-	(8,574)
Provision for loss on uncollectible contributions	320,255	-	320,255
Total supporting services	2,601,818	-	2,601,818
Total expenses and losses	29,661,304	-	29,661,304
Change in net assets	18,484,883	(12,012,907)	6,471,976
Net assets, beginning of year	25,179,876	31,041,646	56,221,522
Net assets, end of year	$ 43,664,759	$ 19,028,739	$ 62,693,498

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1A Nature of the Organization

The University of Arkansas, Fayetteville ("the University") is a State-supported institution of higher education and the flagship of the University of Arkansas System. The University was established at Fayetteville in 1871 under the provisions of the Morrill Act as both a state university and the land-grant college of Arkansas and is one of thirteen campuses of the University of Arkansas System.

The University is granted an annual appropriation for operating purposes as authorized by the Arkansas General Assembly. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total operating funds. An appropriation is construed to be available for the one-year period following the legislative session in which it was approved. All appropriations lapse at the end of the year unless otherwise provided. The laws of the State and the policies and procedures specified by the State for state agencies and institutions are applicable to the activities of the University.

The University is tax exempt under Internal Revenue Service code except for tax on unrelated business income. The University had no significant unrelated business income for the year ended June 30, 2020. It is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

The University is governed by a ten-member Board of Trustees which has been accorded constitutional status for the exercise of its powers and authority by Amendment 33 to the Arkansas Constitution. The Board of Trustees has delegated to the President the administrative authority for all aspects of the University's operations. Administrative authority is further delegated to the Chancellors, the Vice President for Agriculture, the Dean of the Clinton School, the Director of the Criminal Justice Institute, the Director of the Archeological Survey and the Executive Director of the Arkansas Research and Education Optical Network who have responsibility for the programs and activities of the respective campus or state-wide operating division.

1B Financial Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, *Determining Whether Certain Organizations are Component Units - an amendment of GASB Statement No. 14* and No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and 34*, defines the financial reporting entity as the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Under the provisions of these Statements, the University is a component unit of the State of Arkansas (primary government). Although the guidance is written from the perspective of the primary government, its requirements apply to the separately issued financial statements of a component unit, and therefore, the component unit should apply the provisions as if it was a primary government.

For purposes of financial reporting, the primary government of the University includes the academic units in Fayetteville, the Agricultural Experiment Station, the Cooperative Extension Service, the Arkansas Archeological Survey, the Criminal Justice Institute, the Clinton School of Public Service, and the Arkansas Research Education Optical Network. The academic units in Fayetteville include ten colleges, schools and divisions: the Dale Bumpers College of Agricultural, Food, and Life Sciences, the Fay Jones School of Architecture and Design, the J. William Fulbright College of Arts and Sciences, the Sam M. Walton College of Business, the College of Education and Health Professions, the College of Engineering, the School of Law, the Honors College, the Graduate School and International Education, and the Global Campus.

1C Discretely Presented Component Units

Under the provisions of the GASB Statements discussed above, the University has identified two organizations that should be reported as component units based on the nature and significance of their relationship with the primary government. The qualifying organizations are the University of Arkansas Fayetteville Campus Foundation, Inc., and the Razorback Foundation, Inc. Although the University does not control the timing or amount of receipts from any of these foundations, most resources or income thereon, which the foundations hold and invest, is restricted to the activities of the University by donors. Because these restricted resources held by the foundations can be used only by, or for the benefit of, the University, and their individual net assets are considered as having met the financial accountability criteria of Statement No. 39 by management, these foundations are considered component units of the University and are discretely presented in the University's financial statements.

The University of Arkansas Fayetteville Campus Foundation, Inc. ("the Foundation") is a charitable organization described

in Section 501 (c) (3) of the Internal Revenue Code of 1986, as amended, and was established by the Walton Family Charitable Support Foundation, Inc., for the exclusive benefit of the University of Arkansas, Fayetteville campus. The Foundation was established on March 11, 2003, and exists primarily to support the Honors College, the Graduate School and International Education and the University's library. The Board of Trustees of the Foundation is made up of seven (7) members, including three (3) members who are also employees of the University.

The Foundation distributed $23,371,629 and $23,617,690 to the University during the fiscal years ended June 30, 2020 and June 30, 2019, respectively, for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the administrative office at 535 Research Center Blvd Suite 120, Fayetteville, AR 72701.

The Razorback Foundation, Inc. ("the Razorback Foundation") was incorporated on October 17, 1980. It is a not-for-profit organization whose sole purpose is to support intercollegiate athletics at the University.

The Razorback Foundation distributed $21,473,234 to the University, and provided equipment, facilities, improvements and supplies in the amount of $51,187 during the fiscal year ended June 30, 2020. During the fiscal year ended June 30, 2019, the Razorback Foundation distributed $19,643,002 to the University, and provided equipment, facilities, improvements and supplies in the amount of $4,079,938. Complete financial statements for the Razorback Foundation can be obtained from the administrative office at 1295 S. Razorback Road, Fayetteville, AR 72701.

1D Basis of Presentation

The financial statements for the University have been prepared in accordance with generally accepted accounting principles accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

1E Basis of Accounting

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

1F Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows, deferred outflows, revenues and expenses at the date of the financial statements. Significant estimates include separation of accrued compensated absences between current and non-current and depreciation expense. Actual results could differ from those estimates.

1G Cash and Cash Equivalents

Cash and cash equivalents on the Statement of Net Position includes all readily available sources of cash such as petty cash, demand deposits, and cash on deposit with the State Treasurer.

1H Investments

Investments are stated at fair value. Changes in unrealized gain (loss) on the carrying value are reported as a component of investment income on the Statement of Revenues, Expenses and Changes in Net Position.

1I Accounts Receivable

Accounts receivable are stated at estimated net realizable values; that is, the gross amount of the receivable is reduced by allowances for estimated uncollectible accounts.

1J Inventories

Inventories are valued at cost with costs generally using retail, and first in first out valuation methods, depending on the best practices of the University department to which the inventory belongs.

An allowance of $86,897 was computed based on estimated obsolete inventory values as of June 30, 2020.

1K Capital Assets

Capital assets consisting of land, buildings, furniture, fixtures, equipment, improvements, infrastructure, construction in progress, and intangible assets are stated at cost or fair market value at date of gift.

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

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

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

Library holdings are generally defined as collections of books and reference materials and are valued using average prices for library acquisitions. A library book is a literary composition bound into a separate volume and identifiable as a separate copyrighted unit. Library reference materials are information sources other than books which include journals, periodicals, microforms, audio/visual media, computer-based information, manuscripts, maps, documents, and similar items.

Livestock is under the control of the Department of Animal Sciences and is maintained primarily for research purposes with any other benefits derived from the operations considered as incidental to the primary mission of the Department. The inventory value placed on the animals is determined by department heads utilizing current market prices and breeding and research intangibles.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 30 years for buildings, 15 to 20 years for infrastructure and land improvements, 3 to 10 years for equipment and 10 years for library holdings. Amortization of intangible assets, except for those determined to have indefinite useful lives, is computed using the straight-line method over the estimated useful lives of the assets, generally 5 years for purchased software; 10 years for internally developed software; 15 years for easements, land use rights, trademarks, and copyrights; and 20 years for patents.

1L Deferred Outflows of Resources

Deferred outflows of resources represent a decrease of net position that applies to future periods. Thus, these items will not be recognized as an outflow of resources (an expense or expenditure) until a future period.

1M Advance Receipts

Advance receipts consist primarily of athletic ticket sales and related fees and unearned student revenues for summer session and fall semester. These monies were collected in advance and were not earned as of the end of each fiscal year.

1N Noncurrent Liabilities

Noncurrent liabilities include principal amounts of revenue bonds payable, notes payable, capital lease obligations and installment contracts payable with contractual maturities greater than one year, as well as estimated amounts for accrued compensated absences, net pension obligations, refundable advances on student loans, net other postemployment benefits obligation, and other liabilities that will not be paid within the next fiscal year.

1O Deferred Inflows of Resources

Deferred inflows of resources represent an increase of net position that applies to future periods. These items will not be recognized as an inflow of resources (revenue) until a future period.

1P Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System and the Arkansas Teacher Retirement System (the respective Systems) and additions to/deductions from the respective System's fiduciary net position have been determined on the same basis as they are reported by the respective Systems. 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.

1Q Net Position

The University's net position is classified as follows:

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

- Restricted:

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

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

- Unrestricted: Portion that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted

net position is designated for academic and research programs and initiatives as well as capital programs.

1R Classification of Revenues

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

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

- Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, such as state appropriations and investment income.

1S Scholarship Discounts and Allowances

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

1T Encumbrances

Encumbrances representing commitments and outstanding purchase orders for goods and services not received as of the last day of the fiscal year are not reported as expenses or included in liabilities in the accompanying financial statements.

1U New Accounting Pronouncements

The GASB issued the following Statement that became effective immediately upon release in May 2020: Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* This statement postpones the effective dates of certain Statements and Implementation Guides that were scheduled to become effective for reporting periods beginning after dates specified in the original Statement announcements. The following GASB Statements are now effective for the fiscal year ending June 30, 2021: Statement No. 84, *Fiduciary Activities* and Statement No, 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61.*

Also due to the issuance of GASB Statement No. 95, Statement No. 87, *Leases* is now effective for the fiscal year ending June 30, 2022; and Statement No. 91, *Conduit Debt Obligations* will become effective for the fiscal year ending June 30, 2023.

Management has not yet determined the effects of these Statements on the University's financial statements.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

A.C.A. §19-4-805 authorizes institutions of higher learning to determine the depositories and nature of investments of any of the cash funds which are not currently needed for operating purposes.

2A Cash and Cash Equivalents

The University uses commercial banks for its cash deposits. Cash deposits are carried at cost. The University of Arkansas System Administration (System Administration) does not maintain separate bank accounts. System Administration deposits are commingled in University of Arkansas, Fayetteville bank accounts. The carrying value of the System Administration funds was $15,104,455 at June 30, 2020 and $5,844,369 at June 30, 2019.

The following schedule reconciles the amount of deposits to the Statement of Net Position at June 30, 2020 and June 30, 2019:

Cash and Cash Equivalents

Cash and Cash Equivalents	June 30, 2020	June 30, 2019
Cash on deposit, carrying value$	$ 148,994,447	$ 147,578,950
Cash held at State Treasury	14,137,034	20,880,284
Imprest Funds, non-Bank	30,188	53,123
Less: System Administration Cash	(15,104,455)	(5,844,369)
Totals	**$ 148,057,214**	**$ 162,667,988**

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. Deposits are exposed to custodial risk if they are not insured by Federal Deposit Insurance Corporation (FDIC) and are uncollateralized, collateralized with securities held by the pledging institution or collateralized with securities held by the pledging institution's agent but not in the University's name. Board of Trustees policy requires that all cash deposits be either insured by the FDIC or collateralized by securities held at a third-party financial institution (preferably the Federal Reserve Bank) in the University's name. At June 30, 2020, none of the University's bank balances were exposed to custodial credit risk.

2B Investments

The following is a summary of the University's investments held at June 30, 2020 and June 30, 2019:

Investments

Investment Type	Fair Value at June 30, 2020	Fair Value at June 30, 2019
Mutual Treasury MM Funds	$ 20,312,080	$ 1,700,620
U.S. Treasuries	261,580,524	211,527,796
Federal Agencies	55,234,809	24,551,752
Commercial Paper	20,988,663	50,561,167
Mutual Bond Funds	148,171	158,144
Corporate Notes/Bonds	64,702,042	60,128,997
Negotiable CDs	18,826,419	18,560,802
External Investment Pool	113,494,716	100,668,668
Other Investments	1,050,379	992,333
Totals	**$ 556,337,803**	**$ 468,850,279**

At June 30, 2020, total investments of $556,337,803 includes $65,355,164 reported as deposits with bond trustees on the Statement of Net Position; at June 30, 2019, total investments of $468,850,279 includes $41,836,008 reported as deposits with bond trustees on the Statement of Net Position. The above schedule does not include nonnegotiable certificates of deposit of $428,827 at June 30, 2020 and $427,680 at June 30, 2019 which are considered deposits for GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3.*

Investment Risk

The University is required under GASB Statement No. 40 to provide investment risk disclosures for all invested funds. Disclosures related to the External Investment Pool are shown separately. No disclosures are made for Other Investments.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy addressing interest rate risk for non-operating investments. In accordance with its Operating Funds Investment Policy, the University limits its exposure to fair value losses arising from rising interest rates by limiting investment maturities as follows:

Investment Maturities

Investment Type (Sector)	Maximum Maturity
U.S. Treasury	10 Years
Federal Agency/Government Sponsored Enterprise	10 Years
Corporate Notes	10 Years
Commercial Paper	270 Days
Negotiable Certificates of Deposit	5 Years

The University of Arkansas' investments subject to GASB Statement No. 40 interest rate risk disclosure is summarized below:

Interest Rate Risk

June 30, 2020

		Investment Maturities (in years)			
Investment Type	**Value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
U.S Treasury	$ 261,580,524	$ 144,063,398	$ 112,655,795	$ 4,723,043	$ 138,288
Federal Agencies	55,234,809	25,457,987	29,776,822		
Commercial Paper	20,988,663	20,988,663			
Corporate Notes/Bonds	64,702,041	30,765,780	32,303,862	1,632,399	
Negotiable CDs	18,826,419	16,102,864	2,723,555		
Totals	**$ 421,332,456**	**$ 237,378,692**	**$ 177,460,034**	**$ 6,355,442**	**$ 138,288**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal investment policy addressing credit risk for non-operating investments. In accordance with its Operating Funds Investment Policy, the University applies the "prudent investor" standard which states that, "In making investments, the fiduciaries shall exercise the judgement and care, under the circumstances then prevailing, which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation, considering probable safety of capital as well as probable income." The University manages its exposure to fair value losses arising from credit risks as follows:

Investment Ratings

Investment Type (Sector)	Minimum Ratings Requirement
U.S. Treasury	N/A
Federal Agency/Government Sponsored Enterprise	Highest short-term or one of the two highest long-term rating categories (A-1/P-1, AA-/Aa3 or equivalent)
Corporate Notes	Highest short-term or one of the three highest long-term rating categories (A-1/P-1, A-/A3 or equivalent)
Commercial Paper	Highest short-term rating category (A-1/P-1, or equivalent)
Negotiable Certificates of Deposit	Highest short-term or one of the three highest long-term rating categories (A-1/P-1, A-/A3 or equivalent)
Money Market Funds	AAAm
Fixed-Income Mutual Funds & ETFs	N/A

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

Credit Risk

June 30, 2020

Investment Type	Value	Aaa-Aa3	A1-A3	Not Rated
Mutual Treasury MM Funds	$ 20,312,081	$ 15,213,666		$ 5,098,415
U.S. Treasury	261,580,524	184,165,082		77,415,442
Federal Agencies	55,234,809	26,180,511		29,054,298
Commercial Paper	20,988,663	1,048,982		19,939,681
Mutual Bond Funds	148,171			148,171
Corporate Notes/Bonds	64,702,041	12,892,003	$ 51,810,038	
Negotiable CDs	18,826,419	1,083,012		17,743,407
Totals	**$ 441,792,708**	**$ 240,583,256**	**$ 51,810,038**	**$ 149,399,414**

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

2C External Investment Pool-University of Arkansas System

In 1997, the University of Arkansas and the University of Arkansas Foundation established an external investment pool. This arrangement commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. Subsequent to its establishment, other entities have joined including the Walton Arts Foundation in 1998, the Fayetteville Campus Foundation in 2003, the University of Arkansas Community College at Hope Foundation in 2007, the Razorback Foundation in 2012, and the University of Arkansas Technology Development Foundation in 2016.

