

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**
FOR THE YEAR ENDED AUGUST 31, 2022

ANNUAL COMPREHENSIVE FINANCIAL REPORT

of the

**UNIVERSITY OF NORTH TEXAS
SYSTEM**

DALLAS, TEXAS

Dr. Michael R. Williams, Chancellor

For the Year Ended August 31, 2022

UNT SYSTEM™

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November 18, 2022

The Honorable Greg Abbott
Office of the Governor
P.O. Box 12428
Austin, TX 78711-2428

Mr. Jerry McGinty
Director, Legislative Budget Board
P.O. Box 12666, Capitol Station
Austin, TX 78711

The Honorable Glenn Hegar
Texas Comptroller of Public Accounts
P.O. Box 13528, Capitol Station
Austin, TX 78711-3528

Ms. Lisa Collier, CPA
Texas State Auditors' Office
P.O. Box 12067
Austin, TX 78711-2067

Dear Sirs and Madam:

We are pleased to submit the annual financial report of the University of North Texas System for the year ended August 31, 2022, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas Annual Comprehensive Financial Report (ACFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Brittany Wisdom at (940) 369-5524. Paula Welch may be contacted at (940) 369-5500 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,



Dr. Michael R. Williams
UNT System Chancellor

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UNIVERSITY OF NORTH TEXAS SYSTEM

ORGANIZATIONAL DATA

August 31, 2022

BOARD OF REGENTS

Mary Denny(Term expires May 2023)Aubrey
Milton B. Lee.....(Term expires May 2023) San Antonio
Carlos Munguia.....(Term expires May 2023) University Park

Melisa Denis.....(Term expires May 2025) Southlake
Daniel Feehan(Term expires May 2025) Fort Worth
John Scott, Jr., D.O.....(Term expires May 2025) Keller

Ashok (A.K.) Mago(Term expires May 2027) Dallas
Lindy Rydman(Term expires May 2027) Houston
Laura Wright.....(Term expires May 2027) Dallas

STUDENT REGENT

Andy McDowall.....(Term expires May 2023)Seguin

OFFICERS OF THE BOARD

Laura Wright Chair
Milton B. Lee Vice Chair

ADMINISTRATIVE OFFICERS

Michael R. Williams Chancellor
Gregory R. AndersonDeputy Chancellor for Finance and Operations

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UNIVERSITY OF NORTH TEXAS SYSTEM Management's Discussion and Analysis For the Year Ended August 31, 2022

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 has a \$1.3 billion annual consolidated budget and employs roughly 15,000 people at its various locations within the robust North Texas Region. In Fall 2021, over 48,000 students enrolled in undergraduate, graduate, and professional programs at System institutions. The System is governed by a nine-member Board of Regents appointed by the Governor of Texas and confirmed by the Texas State Senate. Three members are appointed every odd-numbered year for six-year terms. In addition, the Governor annually appoints a non-voting Student Regent for a one-year term.

The System successfully overcame the challenges of the COVID-19 global pandemic and has emerged as a stronger organization with a renewed sense of purpose and direction. The significant effort and resources invested to ensure the safety of our academic and administrative facilities while maintaining financial stability through the past three years resulted in the System's ability to successfully return to full operations in 2022.

Financial Highlights and Overview of Financial Statements

The objective of Management's Discussion and Analysis (the "MD&A") is to provide an overview of the financial position and activities of the System as of and for the year ended August 31, 2022, with selected comparative information as of and for the year ended August 31, 2021. The MD&A is prepared by management and should be read in conjunction with the accompanying financial statements and notes. The emphasis of discussion about these financial statements will focus on current year data. Unless otherwise indicated, years in the MD&A refer to the fiscal years ended August 31.

The System Annual Comprehensive Financial Report includes three primary financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The financial statements of the System have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB").

In addition, the System Annual Comprehensive Financial Report contains the Statement of Financial Position and the Statement of Activities for the following discretely presented component units: the University of North Texas Foundation, Inc. ("UNT Foundation"); and the University of North Texas Health Science Center Foundation ("UNTHSC Foundation"). Each foundation is a separate nonprofit organization. The foundations are essential components of the UNT and HSC programs for university advancement and development of private sources of funding for capital acquisition, operations, endowments, and other purposes relating to the mission of each university. The financial statements of the foundations have been prepared in accordance with GAAP as prescribed by the Financial Accounting Standards Board ("FASB").

Financial Highlights

- Total assets and deferred outflows of resources of the System exceeded its total liabilities and deferred inflows of resources in 2022, resulting in a net position of \$737.4 million. Unrestricted net position, which may be used to meet the System's future obligations, was a negative \$19.7 million, or 2.7% of total net position as of August 31, 2022.

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UNIVERSITY OF NORTH TEXAS SYSTEM Management's Discussion and Analysis For the Year Ended August 31, 2022

- The System concluded the 2022 fiscal year with a decrease in net position of \$28.2 million, compared to an increase of \$66.2 million in 2021. The 2022 decrease includes a restatement of \$8.3 million related to GASB 87 – Leases implementation and capital assets prior year adjustments. Operating revenues increased \$49.5 million, or 7.0%, due primarily to tuition and fees increased \$25.1 million, and auxiliary enterprises revenues increased \$19.9 million. Funds received from the Federal Higher Education Emergency Relief Funds (“HEERF”) decreased \$12.7 million over prior year, offset by a \$ 16.9 million decrease from primarily HEERF related payments to students via scholarships and student loan relief as well as foregone revenue recovered in FY 21. Investment income and gains in the fair market value of investments decreased \$116.2 million. Appropriations increased \$27.4 million due to the increase in the biennium revenue allocation.
- The System continues to make significant investments in capital additions, \$141.7 million in 2022, consisting of numerous capital projects across all institutions to strategically benefit students, faculty, and staff. The System has committed \$381.3 million to fund, with assistance from State supported debt financing and Higher Education Fund (“HEF”) capital appropriations, future capital asset additions and improvements over the next several years. These projects are currently in various stages of completion. The “Capital Asset and Debt Administration” section of the MD&A provides more details pertaining to these strategic investments.

Overview of Financial Statements

These statements are prepared applying the following principles and standards:

- Reporting is on the full accrual basis of accounting. All current year revenues and expenses are recognized when earned or incurred, regardless of when the cash is received or disbursed.
- Depreciation and amortization expense on capital assets is reported as an operating expense on the Statement of Revenues, Expenses, and Changes in Net Position. The historical cost of capital assets, net of accumulated depreciation and amortization, is reported on the Statement of Net Position.
- Revenues and expenses are categorized as operating or nonoperating. Revenues from state appropriations, gifts, and investment income are reported as nonoperating revenue in accordance with GASB Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended.

Statement of Net Position

The Statement of Net Position presents the financial position of the System as of the end of the year. From the data presented, readers of this statement can determine the assets available to continue the operations of the System, and what the System owes to vendors, investors, and lending institutions. The Statement of Net Position provides a point-in-time (photo) of the net position and the availability of resources to cover the expenses of the System. The change in net position is one indicator of whether the financial condition has improved or worsened during the fiscal year when considered with other nonfinancial indicators, such as the enrollment levels and the condition of the facilities.

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the System as of the end of the year. The net position section of the statement is reported by three major categories:

- *Net Investment in Capital Assets* that represents the System’s equity in property, plant, and equipment, net of accumulated depreciation and amortization, capital asset related bonds and other debt items,
- *Restricted net position* that represents the amounts subject to constraints that are either externally imposed or imposed by law, with amounts that are permanently held for investment divided into two categories: *Non-Expendable* and *Expendable*, and
- *Unrestricted net position* that represents the amounts available for any lawful purpose of the System.

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**UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis
For the Year Ended August 31, 2022**

The following table reflects the Condensed Comparative Statement of Net Position for the System as of August 31, 2022 and 2021:

Condensed Comparative Statement of Net Position		
As of August 31, 2022 and 2021		
(in thousands of dollars)		
	2022	2021
Assets and Deferred Outflows of Resources		
Current Assets	\$ 718,513	\$ 657,648
Capital Assets, Net	1,442,298	1,417,134
Other Non-Current Assets	517,016	477,298
Total Assets	\$ 2,677,827	\$ 2,552,080
Deferred Outflows of Resources	278,032	386,359
Total Assets and Deferred Outflows of Resources	\$ 2,955,859	\$ 2,938,439
Liabilities and Deferred Inflows of Resources		
Current Liabilities	\$ 560,920	\$ 566,186
Non-Current Liabilities	1,430,201	1,422,092
Total Liabilities	\$ 1,991,121	\$ 1,988,278
Deferred Inflows of Resources	227,302	184,482
Total Liabilities and Deferred Inflows of Resources	\$ 2,218,423	\$ 2,172,760
Net Position		
Net Investment in Capital Assets	\$ 554,929	\$ 559,437
Restricted:		
Funds Held as Permanent Investments:		
Non-Expendable	64,227	64,471
Expendable	39,735	55,901
Other Restricted	72,947	62,596
Total Restricted	\$ 176,909	\$ 182,968
Unrestricted	5,598	23,274
Total Net Position	\$ 737,436	\$ 765,679
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,955,859	\$ 2,938,439

Total Assets and Deferred Outflows of Revenues

Current Assets

Current assets increased \$60.9 million, or 9.3%, in 2022. The increase in current assets is primarily attributable to cash and cash equivalents and short-term investments increased \$33.4 million due to increased liquidity stemming from investment activities. Legislation appropriations increased \$10.1 million due to increased appropriations. Accounts receivable increased \$11.6 million as a result of amounts billed on tuition due to enrollment growth, and federal, state, and local government contracts. Pre-paid items increased \$7.9 million due to an increase in prepaid scholarships. These increases were offset by a \$1.3 million decrease in loans and contracts resulting from a decrease in emergency loans.

Non-Current Assets

Non-current assets consist primarily of capital assets, net of accumulated depreciation and amortization, and investments. In total, non-current assets increase by \$44.9 million, or 2.4%. The increase in non-current assets is primarily attributable to net capital assets increased \$25.2 million due to an increase in non-depreciable capital and

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UNIVERSITY OF NORTH TEXAS SYSTEM Management's Discussion and Analysis For the Year Ended August 31, 2022

intangible assets of \$82.1 million offset by a decrease of \$56.9 million in depreciable assets net of accumulated depreciation. Major capital improvements included \$52.5 million for the Frisco Branch campus, \$10.0 million for long-term leases as a result of the implementation of GASB Statement No. 87, *Leases*, \$6.9 million for the ESCO Energy Performance project, \$4.4 million for the Research and Education building renovation, \$4.2 million for the Gibson Library renovation, and \$4.1 million for the Art Studio facility. Other capital expenses include \$22.5 million in equipment, vehicle, and library purchases, and \$15.5 million for capitalized buildings and improvements. Investments increased by \$20.3 million primarily due to a \$37.5 million increase in investments offset by a \$17.2 million decrease in restricted investments. The Federal Reserve and international banks have increased overnight rates to curb inflation despite strong economic signals. The long-only trends from the previous cycle have ceased as stocks and bonds have fallen in tandem this year. Thus, the Long Term Pool and endowment investment returns were down -7.5% and -13.4% respectively for the year.

Deferred Outflows of Resources

Deferred outflows of resources decreased \$108.3 million, or 28.0%. The increase in deferred outflows of resources is primarily attributable to a reduction in deferred outflows of resources related to other postemployment benefits ("OPEB") and pensions of \$85.7 million and \$22.2 million, respectively.

Total Liabilities and Deferred Inflows of Resources

Current Liabilities

Current liabilities decreased \$5.3 million, or 0.9%. The increase in current liabilities is primarily attributable to unearned revenues increased \$36.7 million as a result of higher enrollment. Accounts payable increased \$14.8 million due to construction payables offset by other vendor payables. Funds held for others increased \$3.4 million due to external funds received for student loans, grants, and scholarships. These increases were offset by a \$55.6 million decrease in notes and loans payable due to refunding of commercial paper and revenue bonds payable that decreased \$4.7 million due to retirement of Series 2012A and 2012B bonds.

Non-Current Liabilities

Non-current liabilities consist primarily of the non-current portion of revenue bonds payable, net pension and OPEB liability, and employees' compensable leave liability. In total, non-current liabilities increased \$8.1 million, or 0.6%. The increase in non-current liabilities is primarily attributable to bond indebtedness increased \$67.0 million primarily due to the issuance of Series 2022 bonds offset by 2022 debt service payments. Net OPEB obligation increased \$37.4 million due to changes in actuarial assumptions. Lease obligations increased \$5.2 million as a result of the implementation of GASB Statement No. 87, *Leases*. These increases were offset by a \$100.7 million decrease in net pension liability due to the positive performance of actuarial investment returns as compared to the expected return for the measurement period ending August 31, 2021.

Deferred Inflows of Resources

Deferred inflows of resources increased \$42.8 million, or 23.2%. The increase in deferred inflows of resources is primarily attributable to a \$19.6 million increase in pensions and OPEB due to changes in proportionate share and contributions and changes in actuarial assumptions, and \$23.3 million increase in leases as a result of the implementation of GASB Statement No. 87, *Leases*.

Total Net Position

Net Investment in Capital Assets

Net investment in capital assets decreased \$4.5 million, or 0.8%. The decrease in net investment in capital assets is primarily attributable to the activity related to notes and bonds payable, lease obligations, deferred outflows of resources, and deferred inflows of resources related to unamortized gains and losses on refunded bonds. Net investment in capital assets consists of the System's capital assets, net of accumulated depreciation or amortization, and unspent bond proceeds reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.

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UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis
For the Year Ended August 31, 2022

Restricted Net Position

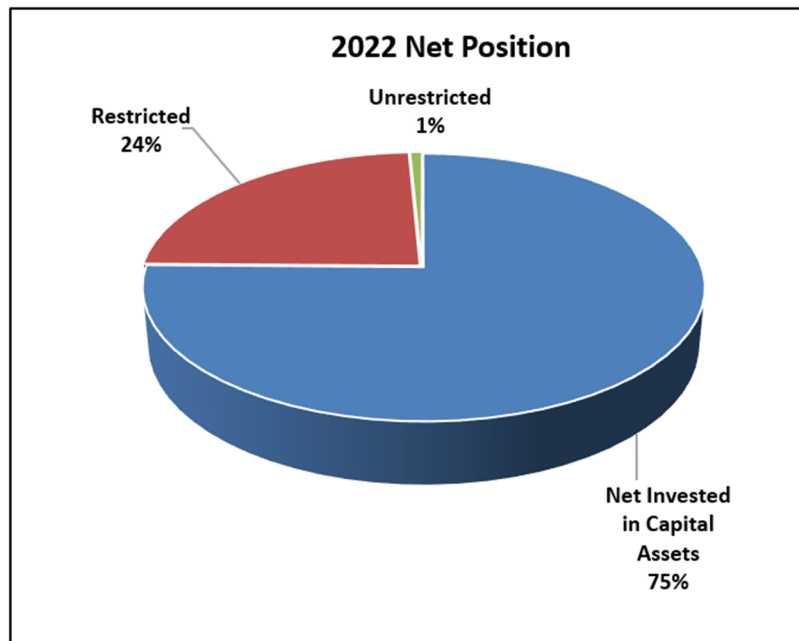
Restricted net position decreased by \$6.1 million, or 3.3%. The decrease in restricted net position is primarily attributable to endowment activities. Restricted net position primarily consists of the System's permanent investments subject to restrictions externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

Unrestricted net position decreased by \$17.7 million, or 75.9%. The decrease in unrestricted net position is primarily attributable to activities not reported in net investment in capital assets or restricted net position. Unrestricted net position primarily consists of the System's net position that does not meet the definition of net investment in capital assets or restricted net position.

Total net position represents the residual interest in the System's total assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Total net position decreased by \$28.2 million, or 3.7%, in 2022.

The following chart reflects the total net position by major categories as of August 31, 2022:



Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the System's revenues earned and the expenses incurred during 2022, regardless of when cash is received or paid, and provides a period-of-time view of the activities that are reported as either operating or nonoperating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operations of the System, including a provision for depreciation and amortization on capital assets. Certain revenue sources the System relies on for operations include state appropriations, gifts, grants, and investment income which are required by GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended, to be classified as nonoperating revenues. Revenues are reported by major source, and expenses are reported on the face of the statement by functional (programmatic) categories as defined by the National Association of College and University Business Officers ("NACUBO").

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**UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis
For the Year Ended August 31, 2022**

The following table reflects the Condensed Comparative Statement of Revenues, Expenses and Changes in Net Position for the years ended August 31, 2022 and 2021:

Condensed Comparative Statement of Revenues, Expenses and Changes in Net Position		
For the Years Ended August 31, 2022 and 2021		
(in thousands of dollars)		
	2022	2021
Operating Revenues		
Tuition and Fees, Net	\$ 451,957	\$ 426,883
Contracts and Grants	132,248	133,099
Other Operating Revenues	174,257	149,028
Total Operating Revenues	\$ 758,462	\$ 709,010
Operating Expenses	\$ 1,248,159	\$ 1,203,666
Operating Income (Loss)	\$ (489,697)	\$ (494,656)
Nonoperating Revenues (Expenses)		
Investment Income	\$ (41,725)	\$ 74,516
Interest on Capital Asset-Related Debt	(26,856)	(26,055)
Noncapital Grants and Contracts	144,565	156,013
Other Non Operating Revenues and Expenses, net	333,013	287,847
Total Nonoperating Revenues (Expenses)	\$ 408,997	\$ 492,321
Other Revenues, Expenses, and Transfers		
Capital Contributions	\$ 998	\$ 3,063
Capital Appropriations	55,827	55,827
Contributions to Permanent and Term Endowments	69	6,168
Transfers	4,136	4,334
Other	(245)	(884)
Total Other Revenues, Expenses, and Transfers	\$ 60,785	\$ 68,508
Change in Net Position	\$ (19,915)	\$ 66,173
Net Position, Beginning of Year	\$ 765,679	\$ 699,506
Restatement	(8,328)	-
Restated Net Position, Beginning of Year	757,351	699,506
Net Position, End of Year	\$ 737,436	\$ 765,679

Operating Revenues

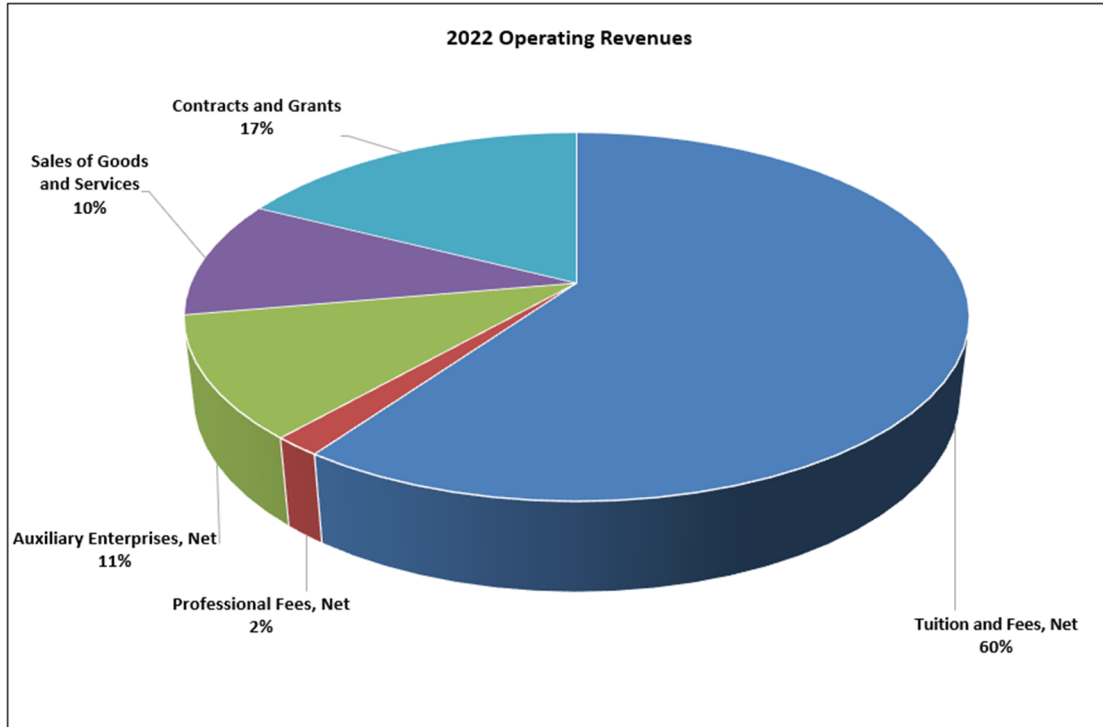
Operating revenues totaled \$758.5 million in 2022, an increase of \$49.5 million, or 7.0%, over 2021. The System's primary sources of operating revenues are tuition and fees, and federal, state, local, and private grants. Net tuition and fees, representing 59.6% of operating revenues, are reflected in the financial statements with associated discounts and allowances shown separately. Net tuition and fees increased \$25.1 million as a result of increased enrollment throughout the System. Federal, state, local, and private grant, and contract revenues, representing 17.4% of operating revenues, are primarily from governmental and private sources and are related to research programs that normally provide for the recovery of direct and indirect costs. Grant and contract related revenues decreased by \$0.9 million primarily as a result of the discontinuance of contracts with the Tarrant County Health Department to provide COVID-related services in 2022 that were provided in 2021. Net professional fees revenue increased \$0.9 million due to increased medical and correctional services provided by HSC. Auxiliary enterprise

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UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis
For the Year Ended August 31, 2022

revenue increased \$19.9 million as a result of increased campus operations including housing, meal plans, and parking.

The following chart reflects the operating revenues by major source for the year ended August 31, 2022:



Operating Expenses

Operating expenses totaled \$1,248.2 million in 2022, an increase of \$44.5 million, or 3.7%, over 2021. The increase in operating expenses is primarily attributable to salaries and wages increased \$27.7 million due to increased campus operations and record enrollment. Professional fees and services increased \$18.3 million primarily due to foreign student recruitment and architectural services. Travel increased \$7.6 million due to the removal of travel restrictions in 2022. Materials and supplies increased \$14.8 million due to furnishings and computers. Other operating expenses increased \$19.8 million due to increased campus operations. These increases were offset by a \$28.6 million decrease in payroll related costs, primarily GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and by a \$15.1 million decrease in scholarships and related expenses, primarily as a result of the reduction in HEERF.

