

COMPREHENSIVE ANNUAL FINANCIAL REPORT & INDEPENDENT AUDITORS' REPORT

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UNIVERSITY OF NORTH TEXAS
SYSTEM

COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITOR'S REPORT

For the fiscal year ended August 31, 2019

DALLAS, TEXAS

Lesae Roe, Chancellor

UNIT | CYCLE 1

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Organizational

UNIT | CYCLE 1™

UNIT | CYCLE 1™

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Board of Regents
University of North Texas System

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of the University of North Texas System (the "System") as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the System'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 North Texas Foundation, Inc. or the University of North Texas Health Science Center Foundation, Inc. (collectively the "Foundations"), which collectively represents 100% of the assets, net assets, and revenues of the discretely presented component units of the System. 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 Foundations, is based solely on the report of other auditors.

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on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the System's internal control over financial reporting.

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UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2019

Introduction

The University of North Texas System (the "System") was established by the 76th Legislature with legislative funding provided for the fiscal year beginning September 1, 1999. The System is an agency of the State of Texas and is currently comprised of the University of North Texas System Administration ("System Administration"), established 1999, and three academic institutions funded by the Legislature: the University of North Texas ("UNT"), established 1890; the University of North Texas Health Science Center at Fort Worth ("HSC"), established 1970; and the University of North Texas at Dallas ("UNTD"), established 2010.

The System serves the North Texas area, boosting economic activity in the region by over \$5.2 billion annually. The UNT System has a \$1.1 billion annual consolidated budget and employs roughly 10,000 people at its various locations within the robust North Texas Region. In Fall 2018, over 46,000 students enrolled in undergraduate, graduate, and professional programs at UNT System institutions. The System is various

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2019

The following table reflects the condensed Comparative Statement of Net Position for the System as of August 31, 2019 and 2018:

This section below includes explanations and management's analysis of significant changes within the Statement of Net Position:

Total Assets and Deferred Outflows

Current Assets

The System's current assets decreased \$40.2 million, or 6.3%, in 2019 primarily as a

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2019

Other Non Current Assets
The System's other non current

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2019

Operating Revenues

Operating revenues totaled \$657.6 million in 2019, an increase of \$3.3 million, or 0.5%, over 2018. The System's primary sources of operating revenues

UNIVERSITY OF NORTH TEXAS SYSTEM
 Management's Discussion and Analysis (Unaudited)
 For the Year Ended August 31, 2019

The table below shows the amount and percentage change of operating expenses based on natural classification for the year ended August 31, 2019:

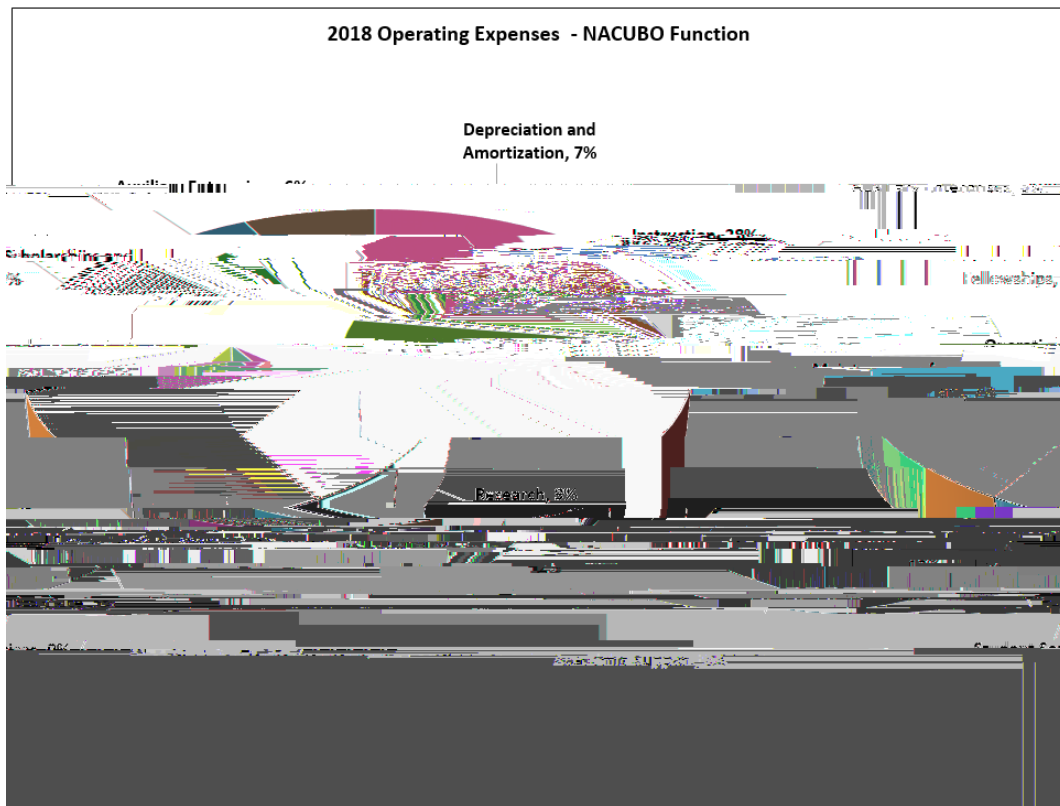
The chart below shows the percentage of total operating expenses pertaining to each type of major operating expense based on natural classification for the year ended August 31, 2019:



UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2019

The table below shows the amount and percentage change of operating expenses based on NACUBO functional (programmatic) classification for the year ended August 31, 2019:

The chart below shows the percentage of total operating expenses pertaining to each type of operating expense based on NACUBO functional (programmatic) classification for the year ended August 31, 2019:



UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2019

Nonoperating Revenues and Expenses
Certain

Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2019

In the recently concluded session, the 86th Texas Legislature passed a budget that included \$15.85 billion in funding for higher education for the 2020-2021 biennium, a \$942 million (6.3%) increase over the 2018-2019 biennium. Much of

COMPREHENSIVE
FINANCIAL STATEMENTS

of the

UNIVERSITY OF NORTH TEXAS SYSTEM

DALLAS, TEXAS

For the Year Ended August 31, 2019

UNIVERSITY OF NORTH TEXAS SYSTEM
Statement of Net Position

August 31,
2019

ASSETS
Current Assets

UNIVERSITY OF NORTH TEXAS SYSTEM
Statement of Net Position
As of August 31, 2019

August 31,
2019

LIABILITIES

Current Liabilities

Payables From:

Accounts Payable	\$	66,750,959.86
Payroll Payable		44,296,837.67
Other Payables		4,957,686.67
Interest		12,995,522.14
Due To Other Agencies		50,171.27
Unearned Revenue		261,062,994.38
Notes and Loans Payable		49,180,000.00
Revenue Bonds Payable		51,000,223.18
Claims and Judgments		511,259.00
Employees Compensable Leave		4,853,883.62
Capital Lease Obligations		1,879,301.53
Net OPEB Liability		11,293,670.00
Funds Held for Others		2,198,068.54
Total Current Liabilities	\$	511,030,577.86

Non Current Liabilities

Revenue Bonds Payable	\$	819,475,043.75
Claims and Judgments		323,284.00
Employees Compensable Leave		21,420,449.54
Capital Lease Obligations		4,830,517.07
Asset Retirement Obligation		2,427,750.00
Net Pension Liability		191,696,519.00
Net OPEB Liability		392,589,832.00
Other Non Current Liabilities		1,865,423.54
Total Non Current Liabilities	\$	1,434,628,818.90
Total Liabilities	\$	1,945,659,396.76

DEFERRED FLOWS OF RESOURCES

Deferred

IN FLOW

	August 31, 2019	August 31, 2018
ASSETS		
Cash and Cash Equivalents	\$ 16,105,036	\$ 13,206,667
Investments	223,221,634	355,984,317
Contributions Receivable, Net	11,315,540	6,718,043
Real Property	31,623	33,164
Other Assets	8,198	7,500
Cash Value of Life Insurance Policies	559,217	551,315
Assets Held Under Split-Interest Agreements	5,786,927	5,589,186
Total ASSETS	\$ 257,028,175	\$ 382,090,192
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 154,602	\$ 2,001,924
Agency Funds	397,555	460,317
Liabilities Under Split-Interest Agreements	2,287,548	2,477,704
Assets Held for Others	58,798,098	217,024,679
Total LIABILITIES	\$ 61,637,803	\$ 221,964,624
NET ASSETS		
Without Donor Restrictions:		
Undesignated	\$ 1,334,283	942,704

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE FOUNDATION
 Statements of Financial Position
 As of August 31, 2019 and 2018

	<u>August 31, 2019</u>	<u>August 31, 2018</u>
ASSETS		
Cash	\$ 1,305,137	\$ 1,037,018
Investments, including \$54,258,416 and \$36,962,213 held on behalf of others as of August 31, 2019 and 2018	74,752,266	55,697,352
Pledges Receivable	6,001,198	4,826,228
Prepays	144,299	100,000
Total ASSETS	<u><u>\$ 82,202,900</u></u>	<u><u>\$ 61,660,598</u></u>
LIABILITIES		
Due to Related Party	\$ 54,258,743	\$ 36,962,213
Pledge Payable	r	75,000
Unearned Revenue	200,000	r
Total LIABILITIES	<u><u>\$ 54,458,743</u></u>	<u><u>\$ 37,037,213</u></u>
NET ASSETS		
Net Assets without Donor Restrictions	\$ 2,953,668	\$ 2,513,275
Net Assets with Donor Restrictions	24,790,489	22,110,110
Total NET ASSETS	<u><u>\$ 27,744,157</u></u>	<u><u>\$ 24,623,385</u></u>
Total LIABILITIES & NET ASSET	<u><u>\$ 82,202,900</u></u>	<u><u>\$ 61,660,598</u></u>