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

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

The implementation of GASB Statement No.72, *Fair Value Measurement and Application,* during the fiscal year ended June 30, 2016, caused management to reassess the University of Arkansas Board of Trustees' sponsorship role. Based on the UA Foundation's fiduciary responsibilities outlined in the January 2010 agreement, management concluded that the UA Foundation acts as sole sponsor of this investment pool.

UAF's ownership of the Total Return Pool was as follows:

External Investment Pool

Fiscal Year	UAF Total Return Pool	CES Total Return Pool	Total Pool
June 30, 2020	4.54%	0.29%	4.83%
June 30, 2019	4.60%	0.29%	4.89%

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL

Statement of Invested Assets

Investment Type		Fair Value* June 30, 2020		Fair Value* June 30, 2019
Equities	**$**	**357,345,010**	**$**	**530,277,214**
Common Stock		92,643,621		243,200,465
Funds - Common Stock		264,701,389		286,118,374
Rights/Warrants		0		26,323
Funds - Equities ETF		0		932,052
Fixed Income	**$**	**119,455,234**	**$**	**158,926,676**
Government Bonds		119,367,220		158,839,229
Corporate Bonds		87,979		87,404
Government Mortgage Backed Securities		35		43
Commercial Mortgage-Backed		0		0
Asset Backed Securities		0		0
Non-Government Backed C.M.O.s		0		0
Funds - Fixed Income ETF		0		0
Venture Capital and Partnerships	**$**	**777,861,601**	**$**	**804,451,728**
Partnerships		777,861,601		804,451,728
Hedge Fund	**$**	**397,388,250**	**$**	**301,546,365**
Hedge Equity		364,985,092		265,841,480
Hedge Event Driven		32,403,158		35,704,885
All Other	**$**	**390,896**	**$**	**486,961**
Recoverable Taxes		390,896		486,961
Cash/Cash Equivalents	**$**	**383,204,465**	**$**	**243,999,764**
Short Term Bill and Notes		0		0
Funds - Short Term Investment		305,604,038		237,229,952
Cash		74,792,304		1,313,503
Invested Cash		2,808,123		5,456,309
Totals	**$**	**2,035,645,456**	**$**	**2,039,688,708**

*Includes accrued income

Credit Risk – S&P Quality Ratings

June 30, 2020

	Credit Risk						
Investment Type & Fair Value*	**AAA**	**AA**	**A**	**BBB**	**BB**	**NR**	**US GOVN. GUAR**
Asset Backed Securities	$ 0						
Commercial Mortgage-Backed							
Corporate Bonds		$ 0	$ 0	$ 0		$ 87,979	
Funds - Fixed Income ETF							
Funds - Short Term Investment						305,567,985	
Government Bonds							$ 119,366,407
Govn Mortgage Backed Securities							35
Hedge Event Driven						32,403,158	
Short Term Bills and Notes							
Totals	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 338,059,122**	**$ 119,366,442**

*Does not include accrued income

Years to Maturity

June 30, 2020

		Investment Maturities (in years)				
Investment Type	**Fair Value***	**Less than 1**	**1+ to 6**	**6+ to 10**	**10+**	**Maturity Not Determined**
Asset Backed Securities						
Commercial Mortgage-Backed						
Corporate Bonds	$ 87,979	$ 0			$ 87,979	
Funds - Fixed Income ETF						
Funds - Short Term Investment	305,567,985					$ 305,567,985
Government Bonds	119,366,407		$ 119,366,407			
Govn Mortgage Backed Securities	35			$ 35		
Hedge Event Driven	32,403,158					32,403,158
Short Term Bills and Notes						
Totals	**$ 457,425,564**	**$ 0**	**$ 119,366,407**	**$ 35**	**$ 87,979**	**$ 337,971,143**

*Does not include accrued income

Interest Rate Sensitivity - Effective Duration

June 30, 2020

Investment Type	Fair Value*	Effective Duration
Asset Backed Securities		N/A
Commercial Mortgage-Backed		N/A
Corporate Bonds	$ 87,979	N/A
Corporate Bonds		N/A
Funds - Fixed Income ETF		N/A
Funds - Short Term Investment	305,567,985	N/A
Government Bonds	119,366,407	4.97
Govn Mortgage Backed Securities	35	2.37
Hedge Event Driven	32,403,158	N/A
Short Term Bills and Notes		N/A
Total	**$ 457,425,564**	

*Does not include accrued income

Foreign Currency Risk By Investment Type

June 30, 2020

Currency By Investment and Fair Value*	Cash	Equity	Other Assets
AUSTRALIAN DOLLAR	$ 1,358,345		
CANADIAN DOLLAR	1,301,687	$ 213,682	
SWISS FRANC	(1,611,442)	5,931,126	$ 134,320
CHINESE YUAN RENMINBI	(3,478,593)		
DANISH KRONE	187,806	197,101	8,803
EURO	(3,363,795)	9,159,051	237,002
BRITISH POUND STERLING	(1,113,186)	3,146,998	
HONG KONG DOLLAR	262,381	4,021,523	
NEW ISRAELI SHEKEL	(37)		
JAPANESE YEN	(1,550,621)	9,745,871	
NORWEGIAN KRONE	170,655		
POLISH ZLOTY			
SWEDISH KRONA	588,228	117	
SINGAPORE DOLLAR	321,284		
Totals	**$ (6,927,288)**	**$ 32,415,469**	**$ 380,125**

*Includes accrued income

Short-Term Investment Fund Pool

This pool was created during fiscal year 2019 for campuses to invest funds on a short-term basis so that the funds would be accessible within a short period to them as needed. At June 30, 2020, CES owned 11.42% of this pool. The following tables contain information on the risk disclosures of the STIF.

University of Arkansas System Short-Term Investment Fund Pool

Statement of Invested Assets

Investment Type	Fair Value* June 30, 2020	Fair Value* June 30, 2019
Fixed Income	$ 161,827,335	$ 148,068,630
International Developed Bonds	8,150,097	5,088,776
Corporate Bonds	50,162,676	55,635,310
U.S. Government Agency Bonds	79,351,154	50,750,567
U.S. Treasury Bonds	24,163,408	36,593,977
Cash/Cash Equivalents	**$ 73,860,906**	**$ 92,249,151**
Certificates of Deposit	51,715,423	50,443,996
Commercial Paper	21,902,233	41,628,628
Money Market Funds	243,250	176,527
Totals	**$ 235,688,241**	**$ 240,317,781**

*Includes accrued income

Credit Risk – S&P Quality Ratings

June 30, 2020

	Credit Risk						
Investment Type & Fair Value*	AAA	AA	A	BBB	BB	NR	US GOVN. GUAR
International Developed Bonds		$ 5,045,740	$3,062,790				
Corporate Bonds		5,589,740	37,133,640	$ 7,169,930			
U.S. Government Agency Bonds	$ 9,895,148	69,257,993					
U.S. Treasury Bonds	24,073,892						
Totals	**$33,969,040**	**$79,893,473**	**$40,196,430**	**$ 7,169,930**	**$ 0**	**$ 0**	**$ 0**

*Does not include accrued income

Years to Maturity

June 30, 2020

		Investment Maturities (in years)				
Investment Type	Fair Value*	Less than 1	1 to 5	Over 5	10+	Maturity Not Determined
International Developed Bonds	$ 8,108,530	$ 8,108,530				
Corporate Bonds	49,893,310	23,859,397	$ 26,033,913			
U.S. Government Agency Bonds	79,153,141	29,604,198	49,548,973			
U.S. Treasury Bonds	24,073,892	13,912,392	10,161,500			
Totals	**$ 161,228,873**	**$ 75,484,517**	**$ 85,744,386**	**$ 0**	**$ 0**	**$ 0**

*Does not include accrued income

Interest Rate Sensitivity - Effective Duration

June 30, 2020

Investment Type	Fair Value*	Effective Duration
International Developed Bonds	$ 8,108,530	0.61
Corporate Bonds	49,893,310	0.85
U.S. Government Agency Bonds	79,153,141	1.19
U.S. Treasury Bonds	24,073,892	0.98
Total	**$ 161,228,873**	

*Does not include accrued income

2D Donor-restricted Endowments

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

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

Endowment Available for Expenditure

	June 30, 2020	June 30, 2019
Endowment Investments	$ 82,502,506	$ 84,409,953
Operating Investment Sweep/Cash	172,902	400,402
Amounts Receivable	26,266	26,791
Funds treated as Endowment	(14,169,914)	(14,675,020)
Non-expendable portion of Endowment	(25,816,579)	(25,739,466)
Totals	**$ 42,715,181**	**$ 44,422,660**

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

The University uses a total return policy for investing endowed funds. The University's spending policy is to expend 4.4% of the balance of the endowment averaged over the previous twelve quarters. For FY2020, the total takedown percentage of 5.154% includes 0.59% for administrative costs plus other external fees. For FY2019, the total takedown percentage was 5.243%.

3. RECEIVABLES

3A Accounts Receivable

Accounts receivable represent charges due the University from various student fees, room and board, student fines, and other charges. Accounts receivable also includes unreimbursed expenses relating to research contracts with federal, state, and private agencies.

A summary of accounts receivable balances at June 30, 2020, are as follows:

AccountsReceivable

June 30, 2020

Type	Gross	Allowance	Net
Student Accounts Receivable	$ 17,156,495	$ (5,782,946)	$ 11,373,549
Non-student Accounts Receivable	28,789,279	(646,823)	28,142,456
Unreimbursed Research Contract Expenses	18,550,681		18,550,681
Totals	**$ 64,496,455**	**$ (6,429,769)**	**$ 58,066,686**

A summary of accounts receivable balances at June 30, 2019, are as follows:

AccountsReceivable

June 30, 2019

Type	Gross	Allowance	Net
Student Accounts Receivable	$ 16,695,359	$ (5,892,248)	$ 10,803,111
Non-student Accounts Receivable	24,852,358	(472,732)	24,379,626
Unreimbursed Research Contract Expenses	20,992,300		20,992,300
Totals	**$ 62,540,017**	**$ (6,364,980)**	**$ 56,175,037**

3B Notes Receivable

Notes receivable consist of resources made available for financial loans to students of the University, and financing agreements between the University and certain organizations for the purpose of facilities construction, and an interfund loan between the University and the University of Arkansas System eVersity to help fund its initial startup.

The resources for loans to students include federal funds, funds from other external sources, and University funds. New student loans totaling $20,778 and $42,947 were issued under the Student Loan Programs for the years ended June 30, 2020 and June 30, 2019, respectively.

Most total campus-based loans are from Perkins funds provided by the federal government. The federal government halted the issuance of Perkins loans after June 30, 2018 due to the sunset of the program. The University will continue collecting on the outstanding loans until management decides to liquidate the program. The federal student loan default rate based on the U.S. Department of Education Cohort default rate was 16.19% and 18.57%, for the years ended June 30, 2020 and June 30, 2019, respectively. Notes receivable totaling $734,502 and $210,808 were written off during the fiscal years ended June 30, 2020 and June 30, 2019, respectively.

A summary of notes receivable balances at June 30, 2020, are as follows:

Notes Receivable

June 30, 2020

Type	Gross Balance	Allowance	Net Balance	Current Portion
Student loans	$ 10,245,922	$ (799,413)	$ 9,446,509	$ 2,891,47
Interfund loan	2,334,262		2,334,262	186,184
Totals	**$ 12,580,184**	**$ (799,413)**	**$ 11,780,771**	**$ 3,077,655**

A summary of notes receivable balances at June 30, 2019, are as follows:

Notes Receivable

June 30, 2019

Type	Gross Balance	Allowance	Net Balance	Current Portion
Student loans	$ 12,885,982	$ (1,035,546)	$ 11,850,436	$ 3,865,795
Interfund loan	2,334,262		2,334,262	
Totals	**$ 15,220,244**	**$ (1,035,546)**	**$ 14,184,698**	**$ 3,865,795**

3C Pledges Receivable

Pledges receivable consists of gifts pledged for capital projects, endowments and other purposes.

