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FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 2/5/2014

Board Meeting: 2/6/2014
Austin, Texas

Jeffery D. Hildebrand, Chairman
Alex M. Cranberg
Wallace L. Hall, Jr.
Brenda Pejovich
Wm. Eugene Powell

	Committee Meeting	Board Meeting	Page
B. CONVENE JOINT MEETING WITH AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE	*10:30 a.m.*		
7. **U. T. System: Report on the Fiscal Year 2013 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)**	*10:30 a.m.* **Report/Discussion** *Mr. Wallace* *Ms. Tracey Cooley, Deloitte & Touche* *Mr. Peppers*	Not on Agenda	**173**
C. ADJOURN	*11:00 a.m.*		

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book.

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 65 - 72 and the December Monthly Financial Report on Pages 73 - 97. The reports represent the consolidated and individual operating detail of the U. T. System institutions.

The Key Financial Indicators Report compares the Systemwide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2010 through May 2014. Ratios requiring balance sheet data are provided for Fiscal Year 2009 through Fiscal Year 2013.

THE UNIVERSITY OF TEXAS SYSTEM

KEY FINANCIAL INDICATORS REPORT

1ST QUARTER FY 2014

KEY

Actual Annual Amounts
(SOURCE: Annual Financial Reports)

Adjustment to Actual Annual Amounts to exclude the Increase in Net OPEB Obligation
(SOURCE: Annual Financial Reports)

Budget amounts
(SOURCE: Operating Budget Summary)

Projected Amounts based on the average change of the previous three years of data

Monthly Financial Report Year-to-Date Amounts

Annual State Net Revenue Collections
(SOURCE: Texas Revenue History by Source and Texas Net Revenue by Source, State Comptroller's Office)

Year-to-Date State Net Revenue Collections
(SOURCE: State Comptroller's Office)

Estimated State Revenue Collections
(SOURCE: Biennial Revenue Estimate, State Comptroller's Office)

Annual and Quarterly Average of FTEs
(SOURCE: State Auditor's Office Quarterly FTE Report)

Year-to-Date Margin
(SOURCE: Monthly Financial Report)

Projected Amounts based on Monthly Financial Report

Year-to-Date Margin
(SOURCE: Monthly Financial Report)

Target Normalized Rates

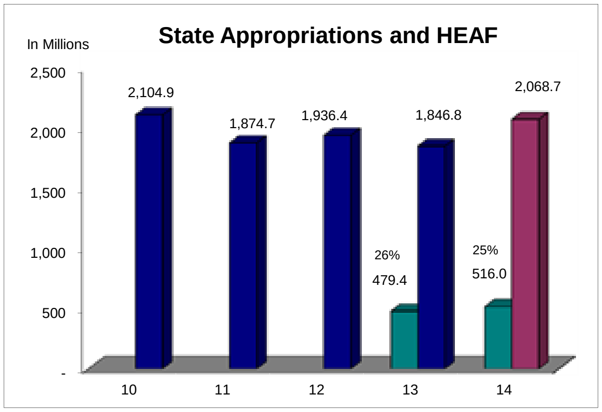
Aaa Median
(SOURCE: Moody's)

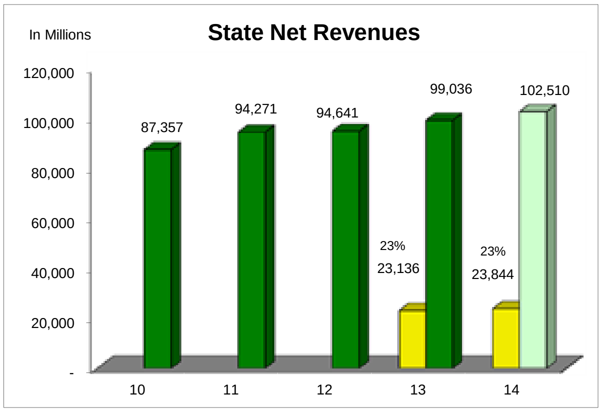
A2 Median
(SOURCE: Moody's)