See Accompanying Notes to the Financial Statements

UNIVERSITY OF NORTH TEXAS SYSTEM
 Statement of Revenues, Expenses and Changes in Net Position
 For the Year Ended August 31, 2019

	August 31, 2019
OPERATING REVENUES	
Tuition and Fees	\$ 500,762,381.66
Discounts and Allowances	(118,490,709.11)
Professional Fees	25,430,549.34
Discounts and Allowances	(14,012,392.80)
Auxiliary Enterprises	

UNIVERSITYOFNORTHTEXAS SYSTEM
 MatrixofOperating ExpensesReportedby Function
 FortheYearEnded August 31, 2019

OperatingExpenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operationand Maintenanceof Plant	Scholarship s andFellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenditures
CostofGoods Sold	\$ 188,795.19	\$ r	\$ 149,060.27	\$ 9,721.52	\$ 22,804.72	\$ 628,596.39	\$ r	\$ r	\$ 7,713,293.98	\$ r	\$ 8,712,272.07
Salariesand Wages	184,888,614.97	63,117,669.15	18,909,556.46	48,384,998.32	53,338,062.17	66,886,984.59	17,472,886.90	388,938.44	24,249,900.70	r	477,637,611.70
PayrollRelated Costs	102,704,762.15	17,463,970.77	5,275,871.90	17,526,408.65	17,047,840.24	31,118,173.78	6,856,008.69	2,782.28	12,698,512.87	r	210,694,331.33
ProfessionalFees and Services	5,297,894.69	8,716,851.99	26,987,725.30	5,690,282.15	6,914,392.21	11,275,894.69	3,377,459.34	r	3,656,562.81	r	71,917,063.18
FederalPassrThrough Expenses	22,235.20	654,361.35	r	r	r	r	r	r	r	r	676,596.55
Travel	2,977,891.44	2,040,379.58	478,093.53	2,343,531.78	5,166,776.93	890,037.52	67,574.94	r	96,275.69	r	14,060,561.41
Materialsand Supplies	9,179,874.16	7,588,075.97	1,058,169.92	9,668,755.21	4,689,561.40	5,480,380.35	13,278,950.27	r	4,204,306.76	r	55,148,074.04
Communicationsand Utilities	579,967.44	61,083.14	49,959.64	464,248.68	1,611,102.82	1,691,842.44	13,074,067.51	r	6,021,541.92	r	23,553,813.59
Repairsand Maintenance	1,400,257.78	949,113.78	292,544.68	1,989,917.37	1,774,783.70	5,694,845.68	23,609,161.70	r	8,886,192.02	r	44,596,816.71
Rentalsand Leases	1,662,176.64	438,391.60	264,549.78	1,340,909.41	2,607,065.59	3,475,102.95	3,609,259.29	r	899,505.44	r	14,296,960.70
Printingand Reproduction	650,321.67	235,598.20	86,764.56	1,144,435.83	1,994,296.70	1,589,328.69	32,574.51	r	467,291.65	r	6,200,611.81
Depreciationand Amortization	r	r	r	r	r	r	r	r	r	84,678,390.86	84,678,390.86
Scholarships	1,017,297.35	1,207,098.32	259,515.99	r	r	r	r	98,882,255.34	r	r	101,366,167.00
AssetRetirement Obligation	r	r	r	r	r	r	103,139.90	r	r	r	103,139.90
Claimsand Losses	(630,434.00)	r	r	r	r	18,718.17	600.00	r	r	r	(611,115.83)
OtherOperating Expenses	5,838,372.79	2,444,810.59	959,312.95	4,432,802.68	5,802,203.40	6,277,800.36	445,554.60	5,194.93	4,467,835.21	r	30,673,887.51
TotalOperating Expenses	\$ 315,778,027.47	\$ 104,917,404.44	\$ 54,771,124.98	\$ 92,996,011.60	\$ 100,968,889.88	\$ 135,027,705.61	\$ 81,927,237.65	\$ 99,279,170.99	\$ 73,361,219.05	\$ 84,678,390.86	\$ 1,143,705,182.53

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES,GAINS AND OTHER SUPPORT:			
Gifts	\$ 45,198	\$ 40,626,375	\$ 40,671,573
Grant Revenue	r	597,917	597,917
Net Investment Return	(68,389)	1,253,781	1,185,392
Other Income	r	191,408	191,408
Change in Value of Split Interest Agreements	r	152,072	152,072
Change in Cash Value of Life Insurance Policies	r	7,902	7,902
Asset Management Fee Income	2,132,223	r	2,132,223
Release of Donor Restrictions	8,314,214	(8,314,214)	r
Transfers/Changes in Donor or			