A summary of pledges receivable balances at June 30, 2020, are as follows:

Pledges Receivable

June 30, 2020

Category	Total Gift Pledge	Received as of June 30, 2019	Pledge Outstanding as of June 30, 2020	Current Portion
Capital projects	$ 55,639,694	$ 38,303,686	$ 17,336,008	$ 13,977,568
Endowments	30,960	4,880	26,080	6,220
Other	3,043,888	1,289,362	1,754,526	467,658
Totals	**$ 58,714,542**	**$ 39,597,928**	**$ 19,116,614**	**$ 14,451,446**

A summary of pledges receivable balances at June 30, 2019, are as follows:

Pledges Receivable

June 30, 2019

Category	Total Gift Pledge	Received as of June 30, 2019	Pledge Outstanding as of June 30, 2019	Current Portion
Capital projects	$ 52,754,772	$ 25,759,058	$ 26,995,714	$ 11,655,838
Endowments	30,960	4,380	26,580	26,580
Other	275,000	117,500	157,500	157,500
Totals	**$ 53,060,732**	**$ 25,880,938**	**$ 27,179,794**	**$ 11,839,918**

4. CAPITAL ASSETS

The following presents a summary of changes in capital assets for the year ended June 30, 2020:

Capital Assets

June 30, 2020

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
Nondepreciable Capital Assets					
Land	$ 66,892,013	$ 2,937,651	$ (5,585)		$ 69,824,079
Construction in progress	115,491,077	83,230,983	(197,597)	$ (126,326,733)	72,197,730
Other assets	1,785,472		(302,052)		1,483,420
Total Nondepreciable Capital Assets	**184,168,562**	**86,168,634**	**(505,234)**	**(126,326,733)**	**143,505,229**
Depreciable Capital Assets					
Buildings	1,893,117,937	6,044,305	(1,272,996)	114,156,255	2,012,045,501
Equipment	263,958,102	13,460,335	(8,406,888)		269,011,549
Improvements	57,094,626	123,932		1,863,180	59,081,738
Infrastructure	124,549,212	1,095,808		10,307,298	135,952,318
Intangible assets	78,830,516				78,830,516
Library holdings	91,263,113	910,333	(141,027)	7,554,426	99,586,845
Total depreciable capital assets	**2,508,813,506**	**21,634,713**	**(9,820,911)**	**133,881,159**	**2,654,508,467**
Less accumulated depreciation					
Buildings	(766,359,814)	(64,724,149)	452,777	(97,659)	(830,728,845)
Equipment	(217,801,191)	(15,193,335)	8,339,361		(224,655,165)
Improvements	(25,526,198)	(2,493,031)			(28,019,229)
Infrastructure	(62,809,359)	(5,588,511)		97,659	(68,300,211)
Intangible assets	(77,172,876)	(154,590)			(77,327,466)
Library holdings	(78,935,298)	(2,364,885)	136,669	(7,554,426)	(88,717,940)
Total accumulated depreciation	**(1,228,604,736)**	**(90,518,501)**	**8,928,807**	**(7,554,426)**	**(1,317,748,856)**
Total Depreciable Capital Assets	**1,280,208,770**	**(68,883,788)**	**(892,104)**	**126,326,733**	**1,336,759,611**
Total Capital Assets, Net of Accumulated Depreciation	**$ 1,464,377,332**	**$ 17,284,846**	**$ (1,397,338)**	**$ 0**	**$ 1,480,264,840**

Note: Land of $415,652 and building of $4,824,755 related to the joint endeavor between the University of Arkansas and the City of Fayetteville are included in the above amounts. See Note 16.

The following presents a summary of changes in capital assets for the year ended June 30, 2019:

Capital Assets

June 30, 2019

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
Nondepreciable Capital Assets					
Land	$ 66,380,278	$ 522,943	$ (11,208)		$ 66,892,013
Construction in progress	226,039,752	177,405,861		$ (287,954,536)	115,491,077
Other assets	2,022,817		(237,345)		1,785,472
Total Nondepreciable Capital Assets	**294,442,847**	**177,928,804**	**(248,553)**	**(287,954,536)**	**184,168,562**
Depreciable Capital Assets					
Buildings	1,618,571,491	1,176,720	(635,542)	274,005,268	1,893,117,937
Equipment	255,590,291	16,285,258	(7,917,447)		263,958,102
Improvements	51,182,693	34,468		5,877,465	57,094,626
Infrastructure	115,983,583	493,826		8,071,803	124,549,212
Intangible assets	78,830,516				78,830,516
Library holdings	91,736,745	2,189,780	(2,663,412)		91,263,113
Total depreciable capital assets	**2,211,895,319**	**20,180,052**	**(11,216,401)**	**287,954,536**	**2,508,813,506**
Less accumulated depreciation					
Buildings	(706,686,321)	(60,228,774)	555,281		(766,359,814)
Equipment	(209,746,384)	(15,958,258)	7,903,451		(217,801,191)
Improvements	(23,125,381)	(2,400,817)			(25,526,198)
Infrastructure	(57,760,885)	(5,048,474)			(62,809,359)
Intangible assets	(77,020,894)	(151,982)			(77,172,876)
Library holdings	(79,137,025)	(2,379,386)	2,581,113		(78,935,298)
Total accumulated depreciation	**(1,153,476,890)**	**(86,167,691)**	**11,039,845**	**0**	**(1,228,604,736)**
Total Depreciable Capital Assets	**1,058,418,429**	**(65,987,639)**	**(176,556)**	**287,954,536**	**1,280,208,770**
Total Capital Assets, Net of Accumulated Depreciation	**$ 1,352,861,276**	**$ 111,941,165**	**$ (425,109)**	**$ 0**	**$ 1,464,377,332**

Note: Land of $415,652 and building of $4,824,755 related to the joint endeavor between the University of Arkansas and the City of Fayetteville are included in the above amounts. See Note 16

Museum Collection

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

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable balances are summarized as follows:

Accounts Payable

Type	June 30, 2020	June 30, 2019
Payable to Outside Vendors	$ 21,828,820	$ 28,696,961
Retainage on Construction Contracts	4,260,459	8,450,166
Property Taxes Payable	11,362	3,403
Totals	**$ 26,100,641**	**$ 37,150,530**

Accrued payroll liabilities are summarized as follows:

Accrued Payroll Liabilities

Type	June 30, 2020	June 30, 2019
Net Salaries and Wages Payable	$ 1,857,826	$ 1,955,975
Employee Withholdings Payable	7,690,625	9,768,913
Employer Payroll Taxes and Benefits Matching Payable	6,654,340	6,977,074
Totals	**$ 16,202,791**	**$ 18,701,962**

6. SHORT-TERM BORROWING

GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, states that governments should provide details about short-term debt activity during the year, even if no short-term debt is outstanding at year-end. The University had no short-term debt activity during the fiscal year, nor is there any outstanding balance of short-term debt as of June 30, 2020.

7. COMPENSATED ABSENCES

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

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

The University recognizes a liability for compensated absences. The liability is based on the value of unused employee vacation and compensatory time as of year-end, including the associated benefits: contributions to Social Security, Medicare, Workers' Compensation, and Unemployment Insurance. The liability also includes amounts paid to eligible classified employees for unused sick leave. A classified employee who has accumulated at least fifty (50) days, but less than sixty (60) days of sick leave upon retirement shall receive an amount equal to fifty percent (50%) of the number of accrued sick leave days (rounded to the nearest day) times fifty percent (50%) of the employee's daily salary. A classified employee who has accumulated at least sixty (60) days, but less than seventy (70) days of sick leave upon retirement shall receive an amount equal to sixty percent (60%) of the number of accrued sick leave days (rounded to the nearest day) times 60 percent (60%) of the employee's daily salary. A classified employee who has accumulated at least seventy (70) days, but less than eighty (80) days of sick leave upon retirement shall receive an amount equal to seventy percent (70%) of the number of accrued sick leave days (rounded to the nearest day) times seventy percent (70%) of the employee's daily salary. A classified employee that has accumulated at least eighty (80) or more days of sick leave upon retirement shall receive an amount equal to eighty percent (80%) of the number of accrued sick leave days (rounded to the nearest day) times eighty percent (80%) of the employee's daily salary. In no event shall an employee receive a sick leave incentive amount that exceeds $7,500.

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

Changes in compensated absences for the year ended June 30, 2020 are as follows:

Compensated Absences

June 30, 2020

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences	$ 20,858,052	$ 1,853,889	$ 45,672	$ 22,666,269	$ 1,804,612

Changes in compensated absences for the year ended June 30, 2019 are as follows:

Compensated Absences

June 30, 2019

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences	$ 21,602,380	$ 180,401	$ 924,729	$ 20,858,052	$ 1,770,865

8. LONG-TERM DEBT

The retirement of some bond issues is secured by a specific pledge of certain gross revenues, surplus revenues and specific fees. Separate accounting is not required for these facilities under the provisions of the debt instruments; accordingly, segment reporting is not required for financial reporting purposes.

8A Schedule of Long-Term Debt

A summary of long-term debt at June 30, 2020, is as follows:

Long-Term Debt

June 30, 2020

Date of Issue	Date of Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding at June 30, 2020	Maturities & Refinanced Amounts June 30, 2020
12/15/2009	11/1/2039	3.00% to 5.00%	$ 52,430,000		$ 52,430,000
6/30/2010	9/15/2020	1.00% to 4.82%	23,965,000	$ 2,675,000	21,290,000
6/29/2011	11/1/2040	2.00% to 5.00%	101,225,000	4,905,000	96,320,000
6/29/2011	11/1/2022	3.00% to 5.00%	8,895,000	6,565,000	2,330,000
4/17/2012	11/1/2032	1.00% to 5.00%	56,965,000	45,050,000	11,915,000
9/13/2012	11/1/2042	2.00% to 5.00%	60,540,000	2,650,000	57,890,000
5/16/2013	11/1/2042	1.00% to 5.00%	54,450,000	46,285,000	8,165,000
5/16/2013	9/15/2027	1.00% to 5.00%	30,355,000	19,020,000	11,335,000
6/30/2014	11/1/2043	2.00% to 5.00%	24,730,000	22,135,000	2,595,000
6/30/2014	11/1/2043	0.85% to 4.50%	5,020,000	4,430,000	590,000
2/12/2015	11/1/2036	2.00% to 5.00%	70,360,000	56,925,000	13,435,000
2/12/2015	9/15/2022	2.00% to 5.00%	14,180,000	6,025,000	8,155,000
8/27/2015	11/1/2045	1.02% to 4.40%	7,510,000	6,905,000	605,000
8/27/2015	11/1/2021	2.00% to 5.00%	36,675,000	7,735,000	28,940,000
4/5/2016	11/1/2046	3.00% to 5.00%	93,590,000	85,100,000	8,490,000
4/5/2016	11/1/2028	0.87% to 3.25%	15,280,000	11,035,000	4,245,000
10/19/2016	9/15/2036	5.00%	24,845,000	24,845,000	
10/19/2016	9/15/2034	1.192% to 3.388%	90,000,000	85,270,000	4,730,000
8/1/2017	11/1/2047	2.00 to 5.00%	95,805,000	92,825,000	2,980,000
7/26/2018	11/1/2048	5.00%	20,385,000	20,085,000	300,000
7/26/2018	11/1/2038	2.65 to 4.00%	6,560,000	6,325,000	235,000
8/22/2019	11/1/2049	5.00%	59,655,000	59,655,000	
8/22/2019	9/15/2034	5.00%	24,900,000	24,900,000	
11/5/2019	11/1/2042	1.762 to 3.401%	139,220,000	139,220,000	
11/30/1991	5/1/2022	3.32 to 5.50%	8,213,139	3,603,561	4,609,578
11/29/1995	11/1/2034	2.00% to 5.00%	2,690,557	1,159,761	1,530,796
7/31/2015	7/1/2023	1.97%	4,935,766	2,329,904	2,605,862
7/31/2015	11/19/2023	1.99%	16,969,012	7,306,867	9,662,145
7/31/2015	1/8/2023	1.95%	6,844,590	2,623,219	4,221,371
Various	Various	Various	3,472,895	1,849,877	1,623,018
Net unamortized premium			114,997,383	79,890,491	35,106,892
Totals			**$ 1,275,663,342**	**$ 879,328,680**	**$ 396,334,662**

A summary of long-term debt at June 30, 2019, is as follows:

Long-Term Debt

June 30, 2019

Date of Issue	Date of Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding at June 30, 2019	Maturities & Refinanced Amounts June 30, 2019
12/15/2009	11/1/2039	3.00% to 5.00%	$ 52,430,000	$ 43,560,000	$ 8,870,000
6/30/2010	9/15/2020	1.00% to 4.82%	23,965,000	5,225,000	18,740,000
6/29/2011	11/1/2040	2.00% to 5.00%	101,225,000	86,145,000	15,080,000
6/29/2011	11/1/2022	3.00% to 5.00%	8,895,000	7,185,000	1,710,000
4/17/2012	11/1/2032	1.00% to 5.00%	56,965,000	46,195,000	10,770,000
9/13/2012	11/1/2042	2.00% to 5.00%	60,540,000	54,540,000	6,000,000
5/16/2013	11/1/2042	1.00% to 5.00%	54,450,000	47,555,000	6,895,000
5/16/2013	9/15/2027	1.00% to 5.00%	30,355,000	20,905,000	9,450,000
6/30/2014	11/1/2043	2.00% to 5.00%	24,730,000	22,655,000	2,075,000
6/30/2014	11/1/2043	0.85% to 4.50%	5,020,000	4,545,000	475,000
2/12/2015	11/1/2036	2.00% to 5.00%	70,360,000	59,390,000	10,970,000
2/12/2015	9/15/2022	2.00% to 5.00%	14,180,000	8,520,000	5,660,000
8/27/2015	11/1/2045	1.02% to 4.40%	7,510,000	7,065,000	445,000
8/27/2015	11/1/2021	2.00% to 5.00%	36,675,000	14,245,000	22,430,000
4/5/2016	11/1/2046	3.00% to 5.00%	93,590,000	87,525,000	6,065,000
4/5/2016	11/1/2028	0.87% to 3.25%	15,280,000	12,125,000	3,155,000
10/19/2016	9/15/2036	5.00%	24,845,000	24,845,000	
10/19/2016	9/15/2034	1.192% to 3.388%	90,000,000	87,650,000	2,350,000
8/1/2017	11/1/2047	2.00 to 5.00%	95,805,000	94,330,000	1,475,000
7/26/2018	11/1/2048	5.00%	20,385,000	20,385,000	
7/26/2018	11/1/2038	2.65 to 4.00%	6,560,000	6,560,000	
11/30/1991	5/1/2022	3.32 to 5.50%	7,533,870	4,126,576	3,407,294
11/29/1995	11/1/2034	2.00% to 5.00%	2,690,557	1,268,842	1,421,715
7/31/2015	7/1/2023	1.97%	4,935,766	3,017,371	1,918,395
7/31/2015	11/19/2023	1.99%	16,969,012	9,302,981	7,666,031
7/31/2015	1/8/2023	1.95%	6,844,590	3,542,857	3,301,733
Various	Various	Various	1,836,141	1,094,002	742,139
Net unamortized premium			95,316,583	74,353,600	20,962,983
Totals			**$ 1,029,891,519**	**$ 857,856,229**	**$ 172,035,290**