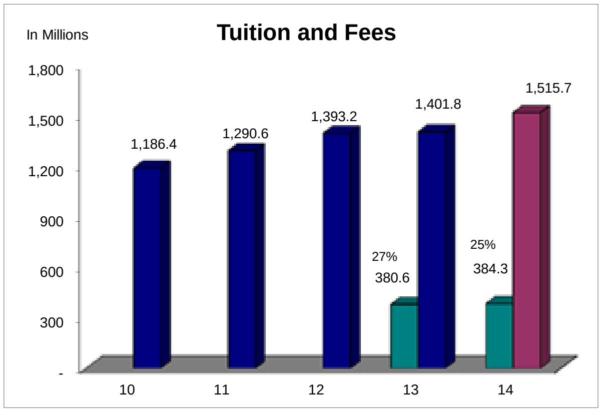
Good Facilities Condition Index (Below 5%)

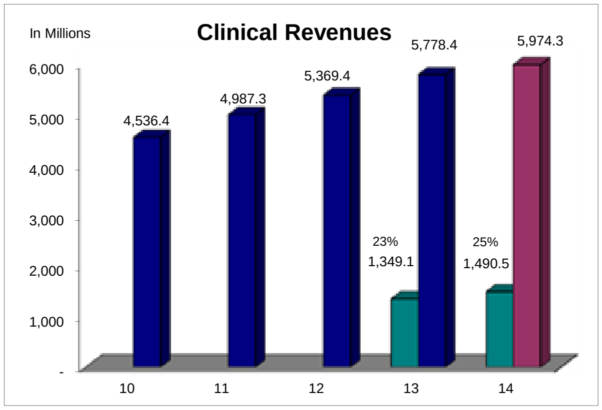
Fair Facilities Condition Index (5% - 10%)

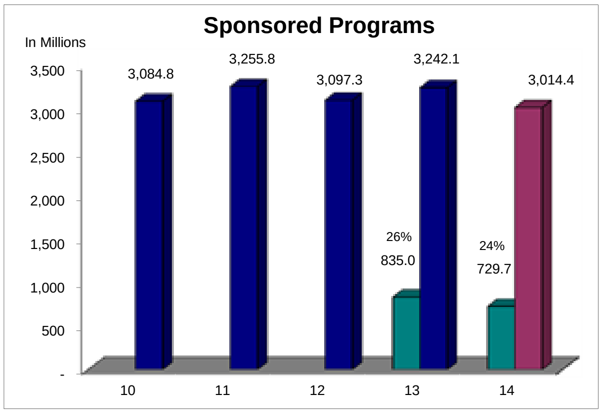
KEY INDICATORS OF REVENUES
ACTUAL 2010 THROUGH 2013
PROJECTED 2014
YEAR-TO-DATE 2013 AND 2014 FROM NOVEMBER MONTHLY FINANCIAL REPORT