	NetAssets WithoutDonor Restrictions	NetAssetsWith Donor Restrictions	Total
SUPPORTANDREVENUE			
Contributions	\$ r	\$ 7,291,694	\$ 7,291,694
Fundraising	r	493,060	493,060
RealizedGain on Investments	r	141,944	141,944
UnrealizedGain (Loss) on Investments	r	(226,337)	(226,337)
InvestmentIncome,Net ofDirectExpenses	(22,407)	504,920	482,513
ReleasesfromRestriction	5,524,902	(5,524,902)	r
Total SUPPORTANDREVENUE	\$ 5,502,495	\$ 2,680,379	\$ 8,182,874
EXPENSES			
ProgramExpenses			
Giftsand Scholarships	\$ 4,591,883	\$ r	\$ 4,591,883
SupportingServices			
Managementand General			
ProfessionalFees	93,912	r	93,912
Alumni&Student Expenses	52,333	r	
			\$

SUPPORTANDREVENUE
Contributions

NetAssets
WithoutDonor
Restrictions

NetAssetsWith
Donor
Restrictions

Total

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UNIVERSITY OF NORTH TEXAS SYSTEM
Statement of Cash Flows
For the Year Ended August 31, 2019

	August 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Customers	\$ 88,625,335.88
Proceeds from Tuition and Fees	385,900,429.77
Proceeds from Research Grants and Contracts	114,808,128.43
Proceeds from Loan Programs	5,773.01
Proceeds from Auxiliaries	80,314,772.07
Proceeds from Other Revenues	3,192,316.91
Payments to Suppliers for Goods and Services	(257,477,878.94)
Payments to Employees	(568,128,987.07)
Payments for Loans Provided	(474,747.65)
Payments for Other Expenses	(136,151,473.79)
Net Cash Used by Operating Activities	\$ (289,386,331.38)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from State Appropriations	\$ 235,063,937.69
Proceeds from Gifts	20,551,512.50
Proceeds from Endowments	2,514,883.36
Proceeds from Transfers from Other Agencies	631,224.00
Proceeds from Legislative Transfers	1,083,604.00
Proceeds from Grant Receipts	65,868,749.08
Proceeds from Other Revenues	812,476.86
Payments for Transfers to Other Agencies	(12,706.07)
Payments for Legislative Appropriation Lapses	(3,895.82)
Payments for Other Uses	(135,432.60)
Net Cash Provided by Noncapital Financing Activities	\$ 326,374,353.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Sale of Capital Assets	\$ 110,032.16
Proceeds from State Appropriations	56,766,916.00
Proceeds from Debt Issuance	236,728,943.70
Proceeds from Capital Contributions	1,985,981.40
Payments for Additions to Capital Assets	(212,813,584.53)
Payments for Capital Leases	(2,115,934.28)
Payments of Principal on Debt Issuance	(123,910,000.00)
Payments of Other Costs of Debt Issuance	(1,156,437.77)
Payments of Interest on Debt Issuance	(27,607,872.30)
Net	

UNIVERSITY OF NORTH TEXAS SYSTEM
Statement of Cash Flows
For the Year Ended August 31, 2019

	August 31, 2019
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (486,087,754.88)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and Amortization Expense	\$ 84,678,390.86
Pension Expense	20,381,349.00
OPEB Expense	79,462,900.00
Asset Retirement Obligation Expense	103,139.90
Employee Benefits Paid by State	32,682,637.41
Changes in Assets and Liabilities:	
Decrease in Receivables	2,453,068.76
Increase in Inventories	(17,592.44)
Increase in Prepaid Expenses	(5,313,728.69)
Increase in Loans and Contracts	(468,974.64)
Increase in Other Assets	(178,765.00)
Increase in Deferred Outflows of Resources - Pensions	(68,555,919.00)
Increase in Deferred Outflows of Resources - OPEB	(375,071,797.00)
Decrease in Payables	(14,608,365.79)
Increase in Unearned Revenue	12,754,313.45
Decrease in Benefits Payable	(102,862,978.00)
Increase in Liabilities to Employees for Defined Benefit Pensions	84,552,669.00
Increase in Liabilities to Employees for Defined Benefit OPEB	317,491,473.00
Decrease in Other Liabilities	(246,590.32)
Decrease in Deferred Inflows of Resources - Pensions	(7,760,926.00)
Increase in Deferred Inflows of Resources - OPEB	137,227,119.00
Total Adjustments	\$ 196,701,423.50
Net Cash Used by Operating Activities	\$ (289,386,331.38)

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NOTES TO THE
COMPREHENSIVE FINANCIAL STATEMENTS

of the

UNIVERSITY OF NORTH TEXAS SYSTEM

DALLAS, TEXAS

For the Year Ended August 31, 2019

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

Note 1: Summary of Significant Accounting Policies

Introduction

The University of North Texas System (the "System") is an agency of the State of Texas (the "State") and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for Annual Financial Reports of State Agencies and Universities and with Generally Accepted Accounting Principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB").