8B Schedule of Changes in Long-Term Debt

Changes in long-term debt for the year ended June 30, 2020, are as follows:

Changes in Long-Term Debt

June 30, 2020

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds	$ 761,150,000	$ 223,775,000	$ 204,360,000	$ 780,565,000	$ 34,615,000
Net unamortized premium	74,353,600	19,680,799	14,143,908	79,890,491	5,473,802
Notes	5,395,418	707,969	1,340,065	4,763,322	1,239,639
Leases	1,094,002	1,608,004	852,129	1,849,877	537,159
Installment contracts	15,863,209		3,603,219	12,259,990	3,674,948
Totals	**$ 857,856,229**	**$ 245,771,772**	**$ 224,299,321**	**$ 879,328,680**	**$ 45,540,548**

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

Changes in long-term debt for the year ended June 30, 2019, are as follows:

Changes in Long-Term Debt

June 30, 2019

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds	$ 764,860,000	$ 26,945,000	$ 30,655,000	$ 761,150,000	$ 32,480,000
Net unamortized premium	75,613,483	3,359,301	4,619,184	74,353,600	4,628,438
Notes	1,404,234	5,153,287	1,162,103	5,395,418	1,133,464
Leases	1,115,257	438,143	459,398	1,094,002	430,887
Installment contracts	19,396,101		3,532,892	15,863,209	3,603,220
Totals	**$ 862,389,075**	**$ 35,895,731**	**$ 40,428,577**	**$ 857,856,229**	**$ 42,276,009**

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

8C Future Principal and Interest Payments

Scheduled maturities of bonds and notes payable are as follows:

Future Long-Term Payments

	Bonds			Notes from Direct Borrowings		
Year(s)	Principal	Interest	Total	Principal	Interest	Total
2021	$ 34,615,000	$ 32,139,320	$ 66,754,320	$ 1,239,639	$ 163,837	$ 1,403,476
2022	34,585,000	30,631,169	65,216,169	1,350,342	125,424	1,475,766
2023	36,155,000	29,170,537	65,325,537	1,192,568	77,874	1,270,442
2024	32,285,000	27,861,720	60,146,720	294,027	37,103	331,130
2025	33,625,000	26,631,976	60,256,976	128,381	26,705	155,086
2026 - 2030	171,950,000	112,769,583	284,719,583	300,262	81,324	381,586
2031 - 2035	186,850,000	76,127,665	262,977,665	258,103	26,312	284,415
2036 - 2040	148,645,000	37,414,654	186,059,654			
2041 - 2045	69,555,000	14,978,686	84,533,686			
2046 - 2050	32,300,000	2,873,725	35,173,725			
Total Future Payments	**$ 780,565,000**	**$ 390,599,035**	**$ 1,171,164,035**	**$ 4,763,322**	**$ 538,579**	**$ 5,301,901**

Scheduled maturities of leases and installment contracts are as follows:

Future Long-Term Payments

	Leases from Direct Borrowings			Installment contracts from Direct Borrowings		
Year(s)	Principal	Interest	Total	Principal	Interest	Total
2021	$ 537,159	$ 60,581	$ 597,740	$ 3,674,948	$ 215,340	$ 3,890,288
2022	619,129	53,399	672,528	3,748,103	142,183	3,890,286
2023	363,965	28,465	392,430	3,577,210	67,571	3,644,781
2024	323,434	14,525	337,959	1,259,729	8,939	1,268,668
2025	5,691	343	6,034			
2026 - 2030	499	4	503			
Total Future Payments	**$ 1,849,877**	**$ 157,317**	**$ 2,007,194**	**$ 12,259,990**	**$ 434,033**	**$ 12,694,023**

8D Capital Leases

The University has acquired certain equipment under various lease-purchase contracts. The cost of equipment and other assets held under capital leases totaled $3,109,822 at June 30, 2020. The expense resulting from depreciation of assets recorded under capital leases is included with depreciation expense as reflected in the summary of changes in capital assets. See Note 4.

Equipment Leases

Type of Equipment	Cost	Accumulated Depreciation	Asset Balance June 30, 2020	Asset Balance June 30, 2019
Information Technology Equipment	$ 108,652	$ 65,191	$ 43,461	$ 65,191
Information Technology Equipment	108,652	65,191	43,461	65,191
Information Technology Equipment	90,544	54,326	36,218	54,326
Information Technology Equipment	90,544	54,326	36,218	54,326
Information Technology Equipment	44,048	26,429	17,619	26,429
Information Technology Equipment	44,048	26,429	17,619	26,429
Information Technology Equipment	44,048	26,429	17,619	26,429
Information Technology Equipment	44,048	26,429	17,619	26,429
CES Farm Equipment	120,447	36,134	84,313	96,358
Research Equipment	61,563	35,179	26,384	35,179
Farm Equipment	11,214	2,243	8,971	10,093
Farm Equipment	149,400	44,820	104,580	134,460
Information Technology Equipment	143,266	28,653	114,613	
Information Technology Equipment	231,090	46,218	184,872	
Information Technology Equipment	267,513	53,503	214,010	
Information Technology Equipment	342,559	68,512	274,047	
Information Technology Equipment	126,846	25,369	101,477	
Information Technology Equipment	9,218	1,844	7,374	
Information Technology Equipment	9,218	1,844	7,374	
Information Technology Equipment	14,541	2,908	11,633	
Information Technology Equipment	14,541	2,908	11,633	
Information Technology Equipment	8,095	1,619	6,476	
Information Technology Equipment	8,095	1,619	6,476	
Information Technology Equipment	16,666	3,333	13,333	
Information Technology Equipment	16,666	3,333	13,333	
Information Technology Equipment	16,666	3,333	13,333	
Information Technology Equipment	16,666	3,333	13,333	
Information Technology Equipment	16,666	3,333	13,333	
Information Technology Equipment	16,666	3,333	13,333	
Information Technology Equipment	5,747	1,150	4,597	
Farm Equipment	12,161	2,027	10,134	
Farm Equipment	115,000	11,500	103,500	
Farm Equipment	8,044	804	7,240	
Farm Equipment	18,000	3,020	14,980	
Lab Equipment	92,388	13,198	79,190	
Printers	24,891	4,978	19,913	
Totals	**$ 2,468,417**	**$ 754,798**	**$ 1,713,619**	**$ 620,840**
Prepaid maintenance and software	641,405	545,375[1]	96,030	302,584
Total asset	**$ 3,109,822**	**$ 1,300,173**	**$ 1,809,649**	**$ 923,424**
Total Minimum Lease Payments			$ 2,053,772	$ 1,157,714
Less: Amount Representing Interest			203,895	63,712
Total Present Value of Net Minimum Lease Payments			**$ 1,849,877**	**$ 1,094,002**

[1]Amount equals recognized maintenance and software subscriptions expenses

8E Nonmonetary Capital Lease

On June 7, 2017, the Arkansas Research and Education Optical Network (AREON) entered into an agreement with E. Ritter Communications Holdings, Inc. (Ritter), for a cooperative exchange of facilities consisting of unused surplus dark fiber rather than the separate and distinct construction, ownership, and operating of two fiber optic systems. This agreement supersedes a previous capitalized long-term lease agreement between AREON and Ritter. This exchange is considered an equitable trade of similarly valued surplus dark fiber and both parties agreed that neither party shall pay a fee and that the initial term of this agreement shall be 20 years. As a result, this is a nonmonetary transaction. The fair market value of the dark fiber received from Ritter was determined to be $785,000. The book value of the dark fiber given by AREON was $268,418 thereby resulting in a noncash gain on disposal of assets of $516,582. As of June 30, 2020, and June 30, 2019, the book value of the dark fiber received from Ritter was $628,000 and $667,250, respectively.

8F Pledged Revenues

For purposes of extinguishing the University's long-term debt issues, certain revenues have been pledged as security.

The following is a summary of the gross revenues collected during the fiscal years ended June 30, 2020 and June 30, 2019 that are pledged:

Pledged Revenues

Bond Series	Revenue Source	2020	2019
Series 2009A Various Facilities	Student Tuition and Fees	$ 334,720,781	$ 326,830,169
Series 2011A&B Various Facilities	Sales and Services	9,044,450	9,738,047
Series 2012A Various Facilities	Residential Life	72,885,437	70,636,688
Series 2012B Various Facilities	Bookstore[1]	10,926,426	13,892,207
Series 2013 Various Facilities	Student Health Services	2,635,306	3,051,023
Series 2014A&B Various Facilities	Transit and Parking	8,087,870	8,960,419
Series 2015A Various Facilities	Other Auxiliaries	105,750	168,782
Series 2015B Various Facilities			
Series 2015C Various Facilities			
Series 2016A Various Facilities			
Series 2016B Various Facilities			
Series 2017 Various Facilities			
Series 2018A Various Facilities			
Series 2018B Various Facilities			
Series 2019A Various Facilities			
Series 2019B Various Facilities			
Total Various Fac. Pledge		**$ 438,406,020**	**$ 433,277,335**
Series 2010 Athletic Refunding	Men's Athletic Revenue	$ 98,766,916	$ 105,490,170
Series 2013 Athletic Facilities	(less game guarantees)	(4,677,000)	(3,311,000)
Series 2015 Athletic Facilities			
Series 2016A Athletic Facilities			
Series 2016B Athletic Facilities			
2019A Athletic Facilities			
Total Athletics Pledge		**$ 94,089,916**	**$ 102,179,170**

[1]For the purposes of calculating pledged revenues, Bookstore revenues shown include internally generated revenues from sales to the University campus of $1,975,135 for the year ending June 30, 2020 and $2,852,358 for the year ending June 30, 2019.

The Various Facility revenue pledge is used to repay fourteen various facilities revenue bond issues as detailed in the schedule above. Proceeds from the bonds provided financing for the construction and renovation of various campus buildings; utility and other infrastructure; land purchases; and refunding of existing debt issues. The maturity date on the issues range from November 2021 through November 2049. Annual principal and interest payments on the bonds are expected

to require approximately 11.66% of gross revenues. The total principal and interest remaining to be paid on the bonds is $953,374,497. Principal and interest paid for the current year and gross revenues were $51,117,059 and $438,406,020, respectively.

The Athletics revenue pledge is used to repay five athletic facilities revenue bond issues as detailed in the schedule above. Proceeds from the bonds provided financing for the construction and renovation of various athletic facilities as well as the refunding of existing debt issues. The maturity date on the issues range from September 2020 to September 2036. Annual principal and interest payments on the bonds are expected to require approximately 16.13% of net revenues pledged. The total principal and interest remaining to be paid on the bonds is $217,789,539. Principal and interest paid for the current year and net revenues were $15,179,663 and $94,089,916, respectively.

8G Fiscal Year 2020 Long-Term Debt Transactions

On August 22, 2019, the University issued $59,655,000 in Various Facility Revenue Bonds (Fayetteville Campus), Series 2019A, with interest rates of 4.0% to 5.0%. A portion of the bond proceeds were used to accomplish the current refunding of Series 2009 Bonds. Net bond proceeds and premiums of $42,662,014 from Series 2019A along with $1,889,889 of cash from the University was deposited into an escrow account to retire the bonds. All outstanding bonds dated December 15, 2009 were refunded on November 1, 2019. The refunding resulted in a difference between the reaquistion price and then net carrying amount of the old debt of $20,234. This difference, reported in the accompanying financial statements as Deferred outflows of resources, will be amortized through the fiscal year 2039. The University completed the refunding to reduce its total debt service payments over the next twenty-one years by $10,034,385 and to obtain a net present value economic gain of $8,124,671. The escrow account was closed out when the refunded bonds were redeemed as of November 1, 2019.

The remaining proceeds were provided to fund various capital improvements. Project include renovation, furnishing, and equipping of Mullins Library; acquisition, construction, and equipping of intramural sports facilities, Student Success Center, north chilled water plant and utility systems; and the acquisition, construction, improvement, renovation, equipping and/or furnishing of other capital improvements and infrastructure and the acquisition of various equipment or real property for the campus.

On August 22, 2019, the University issued $24,900,000 in Athletic Facilities Revenue Bonds (Fayetteville Campus), Series 2019A. The bonds, with interest rate of 5.0% were used to provide financing for capital improvement of various athletic facilities as well as acquiring, constructing, furnishing, and equipping a track and field high performance center for men's and women's track and field teams and a baseball development center at Baum-Walker Stadium.

On November 5, 2019, the University issued $139,220,000 in Various Facility Revenue Bonds (Fayetteville Campus), Taxable Refunding Series 2019B. The bonds, with interest rate of 1.76% to 3.40% were issued to accomplish the taxable advance refunding of Various Facility Revenue Bonds (Fayetteville Campus), Series 2011A and Series 2012B, as well as to pay cost of issuing the bonds. Net bond proceeds and premiums of $138,656,975 were deposited into an escrow account to retire $78,945,000 of the outstanding Series 2011A bonds and $50,645,000 of the outstanding Series 2012B bonds. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $653,724. The difference, reported in the accompanying financial statements as Deferred outflows of resources, will be amortized through the fiscal year 2041. The University completed the refunding to reduce its total debt service payments over the next twenty-four years by $22,315,239 and to obtain an economic gain of $16,322,779. The escrow account had a balance of $136,593,097 as of June 30, 2020.

On February 28, 2020, the University entered into a capital lease purchase financing agreement to acquire capital equipment totaling $12,161. The agreement is for a total of 4 years.

On May 1, 2020, the University entered into a capital lease purchase financing agreement to acquire capital equipment totaling $24,891. The agreement is for a total of 63 months.

On March 1, 2020, the University entered into a capital lease purchase financing agreement to acquire capital equipment totaling $115,000. The agreement is for a total of 4 years at an interest rate of $6.457%.