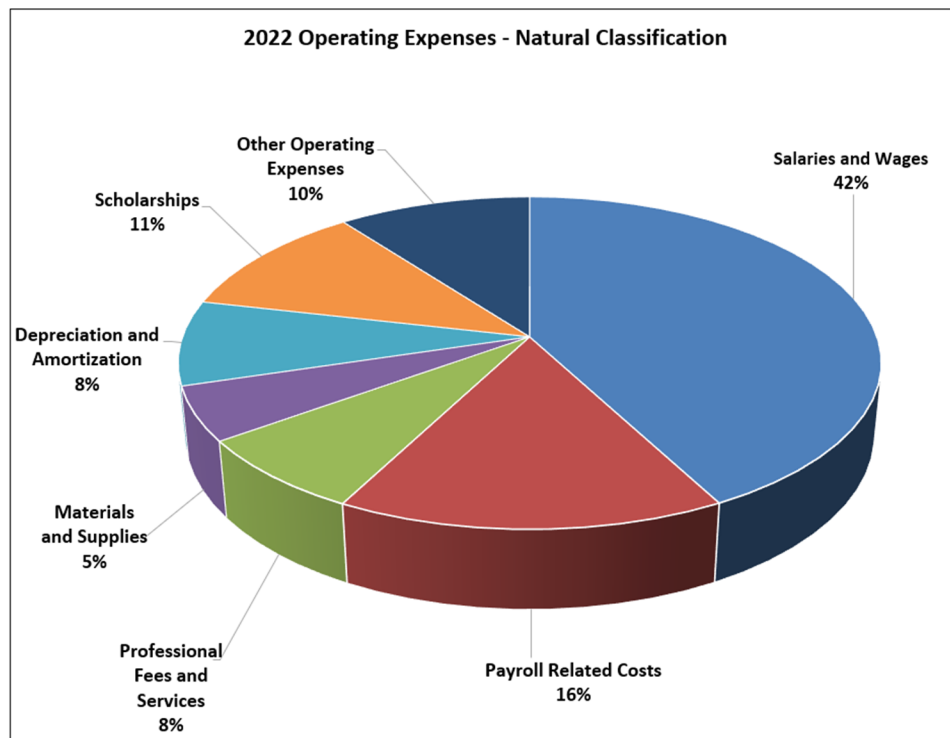
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**UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis
For the Year Ended August 31, 2022**

The following table reflects the operating expenses based on natural classification for the years ended August 31, 2022 and 2021:

Operating Expenses - Natural Classification For the Years Ended August 31, 2022 and 2021 (in thousands of dollars)		
Operating Expenses	2022	2021
Cost of Goods Sold	\$ 9,501	\$ 5,743
Salaries and Wages	526,905	499,169
Payroll Related Costs	192,955	221,534
Professional Fees and Services	91,972	73,631
Federal Pass-Through Expenses	1,058	1,076
State Pass-Through Expenses	8	-
Travel	9,906	2,305
Materials and Supplies	65,742	50,950
Communications and Utilities	21,285	19,154
Repairs and Maintenance	36,543	34,586
Rentals and Leases	11,022	11,508
Printing and Reproduction	5,310	4,203
Depreciation and Amortization	103,217	102,369
Scholarships	138,608	153,667
Asset Retirement Obligation	120	110
Claims and Losses	1,266	(60)
Other Operating Expenses	32,741	23,721
Total Operating Expenses	\$ 1,248,159	\$ 1,203,666

The following chart reflects the percentage of operating expenses based on natural classification for the year ended August 31, 2022:



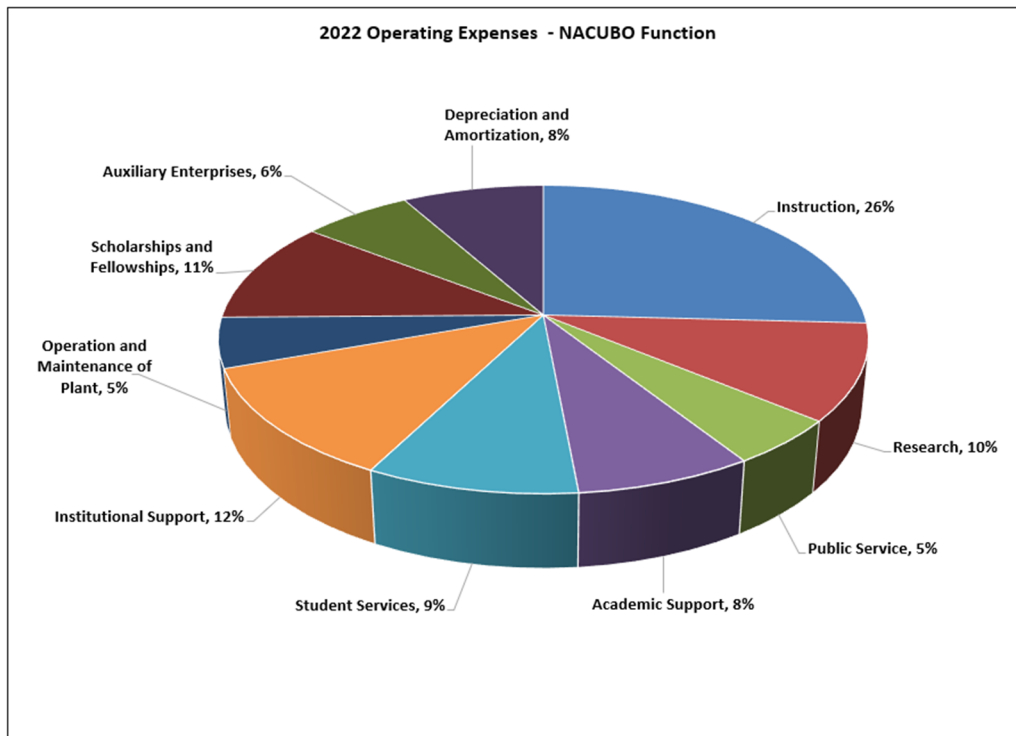
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UNIVERSITY OF NORTH TEXAS SYSTEM
 Management's Discussion and Analysis
 For the Year Ended August 31, 2022

The following table reflects the amount operating expenses based on NACUBO functional (programmatic) classification for the years ended August 31, 2022 and 2021:

Operating Expenses - NACUBO Function			
For the Years Ended August 31, 2022 and 2021			
(in thousands of dollars)			
	<u>2022</u>		<u>2021</u>
Operating Expenses			
Instruction	\$ 325,670	\$	312,696
Research	127,729		109,993
Public Service	62,050		71,323
Academic Support	96,203		89,702
Student Services	114,942		96,900
Institutional Support	149,638		147,895
Operation and Maintenance of Plant	66,296		70,348
Scholarships and Fellowships	134,783		150,447
Auxiliary Enterprises	67,631		51,993
Depreciation and Amortization	103,217		102,369
Total Operating Expenses	<u>\$ 1,248,159</u>	\$	<u>1,203,666</u>

The following chart reflects the percentage of total operating expenses based on NACUBO functional (programmatic) classification for the year ended August 31, 2022:



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UNIVERSITY OF NORTH TEXAS SYSTEM Management's Discussion and Analysis For the Year Ended August 31, 2022

Nonoperating Revenues and Expenses

Certain significant recurring revenues and expenses are considered nonoperating. The System's primary nonoperating revenues come from state appropriations, federal Pell Grant revenue, gifts, and investment income. The System's primary nonoperating expenses are interest expense and fiscal charges, net decrease in fair market value of investments, and other nonoperating expenses. Total nonoperating revenues and expenses decreased \$83.3 million, or 16.9%, over the prior year. The decrease in nonoperating revenue and expenses is primarily attributable to investment returns decreased \$116.2 million due to market performance. HEERF decreased \$11.4 million due to a reduction in the Federal funding. These decreases were offset by a \$27.4 million increase in state appropriations, \$8.6 million decrease in HEERF loan forgiveness expense, \$3.4 million gain on the sale of capital assets, and \$2.5 million increase in gifts.

Other Revenues, Expenses, and Transfers

Other revenues, expenses, and transfers comprised of capital and endowment related additions and transfers decreased \$7.7 million, or 11.3%, in 2022. HEF comprises most of the activity in this category. Annual HEF-related revenue totaled \$55.8 million, which remained the same from 2021 and is reported as capital appropriations rather than operating or nonoperating revenue. Contributions to permanent endowments decreased \$6.1 million and capital contributions decreased \$2.1 million.

Statement of Cash Flows

The Statement of Cash Flows presents the System's financial results by reporting the major sources and uses of cash and cash equivalents during 2022. The statement assists in evaluating the System's ability to generate net cash flows, to meet its financial obligations as they come due, and to determine its need for external financing.

The Statement of Cash Flows consists of the following four major activities:

- Cash flows from *operating activities* that show the net cash used by the operating activities of the System,
- Cash flows from *noncapital financing activities* that include proceeds from state appropriations, gifts, endowments, and those activities not covered in other sections,
- Cash flows from *capital and related financing activities* that include capital assets and related debt activities, and
- Cash flows from *investing activities* that include purchasing investments, selling investments, and earning income on those investments

In 2022, cash and cash equivalents increased \$21.0 million. The increase in cash and cash equivalents is primarily attributable to an increase of \$437.3 million provided by noncapital financing activities, which included cash inflows related to state appropriations and grant receipts offset by payments for legislative transfers and other uses. The increase was offset by a \$264.7 million decrease in operating activities, which included cash inflows from proceeds from tuition and fees and research grants and contracts offset by payments to suppliers for goods and services, employees, and other expenses; by a \$76.5 million decrease in capital and related financing activities, which included cash inflows from state appropriations and debt issuance offset by payments for additions to capital assets and principal on debt issuance; and by a \$75.2 million decrease in investing activities, which included cash inflows related to proceeds from the sale of investments offset by payments to acquire investments.

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**UNIVERSITY OF NORTH TEXAS SYSTEM
Management’s Discussion and Analysis
For the Year Ended August 31, 2022**

The following table reflects the Condensed Statement of Cash Flows for the years ended August 31, 2022 and 2021:

Condensed Comparative Statement of Cash Flows For the Years Ended August 31, 2022 and 2021 (in thousands of dollars)		
	2022	2021
Cash Flows from:		
Operating Activities	\$ (264,674)	\$ (272,335)
Noncapital Financing Activities	437,346	428,698
Capital and Related Financing Activities	(76,469)	(96,942)
Investing Activities	(75,182)	(9,315)
Net Increase in Cash and Cash Equivalents	\$ 21,021	\$ 50,106
Cash and Cash Equivalents, Beginning of Year	\$ 294,447	\$ 244,341
Cash and Cash Equivalents, End of Year	\$ 315,468	\$ 294,447

Capital Asset and Debt Administration

Capital Asset

Investments in capital asset additions were \$141.7 million in 2022. Major capital project activity included:

- Building Improvements (System Administration) – Frisco Branch Campus
- Building Improvements (HSC) – ESCO Energy Performance Project
- Building Improvements (HSC) – Research and Education Building Renovation
- Building Improvements (HSC) – Gibson Library
- Building Improvements (System Administration) – Art Studio Facility

The System has committed \$381.3 million to capital asset additions and improvements that are currently in various stages of completion. These additions and improvements primarily consist of new buildings or renovations to existing buildings, including the UNT Science and Technology Research building, the Science, Technology, Engineering, and Math (STEM) building at UNT Dallas, campus space optimization at HSC, and the Frisco Branch campus for future use by the UNT Main campus. More detailed information regarding the System’s capital additions and commitments is provided in Note 2, *Capital Assets*, and Note 11, *Contingencies and Commitments*, in the Notes to the Comprehensive Financial Statements.

Debt Administration

Revenue bonds payable represents the largest portion of the System’s liabilities. Current and non-current revenue bonds payable increased \$62.4 million to \$845.1 million in 2022. All bonds related to financing of current and prior years’ construction needs reflect “Aa2” and “AA” credit ratings from two major bond rating agencies, Moody’s and Fitch, respectively. More detailed information regarding the System’s bonded indebtedness is provided in Note 5, *Long-Term Liabilities*, and Note 6, *Bonded Indebtedness*, in the accompanying Notes to the Comprehensive Financial Statements.

UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM Management's Discussion and Analysis For the Year Ended August 31, 2022

Economic Outlook

The System's primary sources of revenue are tuition and fees and legislative appropriations. Enrollment growth, program expansion, and continued COVID-19 recovery efforts contributed to a positive outlook for the System in 2022.

For 2023, net tuition and fees revenues are budgeted at an increase of \$94.1 million, or 7.8%, compared to 2022. This revenue increase represents the continued recovery from the impacts of the COVID-19 pandemic and enrollment growth. Between Fall 2018 and Fall 2022, enrollment increased 15% system-wide.

UNT System institutions recently completed submissions of Legislative Appropriations Requests in advance of the 88th Texas legislative session. The 87th Texas Legislature passed a budget that included a 12% increase for the System institutions compared to the previous biennium. Therefore, fiscal year 2023 budgeted appropriation revenues for the System are flat when compared to 2022. Budgeted amounts include continued funding for specialized initiatives and unique programs recognized as deserving state support. These areas of excellence include the University of North Texas Center for Agile and Adaptive Additive Manufacturing ("CAAAM"), UNTD Center for Socioeconomic Mobility through Education, and HSC's Forensic Genetics Research and Education. These projects have been supported with State funds to continue growth, educational excellence, and research capacity at System institutions. The Capital Construction Assistance Projects ("CCAPs") approved during this session include UNT Science and Technology Research Building, UNT at Frisco Campus Renovation, UNTD Science Building, and HSC's Campus Optimization and Space Realignment. Construction on these projects will begin in FY23. The System continues to maintain a 'stable' outlook from Fitch and Moody's for debt financing.

UNT is one of the state's largest public universities and one of the nation's 115 top-tier research universities by the Carnegie Classification. UNT had record enrollment in Fall 2022 of 44,532 students, which is a 6% increase from 2021. Strategic initiatives for growth and revenue include expanding off-site educational opportunities for working professional by delivering UNT degrees in new locations and modalities. The new Science and Technology Research building will meet critical space needs and will allow UNT to meaningfully grow the research and teaching capabilities in areas including applied biosciences, biomedical engineering, physics, and chemistry. The new CAAAM initiative is helping UNT become a state and national leader in advanced manufacturing research. Capitalizing on this success, UNT recently launched a new interdisciplinary research initiative around autonomous mobility systems and logistics, which will play an important role in advancing and improving the future of our state's supply chain.

UNTD had enrollment in Fall 2022 of 3,705 students. With the aim of being the engine for upward mobility in the southern Dallas region, the Trailblazer Elite Program and the newly created Center for Socioeconomic Mobility Through Education is allowing UNTD to meaningfully improve student outcomes and accelerate their careers. The authorization of CCAPs during the 87th Legislature will allow UNTD to construct a Science Building to train students and help meet the healthcare workforce needs of our region. The UNTD College of Law continues to provide affordable access to a legal education with an annual tuition that is significantly lower than other law schools. The College of Law was approved for full accreditation by the American Bar Association in February 2022.

HSC had enrollment in Fall 2022 of 2,296 and continues to expand its most recent initiatives, including the Forensic Genetics Research and Education programs. HSC is continuing to make advances in health disparities, as well as combating human trafficking, addressing sexual assault, and identifying missing persons through the Center for Human Identification. The investment by the 87th Legislative in CCAPs will allow HSC to repurpose existing facilities to better reflect emerging trends in healthcare and education with the planned Campus Optimization and Space Realignment.

**COMPREHENSIVE
FINANCIAL STATEMENTS**

of the

UNIVERSITY OF NORTH TEXAS SYSTEM

DALLAS, TEXAS

For the Year Ended August 31, 2022

UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Statement of Net Position
As of August 31, 2022

	<u>August 31,</u> <u>2022</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents:	
Cash on Hand	\$ 114,835.98
Cash in Bank	19,633,455.80
Cash in State Treasury	48,461,530.06
Cash Equivalents	205,763,850.19
Short Term Investments (Note 3)	12,379,557.45
Restricted Cash and Cash Equivalents:	
Cash on Hand	1,589.52
Cash in Bank	5,188,769.95
Cash Equivalents	36,304,101.80
Legislative Appropriations	144,078,982.67
Receivables From:	
Accounts	127,523,726.96
Federal	26,217,548.59
Other Intergovernmental	2,518,968.63
Clinical Practice	2,344,122.79
Gifts, Pledges and Donations	1,298,693.12
Interest and Dividends	3,387,224.84
Leases (Note 8)	3,657,900.41
Other	9,008,178.72
Due From Other Agencies	1,917,121.51
Consumable Inventories	962,539.37
Merchandise Inventories	2,101,528.87
Prepaid Items	59,333,666.20
Loans and Contracts	6,199,591.67
Other Current Assets	115,093.25
Total Current Assets	<u>\$ 718,512,578.35</u>
Non-Current Assets	
Restricted Investments (Note 3)	\$ 96,058,639.87
Loans and Contracts	1,895,503.61
Investments (Note 3)	395,245,423.30
Gifts, Pledges and Donations	3,854,893.92
Leases Receivable (Note 8)	19,961,794.55
Capital Assets (Note 2):	
Non-Depreciable or Non-Amortizable	287,898,403.92
Depreciable or Amortizable, Net	1,154,399,732.05
Total Non-Current Assets	<u>\$ 1,959,314,391.22</u>
Total Assets	<u>\$ 2,677,826,969.57</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources (Note 28)	\$ 278,032,315.34
Total Deferred Outflows of Resources	<u>\$ 278,032,315.34</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,955,859,284.91</u>

Continued on Next Page

UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Statement of Net Position
As of August 31, 2022

	<u>August 31,</u> <u>2022</u>
LIABILITIES	
Current Liabilities	
Payables From:	
Accounts	\$ 69,465,211.55
Payroll	52,152,948.57
Other	5,134,801.70
Interest	12,998,314.64
Due To Other Agencies	1,536,346.36
Unearned Revenue	320,124,617.62
Notes and Loans Payable (Note 4)	20,547,000.00
Revenue Bonds Payable (Note 5, 6)	50,435,620.56
Claims and Judgments (Note 5)	823,413.00
Employees' Compensable Leave (Note 5)	4,706,083.41
Right to Use Lease Obligations (Note 5, 8)	3,180,311.85
Net OPEB Liability (Note 5, 11)	14,112,989.00
Funds Held for Others	4,015,405.40
Other Current Liabilities (Note 5)	1,686,585.10
Total Current Liabilities	<u>\$ 560,919,648.76</u>
Non-Current Liabilities	
Revenue Bonds Payable (Note 5, 6)	\$ 794,632,924.42
Claims and Judgments (Note 5)	818,068.00
Employees' Compensable Leave (Note 5)	24,602,385.69
Right to Use Lease Obligations (Note 5, 8)	6,923,524.94
Asset Retirement Obligation (Note 5)	2,837,250.00
Net Pension Liability (Note 5, 9)	88,502,491.00
Net OPEB Liability (Note 5, 11)	510,300,961.00
Other Non-Current Liabilities (Note 5)	1,583,547.72
Total Non-Current Liabilities	<u>\$ 1,430,201,152.77</u>
Total Liabilities	<u>\$ 1,991,120,801.53</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources (Note 28)	\$ 227,302,178.97
Total Deferred Inflows of Resources	<u>\$ 227,302,178.97</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>\$ 2,218,422,980.50</u>
NET POSITION	
Net Investment in Capital Assets	\$ 554,928,754.84
Restricted For:	
Funds Held as Permanent Investments	
Non-Expendable	64,227,286.27
Expendable	39,735,372.23
Other Restricted	72,947,166.84
Unrestricted	5,597,724.23
Total Net Position	<u>\$ 737,436,304.41</u>

See Accompanying Notes to the Comprehensive Financial Statements

UNAUDITED

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Statement of Financial Position
As of August 31, 2022

	August 31, 2022
ASSETS	
Cash	\$ 11,209,082
Investments	279,366,833
Restricted Stock	7,132,297
Trust Investments	4,432,278
Annuity Investments	725,096
Contributions Receivable, Net	4,237,766
Real Estate	12,860
Trust Property	262,500
Inventory	2,904
Cash Value of Life Insurance Policies	474,820
Total ASSETS	\$ 307,856,436
LIABILITIES	
Accounts Payable	\$ 856,622
Agency Funds	160,162
Trust and Annuity Obligations	3,265,302
Assets Held for Others	77,395,493
Total LIABILITIES	\$ 81,677,579
NET ASSETS	
Unrestricted-Undesignated	\$ 1,785,972
Unrestricted Board Designated for UNT	854,379
Unrestricted Board Designated Other	4,711,129
Donor Restricted	218,827,377
Total NET ASSETS	\$ 226,178,857
Total LIABILITIES & NET ASSETS	\$ 307,856,436

See Accompanying Notes to the Financial Statements

UNAUDITED

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Statement of Financial Position
As of August 31, 2022

	<u>August 31, 2022</u>
ASSETS	
Cash	\$ 2,182,332
Investments, including \$100,290,924 and \$105,566,672 held on behalf of others as of August 31, 2022 and 2021	122,121,731
Pledges Receivable, Net	815,550
Other Receivables	75,253
Prepaid Expenses	64,863
Total ASSETS	<u>\$ 125,259,729</u>
LIABILITIES	
Accrued Expenses	\$ 195,878
Due to Related Party	100,290,924
Total LIABILITIES	<u>\$ 100,486,802</u>
NET ASSETS	
Net Assets without Donor Restrictions	\$ 3,476,899
Net Assets with Donor Restrictions	21,296,028
Total NET ASSETS	<u>\$ 24,772,927</u>
Total LIABILITIES & NET ASSETS	<u>\$ 125,259,729</u>

See Accompanying Notes to the Financial Statements

UNIVERSITY OF NORTH TEXAS SYSTEM (794)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended August 31, 2022

	<u>August 31,</u> <u>2022</u>
OPERATING REVENUES	
Tuition and Fees	\$ 593,318,662.57
Discounts and Allowances	(141,361,494.94)
Professional Fees	30,220,195.87
Discounts and Allowances	(17,334,529.70)
Auxiliary Enterprises	81,366,139.47
Discounts and Allowances	(219,748.00)
Sales of Goods and Services	77,620,654.86
Federal Grant Revenue	84,466,222.18
Federal Pass-Through Revenue	4,044,284.99
State Grant Revenue	2,144,224.80
State Grant Pass-Through Revenue	30,470,200.28
Other Contracts and Grants	11,123,520.00
Other Operating Revenues	2,604,029.37
Total Operating Revenues	<u>\$ 758,462,361.75</u>
OPERATING EXPENSES ⁽¹⁾	
Instruction	\$ 325,669,945.38
Research	127,729,453.59
Public Service	62,049,563.49
Academic Support	96,203,077.47
Student Services	114,941,699.58
Institutional Support	149,638,276.55
Operation and Maintenance of Plant	66,295,829.70
Scholarships and Fellowships	134,783,013.29
Auxiliary Enterprises	67,631,031.83
Depreciation and Amortization	103,217,482.63
Total Operating Expenses	<u>\$ 1,248,159,373.51</u>
Operating Loss	<u>\$ (489,697,011.76)</u>
NONOPERATING REVENUES (EXPENSES)	
Legislative Appropriations (GR)	\$ 257,398,843.00
Additional Appropriations (GR)	47,950,308.29
Federal Revenue	144,565,282.78
Gifts	23,443,017.80
Investment Income	31,605,120.82
Interest Expense and Fiscal Charges	(26,855,830.57)
Gain on Sale of Capital Assets	3,524,183.39
Net Decrease in Fair Value of Investments	(73,330,438.49)
Other Nonoperating Revenues	2,928,139.78
Other Nonoperating Expenses	(2,231,405.07)
Total Nonoperating Revenues (Expenses)	<u>\$ 408,997,221.73</u>
Loss Before Other Revenues, Expenses and Transfers	<u>\$ (80,699,790.03)</u>
OTHER REVENUES, EXPENSES AND TRANSFERS	
Capital Contributions	\$ 998,149.95
Capital Appropriations (HEF)	55,826,506.00
Contributions To Permanent and Term Endowments	69,049.58
Transfers From Other State Agencies	629,706.49
Transfers To Other State Agencies	(9,697.00)
Legislative Transfers In	3,515,797.39
Legislative Appropriation Lapses	(244,582.85)
Total Other Revenues, Expenses and Transfers	<u>\$ 60,784,929.56</u>
CHANGE IN NET POSITION	<u>\$ (19,914,860.47)</u>
Beginning Net Position	\$ 765,679,148.24
Restatement	(8,327,983.36)
Beginning Net Position, as Restated	<u>\$ 757,351,164.88</u>
ENDING NET POSITION	<u>\$ 737,436,304.41</u>

⁽¹⁾ See Matrix of Operating Expenses Reported by Function.

UNIVERSITY OF NORTH TEXAS SYSTEM (794)
 Matrix of Operating Expenses Reported by Function
 For the Year Ended August 31, 2022

Operating Expenses	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenditures
Cost of Goods Sold	\$ 23,147.28	\$ 47.96	\$ 187,667.02	\$ 42,730.33	\$ 204,319.84	\$ 999,723.39	\$ 51,694.95	\$ -	\$ 7,991,547.79	\$ -	\$ 9,500,878.56
Salaries and Wages	199,868,566.05	72,235,899.01	20,718,187.97	54,478,782.12	60,564,231.63	73,351,431.76	21,095,022.28	425,699.24	24,166,712.34	-	526,904,532.40
Payroll Related Costs	95,401,231.94	13,820,121.81	6,574,627.93	14,942,723.74	15,668,113.31	28,923,601.33	6,352,370.28	1,687.08	11,270,938.66	-	192,955,416.08
Professional Fees and Services	5,762,231.70	20,413,408.35	25,670,539.10	5,563,202.37	11,644,000.57	15,171,740.71	5,132,713.86	-	2,613,746.64	-	91,971,583.30
Federal Pass-Through Expenses	1,593.22	897,527.06	158,905.13	-	-	-	-	-	-	-	1,058,025.41
State Pass-Through Expenses	-	7,998.40	-	-	-	-	-	-	-	-	7,998.40
Travel	1,625,606.41	1,410,836.28	335,066.62	1,469,127.30	4,570,206.90	323,609.17	50,531.80	-	121,150.69	-	9,906,135.17
Materials and Supplies	10,625,195.21	10,630,120.41	4,019,476.25	11,715,560.78	8,218,594.68	10,785,851.49	5,300,862.05	-	4,445,904.93	-	65,741,565.80
Communications and Utilities	194,478.33	49,910.40	18,168.35	332,182.51	1,229,559.66	1,453,749.61	12,989,440.94	-	5,018,034.75	-	21,285,524.55
Repairs and Maintenance	1,938,395.92	1,670,463.09	825,144.06	1,057,624.25	2,166,003.18	8,531,992.39	13,790,044.69	-	6,563,412.89	-	36,543,080.47
Rentals and Leases	1,687,046.41	386,164.54	385,914.64	2,372,483.84	2,160,009.49	2,669,921.01	491,381.38	-	868,998.50	-	11,021,919.81
Printing and Reproduction	402,367.98	389,473.54	173,514.82	968,157.08	1,817,847.94	1,122,853.08	56,268.49	-	379,578.03	-	5,310,060.96
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	103,217,482.63	103,217,482.63
Scholarships	700,049.46	2,698,953.05	853,050.77	-	-	-	-	134,355,626.97	-	-	138,607,680.25
Asset Retirement Obligation	-	-	-	-	-	-	120,407.22	-	-	-	120,407.22
Claims and Losses	410,059.77	-	-	5,000.00	-	851,096.73	-	-	-	-	1,266,156.50
Other Operating Expenses	7,029,975.70	3,118,529.69	2,129,300.83	3,255,503.15	6,698,812.38	5,452,705.88	865,091.76	-	4,191,006.61	-	32,740,926.00
Total Operating Expenses	\$ 325,669,945.38	\$ 127,729,453.59	\$ 62,049,563.49	\$ 96,203,077.47	\$ 114,941,699.58	\$ 149,638,276.55	\$ 66,295,829.70	\$ 134,783,013.29	\$ 67,631,031.83	\$ 103,217,482.63	\$ 1,248,159,373.51