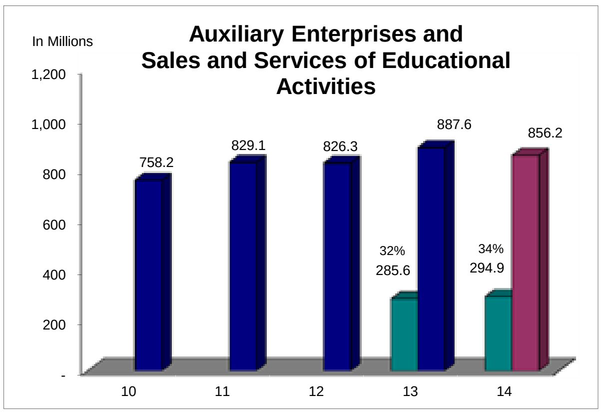


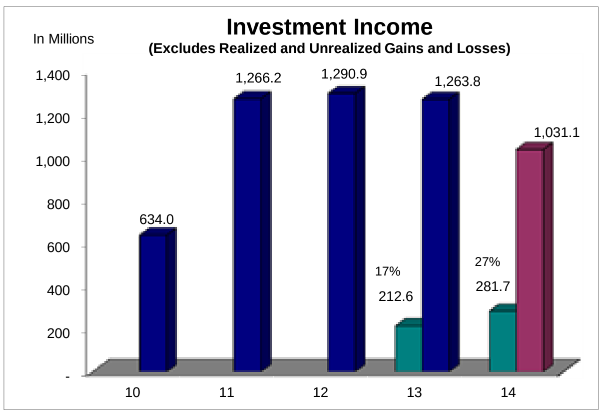


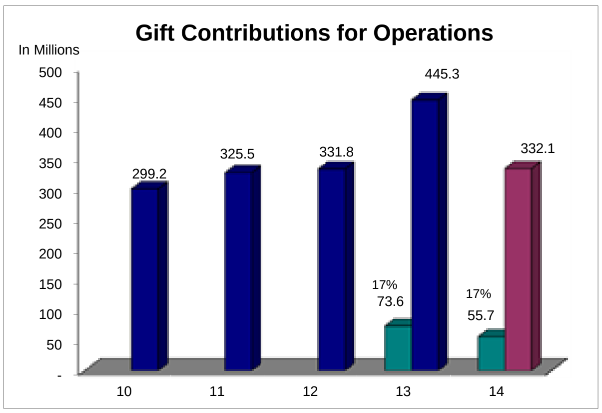




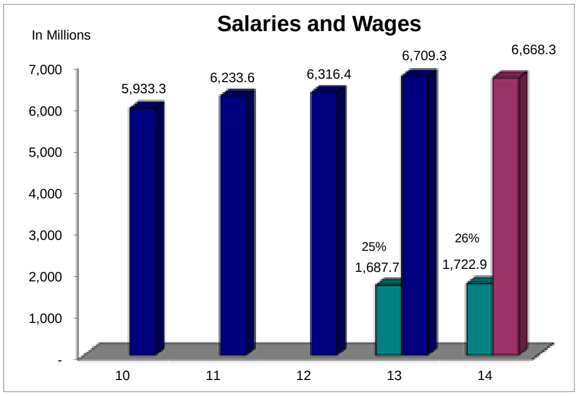


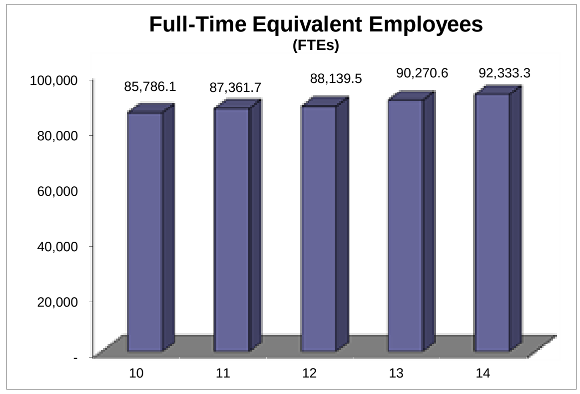


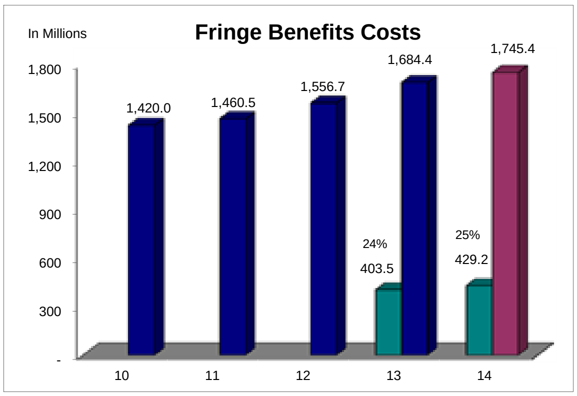