On June 25, 2019, the University entered into a capital lease purchase financing agreement to acquire capital equipment totaling $92,388. The agreement is for a total of 36 months at an interest rate of 6.00%.

On October 13, 2019, the University entered into a capital lease purchase financing agreement to acquire capital equipment totaling $8,044. The agreement is for a total of 36 months.

On January 28, 2020, the University entered into a capital lease purchase financing agreement to acquire capital equipment totaling $18,000. The agreement is for a total of 36 months

On January 30, 2020, the University entered into a financing agreement to acquire capital equipment and services totaling $705,145. The agreement is for a total of 5 years and has interest rates ranging from 3.71% to 3.80% Capitalized equipment purchased under this financing agreement totaled $374,356

while the remaining $330,789 represents services; therefore, we have reported the related debt as leases and notes, respectively.

On February 26, 2019, the University entered into a financing agreement to acquire capital equipment, related software and support totaling $795,562. The agreement is for a total of 60 months and has interest rates ranging from 3.62% to 3.81%. Capitalized equipment purchased under this financing agreement totaled $688,043 while the remaining $107,519 represents noncapital equipment, software and support; therefore, we have reported the related debt as leases and notes, respectively.

On June 4, 2019, the University entered into a financing agreement to acquire capital equipment, related software and support totaling $544,831. The agreement is for a total of 60 months and has interest rates ranging from 3.38% to 3.50%. Capitalized equipment purchased under this financing agreement totaled $169,452 while the remaining $375,379 represents noncapital equipment and support; therefore, we have reported the related debt as leases and notes, respectively.

8H Fiscal Year 2019 Long-Term Debt Transactions

On July 26, 2018, the University issued $20,385,000 in Various Facility Revenue Bonds (Fayetteville Campus), Series 2018A, with an interest rate of 5.0%. The bonds were issued to provide funds to finance various construction and renovation projects on the University campus and were issued on a tax-exempt basis. Project include renovation of Mullins Library; construction, equipping and furnishing of the Student Success Center, an offsite Library Storage Building, the Civil Engineering Research Education Center and intramural sports facilities; construction and equipping of improvements to the south campus steam and utility system; construction and improving of a remote parking facility to be utilized by staff and faculty; renovation, expansion and equipping of Kimpel Hall; and preliminary design of various other facilities planned for the campus.

On July 26, 2018, the University issued $6,560,000 in Various Facility Revenue Bonds (Fayetteville Campus), Series 2018B, with an interest rate ranging from 2.65% to 4.00%. The bonds were issued to provide funds to finance various construction and renovation projects on the University campus and were issued on a taxable basis. Projects include renovation of the Arkansas Union Food Court and renovation and expansion of Pomfret Dining Hall.

On February 6, 2019, the University entered into a loan agreement with the Arkansas Development Finance Authority in the amount of $619,417 for the purchase of optical networking equipment and related services. The loan agreement is for a total of 7 years at an interest rate of 2.74%.

On March 8, 2019, the University entered into a capital lease purchase financing agreement to acquire capital equipment totaling $11,214. The agreement is for a total of 3 years at an interest rate of 5.95%.

On May 20, 2019, the University entered into a capital lease purchase financing agreement to acquire capital equipment totaling $149,400. The agreement is for a total of 4 years at an interest rate of 6.50%.

On October 26, 2018, the University entered into a financing agreement to acquire capital equipment, related software and support totaling $4,811,399. The agreement is for a total of 60 months and has interest rates ranging from 3.34% to 3.47%. Capitalized equipment purchased under this financing agreement totaled $277,529 while the remaining $4,533,870 represents noncapital equipment, software and support; therefore, we have reported the related debt as leases and notes, respectively.

9. FAIR VALUE MEASUREMENTS

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The Statement established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

An individual investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the University. The University considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of that investment and does not necessarily correspond to the University's perceived risk of that investment.

The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the University can access at the measurement date. Publicly traded equity securities and mutual funds are the primary investments included in Level 1 and are valued at the individual security's closing market price

- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from independent sources. These types of sources would include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, models or other valuation methodologies. Level 2 investments include U.S. and international government debt securities valued at market corroborated prices and certain equity and fixed income investments in commingled investment vehicles reported at net asset value derived from the market prices of security holdings.

- Level 3: Inputs that are unobservable. Unobserved inputs are those that reflect the University's own assumptions about the assumptions that market participants would use in pricing the asset developed based on the best information available. These types of sources would include investment manager pricing for private equities, hedge funds and certain limited partnerships. Limited partner interests in private equity and other partnerships and hedge fund investments are included in Level 3 and are valued using the individual investment manager's reported estimates of fair value developed in accordance with reasonable valuation policies.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level within the valuation hierarchy, University invested funds, including amounts reported as deposits with bond trustees on the Statement of Net Position, at June 30, 2020:

Investment Instruments Measured at Fair Value

June 30, 2020

Investments by fair value level	June 30, 2020	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities:				
US	$ 267,566	$ 267,566		
Fixed Income Securities:				
US Government Debt	321,907,750	30,830,347	$ 288,578,922	$ 2,498,481
Other Debt Securities	104,945,949	453,673	104,492,276	
Commingled Funds:				
US Equity	180,716	79,288	101,428	
International Equity	25,078	25,078		
US Government Bonds	15,249,950	15,249,950		
Corporate Bonds	204,807	195,865	8,942	
Non-marketable alternatives				
Marketable alternatives	470,001			470,001
Money markets and short-term investments	20,096		20,096	
Total investments by fair value level	**$ 443,271,913**	**$ 47,101,767**	**$ 393,201,664**	**$ 2,968,482**
Investments measured at the net asset value (NAV)				
External Investment Pools:				
Total Return Pool	$ 86,584,338			
UA System Short-Intermediate Pool	26,910,378			
Total investments measured at the NAV	113,494,716			
Total investments measured at fair value	**$ 556,766,629**			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a funds accounting technique or are provided by the security custodian. Securities classified in Level 3 are valued using par value on the face of the investments or provided by the security custodian. Life-interest in real estate classified in Level 3 is valued using an independent appraisal dated June 29, 2020.

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
External Investment Pools:				
Total Return Pool[1]	$ 86,584,338	-	Daily	0 – 30 days
UA System Short-Intermediate Pool[2]	26,910,378	-	Daily	0 – 3 days
Total investments measured at the NAV	**$ 113,494,716**			

[1] This type includes investments in a broadly diversified external investment pool. Pooled investments include allocations to global equities, both public and private, hedge funds, and bonds. The assets in the pool are accounted for at fair value determined according to the principles of the Financial Accounting Standards Board. A one-week notice is required for redemptions over $1 million. There is also a requirement for 30-days written notice if total withdrawals will exceed $25 million in any 30-day period.

[2] This type includes investments in an external investment pool comprised of fixed income investments. The pooled investments are allocated primarily to intermediate and short-term government bonds and investment-grade corporate bonds. The pool also includes allocations to commercial paper and money market funds. The assets in the pool are accounted for at fair value determined according to the principles of the Governmental Accounting Standards Board. A three-day notice is required for redemptions.

10. NATURAL AND FUNCTIONAL CLASSIFICATIONS OF OPERATING EXPENSES

The following is a reconciliation of the natural classifications as presented in the Statement of Revenues, Expenses, and Changes in Net Position to the functional classifications for the year ended June 30, 2020:

Operating Expenses

June 30, 2020

	Natural Classifications				
Functional Classifications	**Salaries, Wages and Benefits**	**Scholarships and Fellowships**	**Supplies and Other Services**	**Depreciation**	**Total**
Instruction	$ 198,391,158		$ 27,400,886		$ 225,792,044
Research	95,074,284		40,229,960		135,304,244
Public Service	58,472,808		21,781,167		80,253,975
Academic Support	38,633,611		16,675,885		55,309,496
Student Services	25,895,274		9,034,272		34,929,546
Institutional Support	31,634,256		13,907,031		45,541,287
Scholarships and Fellowships	183,022	$ 27,339,687	123,083		27,645,792
Operation and Maintenance of Plant	17,808,981		40,894,228		58,703,209
Auxiliary Enterprises	67,858,297		84,179,019		152,037,316
Depreciation				$ 90,518,501	90,518,501
Totals	**$ 533,951,691**	**$ 27,339,687**	**$ 254,225,531**	**$ 90,518,501**	**$ 906,035,410**

The following is a reconciliation of the natural classifications as presented in the Statement of Revenues, Expenses, and Changes in Net Position to the functional classifications for the year ended June 30, 2019:

Operating Expenses

June 30, 2019

	Natural Classifications				
Functional Classifications	**Salaries, Wages and Benefits**	**Scholarships and Fellowships**	**Supplies and Other Services**	**Depreciation**	**Total**
Instruction	$ 187,875,406		$ 30,141,806		$ 218,017,212
Research	95,473,170		42,270,291		137,743,461
Public Service	56,595,129		27,171,584		83,766,713
Academic Support	37,424,354		19,026,520		56,450,874
Student Services	26,722,274		11,233,535		37,955,809
Institutional Support	31,054,587		13,264,196		44,318,783
Scholarships and Fellowships	155,378	$ 23,495,596	254,459		23,905,433
Operation and Maintenance of Plant	16,827,031		43,921,323		60,748,354
Auxiliary Enterprises	64,732,553		92,460,876		157,193,429
Depreciation				$ 86,167,691	86,167,691
Totals	**$ 516,859,882**	**$ 23,495,596**	**$ 279,744,590**	**$ 86,167,691**	**$ 906,267,759**

11. OPERATING LEASES

The University has entered into various operating leases for buildings and equipment. It is expected that in the normal course of business such leases will continue to be required. The total expenditures for all rental lease payments and non-lease rental payments for the fiscal year ended June 30, 2020, were $5,933,620. Below are the scheduled payments for the five succeeding fiscal years and thereafter.

Future Operating Lease Payments

Year ended June 30	Amount
2021	$ 1,651,811
2022	1,062,226
2023	746,206
2024	477,164
2025	261,151
2026-2030	251,105
Total	**$ 4,449,663**

12. EMPLOYEE BENEFITS

12A Retirement Plans

New employees of the University of Arkansas who are employed half-time or greater and are on at least a nine month appointment period and similar employees who transfer to or from another campus within the University of Arkansas System with more than a 30 calendar-days break will be required to participate in the UA Retirement Plan. Employees who transfer to or from another campus within the University of Arkansas System with fewer than 30-days break and who were participating in either APERS or ATRS can elect at their new campus to participate in APERS or the UA Retirement Plan. All employees are eligible to make voluntary elective employee contributions, even if not eligible for employer contributions, under the plan.

University of Arkansas Retirement Plan

Plan Description

The University of Arkansas Retirement Plan is a defined contribution plan, offering both a 403(b) program and a 457(b) program, as defined by the Internal Revenue Service Code of 1986, as amended. The authority under which the Plan's benefit provisions are established or amended is the President of the University or his designee. Contributions to Fidelity Investments shall be applied to individual annuities issued under a Lincoln Fixed Annuity Account and/or to various mutual fund companies held at Fidelity Investments. Contributions to TIAA can be allocated among their various annuity accounts held at TIAA.

Contributions

Effective July 1, 2019, all benefits-eligible employees of the University of Arkansas are required to contribute 4% of their regular salary to the TIAA and/or Fidelity Investments. The University automatically contributes 5% of an employee's regular salary to TIAA and/or Fidelity Investments retirement account, allocated between the two companies according to the employee's choice. For any contributions an employee makes in excess of 5% regular salary, the University makes an equal contribution, up to the Internal Revenue Service (IRS) limit. Under IRS regulations as of June 30, 2020, the employer contributions can only be made on $280,000 of salary. Employee contributions in excess of 10% are allowed by the plans in accordance with IRS regulations but the University does not match these additional contributions. All benefits attributable to plan contributions made by the participant are vested immediately. All benefits attributable to contributions made by the University for faculty and staff hired July 1, 2016, and after, will be vested at the end of 24 consecutive months of employment, upon death or attainment of age 65 while actively employed, or should they become disabled while actively employed as determined by the Social Security Administration or the University's long-term disability insurance provider. The University's and participant's TIAA contributions for the year ending June 30, 2020, were $17,011,808 and $20,220,652, respectively. The University's and participant's Fidelity Investment contributions for the year ending June 30, 2020, were $11,688,244 and $13,966,113, respectively.

Arkansas Public Employees Retirement System (APERS)

Plan Description

APERS is a cost-sharing, multiple-employer, defined benefit plan administered by the State of Arkansas. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration. APERS issues a publicly available financial report that can be obtained at http://www.apers.org/publications.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapter 4 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or noncontributory as follows:

Contributory, prior to 7/1/2001	2.11%
Contributory, prior to 7/1/2005	2.07%
Contributory, 7/1/2005 – 6/30/2007	2.03%
Contributory, on or after 7/1/2007	2.00%
Non-Contributory, prior to 7/1/2007	1.75%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55, or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Effective July 1, 2016, new employees of the University are no longer eligible to participate in the Arkansas Public Employees Retirement System (APERS). Existing APERS participants can continue APERS participation.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered. Members who began service prior to July 1, 2005, who elected to remain in the non-contributory plan, are not required to make contributions to APERS. Members who began service on or after July 1, 2005, are required to participate in the contributory plan and contribute 5% of their salaries. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan. The University contributed 15.32% of applicable compensation for the fiscal year ended June 30, 2020. The University's and members' contributions for the year ending June 30, 2020, were $1,194,022 and $334,627, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the University reported a liability of $10,545,325 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the University's share of contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2020, the University's proportion was 0.3404% for Fayetteville and 0.0964% for Cooperative Extension Service, for a total proportion of 0.4368%; which was a decrease of 0.1074 from its total proportion measured as of June 30, 2019.

Changes in assumptions or other inputs that affected pension liability measurement since the prior measurement date included the following:

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2012 – June 30, 2017.

Changes of benefit terms that affected measurement of the total pension liability since the prior measurement date included the following:

There were no significant changes in benefit terms for the fiscal year ended June 30, 2019.