UNAUDITED

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Statement Of Activities
For the Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Gifts	\$ 61,250	\$ 6,835,189	\$ 6,896,439
Grant Revenue	-	526,877	526,877
Investment Income (Loss)	(515,658)	(22,179,968)	(22,695,626)
Royalty Income	-	2,070	2,070
FMV of Goods Received and Other	-	-	-
Actuarial Gain/(Loss) on Annuity/Trust Agreements	-	(36,928)	(36,928)
Revenue from Life Insurance Policies	-	14,913	14,913
Internal Asset Management Fee Income	2,078,425	-	2,078,425
External Asset Management Fee Income	816,504	-	816,504
Total REVENUES, GAINS AND OTHER SUPPORT	\$ 2,440,521	\$ (14,837,847)	\$ (12,397,326)
Interfund Transfers	\$ (5,582)	\$ 5,582	\$ -
Matching Gifts from Unrestricted	(2,550)	2,550	-
Release of Donor Restrictions	12,501,277	(12,501,277)	-
Release of Donor Restrictions from Prior Years	723,258	(723,258)	-
 PROGRAM SERVICES			
Grants and Distributions to UNT			
Distributions to UNT	\$ 5,004,951		\$ 5,004,951
Foundation Funded Annuity Payments	5,356		5,356
Life Insurance Premiums	10,608		10,608
Grant Support to UNT	526,877		526,877
Board Designated Grants to University	243,000		243,000
Total Grants and Distributions to UNT	\$ 5,790,792		\$ 5,790,792
 Scholarships, Expansion of Programs, Reimbursed Expenses & Travel			
Scholarships & Awards	\$ 3,251,372		\$ 3,251,372
Expense Reimbursements	16,749		16,749
Total Scholarships, Expansion of Programs, Reimbursed Expenses & Travel	\$ 3,268,121		\$ 3,268,121
Services for Programs	\$ 1,630,086		\$ 1,630,086
Distributions to Other Institutions	11,000		11,000
Internal Asset Management Fee	2,078,425		2,078,425
Total PROGRAM SERVICES	\$ 12,778,424		\$ 12,778,424
 MANAGEMENT and GENERAL EXPENSES			
Payroll and Benefits	\$ 1,297,766		\$ 1,297,766
Administrative Expense	76,790		76,790
Travel, Telephone and Internet	20,974		20,974
Professional Development	21,209		21,209
Consulting Services	61,499		61,499
Annual Audit and Tax Preparation	35,540		35,540
Attorney Fees	332		332
Office and Computer Equipment and Software	20,931		20,931
Bank Charges and Credit Card Fees	32,685		32,685
Insurance - Property and Liability	27,483		27,483
Miscellaneous Expenses	5,153		5,153
Total MANAGEMENT and GENERAL EXPENSES	\$ 1,600,362		\$ 1,600,362
Total SERVICES and EXPENSES	\$ 14,378,786		\$ 14,378,786
NET CHANGE IN ASSETS	\$ 1,278,138	\$ (28,054,250)	\$ (26,776,112)
Net Assets, Beginning of Year	\$ 6,073,342	\$ 246,881,627	\$ 252,954,969
NET ASSETS END OF YEAR	\$ 7,351,480	\$ 218,827,377	\$ 226,178,857

See Accompanying Notes to the Financial Statements

UNAUDITED

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Statements of Activities
For the Year Ended August 31, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ -	\$ 2,525,854	\$ 2,525,854
Special Events	-	581,253	581,253
Management Fees	274,133	-	274,133
Realized Gain on Investments	-	400,406	400,406
Unrealized Gain (Loss) on Investments	-	(4,360,924)	(4,360,924)
Investment Income (Loss), Net of Direct Expenses	(70,931)	543,040	472,109
Other Income	2,166	-	2,166
Releases from Restriction	3,984,308	(3,984,308)	-
Total SUPPORT AND REVENUE	\$ 4,189,676	\$ (4,294,679)	\$ (105,003)
EXPENSES			
Program Expenses			
Gifts and Scholarships	\$ 2,538,038	\$ -	\$ 2,538,038
Supporting Services			
Management and General			
Professional Fees	247,558	-	247,558
Alumni & Student Expenses	-	-	-
Meals and Entertainment	30,675	-	30,675
Other Expenses	4,818	-	4,818
Bad Debt Expenses	469,001	-	469,001
Fundraising Expenses	647,988	-	647,988
Total EXPENSES	\$ 3,938,078	\$ -	\$ 3,938,078
CHANGE IN NET ASSETS	\$ 251,598	\$ (4,294,679)	\$ (4,043,081)
Net Assets, Beginning of Year	\$ 3,225,301	\$ 25,590,707	\$ 28,816,008
NET ASSETS, END OF YEAR	\$ 3,476,899	\$ 21,296,028	\$ 24,772,927

See Accompanying Notes to the Financial Statements

UNIVERSITY OF NORTH TEXAS SYSTEM
Statement of Cash Flows
For the Year Ended August 31, 2022

	August 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Customers	\$ 88,348,239.26
Proceeds from Tuition and Fees	464,754,786.95
Proceeds from Research Grants and Contracts	154,261,168.91
Proceeds from Loan Programs	1,802,301.94
Proceeds from Auxiliaries	81,146,391.47
Proceeds from Other Revenues	1,777,674.78
Payments to Suppliers for Goods and Services	(249,129,972.00)
Payments to Employees	(625,915,786.86)
Payments for Loans Provided	(17,382.55)
Payments for Other Expenses	(181,701,560.63)
Net Cash Used by Operating Activities	<u>\$ (264,674,138.73)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from State Appropriations	\$ 264,914,876.75
Proceeds from Gifts	22,324,470.78
Proceeds from Endowments	69,049.58
Proceeds from Transfers from Other Agencies	629,706.49
Proceeds from Legislative Transfers	3,515,797.39
Proceeds from Grant Receipts	144,423,912.48
Proceeds from Other Revenues	2,904,989.78
Payments for Transfers to Other Agencies	(9,697.00)
Payments for Legislative Appropriation Lapses	(244,582.85)
Payments for Other Uses	(1,183,015.23)
Net Cash Provided by Noncapital Financing Activities	<u>\$ 437,345,508.17</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Sale of Capital Assets	\$ 5,358,719.92
Proceeds from State Appropriations	55,826,506.00
Proceeds from Debt Issuance	154,609,826.20
Proceeds from Capital Contributions	695,000.00
Payments for Additions to Capital Assets	(115,924,832.43)
Payments for Leases	(3,158,445.82)
Payments of Principal on Debt Issuance	(141,584,320.25)
Payments of Other Costs of Debt Issuance	(907,019.54)
Payments of Interest on Debt Issuance	(31,384,693.87)
Net Cash Used by Capital and Related Financing Activities	<u>\$ (76,469,259.79)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Investments	\$ 442,168,434.37
Proceeds from Interest and Investment Income	30,858,356.37
Payments to Acquire Investments	(548,208,304.32)
Net Cash Used by Investing Activities	<u>\$ (75,181,513.58)</u>
Net Increase in Cash and Cash Equivalents	<u>\$ 21,020,596.07</u>
Cash and Cash Equivalents, September 1, 2021	\$ 294,447,537.23
Cash and Cash Equivalents, August 31, 2022	<u>\$ 315,468,133.30</u>
Cash and Cash Equivalents	\$ 273,973,672.03
Restricted Cash and Cash Equivalents	41,494,461.27
Cash and Cash Equivalents, August 31, 2022	<u>\$ 315,468,133.30</u>

See Accompanying Notes to the Comprehensive Financial Statements

UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM
Statement of Cash Flows
For the Year Ended August 31, 2022

	August 31, 2022
RECONCILIATION OF OPERATING LOSS TO NET CASH USED	
BY OPERATING ACTIVITIES	
Operating Loss	\$ (489,697,011.76)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and Amortization Expense	\$ 103,217,482.63
Pension Expense	2,092,296.00
OPEB Expense	79,228,899.00
Asset Retirement Obligation Expense	120,407.22
Cash Flow Classification Differences from GASB 87	(16,769.20)
Employee Benefits Paid by State	30,314,014.36
Changes in Assets and Liabilities:	
Increase in Receivables	(4,606,540.92)
Increase in Inventories	(127,017.51)
Increase in Prepaid Expenses	(7,899,625.63)
Decrease in Loans and Contracts	1,784,919.39
Increase in Other Assets	(20,177.00)
Decrease in Deferred Outflows of Resources - Pensions	22,158,665.00
Decrease in Deferred Outflows of Resources - OPEB	85,735,691.00
Increase in Payables	984,706.92
Increase in Unearned Revenue	36,723,312.43
Decrease in Employees' Compensable Leave	(1,156,371.72)
Decrease in Liabilities to Employees for Defined Benefit Pensions	(102,777,658.00)
Decrease in Liabilities to Employees for Defined Benefit OPEB	(44,015,600.00)
Increase in Other Liabilities	3,671,773.06
Increase in Deferred Inflows of Resources - Pensions	65,019,573.00
Decrease in Deferred Inflows of Resources - OPEB	(45,409,107.00)
Total Adjustments	\$ 225,022,873.03
Net Cash Used by Operating Activities	\$ (264,674,138.73)
NON-CASH TRANSACTIONS	
Net Change in Fair Value of Investments	\$ (73,330,438.49)
Donation of Capital Assets	303,149.95
Borrowing Under Lease Purchase	13,262,282.61
Gain on Sale of Capital Assets	3,524,183.39
Amortization of Bond Premiums	6,264,215.75
Amortization of Deferred Inflows/Outflows from Refunding Bonds	(439,505.84)
Capital Assets Acquired with Payables	26,235,089.76

See Accompanying Notes to the Comprehensive Financial Statements

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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, 2022

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UNIVERSITY OF NORTH TEXAS SYSTEM Notes to the Comprehensive Financial Statements For the Year Ended August 31, 2022

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 ("UNTD"). The System is governed by a nine-member Board of Regents appointed by the Governor of Texas and confirmed by the Texas State Senate. Three members are appointed every odd-numbered year for six-year terms. In addition, the Governor appoints a nonvoting student Regent for a one-year term. The System has two discrete component units. Information on the component units can be found in Note 19, *Financial Reporting Entity*.

Basis of Accounting

The comprehensive financial statements of the System have been prepared using the economic resources measurement focus and the full accrual basis of accounting. The System reports as a business-type activity, as defined by the GASB. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Under the full accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended. The Statement of Revenues, Expenses and Changes in Net Position is segregated into operating and nonoperating sections. Operating activities consist of transactions that are the direct result of providing goods and services to customers or directly related to the System's principal ongoing operations.

The System follows the requirements and guidelines provided in GASB pronouncements. Standards newly effective for fiscal year 2022 are listed below:

GASB Statement No. 87, *Leases*, creates a single model for lease accounting, eliminating long-term operating leases. It requires lessee recognition of certain lease liabilities and an intangible right-to-use lease asset, and requires lessor recognition of a lease receivable and deferred inflows of resources. The statement also requires additional disclosures for both lessee and lessor. This statement has moderate impact to the comprehensive financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, paragraphs 11b, 13, and 14, assists governments to define the appropriate benchmark interest rates, related to the interbank offered rate ("IBOR"), the London Interbank Offered Rate ("LIBOR"), and other reference rates. This statement has minimal impact to the comprehensive financial statements.

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UNIVERSITY OF NORTH TEXAS SYSTEM Notes to the Comprehensive Financial Statements For the Year Ended August 31, 2022

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, other than paragraph 4, increases consistency and comparability related to the reporting of fiduciary component units, mitigates costs associated with the reporting of employee benefit plans as fiduciary component units in fiduciary fund financial statements, and enhances the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (“IRC”) Section 457 deferred compensation plans. This statement has minimal impact to the comprehensive financial statements.

GASB Statement No. 99, *Omnibus 2022 (partial implementation)*, provides the requirements related to LIBOR extension, accounting for Supplemental Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as amended*, and terminology updates related to GASB Statements No. 53, *Accounting and Reporting for Derivative Instruments*, and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, are effective upon issuance. This statement has minimal impact to the comprehensive financial statements.

Assets, Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Assets

Assets relate to cash and cash equivalents, legislative appropriations, accounts and other receivables, prepaid items, loans and contracts, investments and capital and intangible assets.

Cash and Cash Equivalents

Short-term highly liquid investments that are both readily convertible to known amounts of cash and having an original maturity of three months or less are considered cash equivalents.

It is the System’s policy to exclude items that meet this definition if they are part of an investment pool, which has an investment horizon of one year or greater. Therefore, highly liquid investments that are part of the long-term investment pool are not considered cash and cash equivalents. Additionally, endowments invested in money market accounts are also excluded from cash and cash equivalents, as the intent is to invest these funds for more than one year. Cash held in the State Treasury is considered cash and cash equivalents. Restricted cash and cash equivalents include restricted sources of funds used for construction of capital assets as well as funds held for debt service. The System holds bond proceeds in restricted investment accounts to be disbursed to its institutions to support capital projects.

Legislative Appropriations

The appropriation of revenues by the Texas Legislature (the “Legislature”) is in the form of general revenue held in the state treasury until spent. When the Legislature meets during the odd-numbered years, they approve a two-year budget (biennial) for all State agencies. The general revenue appropriation to the System supports the instruction, research and operation of the System. Appropriations also include payments made by the State on behalf of the System for benefits related to salaries funded by state appropriations. There is no assurance that the Legislature will continue its state appropriations to the System in future years; however, the System expects that the Legislature will continue to do so. Higher Education Funds (“HEF”) are general revenue appropriations received from the State designated for the acquisition of certain capital assets and capital projects. The unexpended HEF balance was approximately \$117.3 million at August 31, 2022.

Accounts and Other Receivables

Accounts receivable mainly consists of tuition and fee charges to students. Accounts receivable is shown net of an allowance for doubtful accounts. The allowance for doubtful accounts on student receivables was approximately \$55.7 million at August 31, 2022. The allowance for doubtful accounts on other receivables was approximately \$4.6 million at August 31, 2022. For more information on other receivables, see Note 24, *Disaggregation of Receivable*

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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2022

Balances. The System has adopted a policy of reserving for account receivables based on collections history over the previous five years. Any amount outstanding after five years is reserved at 100% per state requirements.

Federal receivables include federal grants and education scholarships. The allowance for doubtful accounts on federal receivables was approximately \$122 thousand at August 31, 2022.

Intergovernmental receivables include amounts due from state government or private sources in connection with reimbursement of allowable expenditures made pursuant to the System's grants and contracts.

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 \$2.5 million and \$1.9 million, respectively, as of August 31, 2022. Clinical account receivables are subject to concentrations of patient accounts receivable credit risk. The mix of receivables from patients and third parties as of August 31, 2022 was as follows:

	<u>Net</u>	<u>Gross</u>
Medicaid	17%	34%
Medicare	46%	37%
Commercial	28%	20%
Self-pay	7%	8%
County Hospital	2%	1%
Total	<u>100%</u>	<u>100%</u>

Gift receivables include amounts pledged to the System by donors, net of allowances. The allowance for gift pledges was approximately \$1.6 million at August 31, 2022. Multiyear gift pledges are reported at the discounted present value. At the beginning of each fiscal year, the System re-establishes the scale of discount rates applicable for present valuing multiyear gift pledges that are received during the new fiscal year.

Lease receivable is calculated as the present value of the lease receipts expected during the lease term. The lessor records a lease receivable and a deferred inflow of resources on its financial statements.

Prepaid Items

Prepaid items include prepaid scholarship expenses that pertain to the fall term of the following fiscal year and other various prepaid expenses.

Loans and Contracts

Current and noncurrent loans and contracts receivables, related to student loans, are shown net of allowances. The net allowance on loans and contracts was approximately \$5.2 million at August 31, 2022.

Investments

The System accounts for its investments at fair value in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application*, and No. 79, *Certain External Investment Pools and Pool Participants*, as amended. Changes in realized gain (loss) on the carrying value of investments are reported as a component of investment income. Restricted investments include investments restricted by legal or contractual requirements, including those related to donors and constitutional restrictions.

Capital and Intangible Assets

The System follows the State's capitalization policy, which requires capitalization of assets with an initial individual cost of more than \$5,000 for equipment items, \$100,000 for buildings, building improvements and improvements other than buildings, and \$500,000 for infrastructure items, and an estimated useful life of greater than one year. These assets are capitalized at cost or, if not purchased, at fair value as of the date of acquisition.

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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2022

Purchases of library books are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Outlays for construction in progress are capitalized as incurred. Interest expense related to construction is expensed in accordance with the requirements of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

Depreciation is reported on all exhaustible assets. Inexhaustible assets such as land, works of art and historical treasures are not depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally, 10 to 30 years for buildings and improvements, 10 to 45 years for infrastructure, 4 to 15 years for equipment, and 15 years for library books.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, as amended, requires all intangible assets not specifically excluded by scope provisions to be classified as capital assets. The System has computer software that meets the criteria. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets is applied to computer software, as applicable.

GASB Statement No. 87, *Leases*, established accounting and financial reporting standards for the leasing activities of governments. Leased assets, and the related accumulated amortization, are disclosed separately from other capital assets.

Deferred Outflows of Resources

Deferred outflows of resources relate to unamortized losses on the refunding of debt, and certain amounts related to asset retirement obligations, pensions, and other postemployment benefits ("OPEB").

Deferred Outflows 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 straight-line 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 Outflows of Resources Related to Asset Retirement Obligations

When an asset retirement obligation ("ARO") is recognized, the System must also recognize a corresponding deferred outflow of resources. At initial measurement of an ARO, the deferred outflows associated with an ARO is recorded at the amount of the corresponding liability. For subsequent measurement and recognition, the reduction of deferred outflows is recognized and expensed over the useful life of the asset.

Deferred Outflows of Resources Related to Pensions

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

- System contributions subsequent to the measurement date of the collective net pension liability are recognized as a reduction in the net pension liability in the following year.
- 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 increase the total pension liability is amortized as a component of pension expense using the straight-line 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 increase the total pension liability is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.

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UNIVERSITY OF NORTH TEXAS SYSTEM Notes to the Comprehensive Financial Statements For the Year Ended August 31, 2022

- Increases in the System's proportion of the collective net pension liability are amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- System contributions during the measurement period that are greater than its proportionate share of total contributions is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.

Deferred Outflows of Resources Related to OPEB

Certain changes in the net OPEB liability of the Employees Retirement System of Texas ("ERS") Plan (the "ERS Plan") are reported as deferred outflows or as deferred inflows of resources related to OPEB, depending on the type of change. The types of deferred outflows of resources related to OPEB and their respective accounting treatments are discussed below.

- System contributions for retirees subsequent to the measurement date of the net OPEB liability are recognized as a reduction in the OPEB liability in the following year.
- The effect on the System's proportionate share of the total OPEB liability of changes of economic and demographic assumptions or of other inputs that increase the total OPEB liability is amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- Increases in the System's proportion of the collective net OPEB liability are amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- System contributions during the measurement period that are greater than its proportionate share of total contributions is amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- The effect on the System's proportionate share of the net OPEB liability of the difference between expected and actual earnings on investments is amortized as a component of OPEB expense using the straight-line method over a period of five years.

Liabilities

Liabilities relate to accounts and other payables, unearned revenue, revenue bonds payable, claims and judgments, employees' compensable leave, lease liabilities, funds held for others, asset retirement obligation, net pension liability, and net OPEB liability.

Accounts and Other Payables

Accounts and other payables represent the liability for the value of assets or services received at the Statement of Net Position date for which payment is pending.

Unearned Revenue

Unearned revenue represents assets received in advance of an exchange taking place in an exchange transaction or assets received prior to eligibility requirements (other than time requirements) being met in a nonexchange transaction. Unearned revenue includes \$301.3 million of tuition revenue related to the semesters that have not been completed as of August 31, 2022. Tuition revenue is recognized based on the number of class days as a percentage of total class days that fall within the fiscal year.

Revenue Bonds Payable

Revenue bonds payable are reported at par value. Bond discounts and premiums are amortized over the life of the bonds using the effective interest method. Revenue bonds payable is reported separately as either current or non-current in the Statement of Net Position.

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UNIVERSITY OF NORTH TEXAS SYSTEM Notes to the Comprehensive Financial Statements For the Year Ended August 31, 2022

Claims and Judgments

Claims and judgments are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that were incurred but not reported. See Note 15, *Contingencies and Commitments*, and Note 17, *Risk Management*, for information on risk management, claims and judgments.

Employees' Compensable Leave

Employees' compensable leave represents the liability that becomes due upon the occurrence of relevant events such as resignations, retirements and uses of leave balances by covered employees, in conformance with State policy and practice. Liabilities are reported separately as either current or non-current in the Statement of Net Position. These obligations generally are paid from the same funding source from which each employee's salary or wage compensation is paid.

Lease Liabilities

Lease liabilities represent the amount recognized by a lessee on its financial statements regarding its leases. It is initially measured at the present value of lease payments and is remeasured whenever there is a change in lease payments or lease modification. Lease liabilities are reported separately as either current or noncurrent.

Funds Held for Others

Funds held for others represent funds held by the System as custodial or fiscal agent for students, faculty members, foundations and others.

Asset Retirement Obligation

An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. An ARO must be recognized when the liability is incurred and reasonably estimable. Incurrence of a liability is manifested by the occurrence of both an external obligating event and an internal obligating event resulting from normal operations.

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 terms of the plan. 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.

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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2022

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 straight-line 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 straight-line 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 straight-line 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 straight-line 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 contributions are amortized as a component of pension expense using the straight-line 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 the difference between expected and actual earnings on investments is amortized as a component of pension expense using the straight-line method over a period of five years.

Deferred Inflows of Resources Related to OPEB

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

- The effect on the System's proportionate share of the total OPEB liability of changes of economic and demographic assumptions or of other inputs that decrease the total OPEB liability is amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- The effect on the System's proportionate share of the total OPEB liability of differences between expected and actual experience that decrease the total OPEB liability is amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- Decreases in the System's proportion of the total OPEB liability are amortized as a component of OPEB expense using the straight-line 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 contributions are amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.

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UNIVERSITY OF NORTH TEXAS SYSTEM Notes to the Comprehensive Financial Statements For the Year Ended August 31, 2022

Net Position

Net Position relates to net investment in capital assets, restricted net position, and unrestricted net position.

Net Investment in Capital Assets

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and unspent bond proceeds reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted Net Position

Restricted net position primarily consists of permanent investments subject to restrictions externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Restricted nonexpendable net position is subject to externally imposed stipulations that require the amounts be maintained in perpetuity by the System. Such assets include the System's permanent endowment funds.

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

Unrestricted Net Position

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified. Because the System is an agency of the State, constraints on the use of resources imposed by the State are not considered external restrictions.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the System addresses each situation on a case-by-case basis prior to determining the resources to be used to satisfy the obligation. Generally, the System's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Revenues and Expenses

Revenues and expenses relate to operating revenues and expenses, professional fees revenue, scholarship allowances and student aid, and nonoperating revenues and expenses.

Operating Revenues and Expenses

Operating revenues include activities such as net student tuition and fees, net professional fees for hospital clinical services, net sales and services by auxiliary enterprises, and most federal, state and local grants and contracts. Operating expenses include cost of goods sold, salaries and wages, payroll related costs, professional fees and services, federal and state pass-through expense, travel, materials and supplies, communications and utilities, repairs and maintenance, rentals and leases, printing and reproduction, depreciation and amortization, scholarships and fellowships, and asset retirement obligation. Operating expenses also includes the expenses related to scholarships, exemptions, and COVID-19 expenses paid with the Higher Education Emergency Relief Fund ("HEERF"). In addition, all changes to incurred but not reported liabilities related to insurance programs are reflected as operating expenses.

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

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UNIVERSITY OF NORTH TEXAS SYSTEM Notes to the Comprehensive Financial Statements For the Year Ended August 31, 2022

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 or as scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. The allowance is computed on an institution-wide basis by allocating cash payments to students, excluding payments for services, using the ratio of total aid to the aid not considered to be third party aid.

Nonoperating Revenues and Expenses

Nonoperating revenues include activities such as gifts and contributions, insurance recoveries received in years subsequent to the associated loss, state appropriations, investment income, federal HEERF grants, and other revenue sources that are defined as nonoperating revenues by GASB. The System’s institutions are the named beneficiaries in certain lawsuits, wills, trusts, and insurance policies; however, the System does not recognize these potential refunds, gifts, and contributions until realized. Nonoperating expenses include activities such as interest expense on capital asset financings, payments for student loan relief utilizing HEERF funds, and other expenses that are defined as nonoperating expenses by GASB.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the comprehensive financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

GASB Statement No. 91, *Conduit Debt Obligations*, clarifies the existing definition of conduit debt obligation (“CDO”), establishes that a CDO is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with CDOs, and improves note disclosures related to CDOs. This statement will be implemented in fiscal year 2023. The System anticipates minimal impact to the comprehensive financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, defines and establishes criteria for public-private and public-public partnerships (PPPs), availability payment arrangements (APA), and certain criteria where service concession arrangements are considered PPPs. This statement will be implemented in fiscal year 2023. The System anticipates minimal impact to the comprehensive financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, defines and establishes criteria for subscription-based information technology arrangements (SBITAs) where it results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability, and provides the capitalization criteria for outlays other than subscription payments, including implementation costs associated with SBITAs. This statement requires note disclosures regarding SBITAs, and will be implemented in fiscal year 2023. The System anticipates moderate impact to the comprehensive financial statements.

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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2022

GASB Statement No. 99, *Omnibus 2022 (partial implementation)*, provides updates on leases, PPPs, and SBITAs, which are effective for fiscal year 2023. Updates to financial guarantees and derivative classification and reporting are effective for fiscal year 2024. The System anticipates minimal impact to the comprehensive financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement addresses display of accounting changes and error corrections in the financial statements, disclosures in the notes to the financial statements, and presentation in required supplementary information and supplementary information. This statement will be implemented in fiscal year 2024. The System anticipates minimal impact to the comprehensive financial statements.