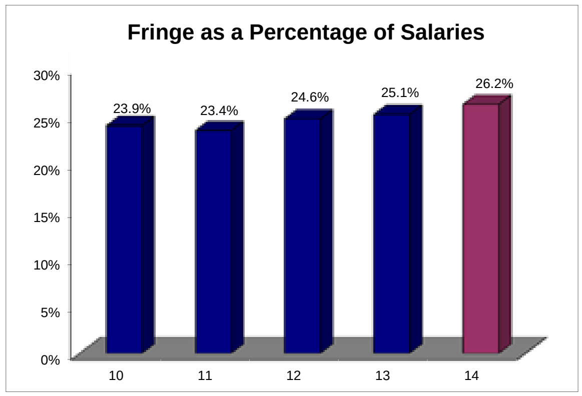


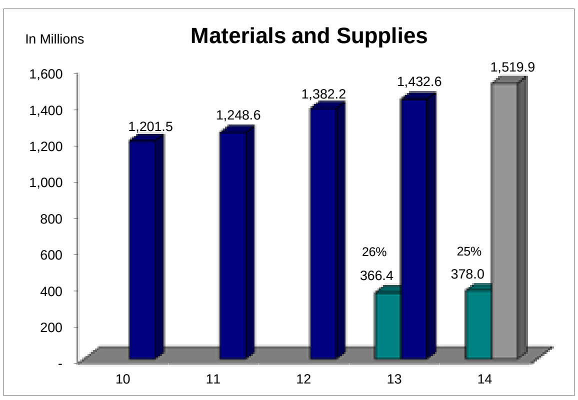
KEY INDICATORS OF EXPENSES
ACTUAL 2010 THROUGH 2013
PROJECTED 2014
YEAR-TO-DATE 2013 AND 2014 FROM NOVEMBER MONTHLY FINANCIAL REPORT