For the year ended June 30, 2020, the University recognized pension expense of $2,294,249. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Net Pension Deferred Inflows and Outflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 286,999	$ 15,667
Changes of assumptions or other inputs	572,372	405,380
Net difference between projected and actual earnings on pension plan investments	0	80,097
Changes in the proportion and differences between the employer contributions and share of contributions	630,497	1,926,708
University contributions subsequent to the measurement date	1,194,022	0
Totals	**$ 2,683,890**	**$ 2,427,852**

Deferred outflows of resources of $1,194,022 is related to pensions resulting from University contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in the financial statements as follows:

Amortization of Other Deferred Inflows and Outflows

Year ended June 30:	Amount
2020	$ (1,331,241)
2021	742,793
2022	33,011
2023	(382,546)
2024	0
Thereafter	0

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	4-year smoothed market; 25% corridor
Investment Rate of Return	7.15%
Salary Increases	3.25% – 9.85% including inflation
Wage Inflation	3.25%
Post-Retirement Cost-of-Living Increases	3.00% Annual Compounded Increase
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	4.1431

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return 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 current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2019 to 2028 were based upon capital market assumptions provided by plan's investment consultant(s). For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2019, these best estimates are summarized in the following table:

Expected Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37 %	6.20 %
International Equity	24	6.33
Real Assets	16	3.32
Absolute Return	5	3.56
Domestic Fixed	18	1.54
Total	**100%**	
Total Real Rate of Return		4.80 %
Plus: Price Inflation - Actuary's Assumption		2.50
Less: Investment Expense (Passive)		0.00
Net Expected Rate of Return		**7.30 %**

Discount Rate

A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these 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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net pension liability using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

Sensitivity of Discount Rate

1% Discount (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
$ 16,901,524	$ 10,545,325	$ 5,301,170

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's net position is available in the separately issued APERS financial report.

Payables to the Pension Plan

The University reported payables to APERS of $99,956 at June 30, 2020.

Arkansas Teacher Retirement System (ATRS)

Plan Description

ATRS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of Arkansas. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 266 of 1937. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the fifteen members of the Board of Trustees of the Arkansas Teacher Retirement System (the Board). Membership includes eleven members who are elected and consist of seven active members of ATRS with at least five years of actual service, three retired members receiving an annuity from ATRS, and one active or retired member from a minority racial ethnic group. There are also four ex officio members, including the State Bank Commissioner, the Treasurer of the State, the Auditor of the State and the Commissioner of Education. ATRS issues a publicly available financial report that can be obtained at https://www.artrs.gov/publications.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapter 7 and may only be amended by the Arkansas General Assembly. ATRS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or noncontributory as follows:

Contributory,	
10 years or more of service	2.15%
less than 10 years of service through 6/30/2018	2.15%
less than 10 years of service after 7/1/2018	1.75%
Non-Contributory,	
10 years or more of service through 6/30/2019	1.39%
10 years or more of service beginning 7/1/2019	1.25%
less than 10 years of service through 6/30/2018	1.39%
less than 10 years of service after 7/1/2018	1.00%

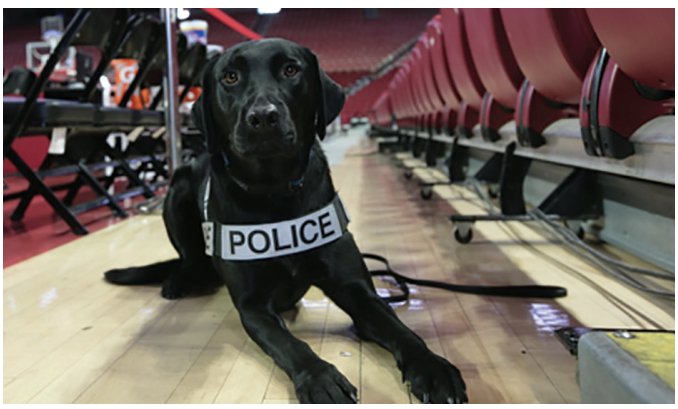
Members are eligible to retire with a full benefit under the following conditions:

- at age 60 with 5 years of credited service,
- at any age with 28 years credited service.

Members with 25 years of credited service who have not attained age 60 may retire with a reduced benefit.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Survivor benefits are payable to qualified survivors upon the death of an active member with 5 years of service. The monthly benefit paid to eligible spouse survivors is computed as if the member had retired and elected the Joint & 100% Survivor option. Minor child survivors receive a percentage of the member's highest salary earned. ATRS also provides a lump sum death benefit for active and retired members with 10 years of actual service. The amount for contributory members will be up to $10,000 and up to $6,667 for noncontributory members. A cost-of-living adjustment of 3% of the current benefit is added each year.

Effective July 1, 2011, new employees of the University are no longer eligible to participate in the Arkansas Teacher Retirement System (ATRS). Existing ATRS participants are allowed to continue ATRS participation.



Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 7. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered. ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of ATRS. The noncontributory plan became available July 1, 1986. Act 81 and 907 of 1999, effective July 1, 1999, require all new members under contract for 181 or more days to be contributory. Act 93 of 2007 allows any noncontributory member to make an irrevocable election to become contributory on July 1 of each fiscal year. Employers are required to contribute at a rate established by the Board of Trustees of ATRS based on an actuary's determination of a rate required to fund the plan. The University contributed 14.25% of applicable compensation for the fiscal year ended June 30, 2020. The University's and member's contributions for the year ending June 30, 2020, were $103,727 and $39,507, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the University reported a liability of $994,907 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the University's share of contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2020, the University's proportion was 0.0161% for Fayetteville and 0.0077% for Cooperative Extension Service, for a total proportion of 0.0238%, which was a decrease of 0.0085 from its total proportion measured as of June 30, 2019.

Changes in assumptions or other inputs that affected pension liability measurement since the prior measurement date included the following:

There were no significant changes in assumptions for the year ended June 30, 2019.

Changes of benefit terms that affected measurement of the total pension liability since the prior measurement date included the following:

There were no significant changes in benefit terms for the year ended June 30, 2019.

For the year ended June 30, 2020, the University recognized pension expense of $6,672. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Net Pension Deferred Inflows and Outflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 26,710	$ 10,411
Changes of assumptions or other inputs	147,875	0
Net difference between projected and actual earnings on pension plan investments	0	70,087
Changes in the proportion and differences between the employer contributions and share of contributions	0	361,549
University contributions subsequent to the measurement date	103,727	0
Totals	**$ 278,312**	**$ 442,047**

Deferred outflows of resources of $103,727 is related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in the financial statements as follows:

Amortization of Other Deferred Inflows and Outflows

Year ended June 30:	
2020	$ 348,467
2021	(31,327)
2022	130,807
2023	155,444
2024	13,241
Thereafter	0

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, closed
Amortization Period	28 years
Asset Valuation Method	4-year closed period; 20% corridor
Wage Inflation	2.75%
Salary Increases	2.75 – 7.75% including inflation
Investment Rate of Return	7.50% compounded annually
Post-Retirement Cost-of-Living Increases	3.00% Simple
Mortality Table	RP-2014 Healthy Annuitant, Disabled Annuitant, and Employee Mortality Tables were used for males and females. Mortality rates were adjusted using projection scale MP-2017 from 2006 (94% for men & 84% for women)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study for the period July 1, 2010 – June 30, 2015

The long-term expected rate of return on pension plan investments was determined 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 and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary.

For each major asset class included in the System's target asset allocation as of June 30, 2019, these best estimates are summarized below:

Expected Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Total Equity	53.0 %	5.1 %
Fixed Income	15.0	1.4
Alternatives	5.0	4.2
Real Assets	15.0	5.0
Private Equity	12.0	6.3
Cash Equivalents	0.0	0.6
Total	**100 %**	

Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be 14% of payroll. Based on these 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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net pension liability using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Sensitivity of Discount Rate

1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
$ 1,635,707	$ 994,907	$ 463,447

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's net position is available in the separately issued ATRS financial report.

Payables to the Pension Plan

The University reported payables to ATRS of $135 at June 30, 2020.

Other Plans

Cooperative Extension Service employees who previously held appointments with the U.S. Department of Agriculture are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), depending on date of appointment. Both plans are single employer defined benefit plans. The CSRS plan became effective in 1920, and established retirement benefits for certain federal employees. Congress created the FERS plan in 1986, becoming effective on January 1, 1987. Since that time new federal civilian employees who have retirement coverage are covered under the FERS plan. FERS provides benefits from three different sources: a Basic Benefit Plan, Social Security and the Thrift Savings Plan. As of June 30, 2020, three active employees were covered under the CSRS plan and nine active employees were covered under the FERS plan. Participants in the CSRS plan contribute 7% of salaries and employers are required to contribute 7%. Participants in the FERS plan are required to contribute 0.80% of salaries and employers are required to contribute 16% for the Basic Benefit and Social Security portions of the plan benefits. The University's and participants' CSR and FERS contributions were $159,378 and $33,693 respectively for the fiscal year ended June 30, 2019.

The Thrift Savings Plan (TSP) is the third component of the FERS plan and is a supplement to the CSRS plan. It is a defined contribution plan designed to provide retirement income for Federal employees similar to a 401(k) plan. The TSP is administered by the Federal Retirement Thrift Investment Board. For FERS participants, employers are required to contribute an amount equal to 1% of salaries to a TSP account established for the participant. Employees may also contribute to their TSP account, with employer matching on the first 5% of employee contributions up to 4%. There is no employer matching for CSRS participants. All contributions are exempt from taxation. The University's and participants' TSP contributions were $42,797 and $73,516 respectively for the fiscal year ended June 30, 2020.

Additionally, employees covered by these plans may also participate in the University of Arkansas Retirement Plan which includes Teachers Insurance Annuity Association (TIAA) and Fidelity Investments but are not eligible for any additional University contribution.

The University's participation in the Federal retirement system plans is not considered material by University management.

12B Self-Insurance Plans

The Board of Trustees of the University of Arkansas System sponsors self-funded health (including prescription coverage) and dental plans for University of Arkansas System employees and their eligible dependents. All campuses in the University of Arkansas System participate in the health plan which is administered by the System Administration. The plans are also offered to employees of the University of Arkansas Winthrop Rockefeller Institute, the University of Arkansas Foundation, Inc., the Razorback Foundation, Inc., the Walton Arts Center, and the University of Arkansas Technology Development Foundation. Operations of the plans are recorded in the separate University of Arkansas consolidated financial report.

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

For the year ending June 30, 2020, a total of 4,762 active employees, former employees, and retirees were participants in the health plan. The University's contributions to health coverage are based on the employee's salary and percent of appointment. Six salary bands are used to determine the employer contribution with the average contribution for 75%-100% appointed employees being:

Salary Bands

	Employer Contribution		
Salary Range	Classic Plan	Health Savings Plan	Premier Plan
Under $28,000	80.01 %	86.56 %	65.58 %
Between $28,000 to $38,999	78.59	85.02	64.11
Between $39,000 to $54,999	76.87	83.15	62.40
Between $55,000 to $99,999	75.00	81.13	60.51
Between $100,000 to $149,999	73.48	79.49	59.08
$150,000 and above	71.71	77.57	57.22

The University pays 75% for the health plan for federal employees.

12C Life Insurance Plan

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

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

The University has, from time to time, negotiated early retirement agreements with faculty and staff which may include the provision of healthcare or other benefits for future periods.

There was no liability for these type of agreements at June 30, 2020 or at June 30, 2019.

13. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

13A General Information about the OPEB Plan

Plan description. The University of Arkansas System Health Plan (Plan) is a non-ERISA, self-funded medical benefit plan that provides other postemployment benefits (OPEB) to eligible retirees. The Plan is a single-employer, defined benefit plan authorized by the Board of Trustees of the University of Arkansas and administered by the University President. Within the scope of applicable federal and state regulation, the University President in conjunction with the University of Arkansas System Office establishes and amends the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which became effective for the fiscal year ending June 30, 2018. This Statement requires governmental entities to recognize net OPEB liability (asset), payables to OPEB plans, and deferred outflows and inflows of resources related to certain changes in the net OPEB liability (asset) not yet recognized in the OPEB expense on the Statement of Net Position and that most changes in the net OPEB liability be included in OPEB expense in the period of the change. For defined benefit OPEB, this Statement also requires that Actuarial Standards of Practice be applied in developing assumptions and establishes additional requirements for the measurement of the total OPEB liability and the disclosure of significant assumptions and other inputs used to calculate the OPEB liability. As a result of the implementation of this Statement, the University accrued $22,576,000 in retiree healthcare liability as of June 30, 2020.

Benefits provided. The University offers postemployment health (including prescription drugs) and dental benefits along with life insurance ($10,000 available coverage) to eligible retirees. Health and dental benefits are provided in the University's self-funded plan sponsored by the Board of Trustees of the University of Arkansas System for current and pre-65 retired employees. Although benefits are also provided under the University's plan for the University of Arkansas Foundation, Inc., the Razorback Foundation, Inc., the University of Arkansas Technology Development Foundation, the Walton Arts Center, and the University of Arkansas Winthrop Rockefeller Institute, no postemployment benefit is accrued by the University for these private entities. Financial activities of the plan are reported in the University of Arkansas consolidated financial report.

Retirees qualify for postretirement benefits as follows:

Participation: Employees who retire with a combination of age and years of service of at least 70 and if, immediately prior to retirement they have completed ten (10) or more consecutive years of continuous coverage under the plan. Retirees may cover spouses and eligible dependent children. Surviving spouses can continue coverage after retiree's death.

Benefit Provided: Retirees participate in the plan at the same premium rate as an active employee.

Required Contribution Ratio: Retirees pay 100% of premium. Employer costs are funded on a pay-as-you-go basis.

Employees covered by benefit terms. At June 30, 2020, the following employees were covered by the benefit terms:

Employees Covered by Benefit Terms

June 30, 2020

	Medical	Life
Inactive employees currently receiving benefit payments		
(Retirees, Spouses, and Survivors)	78	928
Inactive employees entitled to but not yet receiving benefit payments	0	0
Active employees	4,922	5,247
Totals	**5,000**	**6,175**

Covered employee data was provided as of February 2020. Since the data represents school employees who usually retire/terminate in June, all the new hires after July 1, 2019 were set to have a hire date as of July 1, 2019. This adjustment was done to capture the true census of the systems during the academic year.