GASB Statement No. 101, *Compensated Absences*, aligns recognition and measurement guidance for all types of compensated absences under a unified model and eliminates certain previously required disclosures. This statement will be implemented in fiscal year 2025. The System is evaluating the impact of this statement to the comprehensive financial statements.

Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2022 is presented below:

	Balance September 1, 2021	Adjustments	Reclassification of Completed Construction In Progress	Additions	Deletions	Balance August 31, 2022
Non-Depreciable or Non-Amortizable Assets:						
Land and Land Improvements	\$ 88,844,359.14	\$ -	\$ -	\$ -	\$ (207,974.81)	\$ 88,636,384.33
Construction in Progress	88,767,403.15	(7,979,894.36)	(15,603,344.37)	105,462,821.18	-	170,646,985.60
Other Tangible Capital Assets	28,182,781.27	-	-	437,602.72	(5,350.00)	28,615,033.99
Total Non-Depreciable or Non-Amortizable Assets	\$ 205,794,543.56	\$ (7,979,894.36)	\$ (15,603,344.37)	\$ 105,900,423.90	\$ (213,324.81)	\$ 287,898,403.92
Depreciable Assets:						
Buildings and Building Improvements	\$ 1,712,021,745.10	\$ -	\$ 5,826,588.82	\$ -	\$ (2,557,797.89)	\$ 1,715,290,536.03
Infrastructure	72,133,550.81	-	-	-	-	72,133,550.81
Facilities and Other Improvements	144,711,461.48	-	5,595,197.18	-	-	150,306,658.66
Furniture and Equipment	196,960,436.61	97,303.96	4,045,597.37	16,668,845.65	(18,341,292.31)	199,430,891.28
Vehicles, Boats and Aircraft	11,127,946.88	-	8,681.00	271,430.80	(828,724.91)	10,579,333.77
Other Capital Assets	126,010,711.20	16,587.14	-	5,523,845.03	(1,574,448.00)	129,976,695.37
Total Depreciable Assets:	\$ 2,262,965,852.08	\$ 113,891.10	\$ 15,476,064.37	\$ 22,464,121.48	\$ (23,302,263.11)	\$ 2,277,717,665.92
Less Accumulated Depreciation for:						
Buildings and Building Improvements	\$ (743,652,214.15)	\$ -	\$ -	\$ (69,488,587.62)	\$ 1,935,279.01	\$ (811,205,522.76)
Infrastructure	(30,825,297.49)	-	-	(2,608,684.59)	-	(33,433,982.08)
Facilities and Other Improvements	(47,081,948.15)	-	-	(4,944,163.27)	-	(52,026,111.42)
Furniture and Equipment	(141,330,940.76)	-	-	(14,755,438.45)	14,399,193.42	(141,687,185.79)
Vehicles, Boats and Aircraft	(9,274,755.05)	-	-	(685,337.07)	595,360.87	(9,364,731.25)
Other Capital Assets	(82,435,971.33)	-	-	(5,536,507.87)	1,519,781.08	(86,452,698.12)
Total Accumulated Depreciation	\$ (1,054,601,126.93)	\$ -	\$ -	\$ (98,018,718.87)	\$ 18,449,614.38	\$ (1,134,170,231.42)
Total Depreciable Assets, Net	\$ 1,208,364,725.15	\$ 113,891.10	\$ 15,476,064.37	\$ (75,554,597.39)	\$ (4,852,648.73)	\$ 1,143,547,434.50
Amortizable Assets - Intangibles:						
Computer Software	\$ 35,115,923.30	\$ -	\$ 127,280.00	\$ 13,937.61	\$ (759,892.76)	\$ 34,497,248.15
Total Amortizable Assets - Intangibles	\$ 35,115,923.30	\$ -	\$ 127,280.00	\$ 13,937.61	\$ (759,892.76)	\$ 34,497,248.15
Less Accumulated Amortization for:						
Computer Software	\$ (32,141,115.19)	\$ -	\$ -	\$ (1,931,399.16)	\$ 432,645.71	\$ (33,639,868.64)
Total Accumulated Amortization	\$ (32,141,115.19)	\$ -	\$ -	\$ (1,931,399.16)	\$ 432,645.71	\$ (33,639,868.64)
Amortizable Assets - Intangibles, Net	\$ 2,974,808.11	\$ -	\$ 127,280.00	\$ (1,917,461.55)	\$ (327,247.05)	\$ 857,379.51
Total Capital Assets, Net	\$ 1,417,134,076.82	\$ (7,866,003.26)	\$ -	\$ 28,428,364.96	\$ (5,393,220.59)	\$ 1,432,303,217.93

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A summary of changes in right to use capital assets for the year ended August 31, 2022 is presented below:

	Balance September 1, 2021	Additions	Balance August 31, 2022
Amortizable Assets - Intangible Right to Use:			
Building and Building Improvements	\$ -	\$ 6,910,611.69	\$ 6,910,611.69
Land and Other Improvements	-	3,156,517.69	3,156,517.69
Equipment	-	3,195,153.26	3,195,153.26
Total Amortizable Assets - Intangible Right to Use	\$ -	\$ 13,262,282.64	\$ 13,262,282.64
Less Accumulated Amortization for:			
Building and Building Improvements	\$ -	\$ (1,631,750.83)	\$ (1,631,750.83)
Land and Other Improvements	-	(83,871.35)	(83,871.35)
Equipment	-	(1,551,742.42)	(1,551,742.42)
Total Accumulated Amortization - Intangible Right to Use	\$ -	\$ (3,267,364.60)	\$ (3,267,364.60)
Total Amortizable Assets - Intangible Right to Use, Net	\$ -	\$ 9,994,918.04	\$ 9,994,918.04

Note 3: Cash, Cash Equivalents and Investments

Deposits of Cash in Bank

As of August 31, 2022, the carrying amount of deposits was \$24,822,225.75 as presented below:

Cash in Bank Carrying Value	\$ 24,822,225.75
Cash in Bank per Statement of Net Position	\$ 24,822,225.75
Proprietary Funds Current Assets Cash in Bank	\$ 19,633,455.80
Proprietary Funds Current Assets Restricted Cash in Bank	5,188,769.95
Cash in Bank per Statement of Net Position	\$ 24,822,225.75

The carrying amount consists of all cash in local banks and is included on the Statement of Net Position as a portion of cash and cash equivalents. The cash and cash equivalents balance also includes \$242,067,951.99 that is invested in cash equivalents and \$48,577,955.56, comprised of cash on hand, cash in transit or reimbursement from the Treasury, and cash in the State Treasury. As of August 31, 2022, the total bank balance was \$39,461,483.60.

The carrying amount of deposits for the System's discretely presented component unit, UNT Foundation, reported on the UNT Foundation Statement of Net Position as of August 31, 2022 was \$11,209,082.00. As of August 31, 2022, the total UNT Foundation bank balance was \$1,053,569.00.

The carrying amount of deposits for the System's discretely presented component unit, UNTHSC Foundation, reported on the UNTHSC Foundation Statement of Net Position as of August 31, 2022 was \$2,182,332.00. As of August 31, 2022, the total UNTHSC Foundation bank balance was \$2,188,951.00.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The System's policy is that all deposits are governed by a bank depository agreement between the System and the respective banking institution. This agreement provides that the System's deposits, to the extent such deposits exceed the maximum insured limit under deposit insurance provided by the Federal Deposit Insurance Corporation (the "FDIC"), shall at all times be collateralized with government securities.

As of August 31, 2022, the System had no bank balances that were exposed to custodial credit risk.

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Investments

Each institution of the System adopts an endowment investment policy that must be reviewed and approved by the System’s Board of Regents annually. The policy authorizes the following types of investments: U.S. Government obligations, U.S. Government Agency obligations, other government obligations, corporate obligations, corporate asset-backed and mortgage-backed securities, equity, international obligations, international equity, certificates of deposit, banker’s acceptances, money market mutual funds, mutual funds, repurchase agreements, private equity, hedge funds, Real Estate Investment Trusts (“REITs”), derivatives, energy and real estate.

The System’s cash management objective is to retain appropriate liquidity to meet daily operating demands while seeking higher yield on cash reserves through an appropriately diversified long-term investment portfolio. The System obtained permission from the Attorney General’s office for the System’s Board of Regents to invest funds under its control that are held and managed by the System’s institutions under Texas Education Code, Section 51.0031(c). The Texas Education Code, Section 51.0031, authorizes the System’s Board of Regents, subject to procedures and restrictions it establishes, to invest System funds in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent person standard described in the Texas Constitution, Article VII, Section 11b. This standard provides that the System’s Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements and other circumstances of the fund then prevailing, taking into consideration the investment of all of the assets of the fund rather than a single investment. All System funds subject to Board of Regents control, System endowment funds, and HSC medical professional liability self-insurance plan funds shall be invested pursuant to a prudent person standard. All other System funds shall be deposited in an approved depository bank, invested pursuant to the Public Funds Investment Act in authorized investments such as FDIC insured money market funds and approved local government investment pools, or deposited in the State Treasury.

As of August 31, 2022, the System’s investments are presented below. Included in this amount is \$242,067,951.99 classified as cash equivalents.

Investments and Cash Equivalents	As of August 31, 2022
U.S. Government U.S. Treasury Securities	\$ 26,056,457.50
U.S. Government Agency Obligations	19,581,863.00
Corporate Obligations	38,402,594.67
Equity	80,802,675.52
Repurchase Accounts	27,777,469.52
Hedge Funds	24,897,103.56
Domestic Mutual Funds	161,425,600.48
International Mutual Funds	49,574,674.82
Fixed Income Money Market and Mutual Funds	138,904,865.05
Other Commingled Funds	93,422,798.80
Other Commingled Funds (TexPool)	45,052,512.19
Real Estate Index Fund	8,794,800.53
Miscellaneous	31,058,156.97
Total Investments and Cash Equivalents	<u>\$ 745,751,572.61</u>

Credit Risk – Investments

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The System utilizes ratings assigned by Standard & Poor’s for this purpose. The System’s investment policy does not provide specific requirements and limitations regarding investment ratings. According to the authoritative literature from the GASB,

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unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

As of August 31, 2022, the System's credit quality distribution for securities with credit risk exposure was as follows:

Fund Type	Investment Type	Standard and Poor's					Total
		AAA	AA	A	BBB	BB	
05	U.S. Government U.S. Treasury Securities	\$ -	\$ 26,056,457.50	\$ -	\$ -	\$ -	\$ 26,056,457.50
05	U.S. Government Agency Obligations	-	19,581,863.00	-	-	-	19,581,863.00
05	Corporate Obligations	201,034.17	1,062,401.81	17,297,982.80	16,528,103.33	1,954,608.45	38,402,594.67
05	Equity	-	-	-	-	\$ 80,802,675.52	80,802,675.52
05	Repurchase Accounts	-	-	-	-	27,777,469.52	27,777,469.52
05	Hedge Funds	-	-	-	-	24,897,103.56	24,897,103.56
05	Domestic Mutual Funds	-	-	-	-	161,425,600.48	161,425,600.48
05	International Mutual Funds	-	-	-	-	49,574,674.82	49,574,674.82
05	Fixed Income Money Market and Bond Mutual Fund	95,178,341.50	-	-	-	43,726,523.55	138,904,865.05
05	Other Commingled Funds	88,975,077.58	-	-	-	4,447,721.22	93,422,798.80
05	Commingled Funds (TEXPOOL)	45,052,512.19	-	-	-	-	45,052,512.19
05	Real Estate Index Fund	-	-	-	-	8,794,800.53	8,794,800.53
05	Private Equity	-	-	-	-	31,058,156.97	31,058,156.97
05	Total	\$ 229,406,965.44	\$ 46,700,722.31	\$ 17,297,982.80	\$ 16,528,103.33	\$ 1,954,608.45	\$ 433,863,190.28
							\$ 745,751,572.61

Concentration of Credit Risk

Concentration of credit risk is the risk that, in the event of the failure of one issuer, the System will not be able to recover the value of its investment. The System's investment regulation does not provide specific requirements and limitations regarding concentration of credit. As of August 31, 2022, the System did not hold any direct investments in any one issuer of corporate or municipal bonds that were five percent or more of the market value of the System's fixed income investments.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. State statutes and the System's investment regulation does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. As of August 31, 2022, the System did not have investments that are exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of August 31, 2022, the System investments subject to interest rate risk – commingled funds, certificates of deposit, repurchase agreements and fixed income money market – have an average maturity of less than one year. The System's investments in U.S. Government Agency Obligations have an average maturity of approximately three years and the investments in bond mutual funds have an average maturity of less than three years.

Foreign Currency Risk

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. The System's investment policy does not provide specific requirements and limitations regarding investments in foreign currency. As of August 31, 2022, the System's investments were all denominated in U.S. dollars.

Internal Investment Pools

UNT Foundation Internal Investment Pool

The UNT Foundation holds and invests certain funds in trust on behalf of UNT and UNTD. For UNT, pursuant to an investment management agreement dated August 24, 2012, certain UNT endowment assets have been placed with the UNT Foundation and invested in the UNT Foundation's Consolidated Investment Pool ("UNT Foundation Pool").

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The initial term of the agreement ended August 31, 2013, with a provision to automatically renew annually thereafter. On September 11, 2019, the agreement was re-written with an effective date of September 1, 2019 and the initial term ending date of August 31, 2027, with a provision to automatically renew and extend for additional five-year terms. Effective December 1, 2020, the UNT Foundation entered into an investment management agreement with the UNTD to manage certain of its endowment assets in the UNT Foundation Pool. The initial term of the agreement ends August 31, 2030, with a provision to automatically renew and extend for additional five-year terms. UNTD may terminate the agreement with 90 days' notice if it determines that its own foundation is operationally capable of performing the investment and management of the UNTD endowments prior to expiration of the agreement.

The UNT Foundation Pool is invested with external investment managers who invest in equity, fixed income, and alternative investment funds, both domestic and international. The UNT Foundation's investment policy allows for the asset allocation to be maintained within the following tactical ranges: 50-70% growth assets (U.S. and international equities), 20-40% risk reduction assets (U.S. and global fixed income funds and cash), and 5-15% inflation protection assets (real assets). The UNT Foundation's investment committee is responsible for monitoring and rebalancing to the strategic target allocation ranges, and within the tactical ranges, has discretionary authority for setting, monitoring, and making reallocations to the portfolio's specific underlying assets. Complete audited financial statements of the UNT Foundation can be obtained from <https://endow.unt.edu/>.

As of August 31, 2022, total investments held by the UNT Foundation, including the System portion of \$77,386,479.34, consisted of the following investment types:

Investment	Fair Value
Equity	\$ 39,054,925.89
Domestic Mutual Funds	78,370,944.83
International Other Commingled Funds	16,110,612.00
International Mutual Funds	57,519,429.06
Fixed Income Money Market and Bond Mutual Funds	45,026,903.46
Alternative Investments:	
Hedge Funds	17,634,194.50
Private Debt/Equity	20,946,654.27
Miscellaneous	4,703,169.00
Total investments	\$ 279,366,833.01

The UNT Foundation Pool's investments are not rated by Standard & Poor's. As of August 31, 2022, the UNT Foundation Pool did not hold any direct investments in any one issuer of corporate or municipal bonds that were five percent or more of the market value of the UNT Foundation Pool's investments. The UNT Foundation Pool did not have investments exposed to custodial credit risk. The UNT Foundation Pool's investments subject to interest rate risk – fixed income money market and bond mutual funds – have a weighted average maturity of less than one year and approximately eight years, respectively.

As of August 31, 2022, the System's investments in the UNT Foundation Pool consisted of the following investment types:

Equity

Equity consists of direct ownership of equity securities in publicly-held corporations. Equity securities are typically managed by an external investment advisor.

Domestic Mutual Funds

Domestic mutual funds are mutual funds that, by policy, invest primarily in U.S. equity securities of publicly-held corporations.

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International Other Commingled Funds

International other commingled funds include ownership of unit interests in commingled pools which invest primarily in international equity securities of publicly held corporations.

International Mutual Funds

International mutual funds are mutual funds that, by policy, invest primarily in international equity securities of publicly-held corporations.

Fixed Income Money Market & Bond Mutual Funds

Money market mutual funds are open-end mutual funds registered with the U.S Securities and Exchange Commission ("SEC") that must comply with the SEC's "Rule 2a-7," which imposes certain restrictions, such as a requirement that the fund's board must attempt to maintain a stable net asset value per share or stable price per share, limits on the maximum maturity of any individual security in the fund's portfolio, and limits on the maximum weighted-average portfolio maturity and life. Money market funds typically attempt to maintain a net asset value or price of \$1.00 per share. Bond mutual funds are publicly-traded open-end mutual funds that primarily invest in fixed income securities of the U.S. government and agencies, U.S. corporations, and international fixed income securities.

Alternative Investments

Alternative investments consist of hedge funds, real estate, private debt, and other pooled funds that employ various investment strategies that are typically less correlated to the publicly traded investment markets. Investments may be held through a combination of unit interests in limited partnerships, publicly-traded open-end mutual fund vehicles, or unit ownership in other commingled pooled funds.

UNTHSC Foundation Internal Investment Pool

Certain investments of the System are managed by the UNTHSC Foundation in its internal long-term investment pool ("UNTHSC Foundation Pool"). The UNTHSC Foundation Pool is invested with external investment managers who invest in equity, mutual funds, and alternative investment funds, both domestic and international. The primary investment objective of the UNTHSC Foundation is long-term growth of capital. It is recognized that short-term fluctuations in the capital markets may result in the loss of capital on occasion (i.e., negative rates of return). However, the total asset value of the UNTHSC Foundation Pool, exclusive of contributions or withdrawals, should grow in the long-run. It should earn, through a combination of investment income and capital appreciation, a rate of return in excess of a balanced market index while incurring less risk than such index. The Board and/or the Investment Committee of the UNTHSC Foundation intends to maximize the portfolio's total return comprising income and net realized and unrealized gains and losses. This objective is to be accomplished by assuming a prudent level of risk in the investment of the UNTHSC Foundation assets. Complete audited financial statements of the UNTHSC Foundation can be obtained by writing to UNTHSC Foundation at 3500 Camp Bowie Boulevard Suite 802, Fort Worth, Texas, 76107.

As of August 31, 2022, total investments held by the UNTHSC Foundation, including the System portion of \$100,290,923.96, consisted of the following investment types:

Investment	Fair Value
Equity	\$ 59,368,525.00
International Equity	22,356,923.00
Domestic Mutual Funds	32,829,964.00
Alternative Investments:	
Miscellaneous	7,566,319.00
Total investments	\$ 122,121,731.00

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UNIVERSITY OF NORTH TEXAS SYSTEM Notes to the Comprehensive Financial Statements For the Year Ended August 31, 2022

The UNTHSC Foundation Pool's investments are not rated by Standard & Poor's. As of August 31, 2022, the UNTHSC Foundation Pool did not hold any direct investments in any one issuer of corporate or municipal bonds that were five percent or more of the market value of the UNTHSC Foundation Pool's investments. The UNTHSC Foundation Pool did not have investments exposed to custodial credit risk. The UNTHSC Foundation Pool's investments subject to interest rate risk – fixed income money market and bond mutual funds – have a weighted average maturity of less than one year and approximately eight years, respectively.

As of August 31, 2022, the System's investments in the UNTHSC Foundation Pool consisted of the following investment types:

Equity

Equity consists of direct ownership of equity securities in publicly-held corporations. Equity securities are typically managed by an external investment advisor.

International Equity

International equity consists of direct ownership of international equity securities in publicly-held corporations. Equity securities are typically managed by an external investment advisor.

Domestic Mutual Funds

Domestic mutual funds are mutual funds that, by policy, invest primarily in U.S. equity securities of publicly-held corporations.

Alternative Investments

Alternative investments consist of hedge funds, real estate, and other pooled funds that employ various investment strategies that are typically less correlated to the publicly traded investment markets. Investments may be held through a combination of unit interests in limited partnerships, publicly-traded open-end mutual fund vehicles, or unit ownership in other commingled pooled funds.

Fair Value Measurements

The System's investments are recorded at fair value as of August 31, 2022, and have been categorized based upon a fair value hierarchy in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The System categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure fair value of the assets. An 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.

The following describes the hierarchy of inputs used to measure fair value on a recurring basis:

- Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (quoted market prices for similar assets or liabilities) or indirectly (corroborated from observable market information)
- Level 3 Unobservable inputs for an asset or liability

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The System has the following recurring fair value measurements as of August 31, 2022:

	8/31/2022	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)
Investments by Fair Value Level				
U.S. Treasury Securities	\$ 26,056,457.50	\$ 26,056,457.50	\$ -	\$ -
U.S. Government Agency Obligations	19,581,863.00	19,581,863.00	-	-
Corporate Obligations	38,402,594.67	38,402,594.67	-	-
Equity	2,904,637.13	2,904,637.13	-	-
Domestic Mutual Funds	112,828,227.77	112,828,227.77	-	-
International Mutual Funds	33,695,055.52	33,695,055.52	-	-
Fixed Income Money Market and Bond Mutual Funds	126,022,851.94	126,022,851.94	-	-
Other Commingled Funds	14,915,448.80	-	14,915,448.80	-
Real Estate Index Fund	8,794,800.53	8,794,800.53	-	-
Externally Managed Investments - Other	-	-	-	-
Miscellaneous	37,791,924.68	-	20,028,760.81	17,763,163.87
Total Investments at Fair Value	\$ 420,993,861.54	\$ 368,286,488.06	\$ 34,944,209.61	\$ 17,763,163.87
Investments and Cash Equivalents Measured at NAV				
Other Commingled Funds (TexStar)	\$ 33,303,258.64			
Externally Managed Investments - Foundation Managed Pools	177,677,403.30			
Fixed Income Money Market and Bond Mutual Funds (Cash Deposits)	190,697.28			
Total Investments at NAV	\$ 211,171,359.22			
Total Investments at Fair Value	\$ 632,165,220.76			
Investments and Cash Equivalents not Measured at Fair Value				
Repurchase Accounts	\$ 27,777,469.52			
Other Commingled Funds (TexRange)	26,839,253.19			
Other Commingled Funds (TexPool)	45,052,512.19			
Other Commingled Funds (TexasCLASS)	13,917,116.95			
Total Investments not Measured at Fair Value	\$ 113,586,351.85			
Total Investments	\$ 745,751,572.61			

Investments classified in Level 1 of the fair value hierarchy, totaling \$368,286,488.06 for the year ended August 31, 2022, are valued using quoted prices in active markets. Fair values for hedge funds using level 2 inputs are based on daily valuations of assets and reported to investors on a monthly basis. Investments may include less liquid securities, direct loans or debt securities, and distressed debt combined with the use of derivatives and leverage. Valuations not directly observable may be determined by pricing and performance models. Fair values for private equity funds using level 3 inputs are often not directly observable. Fair valuations published by general partners for the use of limited partner investors are often determined by the best information available and audited by outside third-party auditors. Investments are typically valued on a quarterly basis.

The UNT Foundation Pool has the following recurring fair value measurements as of August 31, 2022, which includes \$77,386,479.34 of the System's externally managed investments:

	8/31/2022	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)
Investments by Fair Value Level				
Equity	\$ 39,054,925.89	\$ 39,054,925.89	\$ -	\$ -
Domestic Mutual Funds	78,370,944.83	78,370,944.83	-	-
International Mutual Funds	57,519,429.06	57,519,429.06	-	-
Fixed Income Money Market and Bond Mutual Funds	45,026,903.46	-	44,999,537.83	-
Total Investments at Fair Value	\$ 219,972,203.24	\$ 219,944,837.61	\$ 27,365.63	\$ -
Investments and Cash Equivalents Measured at NAV				
International Other Commingled Funds	\$ 16,110,612.00			
Hedge Funds	17,634,194.50			
Private Debt/Equity	20,946,654.27			
Miscellaneous	4,703,169.00			
Total Investments at NAV	\$ 59,394,629.77			
Total Investments	\$ 279,366,833.01			

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The UNTHSC Foundation Pool has the following recurring fair value measurements as of August 31, 2022, which includes \$100,290,923.96 of the System's externally managed investments:

	8/31/2022	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)
Investments by Fair Value Level				
Equity - US Large Cap	\$ 45,402,355.00	\$ 45,402,355.00	\$ -	\$ -
Equity - US Mid/Small Cap	2,941,516.00	2,941,516.00	-	-
Equity - Global	1,224,486.00	1,224,486.00	-	-
Equity - Foreign	21,132,437.00	21,132,437.00	-	-
Emerging Markets	11,024,654.00	11,024,654.00	-	-
Mutual Funds - Bonds	32,829,964.00	32,829,964.00	-	-
Total Investments at Fair Value	<u>\$ 114,555,412.00</u>	<u>\$ 114,555,412.00</u>	<u>\$ -</u>	<u>\$ -</u>
Investments and Cash Equivalents not Measured at Fair Value				
Cash Equivalents	\$ 2,035,127.00			
Alternative Investments	5,531,192.00			
Total Investments not Measured at Fair Value	<u>\$ 7,566,319.00</u>			
Total Investments	<u>\$ 122,121,731.00</u>			

Within the pools, financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Fair values for mutual funds valued using Level 2 inputs are based on published daily valuations. Fair values for the Hedge Funds and Real Estate Funds (REITs) are determined by third-party valuations.