The comprehensive financial statements include the University of North Texas System Administration ("System Administration") and all institutions of the System. Amounts due between and among institutions, amounts held for institutions by the System Administration and other duplications in reporting are eliminated in consolidating the financial statements.

The System is composed of the System Administration and three academic institutions as follows: the University of North Texas ("UNT"), the University of North Texas Health Science Center at Fort Worth ("HSC"), and the University of North Texas at Dallas ("UNT-D"). The System is governed by a nine member Board of Regents appointed by the Governor of Texas

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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

Clinical Practice receivables are presented net of allowances for contractual discounts and bad debts. The contractual and bad debt allowances on clinical receivables were approximately \$2.0 million and \$900 thousand as of August 31, 2019. Clinical accounts

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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

- Increases in the System's proportion of the collective net OPEB liability are amortized as a

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

Net Pension Liability

The fiduciary net position of the TRS Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. 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 TRS Plan, and additions to/deductions from the TRS Plan's fiduciary net position have been determined on the same basis as they are reported by TRS. 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. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach.

Net OPEB Liability

The fiduciary net position of the ERS Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments of the Other Employee Benefit Trust Fund are reported at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings.

Deferred Inflows of Resources

Deferred inflows of resources relate to unamortized gains on refunding of debt and certain amounts related to pensions and OPEB.

Deferred Inflows of Resources Related to Debt Refunding

For debt refunding, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is amortized using the straightline method over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the Statement of Revenues, Expenses and Changes in Net Position as a component of interest expense.

Deferred Inflows of Resources Related to Pensions

Certain changes in the collective net pension liability of the TRS Plan are reported as deferred outflows of resources related to pensions or as deferred inflows of resources related to pensions, depending on the type of change. The types of deferred inflows of resources related to pensions and their respective accounting treatments are discussed below.

- The effect on the System's proportionate share of the total pension liability of changes of economic and demographic assumptions or of other inputs that decrease the total pension liability is amortized as a component of pension expense using the straightline method over the expected average remaining service lives of active and inactive employees.
- The effect on the System's proportionate share of the total pension liability of differences between expected and actual experience that decrease the total pension liability is amortized as a component of pension expense using the straightline method over the expected average remaining service lives of active and inactive employees.
- Decreases in the System's proportion of the collective net pension liability are amortized as a component of pension expense using the straightline method over the expected average remaining service lives of active and inactive employees.
- System contributions during the measurement period that are less than its proportionate share of total of contributions are amortized as a component of pension expense using the straightline method over the expected average remaining service lives of active and inactive employees.
- The effect on the System's proportionate share of the collective net pension liability of more actual earnings on pension plan investments than projected is amortized as a component of pension expense using the straightline method over a period of five years.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

Professional Fees Revenue

HSC has agreements with third parties that provide for reimbursement to HSC at amounts different from its established rates. Contractual adjustments under third party reimbursement programs represent the difference between HSC's established rates for services and the amounts reimbursed by third parties. HSC's more significant third parties are the Medicare and Medicaid programs. Medicare outpatient services are reimbursed on a prospective basis through ambulatory payment classifications, which are based on clinical resources used in performing the procedure. Medicaid outpatient services are paid based on a fee schedule or blended rates.

Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements as prescribed by the National Association of College and University Business Officers ("NACUBO"). Certain aid (student loans, funds provided to students as awarded by third parties, and Federal Direct Lending) is accounted for as third party payments (credited to the student's account and reported as revenue as if the student made the payment). All other aid is reflected in the financial statements either as operating expense

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2019 is presented below:

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, was implemented during fiscal year

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

As of August 31, 2019, the total bank balance was \$79,724,070.05.

The carrying amount of deposits for the System's discretely presented component unit, UNT Foundation, reported on the

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

As of August 31, 2019, the System's investments are presented below. Included in this amount is \$232,912,588.41 classified as cash equivalents.

Investments and Cash EY2av03022C.9(st)6.9(st)69(ment)6.9(s285s9nt)6.9(s28599nt)6.9(s2ir)TjTf0T5mC2003Tj/TT01Tf0.0

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

requirements that would limit the exposure to custodial credit risk for investments. As of

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

The UNT Foundation Board's investments are recorded at fair value as of August 31, 2019, the 0.006% of 0.1stf -0.00

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

UNTHSC Foundation can be obtained by writing to UNTHSC Foundation at 3500 Camp Bowie

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

\$54,258,416.30 of the System's externally managed investments are managed by the UNTHSC Foundation.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