13B OPEB Liability

At June 30, 2020, the University reported a liability of $22,576,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions and Other Inputs

Valuation Date	July 1, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	30 years rolling, level % of payroll
Asset Valuation Method	N/A
Actuarial Assumptions:	
Rate of Medical Inflation	6.75% grading to 4.00% over 15 years
Rate of Pharmacy Inflation	8.50% grading to 4.00% over 15 years
Discount Rate	3.50% per annum
Rate of Salary Increase for Amortization	4.00%
Healthy Mortality Rate	RP-2014 Fully Generational Mortality Table for employees and healthy annuitants using projection scale MP-2014.
Disabled Mortality Rate	RP-2014 Fully Generational Mortality Table for disabled retirees using projection scale MP-2014.

The discount rate was based on the 20-year tax-exempt general obligation bond rates published in the Bond Buyer index as of the valuation date

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

The dental rates are set to match projected costs. Retirees pay 100% of the budget rate for coverage. Therefore, the cost for dental coverage was excluded from this valuation.

13C Changes in the Proportionate Share of the Net OPEB Liability

Changes in the Proportionate Share of the Net OPEB Liability	
Balances at 6/30/2018 (Reporting Date 6/30/2019)	$ 21,193,053
Changes for the year:	
Service cost	871,857
Interest	766,340
Changes of benefits	0
Differences between expected and actual experience	(556,073)
Changes of assumptions	879,245
Contributions - employer	0
Contributions - member	0
Net investment income	0
Benefit payments	(578,422)
Administrative expense	0
Net changes	1,382,947
Balances at 6/30/2019 (Reporting Date 6/30/2020)	**$ 22,576,000**

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.50% in 2019.

There were no investment gains or losses during the measurement year.

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the discount rate. The following represents the proportionate share of the net OPEB liability of the University, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

Sensitivity of Discount Rate		
1% decrease (2.50%)	**Discount Rate (3.50 %)**	**1% increase (4.50%)**
$ 25,552,000	$ 22,576,000	$ 20,116,000

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following represents the proportionate share of the net OPEB liability of the University, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Sensitivity of Healthcare Cost Trend Rates		
1% decrease	**Healthcare Cost Trend Rate**	**1% increase**
$ 21,065,000	$ 22,576,000	$ 24,334,000

13D OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the University recognized OPEB expense of $1,009,000. At June 30, 2020, University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Net OPEB Deferred Inflows and Outflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 45,000	$ 906,000
Changes of assumptions	818,000	1,602,000
Contributions subsequent to the measurement date	654,000	0
Totals	**$ 1,517,000**	**$ 2,508,000**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Amortization of Other Deferred Inflows

Year ending June 30:	
2021	$ (788,000)
2022	(787,000)
2023	(124,000)
2024	27,000
2025	27,000
Thereafter	0

14. POLLUTION REMEDIATION

GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* establishes standards for the accounting and financial reporting of pollution (including contamination) remediation obligations. In 2012 the University completed a study to develop a plan for remediation of the Southwest Experimental Fast Oxide Reactor (SEFOR) site. All project costs were funded by awards from the United States Department of Energy (DOE) on a cost reimbursement basis.

Remediation of the SEFOR site was completed in 2019. A drawdown of $1,906,166 related to June 30, 2019 receivables was invoiced to and received from DOE in 2020. As of June 30, 2020, there was no pollution remediation liability or receivable cost recoveries. Remediation costs drawn down from DOE since inception totaled $25,824,492.

15. RISK MANAGEMENT

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

All campuses are currently covered under the property and auto coverage provided through the System Administration. The property coverage is insured through Travelers with a $100,000 deductible at the Fayetteville, Medical Sciences, and Little Rock Campuses. All other campuses have a $50,000 deductible. The deductible for wind and hail damage is $500,000 for all campuses with a separate insurance policy through Lloyds of London. It is the responsibility of each campus to confirm all building and content values to be covered. The Travelers policy also contains earthquake and flood insurance coverage. The System Administration has also secured domestic and foreign terrorism coverage.

Likewise, with the auto coverage, each campus is responsible for providing a list of vehicles to be covered under the auto coverage through Cypress Insurance. The auto coverage has a physical damage deductible of $1,000 and provides coverage against liability losses up to $1,000,000 per occurrence.

The University of Arkansas does have an insurance policy covering the Razorback Foundation, Inc. and Board of Trustees of the University of Arkansas for the owned aircraft, which provides coverage liability losses up to $50,000,000 per occurrence and medical coverage of $25,000 per person.

During the fiscal year ended June 30, 2020, the University of Arkansas, Fayetteville procured cyber insurance through Beasley Breach Solutions with aggregate liability coverage up to $5,000,000 and a $150,000 per incident deductible.

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

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

Additionally, the University of Arkansas participates in the State of Arkansas Fidelity Bond Program for claims of employee dishonesty. This program has a limit of $300,000 recovery per occurrence with a $2,500 deductible. Premiums are paid annually via a fund transfer from state appropriations to the Department of Finance and Administration.

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

16. WALTON ARTS CENTER

In 1987, the University of Arkansas and the City of Fayetteville engaged in a joint endeavor to operate the Walton Arts Center. Funds were pooled from each entity to provide for the construction and operation of the center. The University of Arkansas/City of Fayetteville Arts Foundation, Inc., now called the Walton Arts Center Foundation, Inc., was established to administer this project and its funds. Activities of the foundation were managed by nine directors - three appointed by the University, three by the City of Fayetteville, and three recommended by the Foundation that were approved by the mayor and chancellor.

The Walton Arts Center Council, Inc. was formed to construct, operate, manage, and maintain the Arts Center in Fayetteville, Arkansas, in accordance with the Interlocal Cooperation Agreement between the City of Fayetteville and the University of Arkansas. The ownership of the Arts Center facilities, including land, is held equally by the City and the University. The Arts Center Council was required to submit an annual budget to both the City and the University for approval. The Board of Trustees of The Arts Center Council was comprised of five members appointed by the University, five members appointed by the City, and ten members appointed at large, all of whom served as volunteers.

On August 14, 2014, the governing documents establishing and defining the joint endeavor between the City of Fayetteville and the University of Arkansas to operate the Walton Arts Center were revised to ensure clarity and flexibility to allow the Walton Arts Center to meet the arts and entertainment needs of all residents of Northwest Arkansas with a multi-venue system, while at the same time confirming support of the original partnership. Revisions were made to the respective Articles of Incorporation of the Walton Arts Center Foundation, Inc. and the Walton Arts Center Council, Inc. to clarify the purpose of each entity to encompass multiple venues in the Northwest Arkansas region; to allow the Walton Family Foundation to appoint nine additional directors to the Board of Directors of the Arts Center Council while ensuring that the City and University maintain their proportionate number of directors on the Board; to return the City of Fayetteville's initial payment of $1.5 million to the Foundation back to the City for the City's use in the construction of a parking facility adjacent to the Walton Arts Center or as otherwise determined by the Fayetteville City Council; and with consent by the University to expend the institution's initial payment of $1.5 million to the Foundation to help defray the construction costs of the proposed enlargement and enhancement of the Walton Arts Center located in Fayetteville, Arkansas. To date, the University's funds placed in the endowment have not been spent. Accordingly, the relationship of the University and Walton Arts Center Foundation, Inc, remains unchanged. In the event the funds are expended, as provided in the revised agreement, the Walton Arts Center Foundation, Inc. would no longer be an agent for the University nor would the University have the right of appointment of Walton Arts Center Foundation, Inc. directors.

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

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

17. OTHER ENTITIES

University of Arkansas Foundation, Inc. - The Foundation operates as a nonprofit benevolent corporation for charitable educational purposes. The Board of Trustees of the Foundation includes one (1) member who is also a member of the University's Board of Trustees. The audited financial statements of the Foundation, as of and for the years ended June 30, 2020 and June 30, 2019, which have been audited by an independent certified public accountant, are presented below in summary form. The University of Arkansas, Fayetteville is the beneficiary of 50.7% and 52.4% of the net assets of the Foundation for the years ended June 30, 2020 and June 30, 2019, respectively. The remaining 49.3% and 47.6% benefits other University of Arkansas campuses for the years ended June 30, 2020 and June 30, 2019, respectively. Complete financial statements for the Foundation can be obtained from the administrative office at 700 Research Center Boulevard, Fayetteville, AR 72701.

Condensed Statement of Financial Position
University of Arkansas Foundation, Inc

	2020	2019
Assets		
Investments, at fair value	$ 1,365,656,164	$ 1,329,835,542
Contributions Receivable, net	61,908,066	43,656,718
Other Receivables	885,667	3,755,684
Fixed Assets, Net of Depreciation	348,425	31,425
Other Assets	1,314,689	1,570,547
Total Assets	**$ 1,430,113,011**	**$ 1,378,849,916**
Liabilities and Net Assets		
Liabilities	$ 18,816,360	$ 17,774,398
Net Assets		
Unrestricted	117,129,631	117,892,372
Restricted	1,294,167,020	1,243,183,146
Net Assets	1,411,296,651	1,361,075,518
Total Liabilities and Net Assets	**$ 1,430,113,011**	**$ 1,378,849,916**

Condensed Statement of Activities
University of Arkansas Foundation, Inc

	2020	2019
Contributions	$ 92,432,315	$ 190,574,861
Other Revenues, Additions and Gains/(Losses)	33,206,523	65,934,025
Total Income and Other Additions/(Losses)	**$ 125,638,838**	**$ 256,508,886**
Total Expenditures and Other Deductions	**$ 75,417,705**	**$ 74,216,880**
Increase/(Decrease) in Net Assets	**$ 50,221,133**	**$ 182,292,006**

Arkansas Alumni Association, Inc. – The Arkansas Alumni Association, Inc., was incorporated in 1960 for the purposes of promoting the welfare of the University and its graduates and former students. Audited financial statements for the years ended June 30, 2020 and June 30, 2019 are presented below in summary form. Complete financial statements for the Arkansas Alumni Association, Inc. can be obtained from the administrative office at 491 N. Razorback Road, Fayetteville AR 72701.

Condensed Statement of Financial Position
Arkansas Alumni Association, Inc.

		2020		2019
Assets				
Cash and investments	$	4,625,336	$	3,494,376
Other Assets		9,935,716		10,749,171
Total Assets	**$**	**14,561,052**	**$**	**14,243,547**
Liabilities and Net Assets				
Liabilities	$	1,507,327	$	1,582,914
Net Assets		13,053,725		12,660,633
Total Liabilities and Net Assets	**$**	**14,561,052**	**$**	**14,243,547**

Condensed Statement of Activities
Arkansas Alumni Association, Inc.

		2020		2019
Income and Other Additions	$	4,125,664	$	4,734,419
Expenditures and Other Deductions		3,732,572		3,984,391
Increase/(Decrease) in Net Assets	**$**	**393,092**	**$**	**750,028**

University of Arkansas Technology Development Foundation – The Foundation was incorporated in May 2003 and is considered a supporting organization of the Fayetteville campus. The Foundation's mission is to stimulate a knowledge-based economy through partnerships that lead to new opportunities for learning and discovery, that build and retain a knowledge-based workforce and that spawn the development of new technologies that enrich the economic base of Arkansas. Audited financial statements for the years ended June 30, 2020 and June 30, 2019 are presented below in summary form. Complete financial statements for the Foundation can be obtained from the administrative office at 535 W. Research Center Boulevard, Fayetteville, AR 72701.

Condensed Statement of Financial Position
University of Arkansas Technology Development Foundation

		2020		2019
Assets				
Cash and investments	$	2,147,501	$	1,964,911
Other Assets		8,706		6,999
Total Assets	**$**	**2,156,207**	**$**	**1,971,910**
Liabilities and Net Assets				
Liabilities	$	86,636	$	63,371
Net Assets		2,069,571		1,908,539
Total Liabilities and Net Assets	**$**	**2,156,207**	**$**	**1,971,910**

Condensed Statement of Activities
University of Arkansas Technology Development Foundation

		2020		2019
Income and Other Additions	$	1,824,183	$	1,810,889
Expenditures and Other Deductions		1,663,151		1,589,598
Increase/(Decrease) in Net Assets	**$**	**161,032**	**$**	**221,291**

Arkansas 4-H Foundation, Inc. – The 4-H Foundation was incorporated in 1951 and was formed to encourage and support such education purposes that will best meet the needs and advance the interest of 4-H youth programs throughout the State of Arkansas. Audited financial statements for the years ended June 30, 2020 and June 30, 2019 are presented below in summary form. Complete financial statements for the 4-H Foundation can be obtained from the administrative office at 2301 S. University Avenue, Little Rock, AR 72204.

Condensed Statement of Financial Position
Arkansas 4-H Foundation, Inc.

		2020		2019
Assets				
Cash and cash equivalents	$	912,357	$	535,381
Certificates of deposits		100,496		201,652
Investments, at fair value		3,811,458		4,130,093
Property and equipment, net		4,284,587		4,606,412
Other assets		33,177		21,822
Total Assets	**$**	**9,142,075**	**$**	**9,495,360**
Liabilities and Net Assets				
Liabilities	$	307,745	$	233,918
Net Assets				
Unrestricted		5,168,578		5,503,104
Restricted		3,665,752		3,758,338
Net Assets		8,834,330		9,261,442
Total Liabilities and Net Assets	**$**	**9,142,075**	**$**	**9,495,360**

Condensed Statement of Activities
Arkansas 4-H Foundation, Inc.

		2020		2019
Income and Other Additions	$	1,633,564	$	2,105,546
Expenditures and Other Deductions		2,060,676		2,414,396
Increase/(Decrease) in Net Assets	**$**	**(427,112)**	**$**	**(308,850)**

18. RELATED PARTIES

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

The Vice Chancellor for Economic Development is a member of the Board of Directors of Arvest Bank Fayetteville, one of sixteen autonomous community-oriented banks which comprise Arvest Bank Group, Inc., based in Bentonville, Arkansas. At June 30, 2020, bank balances held at Arvest Bank Group, Inc. banks total $9,618,516 (book balances included on the Statement of Net Position were $9,284,418).