Other Commingled Funds consists of funds invested with TexStar, TexasRange, TexPool, and TexasCLASS. These commingled funds were established in conformity with the Texas Government Code, Interlocal Cooperation Act, Chapter 791, and the Texas Government Code, Public Funds Investment Act, Chapter 2256. They are structured somewhat like money market mutual funds and allow shareholders the ability to deposit or withdraw funds on a daily basis. In addition, interest rates are also adjusted on a daily basis and the funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. The System reports its investment with TexStar of \$33,303,258.64 at fair value and reports its investment with TexasRange, TexPool, and TexasCLASS of \$85,808,882.33 at amortized cost in accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Please refer to the Investments Reported at Net Asset Value ("NAV") section below for further information regarding commingled funds reported at fair value. For commingled funds reported at amortized cost, there are no limitations or restrictions on withdrawals and maximum transaction amounts.

Investments Reported at NAV

Other Commingled funds

The System invests excess working capital in TexStar to maintain sufficient liquidity and increase yields. There are no unfunded commitments. No limitations or restrictions on redemptions exist. Redemptions can occur at any time.

Externally Managed Investments – UNT Foundation and UNTHSC Foundation managed endowments

The System records its unitized portion of investments held with the UNT Foundation and the UNTHSC Foundation using NAV. As of August 31, 2022, \$177,677,403.30 of the System's externally managed investments are managed by the UNT Foundation and the UNTHSC Foundation, as follows:

Fair Value	Fair Value	Frequency Range - Low	Frequency Range - High	Notice Range - Low	Notice Range - High	Unfunded Commitment
Hedge Funds	\$ 4,868,342.75	Quarterly	Quarterly	45 Days	180 Days	\$0
Equity Funds	77,898,038.39	Daily	Monthly	1 Day	60 Days	0
Mutual Funds	77,168,307.84	Daily	Monthly	1 Day	60 Days	0
Commingled Funds	4,447,721.22	Monthly	Monthly	10 Day	30 Days	0
Private Debt	5,782,826.79	Quarterly	Quarterly	45 Days	180 Days	0
Miscellaneous	7,512,166.31	N/A	N/A	N/A	N/A	0
Total	<u>\$ 177,677,403.30</u>					

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Fixed Income Money Market and Bond Mutual Funds (Cash Deposits)

The System maintains excess working capital in Goldman Sachs as cash deposits to maintain sufficient liquidity and for reinvestment purposes. There are no unfunded commitments. No limitations or restrictions on redemptions exist. Redemptions can occur at any time.

Note 4: Short-Term Debt

Commercial Paper

At the May 19, 2018 meeting, the 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 Twenty-Fourth 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 System Board of Regents. Commercial paper activity for the System for the year ended August 31, 2022 is as follows:

	<u>September 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>August 31, 2022</u>
Series A Commercial Paper	\$ 50,000,000.00	\$ 11,200,000.00	\$ 40,653,000.00	\$ 20,547,000.00
Series B Commercial Paper	26,135,000.00	25,925,000.00	52,060,000.00	-
Total Commercial Paper	<u>\$ 76,135,000.00</u>	<u>\$ 37,125,000.00</u>	<u>\$ 92,713,000.00</u>	<u>\$ 20,547,000.00</u>

The outstanding balance of commercial paper at August 31, 2022 was \$20,547,000.00 at an average interest rate of 0.47%. Average commercial paper maturity during the year ended August 31, 2022 was approximately 36 days. The System will provide liquidity support for \$50,000,000.00 in Series A Commercial Paper Notes by utilizing available funds of the System in lieu of or in addition to bank liquidity support. The maximum maturity for commercial paper is 270 days. In practice, the System rolls, pays off, and/or issues new commercial paper at each maturity. Commercial paper will continue to be used as interim funding until long-term bonds are approved and issued or gifts or institutional funds are received to retire the commercial paper debt. The commercial paper programs do not have (1) unused lines of credits, (2) assets pledged as collateral, or (3) terms specified in debt agreements related to significant (i) events of default with finance-related consequences, (ii) termination events with finance-related consequences, and (iii) subjective acceleration clauses.

The System adheres to the requirements of the Federal Securities Act of 1933, which precludes proceeds from commercial paper issues to be used for financing fixed assets, such as plant and equipment, on a permanent basis. The System, working with bond counsel and its financial advisor, routinely determines alternative long-term funding to ensure that commercial paper is used as interim financing only and will be paid off after completion of construction or equipment acquisition.

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Note 5: Long-Term Liabilities

Changes in Long-Term Liabilities

The following changes occurred in long-term liabilities during the year ended August 31, 2022:

	September 1, 2021	Additions	Reductions	August 31, 2022	Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable:						
Revenue Bonds Payable	\$ 715,495,000.00	\$ 101,555,000.00	\$ 46,345,000.00	\$ 770,705,000.00	\$ 41,365,000.00	\$ 729,340,000.00
Unamortized Net Premiums	52,122,934.53	15,929,826.20	6,264,215.75	61,788,544.98	6,485,620.56	55,302,924.42
Direct Placement Revenue Bonds Payable	15,100,000.00	-	2,525,000.00	12,575,000.00	2,585,000.00	9,990,000.00
Total Revenue Bonds Payable	\$ 782,717,934.53	\$ 117,484,826.20	\$ 55,134,215.75	\$ 845,068,544.98	\$ 50,435,620.56	\$ 794,632,924.42
Claims and Judgments	\$ 1,509,733.00	\$ 311,748.00	\$ 180,000.00	\$ 1,641,481.00	\$ 823,413.00	\$ 818,068.00
Employees' Compensable Leave	30,464,840.82	3,146,968.45	4,303,340.17	29,308,469.10	4,706,083.41	24,602,385.69
Right to Use Lease Obligations	-	13,262,282.61	3,158,445.82	10,103,836.79	3,180,311.85	6,923,524.94
Asset Retirement Obligation	2,601,000.00	236,250.00	-	2,837,250.00	-	2,837,250.00
Net Pension Liability	189,187,853.00	-	100,685,362.00	88,502,491.00	-	88,502,491.00
Net OPEB Liability	489,223,801.00	53,414,520.00	18,224,371.00	524,413,950.00	14,112,989.00	510,300,961.00
Other Non-Current Liabilities	2,741,060.41	1,005,513.73	476,441.32	3,270,132.82	1,686,585.10	1,583,547.72
Total Long-Term Liabilities	\$ 1,498,446,222.76	\$ 188,862,108.99	\$ 182,162,176.06	\$ 1,505,146,155.69	\$ 74,945,002.92	\$ 1,430,201,152.77

Revenue Bonds Payable

Scheduled principal and interest payments for revenue bonds issued and outstanding as of August 31, 2022 are as follows:

Year	Principal	Interest	Total
2023	\$ 41,365,000.00	\$ 34,002,031.88	\$ 75,367,031.88
2024	45,020,000.00	32,196,311.02	77,216,311.02
2025	43,250,000.00	30,522,291.68	73,772,291.68
2026	42,110,000.00	28,772,273.90	70,882,273.90
2027	43,600,000.00	27,044,123.08	70,644,123.08
2028-2032	224,630,000.00	106,324,421.16	330,954,421.16
2033-2037	118,780,000.00	64,967,291.76	183,747,291.76
2038-2042	96,995,000.00	38,204,836.20	135,199,836.20
2043-2047	71,170,000.00	17,899,403.60	89,069,403.60
2048-2052	43,785,000.00	4,342,577.00	48,127,577.00
Total	\$ 770,705,000.00	\$ 384,275,561.28	\$ 1,154,980,561.28

Direct Placement Revenue Bonds Payable

Scheduled principal and interest payments for direct placement revenue bonds issued and outstanding as of August 31, 2022 are as follows:

Year	Principal	Interest	Total
2023	\$ 2,585,000.00	\$ 301,800.00	\$ 2,886,800.00
2024	2,650,000.00	239,760.00	2,889,760.00
2025	2,710,000.00	176,160.00	2,886,160.00
2026	2,775,000.00	111,120.00	2,886,120.00
2027	1,855,000.00	44,520.00	1,899,520.00
Total	\$ 12,575,000.00	\$ 873,360.00	\$ 13,448,360.00

At August 31, 2022, the System had outstanding revenue bonds payable from direct placements of \$12,575,000.00. The direct placement revenue bonds do not have existing provisions related to early terminations or payment accelerations. As of August 31, 2022, the System has no unused lines of credit. The Series 2018 Bond includes the

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following provision: For so long as this bond is outstanding, if the issuer defaults in the timely payment of principal or interest on this bond when due, this bond shall bear interest at the rate of 8.00% per annum, until such time as the payment default is cured.

Total interest paid during 2022 for revenue bonds and direct placement revenue bonds amounted to \$31,203,251.02. Total interest and fiscal charges incurred for the year ended August 31, 2022 was \$32,680,540.48. In addition, the System recorded (\$6,264,215.75) and \$439,505.84 to interest expense relating to the amortization of premiums and deferred inflows of resources, and deferred outflows of resources from bond refundings, respectively. The resulting amount of \$26,855,830.57 was reported as interest expense and fiscal charges for the year ended August 31, 2022.

Funds Available for Debt Service

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, as amended, makes a basic distinction between the sales of receivables and future revenues, versus the pledging of receivables or future revenues to repay a borrowing (a collateralized borrowing).

Total pledged revenues consist of available pledged revenues, which include the gross revenues of the Revenue Financing System (“RFS”), the Student Union Fee, pledged general tuition (which includes general use fees), investment income, and funds held for payment of debt service. In addition to current year pledged revenues, any unappropriated or reserve fund balances remaining at year-end are available for payment of the subsequent year debt service. System HEF reserves cannot be included in total pledged revenues. The following table provides the pledged revenue information for the System’s revenue bonds:

	Revenue Bonds	Direct Placement Revenue Bonds
Pledged Revenue Required for Future		
Principal and Interest on Existing Debt	\$ 1,154,980,561.28	\$ 13,448,360.00
Term of Commitment Year Ending 8/31	2052	2027
Percentage of Pledged Revenue	100.0%	100.0%
Current Year Pledged Revenue	\$ 1,244,804,483.67	\$ 1,244,804,483.67
Current Year Principal and Interest Paid	\$ 77,185,851.02	\$ 2,887,400.00

Claims and Judgments

As of August 31, 2022, the Claims and Judgments liability accrual is comprised of incurred but not reported (“IBNR”) activity associated with HSC and a legal settlement. According to authoritative GASB guidance, liabilities should be recognized when the possibility of loss is probable and the amount of loss is reasonably estimable. See Note 15, *Contingencies and Commitments*, and Note 17, *Risk Management*, for more information on the claims and judgments against the System.

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 full-time System employees earn between eight and twenty-one 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 part-time 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 all accumulated vacation leave. Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee

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is off due to personal or family illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid to an employee's estate is one-half of the employee's accumulated sick leave or 336 hours, whichever is less. Eligible part-time employees' sick leave accrual rate is proportional to the number of hours they are appointed to work. This obligation is generally paid from the same funding source as the employee's salary or wage compensation is paid. An expense and a liability are recorded as the benefits accrue to employees, and the liability is reduced as the accrued leave is taken. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Right to Use Obligations

See Note 8, *Leases*, for more information on right to use obligations.

Asset Retirement Obligation

As of August 31, 2022, the System held two radioactive material licenses associated with facilities at UNT and HSC. The estimated remaining useful life of the associated tangible capital assets is 226 months and 142 months, respectively. Licensing of Radioactive Materials is regulated by the State of Texas via Texas Administrative Code Title 25 Health Services, Part 289 Radiation Control, Subpart 252 Licensing of Radioactive Materials. The System estimated the obligation amount using best-estimate current value based on settlement amount and recorded the initial measurement as a deferred outflow of resources and a non-current liability. The System will assess the ARO account balances annually for any significant changes in current value and make all necessary adjustments. ARO balances are reduced annually by the amount of actual expenditures to retire the asset. In accordance with Texas Administrative Code, Title 25, Part 1, Chapter 289, Subchapter D, Rule 289.201(c), the System is exempted from posting the financial instruments specifically based upon being a state funded academic facility actively working to reduce the amount of radioactive material authorized on its licenses.

Net Pension Liability

See Note 1, *Summary of Significant Accounting Policies*, and Note 9, *Defined Benefit Pension Plan and Defined Contribution Plan*, for more information on the Net Pension Liability.

Net OPEB Liability

See Note 1, *Summary of Significant Accounting Policies*, and Note 11, *Postemployment Benefits Other Than Pensions*, for more information on the Net Pension Liability.

Other Non-Current Liabilities

The System reported balances in Other Non-Current Liabilities in fiscal year 2022 related to other liabilities, including the wind down of the Perkins Loan Program. Specifically, the federal share to be returned in proportion to the total excess liquid capital of the Perkins Loan Program was recorded as an other non-current liability in 2022.

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Note 6: Bonded Indebtedness

At August 31, 2022, the System had revenue bonds principal outstanding of \$783,280,000.00. RFS debt is secured by and payable from pledged revenues as defined in the Master Resolution establishing the RFS. Pledged revenues consist of all lawfully available revenues, funds and balances, with certain exceptions, pledged to secure revenue-supported indebtedness issued under the Master Resolution as set forth by the State. General information related to revenue bonds outstanding as of August 31, 2022 is summarized in the table below:

Bond	Purpose	Issue Date	Interest Rates	Amount Issued	Total Principal Outstanding as of 8/31/22
Public Offerings					
RFS Refunding Bonds, Series 2015A	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2014 Private Placement Arrangement, for refunding a portion of the commercial paper notes and provide funding for constructing and equipping buildings, and paying certain costs of issuing the bonds	10/21/2015	2.0000% - 5.0000%	\$ 105,130,000.00	\$ 99,720,000.00
RFS Refunding Bonds, Series 2015B	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2014 Private Placement Arrangement, for refunding a portion of the commercial paper notes, provide funding for constructing and equipping buildings, and paying certain costs of issuing the bonds	10/21/2015	0.3000% - 4.8380%	73,035,000.00	41,985,000.00
RFS Refunding Bonds, Series 2017A	To provide funds for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2009A; a portion of the outstanding commercial paper notes; for constructing, improving, renovating, and equipping property; and paying certain costs of issuing the bonds	1/31/2017	1.0000% - 5.0000%	196,165,000.00	152,445,000.00
RFS Refunding Bonds, Series 2017B	To provide funds for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2009A; a portion of the outstanding commercial paper notes; for constructing, improving, renovating, and equipping property; and paying certain costs of issuing the bonds	1/31/2017	0.9000% - 4.1220%	164,305,000.00	121,150,000.00
RFS Refunding Bonds, Series 2018A	To provide funds for the purposes of constructing, improving, renovating, and equipping property; refunding a portion of the outstanding commercial paper notes; and paying certain costs of issuing the bonds	9/11/2018	3.0000% - 5.0000%	149,425,000.00	148,885,000.00
RFS Forward Refunding Bonds, Series 2018B	To provide funds for the purposes of constructing, improving, renovating, and equipping property; refunding a portion of the outstanding commercial paper notes; and paying certain costs of issuing the bonds	9/11/2018	2.3000% - 3.5500%	22,685,000.00	11,095,000.00
RFS Refunding Bonds, Series 2020A	To provide funds for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2010, 2015, and 2015C for constructing, improving, renovating, and equipping property; and paying certain costs of issuing the bonds	7/2/2020	2.0000% - 5.0000%	59,475,000.00	39,800,000.00
RFS Refunding Bonds, Series 2020B	To provide funds for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2012A and 2012B; a portion of the outstanding commercial paper notes; for constructing, improving, renovating, and equipping property; and paying certain costs of issuing the bonds	7/2/2020	0.6450% - 3.0020%	55,240,000.00	54,070,000.00
RFS Refunding Bonds, Series 2022	To provide funds for the purposes of refunding a portion of the outstanding commercial paper notes; for constructing, improving, renovating, and equipping property; and paying certain costs of issuing the bonds	3/29/2022	4.0000% - 5.0000%	101,555,000.00	101,555,000.00
Total Public Offerings				<u>\$ 927,015,000.00</u>	<u>\$ 770,705,000.00</u>
Direct Borrowings					
RFS Forward Refunding Bonds, Series 2018	To provide funds for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2009; and paying certain costs of issuing the bonds	3/14/2018	2.4000% - 2.4000%	\$ 22,845,000.00	\$ 12,575,000.00
Total Direct Placements				<u>\$ 22,845,000.00</u>	<u>\$ 12,575,000.00</u>
Total Bonded Indebtedness				<u>\$ 949,860,000.00</u>	<u>\$ 783,280,000.00</u>

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Note 8: Leases

The System has entered into agreements to lease (as lessee) certain buildings and building improvements, land and other improvements, and equipment. The agreements to lease qualify as other than short-term leases under GASB Statement No. 87, *Leases*, and, therefore, have been recorded at the present value of the future minimum lease payment as of the date of their inception.

The agreements to lease terms will expire in various years through 2092. In 2022, the total lease payment was \$3,252,224.12, comprised of \$3,158,445.82 principal and \$93,778.30 interest expense. The lease liability was measured based upon the incremental borrowing rate, determined to be the "TCMNOM U.S. government securities/Treasury constant maturities/Nominal" per the Federal Reserve website, at the fiscal year that includes the lease commencement date. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance. There were no residual value guarantees as part of the lease agreements. At August 31, 2022, as a result of the agreements to lease, the System recorded a right to use capital assets with a net book value of \$10.0 million. More detailed information regarding the System's right to use capital assets is provided in Note 2, *Capital Assets*.

The future minimum lease payments under non-cancelable leases having an initial term in excess of one year as of August 31, 2022 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Future Min. Lease Payments</u>
2023	\$ 3,180,311.85	\$ 81,165.79	\$ 3,261,477.64
2024	1,722,109.06	69,614.84	1,791,723.90
2025	1,626,494.35	61,380.83	1,687,875.18
2026	754,718.60	54,403.68	809,122.28
2027	64,534.50	52,612.92	117,147.42
2028 - 2032	341,600.21	244,040.93	585,641.14
2033 - 2037	375,422.59	210,047.11	585,469.70
2038 - 2042	412,593.82	172,687.53	585,281.35
2043 - 2047	435,820.86	131,836.99	567,657.85
2048 - 2052	145,552.90	102,645.24	248,198.14
2053 - 2057	91,915.91	93,724.12	185,640.03
2058 - 2062	100,951.42	84,517.57	185,468.99
2063 - 2067	110,875.14	74,405.99	185,281.13
2068 - 2072	121,774.38	63,300.43	185,074.81
2073 - 2077	133,745.03	51,103.17	184,848.20
2078 - 2082	146,892.43	37,706.90	184,599.33
2083 - 2087	161,332.24	22,993.74	184,325.98
2088 - 2092	177,191.50	6,834.26	184,025.76
Total	<u>\$ 10,103,836.79</u>	<u>\$ 1,615,022.04</u>	<u>\$ 11,718,858.83</u>

In addition, the System has entered into agreements to lease (as lessor) certain buildings and other capital assets to outside parties. The agreements to lease terms will expire in various years through 2042. In 2022, the total right to use lease income was \$4,169,064.44, comprised of \$3,848,381.19 principal and \$320,683.25 interest income.

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The payments to be received under non-cancelable leases having an initial term in excess of one year as of August 31, 2022 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Future Min. Lease Income</u>
2023	\$ 3,657,900.41	\$ 296,486.17	\$ 3,954,386.58
2024	3,542,687.52	260,829.38	3,803,516.90
2025	2,754,650.16	226,552.59	2,981,202.75
2026	2,295,799.72	194,653.86	2,490,453.58
2027	1,967,406.40	163,978.63	2,131,385.03
2028 - 2032	7,270,721.61	404,104.26	7,674,825.87
2033 - 2037	1,733,694.10	97,066.16	1,830,760.26
2038 - 2042	396,835.04	8,181.90	405,016.94
Total	<u>\$ 23,619,694.96</u>	<u>\$ 1,651,852.95</u>	<u>\$ 25,271,547.91</u>

Note 9: Defined Benefit Pension Plan and Defined Contribution Plan

Teacher Retirement System

Plan Description

The State has joint contributory retirement plans for the majority of its employees. One of the primary plans in which the System participates is the TRS Plan. The TRS Plan is a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation administered by TRS. The TRS Plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The TRS Plan is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Legislature has the authority to establish and amend benefits and contribution rates within the guidelines of the Texas Constitution. The TRS Plan’s Board of Trustees does not have the authority to establish or amend benefit terms.

The employers in the TRS Plan include the state of Texas, TRS, the state’s public schools, education service centers, charter schools, and community and junior colleges. All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard workload and not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the TRS Plan. Employees of TRS and state of Texas colleges, universities and medical schools are members of the TRS Plan.

Detailed information about the TRS Plan’s fiduciary net position is available in a separately issued ACFR that includes financial statements and required supplementary information. That report may be obtained by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

Benefits Provided

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The pension benefit formulas are based on members’ average annual compensation and years of service credit. The standard annuity is 2.3% of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic post-employment benefit changes, including automatic cost of living adjustments (“COLAs”). Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Legislature.

All System personnel working on a half time or greater basis that is projected to last for 4.5 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 combination of age plus years of service totaling

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80 or more. However, members who began participation in the TRS Plan on or after September 1, 2007 must be age 60 to retire and members who were not vested in the TRS Plan on August 31, 2014, must be age 62 to retire under the second option. Members are fully vested after five years of service and are entitled to any reduced benefits for which the eligibility requirements have been met prior to meeting the eligibility requirements for unreduced benefits. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule.

Contributions

Contribution requirements are established or amended pursuant to the Texas Constitution, Article XVI, Section 67, which requires the Legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation paid to members of the System during the year. Texas Government Code Section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

During the measurement period of 2021 for fiscal 2022 reporting, the amount of the System's contributions recognized by the plan was \$14,830,572.00. The contribution rates are based on a percentage of the monthly gross compensation for each member. Contributions by employees were 7.7% of gross earnings during the measurement period of 2021. Depending upon the source of funding for the employee's compensation, the State or the System contributes a percentage of participant salaries totaling 7.5% of annual compensation for during the measurement period of 2021.

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

The pension 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 TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. 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. More detailed information on the plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal 2021 Annual Comprehensive Financial Report.

At August 31, 2022, the System reported a liability of \$88,502,491.00 for its proportionate share of the collective net pension liability of the TRS Plan. The collective net pension liability was measured as of August 31, 2021 (the "measurement date"), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The System's proportion of the collective net pension liability at the measurement date was 0.3475256756%, which was a decrease of 0.0057137937% from the 0.3532394693% measured at the prior measurement date. The System's proportionate share was based on its contributions to the pension plan, excluding State on-behalf contributions, relative to the contributions of all employers and non-employer contributing entities to the TRS Plan for the period September 1, 2020 through August 31, 2021 (the "measurement period"). During the measurement period, the amount of the System's contributions reported by the State was \$4,705,176.53. The State's proportionate share for those contributions was 0.1102566818%. The amount of net pension liability related to the System reported by the State was \$28,078,475.01. The amount reported by the state is related to on-behalf contributions, which are recognized as State appropriation general revenue on the System's financial statements in the fiscal year that the State contributed the amounts to TRS on the System's behalf.

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For the year ended August 31, 2022, the System recognized pension expense of \$2,092,296.00. At August 31, 2022, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 15,564,651.00	\$ -
Changes of assumptions	31,283,902.00	13,637,098.00
Difference between expected and actual experience	148,107.00	6,230,645.00
Change in proportion and contribution difference	14,416,432.00	12,548,736.00
Net difference between projected and actual investment return	-	74,208,190.00
Total	\$ 61,413,092.00	\$ 106,624,669.00

The \$15,564,651.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Expense</u>
2023	\$ (10,251,879.00)
2024	(9,926,380.00)
2025	(17,092,976.00)
2026	(22,311,781.00)
2027	(892,696.00)
Thereafter	(300,516.00)
Total	\$ (60,776,228.00)

Actuarial Assumptions

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2021 measurement date:

Actuarial Methods and Assumptions	TRS Plan
Actuarial Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Floating
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Discount Rate	7.25%
Investment Rate of Return	7.25%
Long-term Expected Rate of Return	7.25%
Municipal Bond Rate as of August 2021	1.95%
Inflation	2.30%
Salary Increase	3.05% to 9.05% including inflation
Mortality	
Active	90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality
Post-Retirement	2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP
Ad Hoc Post-Employment Benefit Changes	None

The source for the municipal bond rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

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The actuarial assumptions used in the valuation were primarily based on the result of an actuarial experience study for the three-year period ended August 31, 2017 and adopted in July 2018. The mortality rates were based on 90% of the RP 2014 employee Mortality Tables for males and females. The Post-retirement mortality rates were based on 2018 TRS Healthy Pensioner Mortality Tables with full generational projection using Scale U-MP. The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of Aug. 31, 2020 with no changes since the prior measurement date.

There have been no changes to the benefit provisions of the TRS Plan since the prior measurement date. The discount rate of 7.25% was applied to measure the total net pension liability. The discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projected cash flows into and out of the TRS Plan assumed that active members, employers, and the non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% over the next several years. This includes a factor for all employer and state contributions for active and rehired retirees. Based on these assumptions, the TRS Plan's fiduciary net position and future contributions were sufficient to finance the benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments to determine the total pension liability.