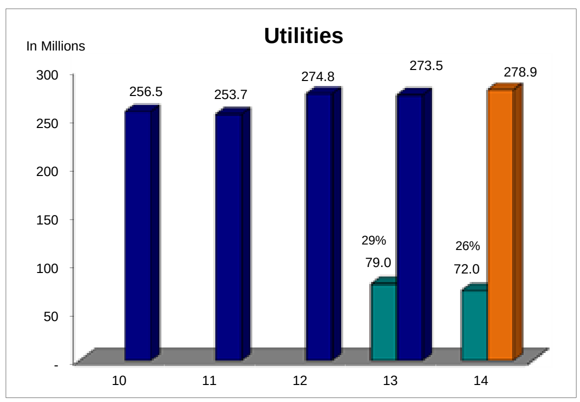


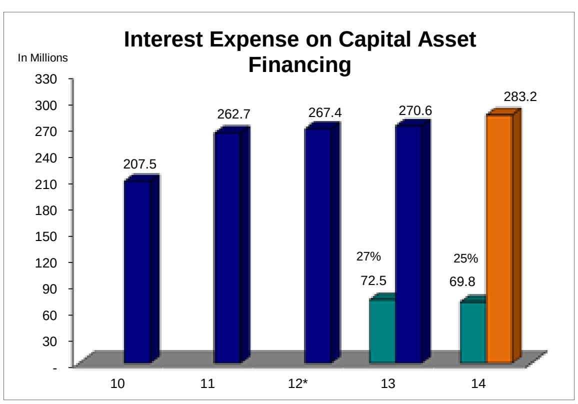


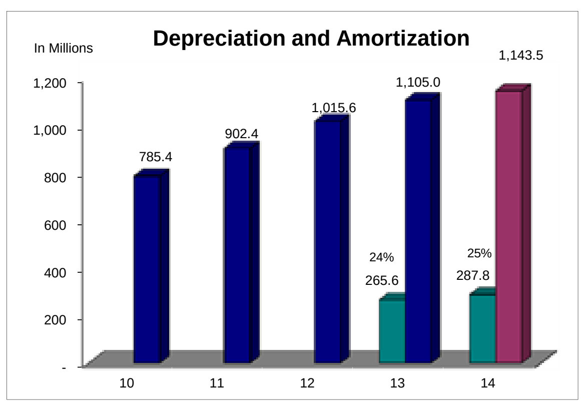






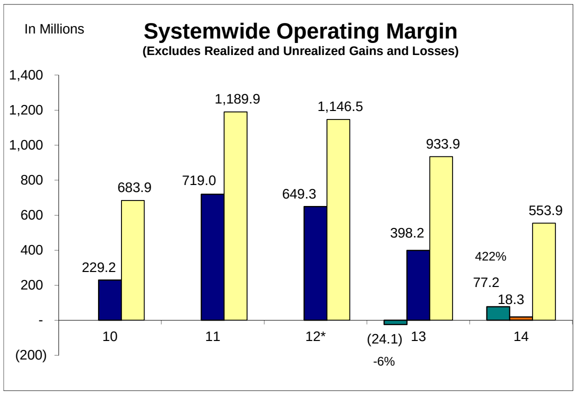


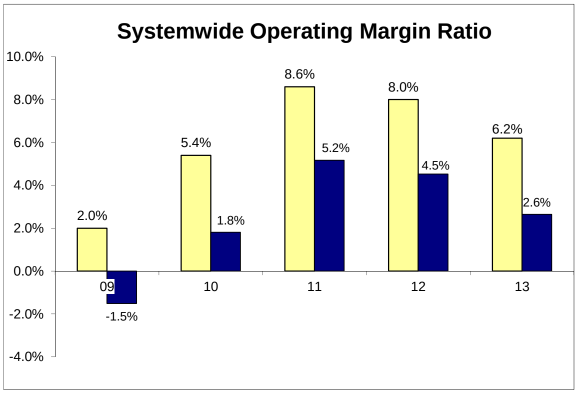


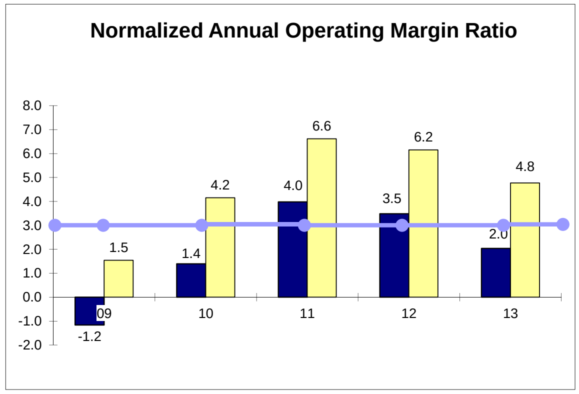


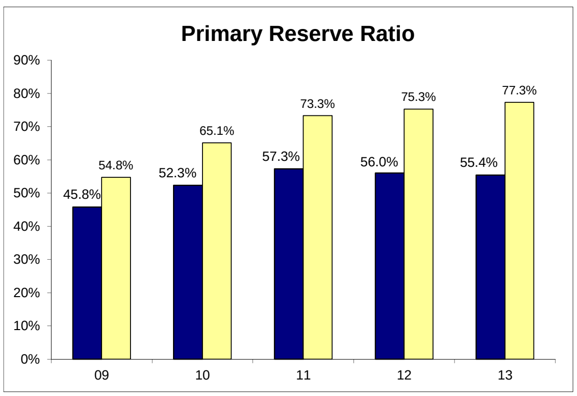
*Restated from prior year reports.