The Vice Chancellor for Economic Development also is a member of the following Boards of Directors of Fayetteville Chamber of Commerce, The Sustainability Consortium, Theatre Squared, and Arkansas Children's. During the fiscal year ended June 30, 2020, the University made payments of $7,181, $0, $15,919, and $142,188, respectively, to these related parties. The Dean of the Clinton School of Public Service is also a member of the Board of Directors of Arkansas Children's.

19. COMMITMENTS AND CONTINGENCIES

Construction

The University has contracted for the construction and renovation of several facilities. At June 30, 2020, the estimated remaining cost to complete the construction and renovation of these facilities is $106,694,449, which is expected to be financed from bond proceeds, private gifts and other university funds. At June 30, 2019, the estimated remaining cost to complete the construction and renovation of these facilities was $47,298,708.

Other Commitments

The University has agreed to supplement the base rent received from existing tenants of the Enterprise Center at the Arkansas Research and Technology Park to the degree necessary to ensure the related debt obligations are met. For the fiscal year ended June 30, 2020, the amount of this obligation was $49,925. For the fiscal year ended June 30, 2019, the amount of this obligation was $200,003.

The University has entered into lease agreements with four different Greek organizations (Lessees) that may create future commitments to the University. The lease agreements allow the Greek organizations to either construct new residence facilities or renovate existing residence facilities on University owned property. The construction and/or renovation of these facilities is the responsibility of the organizations and shall be financed through a combination of gifts as well as financing from banks and/or national house corporations to be repaid through each chapter's generated revenue. The period in which the financing arrangements are being repaid is known as the Chapter House Amortization Period. As of June 30, 2020, all four Greek facilities were completed, and one new Greek agreement was added. Four organizations had entered into financing agreements for the construction or renovation of their residence facilities as of June 30, 2018.

In the lease agreements, it is stipulated that if the University exercises its right to terminate the agreement for cause and extinguish the Lessee's leasehold estate for cause at any time during the Chapter House Amortization Period, the University shall pay the Lessee an amount equal to the sum of the value of the remaining unamortized value of the bank financing plus the value of the financing coming from the national organizations if any.

The University's total potential commitment resulting from these lease agreements totaled $52,477,032 and $53,115,373 as of June 30, 2020 and June 30, 2019, respectively.

Contingencies

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

20. SUBSEQUENT EVENTS

Long-term Debt

On September 11, 2020, the University executed a loan agreement with Regions Bank in the amount to $18,664,000. The overall loan consisted of two parts, one a tax-exempt loan in the amount of $4,727,000 with an interest rate of 1.38% and the other a taxable loan in the amount of $13,937,000 with an interest rate of 1.81% The purpose of the loan is to pay for and/or refund a portion of the debt service for multiple series of bonds benefitting the University of Arkansas, Fayetteville Department of Athletics for the amounts due in 2020 and 2021.

CARES Act: Higher Education Emergency Relief Fund

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act or, CARES Act, was passed by Congress and signed by President Donald Trump. The bill allotted $2.2 trillion to provide fast and direct economic aid to the American people negatively impacted by the COVID-19 pandemic. Of that money, approximately $14 billion was given to the Office of Postsecondary Education as the Higher Education Emergency Relief Fund, or HEERF. The University of Arkansas was allocated $15,454,362. One half of the funds were intended to be distributed directly to students to help offset financial impacts of the pandemic, with the other half intended to be utilized by the institution to offset direct expenses related to movement toward online course delivery.

The University developed eligibility criteria for students to receive funds from the total allocated for direct student aid. As of June 30, 2020, the University had distributed $7,408,800 of the available $7,727,181 to eligible students and drawn down a matching amount from the Federal government. The remaining $318,381 will be awarded in the Fall semester.

For the institutional funds the University determined that students living in campus residence facilities that were not able to finish out the Spring 2020 term and returned in the Fall, would be eligible to receive credits equal to the prorated amount of their room and board charges not utilized. All students with unused meal plans would be eligible to receive similar credits in the Fall pending their return to school. These credits could then be considered as eligible expenses for reimbursement from the institutional portion of the CARES Act funding. To date, the University has requested, and received federal funds in the amount of $3,245,337 to cover the credits applied as student aid for housing charges only from the Spring semester. University management is still in the process of determining what additional institutional costs should be considered for reimbursement from the remaining $4,481,844.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Employee Benefits

Schedule of University's Proportional Share of the Net Pension Liability
Arkansas Public Employees Retirement System

	Last Six Fiscal Years*					
	2020	**2019**	**2018**	**2017**	**2016**	**2015**
University's proportion of net pension liability	0.45%	0.54%	0.54%	0.54%	0.43%	0.35%
University's proportionate share of net pension liability	$ 10,545,325	$ 11,755,892	$ 13,671,584	$ 12,570,257	$ 7,728,708	$ 4,833,430
University's covered payroll	$ 8,036,695	$ 8,989,803	$ 9,695,224	$ 9,013,808	$ 7,329,295	$ 5,914,094
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.21%	130.77%	141.01%	139.46%	105.45%	81.73%
Plan fiduciary net position as a percentage of the total pension liability	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

* Information is presented for those years for which it is available until a full 10-year trend is compiled. The amounts presented for each fiscal year were determined as of June 30 of the previous year

Schedule of University Contributions
Arkansas Public Employees Retirement System

	Last Six Fiscal Years*					
	2020	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually required contribution	$ 1,194,022	$ 1,285,922	$ 1,381,943	$ 1,435,567	$ 1,364,539	$ 1,081,804
Contributions in relation to the contractually required contribution	(1,194,022)	(1,285,922)	(1,381,943)	(1,435,567)	(1,364,539)	(1,081,804)
Contribution deficiency (excess)	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
University's covered-employee payroll	$ 7,687,463	$ 8,036,695	$ 8,989,803	$ 9,695,224	$ 9,013,808	$ 7,329,295
Contributions as a percentage of covered-employee payroll	15.53%	16.00%	15.37%	14.81%	15.14%	14.76%

*Information is presented for those years for which it is available until a full 10-year trend is compiled.

Notes to Required Supplementary Information for the Year Ended June 30, 2020

Changes in benefit terms that significantly affect trends in the amounts reported in the schedules (APERS):

- There were no significant changes in benefit terms for the fiscal years ended June 30, 2019 and June 30, 2018.

Changes in the use of different assumptions that significantly affect trends in the amounts reported in the schedules (APERS):

- The assumed average service life of all members was reduced from 4.1233 to 4.1431.
- The investment return was reduced from 7.50% to 7.15%.

Schedule of University's Proportional Share of the Net Pension Liability
Arkansas Teacher Retirement System

	Last Six Fiscal Years*					
	2020	**2019**	**2018**	**2017**	**2016**	**2015**
University's proportion of net pension liability	0.02%	0.03%	0.04%	0.04%	0.05%	0.06%
University's proportionate share of net pension liability	$ 994,907	$ 996,003	$ 1,473,290	$ 1,690,917	$ 1,567,419	$ 1,617,272
University's covered payroll	$ 719,766	$ 833,812	$ 1,054,878	$ 1,302,421	$ 1,401,043	$ 1,703,007
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	138.23%	119.45%	139.66%	129.83%	111.88%	94.97%
Plan fiduciary net position as a percentage of the total pension liability	80.96%	82.78%	79.48%	76.75%	82.20%	84.98%

*Information is presented for those years for which it is available until a full 10-year trend is compiled. The amounts presented for each fiscal year were determined as of June 30 of the previous year.

Schedule of University Contributions
Arkansas Teacher Retirement System

	Last Six Fiscal Years*					
	2020	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually required contribution	$ 103,727	$ 103,562	$ 119,928	$ 151,184	$ 175,617	$ 196,146
Contributions in relation to the contractually required contribution	(103,727)	(103,562)	(119,928)	(151,184)	(175,617)	(196,146)
Contribution deficiency (excess)	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
University's covered-employee payroll	$ 728,215	$ 719,766	$ 883,812	$ 1,054,878	$ 1,302,421	$ 1,401,043
Contributions as a percentage of covered-employee payroll	14.24%	14.39%	14.38%	14.33%	13.48%	14.00%

*Information is presented for those years for which it is available until a full 10-year trend is compiled.

Notes to Required Supplementary Information for the Year Ended June 30, 2020

Changes of benefit terms that significantly affect trends in the amounts reported in the schedules (ATRS):

- There were no significant changes in benefit terms for the fiscal year ended June 30, 2019.
- The noncontributory multiplier was decreased from 1.25% to 1%.

Changes in the use of different assumptions that significantly affect trends in the amounts reported in the schedules (ATRS):

- There were no significant changes in assumptions for the fiscal year ended June 30, 2019.
- The assumed average service life of all members was reduced from 5.4359 to 5.3817.

Other Postemployment Benefits

Changes in the Proportionate Share of the Net OPEB Liability and Related Ratios

Last Three Fiscal Years

	2020	2019	2018
Service cost (MOY)	$ 871,857	$ 960,919	1,064,107
Interest (includes interest on service cost)	766,340	793,912	687,316
Change of benefit terms	0	0	0
Difference between expected and actual experience	(556,073)	(603,432)	0
Change of assumptions	879,245	73,502	(3,880,123)
Benefit payments, including refunds of member contributions	(578,422)	(618,994)	(668,122)
Net change in OPEB liability	**1,382,947**	**605,916**	**(2,796,822)**
Total OPEB liability, beginning of the year	**$ 21,193,053**	**$ 20,587,137**	**$ 23,383,959**
Total OPEB liability, end of the year	**$ 22,576,000**	**$ 21,193,053**	**$ 20,587,137**
Covered-employee payroll	$ 314,813,000	300,491,386	$ 300,599,948
Total OPEB liability as a percentage of covered-employee payroll	7.17%	7.05%	6.85%

*Information is presented for those years for which it is available until a full 10-year trend is compiled. The amounts presented for each fiscal year were determined as of June 30 of the previous year.

Notes to Schedule:

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GABS 75.

Changes in benefit terms that significantly affect trends in the amounts reported in the schedules:

- There were no significant changes in benefit terms for the fiscal year ended June 30, 2019.

Changes in the use of different assumptions that significantly affect trends in the amounts reported in the schedules:

- The assumed Rate of Medical Inflation remained unchanged at 6.75% grading to 4.00% over 15 years.
- The assumed Rate of Pharmacy Inflation remained unchanged at 8.50% grading to 4.00% over 15 years.

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

- 2019: 3.50%
- 2018: 3.87%
- 2017: 3.58%
- 2016: 2.85%

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BOARD OF TRUSTEES, UNIVERSITY OFFICIALS

John Goodson, Chairman
John Goodson of Texarkana is a law partner at Keil & Goodson, P.A. He earned his bachelor's degree in 1987 and law degree in 1989 from the University of Arkansas. His term expires in 2021.

Stephen Broughton, Vice Chairman
Dr. Stephen Broughton of Pine Bluff is a staff psychiatrist for the Southeast Arkansas Behavioral Health System. Broughton earned his bachelor's degree from the University of Arkansas at Pine Bluff and completed his medical education at the University of Arkansas for Medical Sciences. His term expires in 2022.

Kelly Eichler, Secretary
Kelly Eichler of Little Rock is the public policy director for Gov. Asa Hutchinson. She previously served as a deputy prosecutor for Pulaski County and on the Arkansas Board of Corrections. She earned a bachelor's degree from the University of Arkansas and a law degree from the University of Arkansas at Little Rock Bowen School of Law. Her term expires in 2026.

Morril Harriman, Assistant Secretary
Morril Harriman of Little Rock has served as Governor Mike Beebe's chief of staff since Beebe took office in 2007. Prior to that, Harriman served 16 years in the Arkansas Senate. He earned both his bachelor and law degrees from the University of Arkansas. His term expires in 2024.

C.C. "Cliff" Gibson III
C.C. "Cliff" Gibson III of Monticello is founder of Gibson and Keith Law Firm and serves as county attorney for Drew County, Ark. The former president of the Monticello Economic Development Commission, Gibson attended the University of Arkansas at Monticello and earned his Juris Doctor at the UALR Bowen School of Law. His term expires in 2023.

Sheffield Nelson
Sheffield Nelson of Little Rock is a retired president and chief executive office of Arkla Gas. He has served on the board of the Arkansas Department of Higher Education and the Arkansas Game and Fish Commission. Nelson earned his undergraduate degree from Arkansas State Teachers College, now the University of Central Arkansas, and his law degree from the University of Arkansas. His term expires in 2025.

Tommy Boyer
Tommy Boyer, of Fayetteville, graduated from the University of Arkansas, Fayetteville in 1964, where he was also an All-American basketball player. He retired from the Eastman Kodak Company in 1989, and founded Micro Images in Amarillo, Texas. Within two years, Micro Images had become the largest Kodak document imaging systems broker and reseller in the United States. Boyer was inducted into the Arkansas Business Hall of Fame in 2013 and the Arkansas Sports Hall of Fame in 2000. His term expires in 2027.

Steve Cox
Steve Cox of Jonesboro graduated from the University of Arkansas in 1982 after having earned All Southwest Conference and All America honors during his football career as a punter and kicker, later playing in the NFL for the Cleveland Browns and Washington Redskins. He rose through the ranks of banking before becoming a managing partner at Rainwater and Cox LLC, which oversees ownership and management of an array of commercial, hotel and agricultural properties. His term expires in 2028.

Ed Fryar
Edward Fryar Jr. of Rogers is a graduate and former professor of the University of Arkansas. He earned degrees in economics and agricultural economics and was a professor of agricultural economics for more than 13 years. He co-founded Ozark Mountain Poultry in Rogers in 2000, which grew from 15 employees to more than 1,800 before selling it in 2018. He was inducted into the Arkansas Agriculture Hall of Fame in 2019. His term expires in 2029.

Ted Dickey
Ted Dickey is a general partner at CapRocq Core real estate fund and an adviser to Innovate Arkansas, a technology entrepreneurship initiative. Dickey previously spent six years in corporate finance at Stephens Inc. He earned his bachelor's degree and was elected Phi Beta Kappa the University of Arkansas before earning his Juris Doctor at the U of A School of Law. He served on the U of A Technology Park Board and was appointed to the Arkansas Ethics Commission. His term expires in 2030.

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