The long-term expected rate of return on plan investments was developed using a building-block method in which best estimate ranges of expected future real rates of return (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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class for the TRS Plan's investment portfolio are presented below:

Asset Class*	Target Allocation**	Long-Term Expected Geometric Real Rate of Return***
Global Equity		
USA	18.00%	3.60%
Non-U.S. Developed	13.00%	4.40%
Emerging Markets	9.00%	4.60%
Private Equity	14.00%	6.30%
Stable Value		
Government Bonds	16.00%	-0.20%
Absolute Return	0.00%	1.10%
Stable Value Hedge Funds	5.00%	2.20%
Real Return		
Real Estate	15.00%	4.50%
Energy, Natural Resources & Infrastructure	6.00%	4.70%
Commodities	0.00%	1.70%
Risk Parity	8.00%	2.80%
Asset Allocation Leverage		
Cash	2.00%	-0.70%
Asset Allocation Leverage	-6.00%	-0.50%
Total	<u>100.00%</u>	

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on a fiscal year 2021 policy model.

*** Capital Market assumptions come from Aon Hewitt (as of 8/31/2021).

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Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the System’s net pension liability. The following presents the System’s proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the System’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

1.0% Decrease 6.25%	Current Discount Rate 7.25%	1.0% Increase 8.25%
\$ 193,391,990.00	\$ 88,502,491.00	\$ 3,405,270.00

Optional Retirement Program

The State has also established the Optional Retirement Program (the “ORP”), a defined contribution plan, for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS Plan and is available to certain eligible employees who hold faculty positions and other professional positions including but not limited to director-level and above, librarians, and coaches. The ORP provides for the purchase of annuity contracts and mutual funds and is administered by a variety of investment firms. Employees are immediately vested in their own contributions and earnings on those contributions and become vested in the employer contributions after one year and one day of participation.

The employee and employer contribution rates are established by the Legislature each biennium. Depending upon the source of funding for the employee’s compensation, the System may be required to make the employer contributions in lieu of the State. Since these are individual annuity contracts, the State and the System have no additional or unfunded liability for this program. The State provides an option for a local supplement in addition to the state base rate. Each institution within the System can decide to adopt and fund a local supplement each year to provide each ORP employee the maximum employer rate. The chancellor then approves the employer rates each fiscal year. The contributions made by participants (6.65% of annual compensation) and the employer (6.60% state base rate for 2022 plus any local supplement for a maximum 8.50% of annual compensation) for the year ended August 31, 2022, is provided in the following table:

ORP Participation	
Member Contributions	\$ 8,892,240.75
Employer Contributions	9,288,716.30
Total	\$ 18,180,957.05

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Note 11: 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, multiple-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 ACFR that includes financial statements and required supplementary information. That report may be obtained by writing to ERS at 200 E. 18th Street, Austin, TX, 78701-1400.

Benefits Provided

The ERS Plan provides postemployment health care, life, vision and dental insurance benefits to eligible retirees. The benefit and contribution provisions of the ERS Plan are authorized by state law and may be amended by the Legislature. All System employees that work at least 20 hours but less than 30 hours per week for an expected period of 4.5 months or more are eligible for partial health benefits under ERS. System employees that work 30 or more hours for an expected period of 4.5 months or more are eligible for full health benefits under ERS. Employees may retire at age 65 with 10 years of service with an employer who participated in the ERS Plan or any combination of age plus 10 years of service with an employer who participated in the ERS Plan that is equal to or greater than 80. The premium provisions are determined by the Texas Legislature and require monthly contributions by the State, System, and System employees. Surviving spouses and dependents of retirees are also covered by the plan. The plan does not provide automatic cost of living adjustments.

Contributions

During the measurement period of 2021 for fiscal 2022 reporting, the amount of the System's contributions recognized by the plan for retirees was \$11,780,001.00. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution.

Contributions to ERS for the year ended August 31, 2022 for active and retired employees were as follows:

ERS Participation	
Member Contributions	\$ 17,694,519.97
State On-Behalf Contributions	21,142,015.33
Employer Contributions	46,039,138.56
Total	\$ 84,875,673.86

The contribution requirements for the state and the members in the measurement period are presented below:

Employer Contribution Rates	
Retiree Health and Basic Life Premium	
Retiree Only	\$ 624.82
Retiree & Spouse	\$ 1,339.90
Retiree & Children	\$ 1,103.58
Retiree & Family	\$ 1,818.66

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OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred 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 of comparable securities by issuers with similar credit ratings. More detailed information on the plan’s investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS’ fiscal 2021 ACFR.

At August 31, 2022, the System reported a liability of \$524,413,950.00 for its proportionate share of the collective net OPEB liability of the ERS Plan. The non-current portion of the liability was \$510,300,961.00 and the current portion was \$14,112,989.00. The collective net OPEB liability was measured as of August 31, 2021 (the “measurement date”), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The System’s proportion of the collective net OPEB liability at the measurement date was 1.46176037%, which was a decrease of 0.01873366% from the 1.48049403% measured at the prior measurement date. The System’s proportionate share was based on its contributions to the OPEB plan, excluding State on-behalf contributions, relative to the contributions of all employers and non-employer contributing entity to the ERS Plan for the period September 1, 2020 through August 31, 2021 (the “measurement period”).

For the year ended August 31, 2022, the System recognized OPEB expense of \$79,228,899.00. At August 31, 2022, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 3,689,016.00	\$ -
Changes of assumptions	35,903,434.00	58,407,974.00
Difference between expected and actual experience	-	12,863,284.00
Change in proportion and contribution difference	170,671,529.00	25,141,715.00
Net difference between projected and actual investment return	92,877.00	-
Total	\$ 210,356,856.00	\$ 96,412,973.00

The \$3,689,016.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending August 31, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year	Expense
2023	\$ 59,079,109.00
2024	44,385,543.00
2025	4,587,065.00
2026	1,808,479.00
2027	394,671.00
Total	\$ 110,254,867.00

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Actuarial Assumptions

The total OPEB liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2021 measurement date:

Actuarial Methods and Assumptions	<u>ERS Plan</u>
Actuarial Valuation Date	August 31, 2021
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Discount Rate	2.14%
Inflation	2.30%
Salary Increase	2.30% to 9.05% including inflation
Healthcare Cost and Trend Rate	
HealthSelect	5.25% for FY 2023, 5.15% for FY 2024, 5.00% for FY 2025, 4.75% for FY 2026, 4.60% for FY 2027, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2030 and later years
HealthSelect Medicare Advantage	0.00% for FY 2023, 66.67% for FY 2024, 24.00% for FY 2025, 4.75% for FY 2026, 4.60% for FY 2027, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2030 and later years
Pharmacy	10.00% for FY 2023 and FY 2024, decreasing 100 basis points per year to 5.00% for FY 2029, and 4.30% for FY 2030 and later years
Aggregate Payroll Growth	2.70%
Retirement Age	Experience-based tables of rates that are specific to the class of employee
Mortality	
State Agency Members	
Service Retirees, Survivors and Other Inactive Members	2020 State Retirees of Texas Mortality table with a 1 year set forward for male Certified Peace Officers/Custodial Officers ("CPO/CO") members and Ultimate MP Projection Scale projected from the year 2020
Disabled Retirees	2020 State Retirees of Texas Mortality table with a 3 year set forward for males and females with minimum rates at all ages of 3.0% for males and 2.5% for females, respectively, and Ultimate MP Projection Scale projected from the year 2020
Active Members	Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members and Pub-2010 Public Safety Active Member Mortality table for CPO/CO members with Ultimate MP Projection Scale from the year 2010
Higher Education Members	
Service Retirees, Survivors and Other Inactive Members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018
Disabled Retirees	Tables based on TRS experience with Ultimate MP Projection Scale from year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active Members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014
Ad Hoc Post-Employment Benefit Changes	None

The source of the municipal bond rate is the Bond Buyer Index of general obligations bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

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The actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2014 to August 31, 2019 for state agency members and for the period September 1, 2010 to August 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 results of the valuation:

- a. The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence;
- b. The proportion of future retirees assumed to be married and electing coverage for their spouse;
- c. The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement;
- d. The percentage of Higher Education vested terminated members assumed to have terminate less than one year before the valuation date;
- e. Assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent health plan experience and its effects on our short-term expectations. The annual rate of increase in the Patient-Centered Outcomes Research Institute Fee payable under the Affordable Care Act has been updated to reflect recent health plan experience and its effects on our short-term expectations. Assumed expenses directly related to the payment of GBP HealthSelect medical benefits have been updated to reflect recent contract revisions; and,
- f. The discount rate was changed from 2.20% as of Aug. 31, 2020 to 2.14% as of Aug. 31, 2021 as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Minor benefit revisions have been adopted since the prior valuation. These changes are not expected to have a significant impact on plan costs for fiscal year 2022 and are provided for in the 2022 Assumed Per Capital Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

The discount rate used to measure the total net OPEB liability is the municipal bond rate of 2.14%, a decrease of 0.06% from the 2.20% used in the prior year. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return. ERS' board of trustees adopted an amendment to the investment policy in August 2017 to require that all funds in this plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments be at least 2.4%. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 2.20%.

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the System's net OPEB liability. The following presents the System's proportionate share of the net OPEB liability calculated using the discount rate of 2.14%, as well as what the System's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.14%) or one percentage point higher (3.14%) than the current rate:

1.0% Decrease	Current Discount Rate	1.0% Increase
1.14%	2.14%	3.14%
\$ 624,596,913.00	\$ 524,413,950.00	\$ 446,035,747.00

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Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the proportionate share of the System’s net OPEB liability. The following presents the System’s proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, as well as what the System’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates one percentage point lower or one percentage point higher than the current rates:

1.0% Decrease	Current Healthcare	1.0% Increase
HS/HSMA/Pharmacy	Cost Trend Rates	HS/HSMA/Pharmacy
4.25/-1.00/9.00%	5.25/0.00/10.00%	6.25/1.00/11.00%
decreasing to 3.30%	decreasing to 4.30%	decreasing to 5.30%
\$ 439,134,949.00	\$ 524,413,950.00	\$ 636,144,610.00

Note 12: 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, 2022.

Note 14: Adjustments to Net Position

During fiscal year 2022, certain accounting changes and adjustments were made that required a restatement to net position. The restatement of beginning net position for fiscal year 2022 is as follows:

	Total
Net Position at August 31, 2021 as Previously Reported	\$ 765,679,148.24
GASB 87 implementation, leases	(461,980.10)
Correction of accounting errors in prior period, Construction in Progress	(7,866,003.26)
Total Restatement	\$ (8,327,983.36)
Net Position at August 31, 2021 as Restated	\$ 757,351,164.88

Note 15: Contingencies and Commitments

The System is involved in several pending and threatened legal actions. Unless otherwise disclosed in this note, the range of potential loss from all such claims and actions, as estimated by the System’s legal counsel and management, should not materially affect the System’s financial position.

Amounts received or receivable from grantor agencies are subject to audit and adjustments by such agencies, principally the U.S. government. Any disallowed claims may constitute a liability of the System. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the System expects any such amounts to be immaterial.

Contingencies

Timothy Jackson v. UNT System, et al. Case No. 4:21-cv-00033, US District Court, Eastern District of Texas. First Amendment, retaliation, and defamation claims. Plaintiff seeks injunctive relief on the federal claims and damages for the state law claims against 18 individual defendants, which are limited to \$100,000 per defendant. The defendants filed an appeal of the court’s decision. The likelihood of an unfavorable outcome is reasonably possible and any damages would be covered under the System’s commercial insurance policy minus a \$100,000 retention.

Young Conservatives of Texas Foundation v. University of North Texas, University of North Texas System, Neal Smatresk, President of the University of North Texas and Shannon Goodman, Vice President for Enrollment of the

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UNIVERSITY OF NORTH TEXAS SYSTEM Notes to the Comprehensive Financial Statements For the Year Ended August 31, 2022

University of North Texas. Case No. 20-9524-442, 442nd Judicial District Court, Denton County, Texas. Declaratory Judgment. On November 16, 2020, the Young Conservatives of Texas Foundation filed suit challenging the constitutional validity of a state law that allows aliens who are not lawfully in the United States to pay in-state tuition while requiring U.S. citizens who are not Texas residents to pay higher out-of-state tuition. The suit seeks a judicial declaration that requires the State of Texas to allow U.S. citizens who are not Texas residents to pay in-state tuition if aliens who are not lawfully in the U.S. are charged in-state tuition. On April 8, 2022, the court granted the Young Conservatives of Texas Foundation's motion for summary judgment and entered a permanent injunction prohibiting UNT officials from applying the state mandated non-resident tuition rate charges to non-Texas-resident United States citizens. On April 10, 2022, UNT filed a notice of appeal in the Fifth Circuit Court of Appeals. The plaintiff is not seeking money damages. However, absent legislative action, the System would lose approximately \$10 million to \$11 million per academic year in tuition income. The likelihood of an unfavorable outcome is reasonably possible.

Eminent Domain Matters. Probate Court, Denton County, Texas. In February 2019, the Board of Regents authorized eminent domain action for four parcels of land generally described as the UNT Gateway properties. As the last step prior to initiating eminent domain litigation, final offer letters were sent to the owners in late June 2019 offering the following amounts: (1) 1000 Avenue C, \$500,000; (2) 906 Avenue C, \$700,000; (3) 902 Avenue C, \$800,000; and (4) 903 Kendolph Street, \$500,000. The purchase of 906 Avenue C was concluded for a negotiated purchase price of \$1,400,000 in April 2020. Negotiations with the three remaining property owners have not been successful.

Commitments

The System continues to implement capital improvements to upgrade facilities. Approximately \$381.3 million in capital commitments have been entered into for the construction and renovation of various facilities across all of its campuses. These projects are in various stages of completion. The estimated breakdown of funding sources available for this commitment is as follows: 51% from Capital Construction Assistance Project Bonds, 22% Revenue Financing System Bonds, 17% HEF, 8% Auxiliary Reserves, and 2% from gifts/donations. Approximately \$130.2 million of the commitment, or roughly 34.1%, is expected to be spent in 2023.

Private investments are invested in limited partnerships with external investment managers or general partners who invest primarily in private equity transactions. These investments, both domestic and international, are illiquid and may not be realized for a period of several years after the investments are made. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk and investment manager risk. As of August 31, 2022, the System has committed \$68,608,000.00 to various private investments, including \$23,698,000.00 committed to hedge funds. Of this total commitment, \$32,503,923.33 is unfunded.

Note 17: Risk Management

The System is exposed to a variety of civil claims resulting from the performance of its duties. It is System policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

The System assumes substantially all risks associated with torts, theft, damage or destruction of assets, business interruption, errors or omissions, and job-related illness or injuries to employees arising out of the performance of the System's mission. Financial risks are transferred through contracts, or financed through commercial insurance or self-insurance plans. Financial exposure from lawsuits for damages and injunctive relief arising from torts and contracts is mitigated by the function of sovereign, Eleventh Amendment and individual immunities and statutory limits on the amount of recovery. In addition, state law limits financial exposure for state law claims made against individual employees and officials. Currently the System does not carry System-wide commercial general liability insurance for any of the institutions; commercial general liability policies are purchased on an as needed basis to address unique exposures. The System is not involved in any risk pools with other government entities. Liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated.

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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2022

The System has various insurance and self-insurance arrangements to manage risks of loss that are within the scope of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended. There are no claims pending or significant non-accrued liabilities, except as stated in Note 15, *Contingencies and Commitments*. The System did not have any losses or settlements that exceeded insurance policy limits within the last three years.

Self-Insurance Arrangements

Health Care Professional Malpractice Self-Insurance Plan

HSC manages a health care malpractice self-insurance plan for its health care professionals. Effective September 1, 2020, the self-insurance plan eligibility for malpractice liability coverage was expanded from only physicians to all licensed or certified health care professionals. As of August 31, 2022, HSC had sufficient self-insurance reserves for known claims against its health care professionals. The policy limits for this plan are \$500,000/\$1,500,000. Health care professional liability coverage is purchased for health care students with entity coverage, which provides a maximum per incident of \$1,000,000 and an aggregate limit of \$3,000,000 with no deductible for legal expenses but a \$5,000 deductible per claim for professional liability coverage damages only.

The following claims, judgments, and Incurred But Not Reported (“IBNR”) activity was determined for the year ended August 31, 2022 and August 31, 2021, respectively:

	September 1, 2021	Additions	Reductions	August 31, 2022
Incurred But Not Reported Self-Insurance Claims (HSC) ⁽¹⁾	\$ 988,733.00	\$ 146,748.00	\$ -	\$ 1,135,481.00
Claims and Judgments	\$ 521,000.00	\$ 1,184,408.50	\$ 1,199,408.50	\$ 506,000.00
	September 1, 2020	Additions	Reductions	August 31, 2021
Incurred But Not Reported Self-Insurance Claims (HSC) ⁽¹⁾	\$ 1,576,965.00	\$ -	\$ 588,232.00	\$ 988,733.00
Claims and Judgments	\$ -	\$ 528,219.38	\$ 7,219.38	\$ 521,000.00

⁽¹⁾ The estimated claims payable for medical malpractice IBNR includes estimates of allocated loss adjustment expenses.

Student-Athlete Accident Medical Self-Insurance Plan

The National Collegiate Athletic Association (the “NCAA”) requires its member institutions to certify coverage for medical expenses resulting from injuries sustained by student-athletes and certain prospective student-athletes while participating in qualifying NCAA-sanctioned activities. UNT finances this plan to an actuarially determined attachment point and purchases commercial insurance for claims in excess of the attachment point. The attachment point for 2022 was \$500,000. For the year ended August 31, 2022, claims paid out were not material.

Incurred But Not Reported Self-Insurance Claims

The System self-insures some physical injury and property damage claims that are not financed through commercial insurance, or are below the retention amounts for claims covered by commercial insurance. The System, as an agency of the State, is protected from risk of loss arising from these tort claims by sovereign immunity, except as such claims are permitted under the Texas Tort Claims Act. In addition to limiting the type of personal injury and damage claims that can be brought against the System, the Texas Tort Claims Act limits the loss that can result from claims that can be made to \$250,000 for each person, \$500,000 for each single occurrence of bodily injury or death, and \$100,000 for each single occurrence of damage or destruction of property. For the year ended August 31, 2022, claims against the System were below the liability limits established by the Texas Tort Claims Act, and thus immaterial.

Commercial Insurance Arrangements

Directors and Officers/Employment Practices Liability

Directors and Officers (“D&O”)/Employment Practices Liability (“EPL”) coverage insures all institutions in the System as well as all officers, employees and volunteers. The policy provides for a maximum limit of \$10,000,000 with a zero deductible per insured individual and \$100,000 deductible per insured entity for D&O; and \$150,000 deductible per insured individual, \$150,000 deductible for the entity, and a \$50,000 deductible for volunteers for EPL.

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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2022

Automobile

The Texas Motor Vehicle Safety Responsibility Act requires that vehicles operated on a state highway be insured for minimum limits of liability in the amount of \$250,000/\$500,000 for bodily injury and \$100,000 for property damage. The System carries liability insurance on its licensed vehicles in the amount of \$1,000,000 combined single limit for bodily injury and property damage.

Medical Professional Liability

UNT has medical professional liability insurance coverage for professionals at the Student Health and Wellness Center, Rehabilitation Center, and the Kristin Farmer Autism Center. Under the coverage, professionals are defined as physicians, nurses, nurse practitioners, physician assistants, pharmacists, and athletic trainers. This coverage also extends to Allied Health Care professionals and medical students at HSC. There is a maximum per incident limit of \$1,000,000 and an aggregate of \$3,000,000 with a \$5,000 deductible.

Property

The System carries property insurance to finance losses arising from damage to or destruction of capital assets. The insurance also covers business interruption, which protects against losses resulting from disruption to revenue streams. At the close of the fiscal year, all premium payments had been made and an insurance policy was in effect that carried a \$500,000,000 shared limit through the State's state-wide property insurance program.

Workers' Compensation

The System is required by state law to participate in the State's workers' compensation insurance program administered through the State Office of Risk Management. This program covers risks of loss resulting from job-related illness or injuries to employees while in the course and scope of their work responsibilities. Following a work-related illness or injury, employees enter into a return-to-work program, if necessary, thus reducing indemnity payments for loss compensation. 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, 2022, the System does maintain policies for out-of-state employees who reside in other states outside of Texas.

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 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, 2022. 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, 2022. Health benefits are provided through the various state contracts administered by ERS.

Miscellaneous

Other lines of insurance purchased include: camp accident/medical, commercial crime, fine arts, inland marine, foreign liability, global medical, kidnap and extortion, and professional liability for North Texas Regional Institutional Review Board.

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UNIVERSITY OF NORTH TEXAS SYSTEM Notes to the Comprehensive Financial Statements For the Year Ended August 31, 2022

Note 19: Financial Reporting Entity

The System is composed of the University of North Texas System Administration and three academic institutions as follows: the University of North Texas, the University of North Texas Health Science Center at Fort Worth, and the University of North Texas at Dallas. The System is governed by a nine-member Board of Regents appointed by the Governor of Texas and confirmed by the Texas State Senate. Three members are appointed every odd-numbered year for six-year terms. In addition, the Governor appoints a nonvoting student Regent for a one-year term.

Assets Held By Affiliated Organizations

GASB authoritative guidance provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the primary government, the System.

This guidance states that a legally separate tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The System has defined significance as 3% of its net position. As of August 31, 2022, the University of North Texas Foundation and the University of North Texas Health Sciences Center Foundation met the criteria for inclusion in the System's financial statements.

Discretely Presented Component Units

University of North Texas Foundation

The UNT Foundation is reported as a discrete component unit. The UNT Foundation's fiscal year end is August 31, consistent with the System. The UNT Foundation is a separate nonprofit organization that is organized for various purposes, including transferring or using all or any part of the corpus or income from endowments for the benefit of UNT. Such uses are made in accordance with the general or specific purposes stipulated by the donors, grantors or testators, or in the absence of such stipulations, for such uses as may be determined by the Board of Directors of the UNT Foundation; furthermore, the UNT Foundation promptly distributes all net income in excess of operating requirements to promote the educational advancement of UNT. The governing board is self-perpetuating, comprised of elected members separate from the System's Board of Regents. The direction and management of the affairs of the UNT Foundation and the control and disposition of its assets are vested in the Board of Directors of the UNT Foundation. The System has no liability with regard to the UNT Foundation, its operations or liabilities. The majority of endowments supporting university scholarships and other System programs are owned by the UNT Foundation; therefore, including the UNT Foundation's financial reports is important to obtain a full understanding of the System's financial position and resources.

The UNT Foundation is an essential component of UNT's program for university advancement and for the development of private sources of funding for capital acquisitions, operations, endowments, and other purposes relating to the mission of UNT.

In August 2003, UNT entered into an agreement with the UNT Foundation to better define the relationship between the two entities and to comply with the statutory requirements of the Texas Government Code, Chapters 2255 and 2260. The 2003 agreement provided that the development leadership for UNT would be provided by the UNT Foundation's Chief Executive Officer.

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UNIVERSITY OF NORTH TEXAS SYSTEM Notes to the Comprehensive Financial Statements For the Year Ended August 31, 2022

An amended agreement was approved by the UNT Foundation's Board of Directors in their June 2009 meeting, and subsequently approved by the System Board of Regents in August 2009. Under the amended agreement, UNT's Vice President for Advancement serves as the UNT Foundation's Director of Development and oversees, coordinates and exercises decision-making authority over the fundraising activities of both UNT and the UNT Foundation. In this dual position, the Vice President for Advancement/Foundation's Director of Development (the "VPA/FDD") shall have no decision-making authority in regard to governance of the UNT Foundation or expenditure of funds by the UNT Foundation. The VPA/FDD is an employee of UNT, and compensation for the position is the sole obligation of UNT. In consideration of this amended agreement, UNT has consistently reported the UNT Foundation as a discrete component unit in the System's financial statements.

University of North Texas Health Science Center Foundation

The UNTHSC Foundation is reported as a discrete component unit. The UNTHSC Foundation's fiscal year end is August 31, consistent with the System. The UNTHSC Foundation is a separate nonprofit organization that is organized for various purposes, including transferring or using all or any part of the corpus or income from endowments for the benefit of HSC. Such uses are made in accordance with the general or specific purposes stipulated by the donors, grantors or testators, or in the absence of such stipulations, for such uses as may be determined by the Board of Directors of the UNTHSC Foundation. The governing board is self-perpetuating, comprised of elected members separate from the System's Board of Regents. The direction and management of the affairs of the UNTHSC Foundation and the control and disposition of its assets are vested in the Board of Directors of the UNTHSC Foundation. The System has no liability with regard to the UNTHSC Foundation, its operations or liabilities. A portion of the endowments supporting scholarships or programs/operations of HSC is owned by the UNTHSC Foundation, while another portion of the endowments is owned by HSC and placed with the UNTHSC Foundation for investment under terms of Management Agreements. Therefore, including the UNTHSC Foundation's financial reports is important to obtain a full understanding of the System's financial position and resources.

The UNTHSC Foundation is an essential component of HSC's program for institutional advancement and for the development of private sources of funding for capital acquisitions, operations, endowments, and other purposes relating to the mission of HSC.

In February 2017, HSC updated its affiliation agreement with the UNTHSC Foundation to better define the relationship between the two entities and to comply with the statutory requirements of the Texas Government Code, Chapter 2255. The 2017 agreement provided clarity as to the relationships between the two parties, and the mutual responsibilities of each, separately and jointly, to advance the mission and work of HSC.

Related Parties

Through the normal course of operations, the System both receives funds from and provides funds to other state agencies in support of sponsored research programs. Funds received and provided during the year ended August 31, 2022 related to state pass-through grants were \$30,470,200.28 and \$7,998.40 respectively.