Note 4: ShortrTerm Debt

Commercial Paper

At the May 19, 2018 meeting, the University of North Texas System Board of Regents approved a resolution limiting the principal amount of Series A Commercial Paper Notes that may be outstanding at any one time to \$50,000,000.00. The TwentyrFourth Resolution established the UNT System Revenue Financing System Commercial Paper Program Series B (Extendible Commercial Paper). The issuance of Series B Commercial Paper Notes may not exceed, in aggregate, the principal amount of \$75,000,000.00 at any one time. Outstanding commercial paper proceeds may be used for the purpose of financing project costs of eligible projects and to refinance, renew or refund commercial paper notes, prior encumbered obligations, and parity obligations, including interest. Commercial paper notes may not be issued to refinance or refund prior encumbered obligations or parity bonds without the approval of the Board of Regents. Commercial paper activity for the System for the year ended August 31, 2019 is as follows:

September1, 2018	Additions	Reductions	August31,
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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

Note 5: LongrTerm Liabilities

Changes in LongrTerm Liabilities

The following changes occurred in longrterm liabilities during the year ended August 31, 2019:

September 1, 2018	Additions	Reductions	Other Adjustments ⁽¹⁾	August 31, 2019	Amounts Due Within
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Revenue Bonds Payable

Scheduled principal and interest payments for revenue bonds issued and outstanding as of August 31, 2019 are as follows:

Year	Principal	Interest	Total
2020	37,940,000.00	\$ 32,605,562.46	\$ 70,545,562.46
2021	40,550,000.00	31,278,406.34	71,828,406.34
2022	42,075,000.00	29,732,552.38	71,807,552.38
2023	37,055,000.00	28,065,497.84	65,120,497.84
2024	37,600,000.00	26,616,429.18	64,216,429.18
2025r2029	193,350,000.00	109,073,930.32	302,423,930.32
2030r2034	160,800,000.00	64,599,042.40	225,399,042.40
2035r2039	95,235,000.00	35,496,751.50	130,731,751.50
2040r2044	56,740,000.00	15,342,778.30	72,082,778.30
2045r2049	33,130,000.00	4,269,581.70	37,399,581.70
2050	3,210,000.00	128,400.00	3,338,400.00
Total	<u>377,685,000.00</u>	<u>\$377,208,932.42</u>	<u>\$ 1,114,893,932.42</u>

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

Employees' Compensable Leave

According to the Texas Human Resources Management Statutes Inventory provided by the State Auditor's Office, state agency employees who have accrued six months of continuous state employment are entitled to be paid for the accrued balance of the employee's vacation leave as of the date of separation if the employee is not reemployed by a state agency or institution of higher education with no break in state service to a position which accrues vacation leave. Substantially all fulltime System employees earn between eight and twentyone hours of annual leave per month depending upon the respective employee's years of state employment. State law permits employees to carry accrued leave forward from one fiscal year to another, up to a maximum of 532 hours for those employees with 35 or more years of state service. Eligible parttime employees' annual leave accrual rate and maximum carryover are proportional to the number of hours appointed to work. Employees with at least six months of continuous State service who terminate their employment are entitled to payment for

no opinion is expressed

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

Defeased Bonds Outstanding

A portion of RFS Refunding Bonds, Series 2012A, were defeased during 2016. Funds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. As of

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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

The System has also leased buildings and other capital assets to outside parties under various operating leases. The cost, carrying value, and accumulated depreciation of these leased assets as of August 31, 2019, were as follows:

Assets Leased	2019
Buildings:	
Cost	\$ 35,218,081.72
Less: Accumulated Depreciation	(6,694,757.30)
Carrying Value	\$ 28,523,324.42
Parking Garage:	
Cost	\$ 10,655,156.80
Less: Accumulated Depreciation	(6,694,279.89)
Carrying Value	\$3,960,876.91
Total Carrying Value	\$ 32,484,201.33

There were no contingent rentals for the period ended August 31, 2019. Rental income for operating leases was \$4,225,729.89 in 2019. Future minimum lease income under noncancelable operating leases as of August 31, 2019, was as follows:

Year	Lease Income
2020	\$3,966,997.71
2021	1,300,333.51
2022	1,013,875.16
2023	864,950.74
2024	648,842.77
2025 and beyond	1,649,147.37
Total Minimum Lease Income	\$ 8,443,047.26

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

All System personnel working on a half time or greater basis that is projected to last for 4½ months or more are eligible for membership in the TRS Plan. However, students employed in positions that require student status as a condition of employment do not participate. Members with at least five years of service have a vested right to unreduced retirement benefits at age 65 or provided they have a [havTj/C211Tf0Tc0.8320Td0003Tj/TT31Tf0.000760.25](#)

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

For the year ended August 31, 2019, the System recognized

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

The assumptions used to determine the actuarially determined contributions are those in effect for the Aug. 31, 2017 actuarial valuation. Due

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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

base rate for 2019 plus any local supplement for a maximum 8.50% of annual compensation) for the year ended August 31, 2019, is provided in the following table:

ORP Participation	
Member Contributions	\$8,638,208.14
Employer Contributions	9,166,495.47
Total	\$ 17,804,703.61

Note 9: Postemployment Benefits Other Than Pensions

Employees Retirement System

Plan Description

The state of Texas currently participates in two types of defined benefit OPEB plans. The System participates in the ERS Plan. The ERS Plan is a cost-sharing, multi-employer defined benefit OPEB plan with a special funding situation administered by ERS.