Other related-party transactions identified in the financial statements include Due From/To Other Agencies, Legislative Appropriations, Capital Appropriations, Legislative Transfers In/Out and Transfers From/To Other State Agencies.

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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2022

Note 22: Donor Restricted Endowments

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

The target distribution of spendable income to each unit of the endowment fund will be between 3% and 6% of the moving average market value of a unit of the endowment fund for the preceding 12 quarters. Unless otherwise determined by the Finance Committee of the Board of Regents, the target annual distribution rate shall be 3.75% of the average unit market value. Distribution shall be made quarterly, as soon as practicable, after the last calendar day of November, February, May and August. This distribution amount shall be recalculated each quarter based on a 12-quarter rolling average. If, at any point of distribution, the fair market value of the endowment is below the corpus of the endowment, the real value of the endowment principal will be protected. The distribution is made in accordance with the Texas Uniform Prudent Management of Institutional Funds Act. The net appreciation (cumulative and unexpended) on donor-restricted endowments presented below is available for authorization and expenditure by the System.

Endowment Type	Amount of Cumulative Net Appreciation ⁽¹⁾	Reported in Net Position
True Endowments	\$ 15,205,682.82	Restricted Expendable

⁽¹⁾ There was a negative fair value adjustment totaling \$15,008,655.80 for fiscal year 2022 related to true endowments. As of August 31, 2022, the System did not have any term endowments to report.

Discretely Presented Component Units

University of North Texas Foundation

The UNT 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 rate shall be 4% of the average unit market value: for fiscal year 2022 the distribution rate was 3.75%. Distribution shall be made quarterly, as soon as practicable, after the last calendar day of November, February, May and August. This distribution amount shall be recalculated each quarter based on a 12-quarter rolling average. If, at any point of distribution, the fair market value of the endowment is below the corpus of the endowment, the distributions shall be determined on a sliding scale basis. The distribution is made in accordance with the Texas Uniform Prudent Management of Institutional Funds Act.

The net appreciation (cumulative and unexpended) on donor-restricted endowments presented below is available for authorization and expenditure by the UNT Foundation, a discrete component unit of the System.

Endowment Type	Amount of Cumulative Net Appreciation ⁽¹⁾	Reported in Net Assets
True Endowments	\$ 18,390,154.14	Net Assets with Donor Restrictions Held in Perpetuity

⁽¹⁾ There was a negative fair value adjustment totaling \$34,744,396.45 for fiscal year 2022 related to true endowments. As of August 31, 2022, the UNT Foundation did not have any term endowments to report.

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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2022

University of North Texas Health Science Center Foundation

The UNTHSC Foundation’s spending policy for 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 year.

The target distribution of spendable income to each unit of the endowment fund will be 4% of the moving average market value of the endowment fund for the preceding 12 quarters. Unless otherwise determined by the UNTHSC Foundation’s Board of Directors, the target annual distribution rate shall be 4% of the average unit market value. For fiscal year 2022, the distribution rate was 4%. Distribution shall be made annually. This distribution amount shall be recalculated each year based on a 12-quarter rolling average. If, at any point of distribution, the fair market value of the endowment is below the corpus of the endowment, the distributions shall be determined on a sliding scale basis. The distribution is made in accordance with the Texas Uniform Prudent Management of Institutional Funds Act. The net appreciation (cumulative and unexpended) on donor-restricted endowments presented below is available for authorization and expenditure by the UNTHSC Foundation, a discrete component unit of the System.

Endowment Type	Amount of Cumulative Net Appreciation ⁽¹⁾	Reported in Net Assets
True Endowments	\$ 15,676,084.00	Net Assets with Donor Restrictions Held in Perpetuity

⁽¹⁾ There was a negative fair value adjustment totaling \$2,899,234.00 for fiscal year 2022 related to true endowments. As of August 31, 2022, the UNTHSC Foundation did not have any term endowments to report.

Note 24: Disaggregation of Receivable Balances

Net other receivables at August 31, 2022 are detailed by type as follows:

Net Other Receivables	Total
Receivables related to HSC professional services	\$ 1,126,434.62
Receivables related to various other activities	7,881,744.10
Total Net Other Receivables	\$ 9,008,178.72

Note 25: Termination Benefits

Health Care Related Termination Benefits

If a benefits eligible employee is enrolled in the ERS health plan, he or she is eligible for Consolidated Omnibus Budget Reconciliation Act (“COBRA”) upon termination of employment. The System does not administer the COBRA plan as it is managed through ERS.

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UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2022

Note 28: 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, 2022 is presented below:

	<u>Total</u>
Deferred Outflows of Resources	
Unamortized Losses on Refunding of Debt	\$ 4,038,050.99
Unamortized Losses on Refunding of Direct Placement Debt	302,517.64
Deferred Outflows of Resources Related to Asset Retirement Obligation	1,921,798.71
Deferred Outflows of Resources Related to Pensions	61,413,092.00
Deferred Outflows of Resources Related to OPEB	210,356,856.00
Total Deferred Outflows of Resources	<u>\$ 278,032,315.34</u>
Deferred Inflows of Resources	
Unamortized Gains on Refunding of Debt	\$ 945,782.21
Deferred Inflows of Resources Related to Right to Use Leases	23,318,754.76
Deferred Inflows of Resources Related to Pensions	106,624,669.00
Deferred Inflows of Resources Related to OPEB	96,412,973.00
Total Deferred Inflows of Resources	<u>\$ 227,302,178.97</u>

See Note 1, *Summary of Significant Accounting Policies*, Note 5, *Long Term Liabilities*, Note 9, *Defined Benefit Pension Plan and Defined Contribution Plan*, and Note 11, *Postemployment Benefits Other Than Pensions*, for more information regarding deferred outflows of resources and deferred inflows of resources related to debt refunding, right to use lease obligations, asset retirement obligations, pensions, and OPEB.

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**NOTES TO THE
FINANCIAL STATEMENTS**

of the

**UNIVERSITY OF NORTH TEXAS
FOUNDATION, INC.**

DENTON, TEXAS

For the Year Ended August 31, 2022

UNAUDITED

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC. Notes to the Financial Statements For the Year Ended August 31, 2022

Note 1: Purpose and Summary of Significant Accounting Policies

Purpose

The University of North Texas Foundation, Inc. ("UNT Foundation") is a not-for-profit organization established for the purpose of providing financial support to the University of North Texas through managing and growing private assets through investment management and administration of endowments and planned gifts. This purpose is accomplished by the UNT Foundation's receipt and management of donations (cash and non-cash) from individuals and organizations.

The UNT Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting.

Contributions

Contributions are generally temporarily or permanently restricted by the donor to support specific programs within the University of North Texas. Unconditional promises to give are recorded as received. Contributions receivable due in the next year are recorded at their net realizable value. Contributions receivable due in subsequent years are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided, based on management's evaluation of contributions receivable at the end of each quarter.

Contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Endowment contributions and investments are restricted by the donor. Investment earnings available for distribution are recorded in restricted net assets because of program restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid short-term investments with an initial maturity of eighteen months or less.

Investments

The UNT Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses for the UNT Foundation's pro-rata share of the investments are included in the change in net assets in the accompanying Statement of Activities. The UNT Foundation holds investments in limited partnerships which are carried at estimated fair value provided by the management of these funds. The estimated fair values are reviewed by an investment consultant and the UNT Foundation. The purpose of this alternative investment class is to increase portfolio diversification and reduce risk due to the low correlation with other asset classes.

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UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2022

Real Estate

Real estate consists of mineral rights that were donated to the UNT Foundation. The mineral rights are stated at the estimated fair value at the time of the donation.

Trust Property

Trust Property consists of property that is held in a Charitable Remainder Trust. Periodically the property is appraised, and the property is carried at the most current appraised value. The costs of normal maintenance and repairs that do not add to the value of the property are not capitalized.

Inventory

Inventory consists of artwork donated to the UNT Foundation and held for sale. Inventory is recorded at fair value as of the date of donation.

Agency Funds

Agency funds consist of resources held by the UNT Foundation as an agent for resource providers and will be transferred to third-party recipients specified by the resource provider.

Note 2: Investments

Investment securities consist of the following:

	August 31, 2022		August 31, 2021	
	Book Value	Fair Value	Book Value	Fair Value
Equities	\$ 147,981,843	\$ 169,403,079	\$ 127,428,220	\$ 191,905,473
Fixed Income	49,330,556	44,999,538	56,092,206	58,033,017
Global Real Assets	17,455,806	18,258,289	17,774,338	21,616,110
Private Real Assets	3,991,985	4,703,169	2,262,026	2,566,523
Private Equity/Debt	14,845,988	20,946,654	11,494,907	14,664,925
Hedge Funds	15,700,000	17,634,195	14,200,000	15,514,048
Cash	3,421,909	3,421,909	4,271,830	4,271,830
	<u>\$ 252,728,087</u>	<u>\$ 279,366,833</u>	<u>\$ 233,523,527</u>	<u>\$ 308,571,926</u>

Investment Income consists of interest and dividends earned, realized gains and losses plus changes in unrealized appreciation and depreciation.

Note 3: Contributions and Other Receivables

Contributions and other receivables were as follows:

	August 31, 2022	August 31, 2021
Contributions Receivable in less than one year	\$ 1,855,365	\$ 2,260,636
Contributions Receivable in one to five years	3,426,081	7,445,618
Contributions Receivable in six to ten years	66,000	509,000
Total Contributions Receivable	\$ 5,347,446	\$ 10,215,254
Less discounts to net present value (8% discount rate)	\$ (638,817)	\$ (1,744,318)
Less allowance for uncollectible pledges (10% of discounted pledge receivables)	(470,863)	(847,094)
Net Contributions Receivable	<u>\$ 4,237,766</u>	<u>\$ 7,623,842</u>

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UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2022

Note 4: Restricted Net Assets

Net Assets were restricted for the following:

	August 31, 2022	August 31, 2021
UNT Department Gift & Fundraising Accounts	\$ 7,605,213	\$ 8,320,264
True Endowments according to Donor Agreement		
Endowments Board Distribution Policy	184,106,756	208,450,951
Endowments Donor Defined Distribution	2,935,820	3,408,469
Quasi Endowments according to Donor Agreement	14,417,899	12,200,489
Net Trusts and Annuities after Liability	2,154,572	2,710,916
Restricted Stock	7,132,297	11,330,631
Cash Value of Life Insurance Policies	474,820	459,907
Total Restricted Net Assets	\$ 218,827,377	\$ 246,881,627

Note 5: Underwater Endowments

Of the 1,095 total endowments at August 31, 2022, 155 have a market value that has fallen below Historical Cost. The amount that the market value is below Historical Cost of these 155 endowments is \$1,513,977 collectively. This compares to 4 endowments below Historical Cost by an amount of \$529 collectively at August 31, 2021.

Note 6: Board Designated Quasi-Endowments

The Board of Directors has designated \$854,379 of quasi-endowments for scholarships to various Colleges and Departments within UNT. Although the Board retains the right to re-designate these funds for another purpose, the intent is to offer multigenerational scholarship support to UNT students. Pursuant to FASB requirements, these endowments are included in “Without Donor Restrictions”; however, these funds are not available for operating expenses.

Note 7: Life Insurance Policies

Several endowments have been established which are to be funded or partially funded by life insurance policies for which the UNT Foundation has been named owner and beneficiary. Donors of the policies reimburse premium payments made by the UNT Foundation. As of the end of the period, there were a total of 19 such policies with death benefits totaling \$1,569,758 and cash values totaling \$474,820.

Note 8: Income Tax Status

The UNT Foundation has received a letter of determination from the Internal Revenue Service advising that it qualifies as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax. The UNT Foundation is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Note 9: Retirement Plan

Under the UNT Foundation’s 403(b) plan, the UNT Foundation contributes a full matching contribution of up to 6.0% of compensation for employees who make an elective contribution. An additional discretionary non-elective contribution may be allocated on the basis of compensation, as budgeted and approved by the Board in advance of the fiscal year. Employees may make voluntary contributions in addition to the required contribution, up to the limits prescribed by the Internal Revenue Code. The fiscal year employer contributions were \$113,082.

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UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2022

Note 10: Assets Held Under Split Interest Agreements

The UNT Foundation is the Trustee or Co-Trustee of various charitable remainder trusts and administers numerous gift annuity contracts. The agreements require annuity payments to the income beneficiaries for life, with the remaining assets of the trusts or agreements creating endowments or other expendable funds upon the death of the income beneficiary. The UNT Foundation's financial statements present annuity obligations, recorded at the present value of the expected future cash payments based on published life expectancy tables using a discount rate of six percent.

Note 11: Assets Held For Others

The UNT Foundation holds and invests certain funds in trust on behalf of the University of North Texas ("UNT"). Pursuant to an investment management agreement dated August 24, 2012, certain UNT endowment assets have been placed with the UNT Foundation and invested in the UNT Foundation's Consolidated Investment Pool or the UNT Foundation's DFA Short-Term Government fund. The UNT endowment funds residing in the UNT Foundation's Consolidated Investment Pool are subject to the same investment management and distribution policies as the UNT Foundation's investments. The initial term of the agreement ended August 31, 2013, with a provision to automatically renew annually thereafter. On September 11, 2019 the agreement was re-written with an effective date of September 1, 2019 and the initial term ending date of August 31, 2027, with a provision to automatically renew and extend for additional five-year terms.

Effective December 1, 2020, the UNT Foundation entered into a substantially similar investment management agreement with the University of North Texas at Dallas ("UNTD") to manage certain of its endowment assets in the UNT Foundation's Consolidated Investment Pool. The UNTD endowment funds are subject to the same investment management and distribution policies as the UNT Foundation's investments. The initial term of the agreement ends August 31, 2030, with a provision to automatically renew and extend for additional five-year terms. Additionally, this agreement contains a provision that if, at some point UNTD determines that its own foundation is operationally capable of performing the investment and management of the UNTD endowments prior to expiration of the agreement, it may terminate the agreement with 90 days' notice to the Foundation.

UNT and UNTD are independent of the UNT Foundation in all respects. None is a subsidiary or affiliate of the UNT Foundation and is not directly or indirectly controlled by the UNT Foundation. The UNT System Board of Regents makes all decisions regarding the business and affairs of UNT and UNTD, and their endowment assets managed by the UNT Foundation are the exclusive property of UNT and UNTD, respectively. Since the UNT Foundation does not have ownership of any of the UNT or UNTD assets, neither the principal nor income generated by these assets, except for management fees paid from these assets, is included in the amount of net assets of the UNT Foundation.

Assets Held for Others consists of the following:

	August 31, 2022	August 31, 2021
UNT endowment assets managed by UNT Foundation	\$ 65,897,175	\$ 75,662,231
UNT Dallas endowment assets managed by UNT Foundation	11,498,318	13,536,806
Total Assets Held for Others	\$ 77,395,493	\$ 89,199,037

The assets held under these agreements are included in the Statement of Financial Position at fair value.

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UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2022

Note 12: Accounts Payable

Accounts Payable includes the following:

	<u>August 31, 2022</u>	<u>August 31, 2021</u>
Net Payroll and Benefits Accrual	\$ 383,192	\$ 200,085
UNT Payable	371,067	-
Vendors Payable	102,363	12,347
Total Accounts Payable	<u>\$ 856,622</u>	<u>\$ 212,433</u>

Note 13: Deferred Gifts

The UNT Foundation has been advised by many donors of bequests and other deferred gifts to the UNT Foundation and/or the University to be made in the future. The total of such deferred gifts of which the UNT Foundation has been informed was approximately \$75 million at August 31, 2022.

These gifts do not meet the requirements of unconditional promises to give; therefore, they are not recorded in the financial statements of the UNT Foundation.

Note 14: Concentrations of Credit Risk

The UNT Foundation maintains cash balances which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of August 31, 2022, cash balances consist of checking account deposits of \$1,053,569.

The UNT Foundation also maintains short-term cash investments in two money market accounts that invest solely in U.S. government and agency securities, which are not FDIC insured. As of August 31, 2022, the amounts held were \$8,158,301 and \$2,000,132, respectively.

**NOTES TO THE
FINANCIAL STATEMENTS**

of the

**UNIVERSITY OF NORTH TEXAS
HEALTH SCIENCE CENTER FOUNDATION**

FORT WORTH, TEXAS

For the Year Ended August 31, 2022

UNAUDITED

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION Notes to the Financial Statements For the Year Ended August 31, 2022

Note 1: Summary of Significant Accounting Policies

The University of North Texas Health Science Center Foundation (“UNTHSC Foundation”) was organized for charitable, educational, and scientific purposes, and to advance the mission and vision of the University of North Texas Health Science Center (“UNTHSC”) through financial support of its education, discovery and health care priorities. All income received by the UNTHSC Foundation is to be used for the future benefit of the UNT Health Science Center at the discretion of the Board of Directors.

Nature of Activities

The management of the UNTHSC Foundation is vested in the Board of Directors (“the Board”) who have discretionary authority to determine the amount, manner and times for payment of any distributions from the UNTHSC Foundation. The UNTHSC Foundation is subject to a pay-out policy which dictates scholarships and other payments made in current year. During 2022 and 2021, the UNTHSC Foundation paid \$2,538,038 and \$4,061,884 in scholarships, grants and other expenses to UNTHSC and other not-for-profit organizations.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, which recognizes support and revenue when earned, and expenses when incurred.

Financial Statement Presentation

The financial statements of the UNTHSC Foundation are presented in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations. Financial position and activities are reported according to two classes of net assets: (i) net assets without donor restrictions, and (ii) net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include, but are not limited to, the fair value of investments and the discounts applied to unconditional promises to give. It is at least reasonably possible that these estimates will change in the near term.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the UNTHSC Foundation considers cash available in the demand deposit accounts and all highly liquid short-term investments with original maturities of three months or less to be cash equivalents.

The UNTHSC Foundation maintains its cash and cash equivalents in bank deposit accounts which, at times may exceed federally insured limits. The UNTHSC Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Investments

Investments are carried at fair value or net asset value. Appreciation or depreciation in fair value is reported in support and revenue.

Contributions

Conditional promises to give received by the UNTHSC Foundation, which stipulate the occurrence of some specified event before payment will be made, are recognized when the specified future event takes place and the promise to give becomes unconditional.

UNAUDITED

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION Notes to the Financial Statements For the Year Ended August 31, 2022

Unconditional promises to give are recorded as contributions when received and classified as net assets without donor restrictions, or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Management Fee

Management fees are recognized as revenue when received by the UNTHSC Foundation, and are charged to investments held on behalf of others based on a percentage of total investments as specified in the management agreement.

Fundraising

Fundraising revenues are recognized as revenue when all conditions are met, and the specified event has occurred.

Donor Restrictions

The UNTHSC Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The UNTHSC Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the UNTHSC Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Uncertain Tax Positions

The UNTHSC Foundation recognizes in its financial statements the financial effect of a tax position, if that position is more likely than not to be sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position.

Tax positions taken related to the UNTHSC Foundation's tax exempt status for federal tax purposes and state filing requirements have been reviewed, and management is of the opinion that material positions taken by the UNTHSC Foundation would more likely than not be sustained by examination. Accordingly, the UNTHSC Foundation has not recorded an income tax liability for uncertain tax benefits.

Functional Allocation of Expenses

The costs of providing the programs and supporting services of the UNTHSC Foundation have been summarized on a functional basis in the statements of activities. Functional expenses have been categorized as program expenses and supporting services based on the nature of the activity performed, and, as such, no costs have been allocated across the functional expense categories.

Recent Accounting Pronouncements

The FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements to presentation and disclosure. The guidance is effective for fiscal years beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. The UNTHSC Foundation adopted this standard in year ended June 30, 2022, which had minimal impact on the overall financial statements.

Subsequent Events

The UNTHSC Foundation has evaluated subsequent events that occurred after August 31, 2022, through November 18, 2022, the date which the financial statements were available to be issued. During this period, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

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UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Notes to the Financial Statements
For the Year Ended August 31, 2022

Note 2: Fair Value Measurements

A fair value hierarchy that prioritizes the inputs to valuation techniques is 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 inputs) and the lowest priority to unobservable inputs (level 3 inputs). The three levels of the fair value of hierarchy are described below:

- Level 1 inputs: Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 inputs: Inputs (other than quoted market prices included within level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and fair value is determined through the use of models or other valuation techniques.
- Level 3 inputs: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Fair value for these investments are determined using valuation methodologies that consider a range of factors including but not limited to the nature of the investment, market conditions, current and projected operating performance and changes in operating characteristics of the investment.

Following is a description of the valuation methodologies used for assets measured at fair value. The valuation techniques used to determine fair value have been consistently applied during the years ended August 31, 2022 and 2021.

Equity securities and mutual funds traded on active markets are carried at a value consistent with traded prices on the valuation date, representing level 1 inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the UNTHSC Foundation 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 fair value hierarchy, the UNTHSC Foundation's investments at fair value as of August 31, 2022:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity Securities				
US Large Cap	\$ 45,402,355	\$ -	\$ -	\$ 45,402,355
US Mid and Small Cap	2,941,516	-	-	2,941,516
Global Equity	12,330,253	-	-	12,330,253
Foreign Equity	10,026,671	-	-	10,026,671
Emerging Markets	11,024,654	-	-	11,024,654
Mutual Funds - bonds	32,829,964	-	-	32,829,964
Total investments in the fair value hierarchy	\$ 114,555,413	\$ -	\$ -	\$ 114,555,413

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UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Notes to the Financial Statements
For the Year Ended August 31, 2022

The following table sets forth, by level, within the fair value hierarchy, the UNTHSC Foundation's investments at fair value as of August 31, 2021:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity Securities				
US Large Cap	\$ 50,350,782	\$ -	\$ -	\$ 50,350,782
US Mid and Small Cap	2,884,189	-	-	2,884,189
Global Equity	15,266,043	-	-	15,266,043
Foreign Equity	11,727,899	-	-	11,727,899
Emerging Markets	8,900,612	-	-	8,900,612
Mutual Funds - bonds	37,131,105	-	-	37,131,105
Total investments in the fair value hierarchy	\$ 126,260,630	\$ -	\$ -	\$ 126,260,630

The UNTHSC Foundation also invests in investment companies that are reported at net asset value. Investments reported at net asset value are excluded from the fair value hierarchy. The following table reconciles investments reported in fair value hierarchy to investments reported on the statement of financial position as of August 31, 2022 and 2021:

	2022	2021
Total investments in the fair value hierarchy	\$ 114,555,413	\$ 126,260,630
Cash equivalents	2,035,126	1,281,352
Investment in investment companies	5,531,192	4,029,661
Total Investments at fair value	\$ 122,121,731	\$ 131,571,643

Investments in investment companies consisting of off-shore investments are subject to the following redemption frequency and capital commitment at August 31, 2022:

Investment Strategy	Redemption Frequency	Remaining Capital Commitment
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 249,330
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 192,206
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 338,620
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 411,211
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 1,199,846
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 2,224,406
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 4,000,000

Investments in investment companies consisting of off-shore investments are subject to the following redemption frequency and capital commitment at August 31, 2021:

Investment Strategy	Redemption Frequency	Remaining Capital Commitment
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 276,205
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 338,277
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 497,159
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 857,618
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 1,767,660
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 2,805,824

No redemption restrictions or redemption notice period noted.

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UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Notes to the Financial Statements
For the Year Ended August 31, 2022

Note 3: Net Assets with Donor Restrictions

Net assets with donor restrictions are made up of the following as of August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net assets with donor restrictions – time and purpose	\$ 5,619,944	\$ 10,058,259
Net assets with donor restrictions – held in perpetuity	15,676,084	15,532,448
Total Net Assets	<u>\$ 21,296,028</u>	<u>\$ 25,590,707</u>

Net assets with donor restrictions – time and purpose are restricted for the following as of August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
MD Program and related support	\$ -	\$ 352,322
Departmental programs	1,410,114	2,754,324
Research	347,179	678,749
Education	580,917	1,462,186
Scholarships	2,461,894	3,192,484
Special events & general giving	142,512	146,016
Time	665,792	1,223,334
Other	11,536	248,844
Total	<u>\$ 5,619,944</u>	<u>\$ 10,058,259</u>

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes during the years ended August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Distributions	\$ 787,799	\$ 543,488
Endowment scholarships	129,610	110,273
Gifts and other related expenses	3,066,899	3,526,320
Total	<u>\$ 3,984,308</u>	<u>\$ 4,180,081</u>

Note 4: Due to Related Party

At August 31, 2022 and 2021, the UNTHSC Foundation held investments of \$100,290,924 and \$105,566,672, respectively, on behalf of UNTHSC. The investment account, in the name of the UNTHSC Foundation, was established prior to the formation of the UNTHSC Foundation. In order to maximize the benefits received from pooling investments and for simplicity, UNTHSC's portion is being held by the UNTHSC Foundation. These investments are included in investments and due to related party on the Statement of Financial Position.

Note 5: Promises to Give

Unconditional promises to give to be received by the UNTHSC Foundation for each of the years subsequent to August 31 is as follows:

	<u>2022</u>	<u>2021</u>
Due in less than 1 year	\$ 537,912	\$ 812,833
Due within 1 to 5 years	310,000	985,819
Less discount	(32,362)	(6,339)
Total	<u>\$ 815,550</u>	<u>\$ 1,792,313</u>

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UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Notes to the Financial Statements
For the Year Ended August 31, 2022

Unconditional promises to give that are expected to be collected after one year are discounted and are reported net of the discount in pledges receivable on the statement of financial position. Amortization of the discount on long-term pledges receivable is included with contributions revenue in the statement of activities. Pledges receivable are also reported net of any anticipated losses due to uncollectible accounts. The UNTHSC Foundation's policy for determining when pledges receivable are past due or delinquent is when all efforts to collect a pledged amount have been exhausted. An allowance for doubtful accounts is estimated by management based on information received by pledged donors and pledge receivable aging schedules. No allowance was considered necessary as of August 31, 2022 and 2021.