The Legislature has the authority to establish and amend benefits and contribution rates within the guidelines of the Texas Constitution. The ERS Plan's Board of Trustees does not have the authority to establish or amend benefit terms. Benefits are provided to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551.

The employers in the ERS Plan include the state of Texas agencies and universities, community and junior colleges, and other entities specified by the Legislature. Employees of state of Texas agencies, colleges, universities and medical schools are members of the ERS Plan.

Detailed information about the ERS Plan's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to ERS at 200 E. [FD0Td\[require\]6.1\(d\)JJ/C21Tf0.0019Tc0.2810Td\(is\)Tj/C211Tf0Tc0.6170rj/C211Tf0Tc2.8](#)

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. The contribution requirements for the state and the members in the measurement period are presented in the table below:

Employer Contribution Rates	
Retiree Health and Basic Life Premium	
Retiree Only	\$ 621.90
Retiree & Spouse	\$ 1,334.54
Retiree & Children	\$ 1,099.06
Retiree & Family	\$ 1,811.70

OPEB Liabilities, OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

The OPEB plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the Other Employee Benefit Trust Fund are reported at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields market

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

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

Year	Expense
2020	\$ 42,104,794.00
2021	42,104,794.00
2022	42,104,794.00
2023	55,019,084.00
2024	39,102,596.00
Total	\$ 220,436,062.00

Actuarial Assumptions

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

31, 2017 for higher education members. The mortality rates were based on the tables identified in the above table titled Actuarial Methods and Assumptions.

The following assumptions and other inputs have been adopted since the prior valuation to reflect plan experience and trends as expected by ERS and the actuaries attesting to the res

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

Note 10: Interagency Activity and Transactions

The System experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interagency balances will occur within one year from the date of the financial statements. There were no balances in interfund receivables and payables at August 31, 2019.

Note 11:

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

Student/Athlete Accident Medical Self-Insurance Plan
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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

Separate workers' compensation policies are purchased to cover out-of-state employees as required by the laws of the state in which an employee works. As of August 31, 2019, the System maintains one policy for out-of-state employees who reside in Alabama, Arizona, California, Kentucky, New Mexico, New York, Pennsylvania, South Carolina, Virginia and Wyoming.

Unemployment Compensation

The State provides coverage for unemployment benefits from appropriations made to other state agencies for System employees. The current General Appropriations Act provides that the System must reimburse the General Revenue Fund – Consolidated one-half of the unemployment benefits for former and current employees from System appropriations. The Texas Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. The System has only one appropriated fund type. The System must reimburse the General Revenue Fund 100% of the cost for unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the State Treasury.

Unemployment compensation is on a pay-as-you-go basis through the State, with the exception of locally funded enterprises that have fund expenses and set-aside amounts based on a percentage of payroll amounts. No material outstanding claims were pending at August 31, 2019.

The System maintains reserves for unemployment compensation payments made for all claims and settlements not eligible for state funding. There were no material outstanding claims pending as of August 31, 2019. Health benefits are provided through the various state contracts administered by the Employee Retirement System.

Miscellaneous

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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

Agreements. Therefore, including the UNTHSC Foundation's financial reports

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

Discretely Presented Component Units

University of North Texas Foundation

The University of North Texas Foundation's spending policy for unitized endowments reflects an objective to distribute as much total return as is consistent with overall investment objectives and intergenerational equity, while protecting the real value of the endowment principal. An endowment is excluded from target distribution until the endowment has been established for one quarter.

The target distribution of spendable income to each unit of the endowment fund will be between 3% and 5% of the moving average market value of a unit of the endowment fund for the preceding 12 quarters. Unless otherwise determined by the UNT Foundation's Board of Directors, the target annual distribution (of the) fund will be 3.826% of the

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2019

Note 16: Disaggregation of Receivable Balances

Net other receivables at August 31, 2019 are detailed by type as follows:

Net Other Receivables	Total
Receivables related to various other activities	\$ 5,345,035.75
Receivables related to auxiliary enterprises, parking	955,367.56
Total Net Other Receivables	\$ 6,300,403.31

Note 17: Deferred Outflows of Resources and Deferred Inflows of Resources

A summary of the System's deferred outflows of resources and deferred inflows of resources as of August 31, 2019 is presented below:

	<u>Total</u>
Deferred Outflows of Resources	
Unamortized Losses on Refunding of Debt	\$ 6,189,190.01
Unamortized Losses on Refunding of Direct Placement Debt	484,028.20
Deferred Outflows of Resources Related to Asset Retirement Obligation	1,848,357.81
Deferred Outflows of Resources Related to Pensions	104,492,690.00
Deferred Outflows of Resources Related to OPEB	378,080,682.00
Total Deferred Outflows of Resources	\$ 491,094,948.02
Deferred Inflows of Resources	
Unamortized Gains on Refunding of Direct Placement Debt	\$ 1,108,735.12
Deferred Inflows of Resources Related to Pensions	34,816,991.00
Deferred Inflows of Resources Related to OPEB	

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Charitable Gift Annuities

Under the Code, a charitable gift annuity is a contract between a donor and a charity. The donor makes a gift of cash or securities to the charity, and the charity agrees to pay the donor a fixed dollar amount or a fixed percentage of the net fair market value of the gift annually for life or for a term of years. The charity must be a 501(c)(3) organization. The donor must be at least 50 years old at the time of the gift. The charity must be a charitable organization as defined in Section 170(c)(2)(B). The donor must be a resident of the United States or a citizen of the United States. The charity must be a charitable organization as defined in Section 170(c)(2)(B). The donor must be at least 50 years old at the time of the gift. The charity must be a charitable organization as defined in Section 170(c)(2)(B).

Change in Accounting Principle

On August 2, 2003, FASB issued Accounting Standards Update (SSN 03-003) - 3-05-2. Td <0003>Tj /C2_0 2 1 103> Tc 3.641 [4

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NOTES TO
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UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Notes to the Financial Statements
For the Year Ended August 31, 2019

Note 1: Summary

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
 Notes to the Financial Statements
 For the Year Ended August 31, 2019

Note 2: Fair Value Measurements

As of August 31, 2019, the fair value of the investment in the University of North Texas Health Science Center Foundation is \$1,000,000. The fair value is determined based on the net asset value of the investment as reported by the investment manager.

The investment is classified as a Level 1 investment because it is based on quoted prices in active markets for identical assets or liabilities.

As of August 31, 2019, the fair value of the investment in the University of North Texas Health Science Center Foundation is \$1,000,000. The fair value is determined based on the net asset value of the investment as reported by the investment manager.

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
 Notes to the Financial Statements
 For the Year Ended August 31, 2019

Type of Investment	Level 1	Level 2	Level 3	Total
Equity Securities	\$ 0	\$ 0	\$ 0	\$ 0
Fixed Income	0			0

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Notes to the Financial Statements
For the Year Ended August 31, 2019

Note 3: Net Assets with Donor Restrictions

Net Assets with Donor Restrictions as of August 31, 2019

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Notes to the Financial Statements

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
 Notes to the Financial Statements
 For the Year Ended August 31, 2019

The following table provides a summary of the University's investments in equity securities as of August 31, 2019. The investments are classified as either "Available for Sale" or "Trading" based on the University's intent to hold the investments. The investments are measured at fair value, and any unrealized gains or losses are recorded in the Statement of Financial Position.

Investment	Available for Sale	Trading
Common Stock	\$1,234,567	\$567,890
Preferred Stock	\$123,456	\$0
Equity Funds	\$345,678	\$234,567
Other Equity Securities	\$78,901	\$12,345
Total	\$1,782,502	\$814,802

Underwrite Endowments

The University has established several endowment funds to provide a source of funds for the University's operations. The endowment funds are managed by the University's Investment Committee. The endowment funds are measured at fair value, and any unrealized gains or losses are recorded in the Statement of Financial Position.

Endowment Fund	Underwritten	Ununderwritten
Endowment Fund A	\$1,234,567	\$567,890
Endowment Fund B	\$123,456	\$0
Endowment Fund C	\$345,678	\$234,567
Endowment Fund D	\$78,901	\$12,345
Total	\$1,782,502	\$814,802

The University's endowment funds are invested in a variety of assets, including equity securities, fixed income securities, and real estate. The University's Investment Committee monitors the performance of the endowment funds and makes adjustments as needed to ensure that the funds are invested in a prudent and diversified manner.

Note 8: Liquidity

As of August 31, 2019, the University's liquidity is as follows:

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
 Notes to the Financial Statements
 For the Year Ended August 31, 2019

Description	As Previously Reported	Due to Related Party Adjustment	Contributions Receivable Adjustment	Restated
Accounts receivable	\$ 1,000,000	\$ 0	\$ 0	\$ 1,000,000
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0
Prepaid expenses	\$ 0	\$ 0	\$ 0	\$ 0
Accrued liabilities	\$ 0	\$ 0	\$ 0	\$ 0
Other assets	\$ 0	\$ 0	\$ 0	\$ 0
Other liabilities	\$ 0	\$ 0	\$ 0	\$ 0
Net assets	\$ 1,000,000	\$ 0	\$ 0	\$ 1,000,000
Net liabilities	\$ 0	\$ 0	\$ 0	\$ 0
Net equity	\$ 1,000,000	\$ 0	\$ 0	\$ 1,000,000

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