As of August 31, 2022, conditional promises to give to be received by the UNTHSC Foundation are \$1,000,000, all of which is due in more than 5 years. The conditional promises to give have not met the criteria for recognition in the financial statements as established by GAAP.

Note 6: Uniform Prudent Management of Institutional Funds Act

Net assets with donor restrictions held in perpetuity were \$15,676,084 and \$15,532,448 as of August 31, 2022 and 2021, respectively. The UNTHSC Foundation's endowment funds consist of equity securities, cash and cash equivalents and investments in investment companies. These funds consist of contributions made to establish an endowment, the earnings from which are to be used to support different restricted purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The investment policy is issued by the Board of the UNTHSC Foundation. It articulates the principles by which the UNTHSC Foundation governs the management of its investment assets. The Board is responsible for adopting investment objectives and policies, hiring and evaluating investment managers, establishing a controlled environment, and monitoring policy implementation and investment performance. The Board exercises its responsibility according to applicable fiduciary standards and in the exclusive interest of the UNTHSC Foundation.

A reconciliation of the endowment funds' beginning and ending balances for the years ended August 31, 2022 and 2021 is as follows. There was no cumulative effect of any amounts by which net assets with donor restrictions – held in perpetuity have been reduced, or increased that were not specified by the donor, or in the absence of a donor stipulation, approved by the Board.

	Endowment Net Assets with Donor Restrictions - Purpose	Endowment Net Assets with Donor Restrictions Held in Perpetuity	Total Endowment Net Assets
Endowment assets, September 1, 2021	\$ 6,568,160	\$ 15,532,448	\$ 22,100,608
Interest and dividends	-	-	-
Net depreciation (realized and unrealized)	(2,899,234)	-	(2,899,234)
	\$ 3,668,926	\$ 15,532,448	\$ 19,201,374
Contributions	99,783	143,636	243,419
Appropriation of endowment assets for expenditure	(917,409)	-	(917,409)
Endowment assets, August 31, 2022	\$ 2,851,300	\$ 15,676,084	\$ 18,527,384

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UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Notes to the Financial Statements
For the Year Ended August 31, 2022

	Endowment Net Assets with Donor Restrictions - Purpose	Endowment Net Assets with Donor Restrictions Held in Perpetuity	Total Endowment Net Assets
Endowment assets, September 1, 2020	\$ 3,863,848	\$ 15,133,853	\$ 18,997,701
Interest and dividends	-	-	-
Net appreciation (realized and unrealized)	3,492,017	71,547	3,563,564
	<u>\$ 7,355,865</u>	<u>\$ 15,205,400</u>	<u>\$ 22,561,265</u>
Contributions	39,751	327,048	366,799
Appropriation of endowment assets for expenditure	(827,456)	-	(827,456)
Endowment assets, August 31, 2021	<u>\$ 6,568,160</u>	<u>\$ 15,532,448</u>	<u>\$ 22,100,608</u>

Endowment net asset composition by type of fund as of August 31, 2022 was as follows:

	Endowment Net Assets with Donor Restrictions Purpose	Endowment Net Assets with Donor Restrictions Held in Perpetuity	Total Endowment Net Assets
Donor-restricted	\$ 2,851,300	\$ 15,676,084	\$ 18,527,384
Total funds	<u>\$ 2,851,300</u>	<u>\$ 15,676,084</u>	<u>\$ 18,527,384</u>

Endowment net asset composition by type of fund as of August 31, 2021 was as follows:

	Endowment Net Assets with Donor Restrictions Purpose	Endowment Net Assets with Donor Restrictions Held in Perpetuity	Total Endowment Net Assets
Donor-restricted	\$ 6,568,160	\$ 15,532,448	\$ 22,100,608
Total funds	<u>\$ 6,568,160</u>	<u>\$ 15,532,448</u>	<u>\$ 22,100,608</u>

Investment Objectives

The UNTHSC Foundation assets are to be invested in a balanced portfolio composed of equity, fixed-income and cash equivalent securities. As such, it is intended to be more aggressive than fixed-income-oriented portfolios and less aggressive than equity-only-oriented portfolios. In this context, "aggressive" relates to such issues as expected long-term rates of return and return volatility, investment vehicles, diversification among economic and industry sectors and individual securities. Within this framework, the principal investment objectives are stated below. These objectives recognize the nature of the UNTHSC Foundation, its purpose and its beneficiaries. The basic investment objective is long-term growth of capital and preservation of capital. In pursuing the investment objective, the UNTHSC Foundation endeavors, over time, to outperform the investment return objectives. Returns must be sufficient to meet or exceed the minimum required investment rate of return for the UNTHSC Foundation as established in the spending policy plus fee of 1% of the invested accounts for services in direct connection to the UNTHSC Foundation. Returns must meet or exceed the inflation rate plus 2%, meet or exceed the rate of return of a balanced market index, and meet or exceed the Sharpe Ratio of the market index while limiting portfolio risk.

Investment Philosophy

The primary investment objective of the UNTHSC Foundation is long-term growth of capital. It is recognized that short-term fluctuations in the capital markets may result in the loss of capital on occasion (i.e., negative rates of return). However, the total asset value of the UNTHSC Foundation, exclusive of contributions or withdrawals, should grow in the long-run. It should earn, through a combination of investment income and capital appreciation, a rate of return in excess

UNAUDITED

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Notes to the Financial Statements
For the Year Ended August 31, 2022

of a balanced market index while incurring less risk than such index. The long-term growth of capital should also be greater than the spending policy plus the fee for services in direct connection to the UNTHSC Foundation.

The Board and/or the Investment Committee intends to maximize the portfolio's total return comprising income and net realized and unrealized gains and losses. This objective is to be accomplished by assuming a prudent level of risk in the investment of the UNTHSC Foundation assets.

The UNTHSC Foundation will engage well-qualified investment managers registered under the Investment Advisors Act of 1940. The investment manager will perform duties with the care, skill, prudence and diligence under the prevailing circumstance that a prudent expert acting in a like capacity and familiar with such matter would use in the conduct of an enterprise of a like character and of like aims.

Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the UNTHSC Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in 10 endowment funds with donor restrictions, which together have an original gift value of \$2,412,808, a current value of \$2,288,956, and a deficiency of \$123,852 as of August 31, 2022. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. No deficiencies of this nature exist as of August 31, 2021.

The UNTHSC Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

Note 7: Liquidity

As a not-for-profit entity, UNTHSC Foundation receives significant funding in the form of contributions each year from donors, which are restricted to be used in a particular manner. UNTHSC Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of managing the financial assets, UNTHSC Foundation ensures these become available when obligations come due.

The following reflects UNTHSC Foundation's financial assets as of the balance sheet date, including amounts not available within one year of the balance sheet date. Amounts not available include donor-imposed restricted contributions.

	2022	2021
Cash	\$ 2,182,332	\$ 1,302,331
Investments, excluding amounts held on behalf of others	21,830,807	26,004,971
Pledges receivable, net	815,550	1,792,313
Other receivables	75,253	-
Total financial assets	\$ 24,903,942	\$ 29,099,615
Less donor restrictions		
Net assets with donor restrictions – time and purpose	\$ (5,619,944)	\$ (10,058,259)
Net assets with donor restrictions – held in perpetuity	(15,676,084)	(15,532,448)
Total financial assets not available to be used within one year	\$ (21,296,028)	\$ (25,590,707)
Total financial assets available to meet general expenditures within one year	\$ 3,607,914	\$ 3,508,908

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**REQUIRED SUPPLEMENTARY INFORMATION & SCHEDULES FOR THE
COMPREHENSIVE FINANCIAL STATEMENTS**

of the

UNIVERSITY OF NORTH TEXAS SYSTEM

DALLAS, TEXAS

For the Year Ended August 31, 2022

UNAUDITED

UNIVERSITY OF NORTH TEXAS SYSTEM
Required Supplementary Information
For the Year Ended August 31, 2022

Required Supplementary Information (RSI)

Schedule of the System's Proportionate Share of the Net Pension Liability

	2022	2021	2020	2019	2018	2017	2016	2015
System's proportion of the net pension liability	0.3475256756%	0.3532394693%	0.3471858160%	0.3482704688%	0.3350903754%	0.3167884475%	0.3348771000%	0.3870437000%
System's proportionate share of the net pension liability	\$ 88,502,491.00	\$189,187,853.00	\$180,478,041.00	\$191,696,519.00	\$107,143,850.00	\$119,709,644.00	\$118,374,598.00	\$103,405,818.19
State's proportionate share of the net pension liability related to System	28,078,475.01	62,518,691.27	75,864,069.56	52,821,707.83	36,183,350.73	34,118,016.24	33,917,826.43	40,082,328.32
Total net pension liability related to System	\$116,580,966.01	\$251,706,544.27	\$256,342,110.56	\$244,518,226.83	\$143,327,200.73	\$153,827,660.24	\$152,292,424.43	\$143,488,146.51
System's covered payroll ⁽¹⁾	\$ 298,594,048.48	\$ 297,401,404.17	\$ 282,536,645.37	\$ 266,991,392.49	\$ 252,852,119.73	\$ 248,934,340.22	\$ 235,537,989.10	\$ 222,501,101.49
System's proportionate share of the net pension liability as a percentage of its covered payroll	29.64%	63.61%	63.88%	71.80%	42.37%	48.09%	50.26%	46.47%
Plan fiduciary net position as a percentage of the total pension liability	88.79%	75.24%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

⁽¹⁾ Covered-employee payroll is for the year prior, because the System's net pension liability as of August 31 current year is based on a measurement date of August 31 of the previous year.

Schedule of the System's Pension Contributions

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contributions	\$ 15,564,651.00	\$ 14,830,572.00	\$ 14,574,757.00	\$ 12,151,922.00	\$ 11,732,351.00	\$ 10,961,110.00	\$ 10,085,190.00	\$ 9,916,773.00	\$ 9,870,977.18
Contributions in relation to the statutorily required contributions	15,564,651.00	14,830,572.00	14,574,757.00	12,151,922.00	11,732,351.00	10,961,110.00	10,085,190.00	9,916,773.00	9,870,977.18
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System's covered payroll	\$316,426,267.11	\$298,594,048.48	\$297,401,404.17	\$282,536,645.37	\$266,991,392.49	\$252,852,119.73	\$248,934,340.22	\$235,537,989.10	\$222,501,101.49
Contributions as a percentage of covered payroll	4.92%	4.97%	4.90%	4.30%	4.39%	4.33%	4.05%	4.21%	4.44%

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UNIVERSITY OF NORTH TEXAS SYSTEM
Required Supplementary Information
For the Year Ended August 31, 2022

Schedule of the System's Proportionate Share of the Net OPEB Liability

	2022	2021	2020	2019 ⁽²⁾	2018
System's proportion of the net OPEB liability	1.46176037%	1.48049403%	1.30685578%	1.36273369%	0.25354973%
System's proportionate share of the net OPEB liability	\$ 524,413,950.00	\$ 489,223,801.00	\$ 451,684,314.00	\$ 403,883,502.00	\$ 86,392,029.00
System's covered-employee payroll ⁽¹⁾	\$ 183,982,862.98	\$ 187,360,172.19	\$ 161,005,000.16	\$ 164,170,798.74	\$ 29,780,201.94
System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	285.03%	261.11%	280.54%	246.01%	290.10%
Plan fiduciary net position as a percentage of the total OPEB liability	0.38%	0.32%	0.17%	1.27%	2.04%

⁽¹⁾ Covered-employee payroll is for the year prior, because the System's net OPEB liability as of August 31 current year is based on a measurement date of August 31 of the previous year.

⁽²⁾ For fiscal year 2019 reporting, ERS had a change in accounting methodology to include both active and retiree employee contributions in the calculation of proportionate share.

Schedule of the System's OPEB Contributions

	2022	2021	2020	2019	2018
Statutorily required contributions	\$ 3,689,016.00	\$ 3,617,598.00	\$ 3,578,563.00	\$ 1,315,809.00	\$ 1,464,282.00
Contributions in relation to the statutorily required contributions	3,689,016.00	3,617,598.00	3,578,563.00	1,315,809.00	1,464,282.00
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
System's covered-employee payroll	\$ 198,843,136.71	\$ 183,982,862.98	\$ 187,360,172.19	\$ 161,005,000.16	\$ 164,170,798.74
Contributions as a percentage of covered-employee payroll	1.86%	1.97%	1.91%	0.82%	0.89%

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
 Schedule 2A - Miscellaneous Bond Information
 For the Year Ended August 31, 2022

Description of Issue	Bonds Issued to Date	Range of Interest Rates	Terms of Variable Interest Rate	Scheduled Maturities		First Call Date
				First Year	Last Year	
Public Offering Revenue Bonds						
RFS Refunding Bonds, Series 2015A	\$ 105,130,000.00	2.0000% - 5.0000%	N/A	2016	2045	4/15/2025
RFS Refunding Bonds, Series 2015B	73,035,000.00	0.3000% - 4.8380%	N/A	2016	2045	4/15/2025
RFS Refunding Bonds, Series 2017A	196,165,000.00	1.0000% - 5.0000%	N/A	2017	2040	4/15/2027
RFS Refunding Bonds, Series 2017B	164,305,000.00	0.9000% - 4.1220%	N/A	2017	2040	4/15/2027
RFS Refunding Bonds, Series 2018A	149,425,000.00	3.0000% - 5.0000%	N/A	2020	2050	4/15/2028
RFS Refunding Bonds, Series 2018B	22,685,000.00	2.3000% - 3.5500%	N/A	2019	2027	N/A
RFS Refunding Bonds, Series 2020A	59,475,000.00	2.0000% - 5.0000%	N/A	2021	2033	4/15/2030
RFS Refunding Bonds, Series 2020B	55,240,000.00	0.6450% - 3.0020%	N/A	2021	2050	4/15/2030
RFS Refunding Bonds, Series 2022	101,555,000.00	4.0000% - 5.0000%	N/A	2023	2052	4/15/2028
Total Public Offering Revenue Bonds	\$ 927,015,000.00					
Direct Placement Revenue Bonds						
RFS Refunding Bonds, Series 2018	\$ 22,845,000.00	2.4000% - 2.4000%	N/A	2018	2027	N/A
Total Direct Placement Revenue Bonds	\$ 22,845,000.00					
Total Revenue Bonds	\$ 949,860,000.00					

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
 Schedule 2B - Changes in Bonded Indebtedness
 For the Year Ended August 31, 2022

Description of Issue	Bonds Outstanding 09/01/21	Bonds Issued	Bonds Matured or Retired	Bonds Outstanding 08/31/22	Unamortized Premium	Net Bonds Outstanding 08/31/22	Amounts Due Within One Year
Public Offering Revenue Bonds							
RFS Refunding and Improvement Bonds, Series 2012A	\$ 4,320,000.00	\$ -	\$ 4,320,000.00	\$ -	\$ -	\$ -	\$ -
RFS Refunding Bonds, Taxable Series 2012B	205,000.00	-	205,000.00	-	-	-	-
RFS Refunding Bonds, Series 2015A	101,260,000.00	-	1,540,000.00	99,720,000.00	9,988,765.80	109,708,765.80	2,581,974.66
RFS Refunding Bonds, Series 2015B	46,405,000.00	-	4,420,000.00	41,985,000.00	-	41,985,000.00	4,560,000.00
RFS Refunding Bonds, Series 2017A	162,370,000.00	-	9,925,000.00	152,445,000.00	15,688,787.44	168,133,787.44	12,689,642.52
RFS Refunding Bonds, Series 2017B	131,045,000.00	-	9,895,000.00	121,150,000.00	-	121,150,000.00	10,145,000.00
RFS Refunding Bonds, Series 2018A	149,265,000.00	-	380,000.00	148,885,000.00	13,479,179.70	162,364,179.70	1,822,585.88
RFS Refunding Bonds, Series 2018B	14,965,000.00	-	3,870,000.00	11,095,000.00	-	11,095,000.00	4,300,000.00
RFS Refunding Bonds, Series 2020A	51,040,000.00	-	11,240,000.00	39,800,000.00	6,701,985.84	46,501,985.84	8,136,552.54
RFS Refunding Bonds, Series 2020B	54,620,000.00	-	550,000.00	54,070,000.00	-	54,070,000.00	1,860,000.00
RFS Refunding Bonds, Series 2022	-	101,555,000.00	-	101,555,000.00	15,929,826.20	117,484,826.20	1,754,864.96
Total Public Offering Revenue Bonds	\$ 715,495,000.00	\$ 101,555,000.00	\$ 46,345,000.00	\$ 770,705,000.00	\$ 61,788,544.98	\$ 832,493,544.98	\$ 47,850,620.56
Direct Placement Revenue Bonds							
RFS Refunding Bonds, Series 2018	\$ 15,100,000.00	\$ -	\$ 2,525,000.00	\$ 12,575,000.00	\$ -	\$ 12,575,000.00	\$ 2,585,000.00
Total Direct Placement Revenue Bonds	\$ 15,100,000.00	\$ -	\$ 2,525,000.00	\$ 12,575,000.00	\$ -	\$ 12,575,000.00	\$ 2,585,000.00
Total Revenue Bonds	\$ 730,595,000.00	\$ 101,555,000.00	\$ 48,870,000.00	\$ 783,280,000.00	\$ 61,788,544.98	\$ 845,068,544.98	\$ 50,435,620.56

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
 Schedule 2C - Debt Service Requirements
 For the Year Ended August 31, 2022

Description of Issue	Year	Principal	Interest ⁽¹⁾
Public Offering Revenue Bonds			
RFS Bonds, Series 2015A	2023	\$ 1,575,000.00	\$ 4,986,000.00
	2024	1,610,000.00	4,907,250.00
	2025	5,985,000.00	4,826,750.00
	2026	6,050,000.00	4,527,500.00
	2027	6,120,000.00	4,225,000.00
	2028-2032	31,825,000.00	16,455,500.00
	2033-2037	31,645,000.00	8,312,750.00
	2038-2042	9,235,000.00	2,698,500.00
	2043-2045	5,675,000.00	576,750.00
		<u>\$ 99,720,000.00</u>	<u>\$ 51,516,000.00</u>
RFS Bonds, Series 2015B	2023	\$ 4,560,000.00	\$ 1,867,310.30
	2024	4,600,000.00	1,732,881.50
	2025	-	1,588,073.50
	2026	-	1,588,073.50
	2027	-	1,588,073.50
	2028-2032	-	7,940,367.50
	2033-2037	830,000.00	7,940,367.50
	2038-2042	20,850,000.00	5,687,069.00
	2043-2045	11,145,000.00	1,078,390.20
		<u>\$ 41,985,000.00</u>	<u>\$ 31,010,606.50</u>
RFS Bonds, Series 2017A	2023	\$ 10,395,000.00	\$ 7,622,250.00
	2024	10,915,000.00	7,102,500.00
	2025	11,445,000.00	6,556,750.00
	2026	12,000,000.00	5,984,500.00
	2027	12,600,000.00	5,384,500.00
	2028-2032	68,470,000.00	16,904,500.00
	2033-2037	15,770,000.00	5,122,000.00
	2038-2040	10,850,000.00	1,102,750.00
		<u>\$ 152,445,000.00</u>	<u>\$ 55,779,750.00</u>
RFS Bonds, Series 2017B	2023	\$ 10,145,000.00	\$ 4,192,560.16
	2024	10,425,000.00	3,909,007.38
	2025	10,730,000.00	3,605,118.64
	2026	11,065,000.00	3,276,029.56
	2027	11,410,000.00	2,921,174.98
	2028-2032	49,125,000.00	8,813,689.14
	2033-2037	13,900,000.00	2,080,851.60
	2038-2040	4,350,000.00	363,560.40
		<u>\$ 121,150,000.00</u>	<u>\$ 29,161,991.86</u>

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
 Schedule 2C - Debt Service Requirements
 For the Year Ended August 31, 2022

Description of Issue	Year	Principal	Interest ⁽¹⁾
RFS Bonds, Series 2018A	2023	\$ 820,000.00	\$ 6,990,450.00
	2024	2,250,000.00	6,953,350.00
	2025	2,795,000.00	6,840,850.00
	2026	3,170,000.00	6,701,100.00
	2027	4,315,000.00	6,542,600.00
	2028-2032	29,160,000.00	28,845,250.00
	2033-2037	36,630,000.00	21,196,800.00
	2038-2042	29,565,000.00	12,376,000.00
	2043-2047	25,570,000.00	6,225,300.00
	2048-2050	14,610,000.00	1,066,400.00
			\$ 148,885,000.00
RFS Bonds, Series 2018B	2023	\$ 4,300,000.00	\$ 364,687.38
	2024	2,280,000.00	228,420.30
	2025	1,935,000.00	154,502.70
	2026	1,755,000.00	89,835.00
	2027	825,000.00	29,287.50
			\$ 11,095,000.00
RFS Bonds, Series 2020A	2023	\$ 6,775,000.00	\$ 1,930,000.00
	2024	7,130,000.00	1,591,250.00
	2025	4,435,000.00	1,294,750.00
	2026	2,245,000.00	1,073,000.00
	2027	2,360,000.00	960,750.00
	2028-2032	13,695,000.00	2,910,750.00
	2033	3,160,000.00	158,000.00
		\$ 39,800,000.00	\$ 9,918,500.00
RFS Bonds, Series 2020B	2023	\$ 1,860,000.00	\$ 1,030,166.26
	2024	4,425,000.00	1,013,351.84
	2025	4,470,000.00	966,446.84
	2026	4,305,000.00	915,935.84
	2027	4,370,000.00	852,437.10
	2028-2032	23,075,000.00	3,035,864.52
	2033-2037	4,400,000.00	1,301,522.66
	2038-2042	2,435,000.00	930,456.80
	2043-2047	2,825,000.00	545,463.40
	2048-2050	1,905,000.00	115,577.00
			\$ 54,070,000.00

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
 Schedule 2C - Debt Service Requirements
 For the Year Ended August 31, 2022

Description of Issue	Year	Principal	Interest ⁽¹⁾
RFS Bonds, Series 2022	2023	\$ 935,000.00	\$ 5,018,607.78
	2024	1,385,000.00	4,758,300.00
	2025	1,455,000.00	4,689,050.00
	2026	1,520,000.00	4,616,300.00
	2027	1,600,000.00	4,540,300.00
	2028-2032	9,280,000.00	21,418,500.00
	2033-2037	12,445,000.00	18,855,000.00
	2038-2042	19,710,000.00	15,046,500.00
	2043-2047	25,955,000.00	9,473,500.00
	2048-2052	27,270,000.00	3,160,600.00
			<u>\$ 101,555,000.00</u>
Total Public Offering Revenue Bonds		<u>\$ 770,705,000.00</u>	<u>\$ 384,275,561.28</u>
Direct Placement Revenue Bonds			
RFS Bonds, Series 2018	2023	\$ 2,585,000.00	\$ 301,800.00
	2024	2,650,000.00	239,760.00
	2025	2,710,000.00	176,160.00
	2026	2,775,000.00	111,120.00
	2027	1,855,000.00	44,520.00
			<u>\$ 12,575,000.00</u>
Total Direct Placement Revenue Bonds		<u>\$ 12,575,000.00</u>	<u>\$ 873,360.00</u>
Total Revenue Bonds		<u>\$ 783,280,000.00</u>	<u>\$ 385,148,921.28</u>

⁽¹⁾ In accordance with the State Comptroller's reporting requirements, the interest amounts on this schedule represent interest expense per the bond amortization schedules rather than interest on a full accrual basis.

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
 Schedule 2D - Analysis of Funds Available for Debt Service
 For the Year Ended August 31, 2022

Description of Issue	Pledged and Other Sources and Related Expenditures			
	Total Pledged and Other Sources	Operating Expenses/ Expenditures & Capital Outlay	Debt Service	
			Principal	Interest ^(B)
RFS Bonds Series '12A, '12B, '15A, '15B, '17A, '17B, '18, '18A, '18B, '20A, '20B, & '22	\$ 1,244,804,483.67		\$ 48,870,000.00	\$ 31,203,251.02
Total	\$ 1,244,804,483.67	(A)	\$ 48,870,000.00	\$ 31,203,251.02

^(A) Expenditures associated with pledged sources were approximately \$554,859,816.71.

^(B) In accordance with State Comptroller reporting requirements, the interest amounts on this schedule represent interest expense per the bond amortization schedules rather than interest on a full accrual basis.

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UNIVERSITY OF NORTH TEXAS SYSTEM (794)
 Schedule 3 - Reconciliation of Cash in State Treasury
 For the Year Ended August 31, 2022

Cash in State Treasury	Unrestricted	Current Year Total
Local Revenue Fund 0258	\$ 33,585,651.75	\$ 33,585,651.75
Local Revenue Fund 0280	6,611,018.18	6,611,018.18
Local Revenue Fund 0292	5,350,554.89	5,350,554.89
Local Revenue Fund 0325	2,025,771.66	2,025,771.66
Local Revenue Fund 0819	880,492.51	880,492.51
Local Revenue Fund 0900	8,041.07	8,041.07
Total Cash in State Treasury (Statement of Net Position)	\$ 48,461,530.06	\$ 48,461,530.06