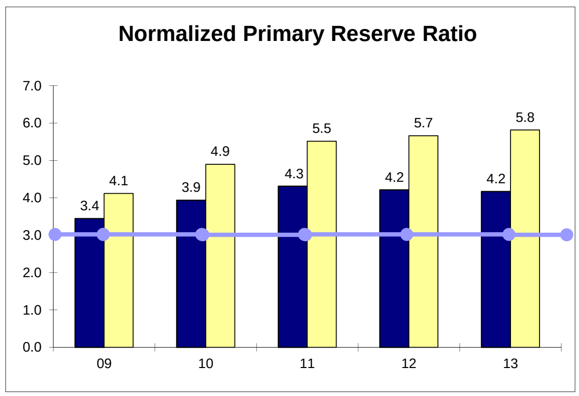
KEY INDICATORS OF RESERVES
ACTUAL 2009 THROUGH 2013
PROJECTED 2014
YEAR-TO-DATE 2013 AND 2014 FROM NOVEMBER MONTHLY FINANCIAL REPORT

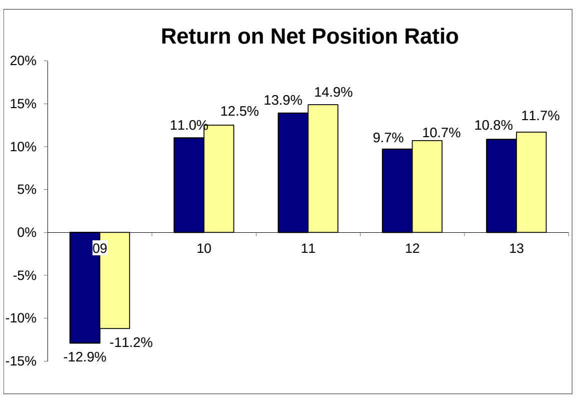


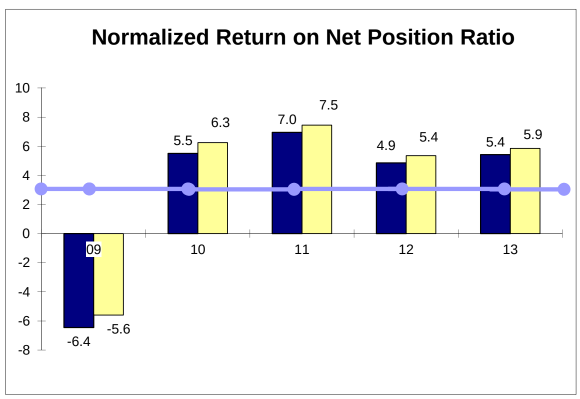








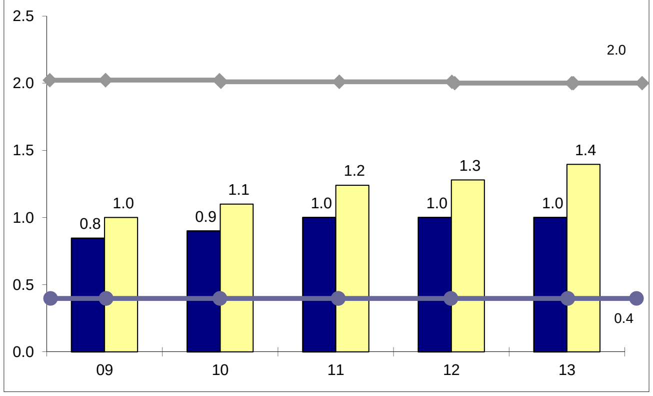




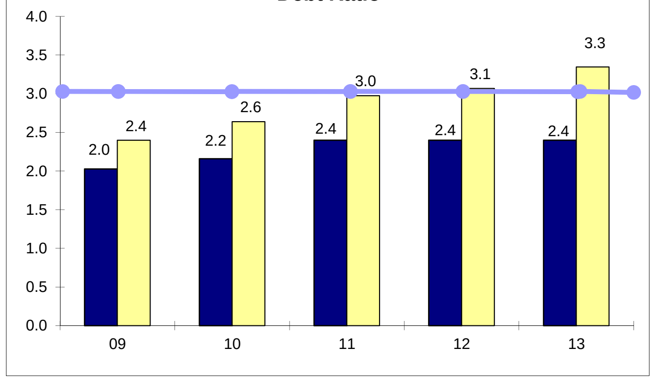
*Restated from prior year reports.

KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2009 THROUGH 2013

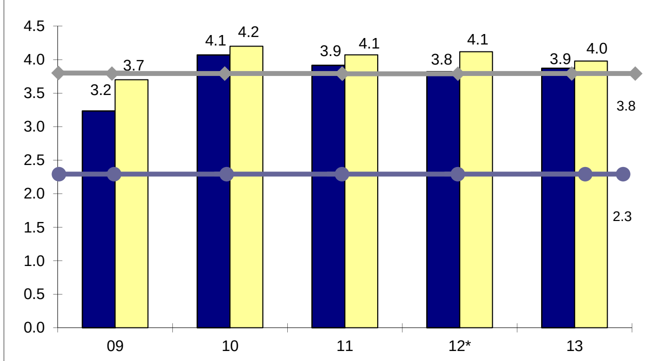
Expendable Financial Resources to Debt Ratio



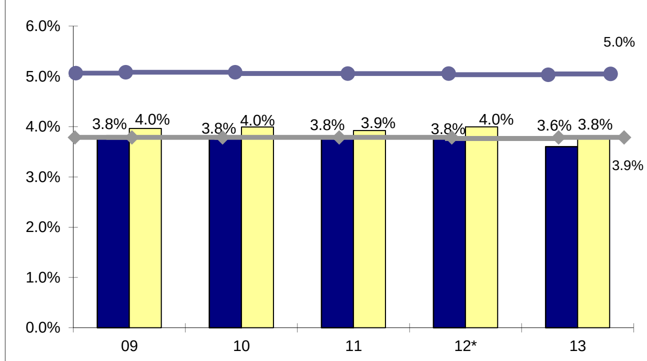
Normalized Expendable Financial Resources to Debt Ratio



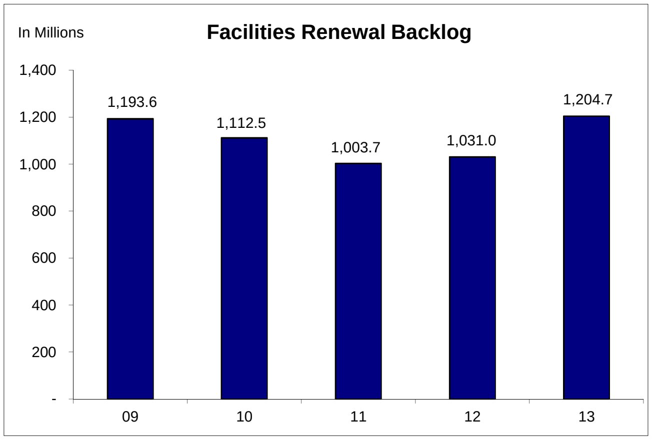
Actual Debt Service Coverage Ratio



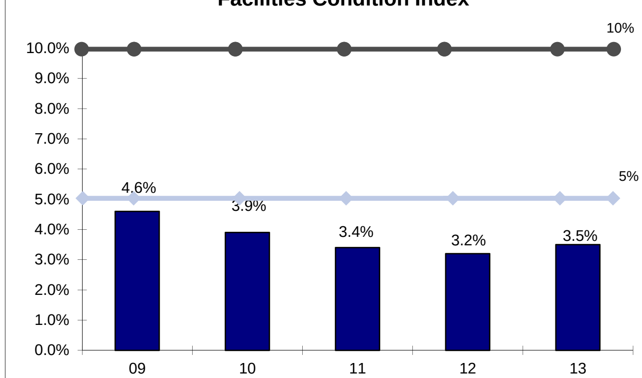
Actual Debt Service to Operations Ratio



Facilities Renewal Backlog

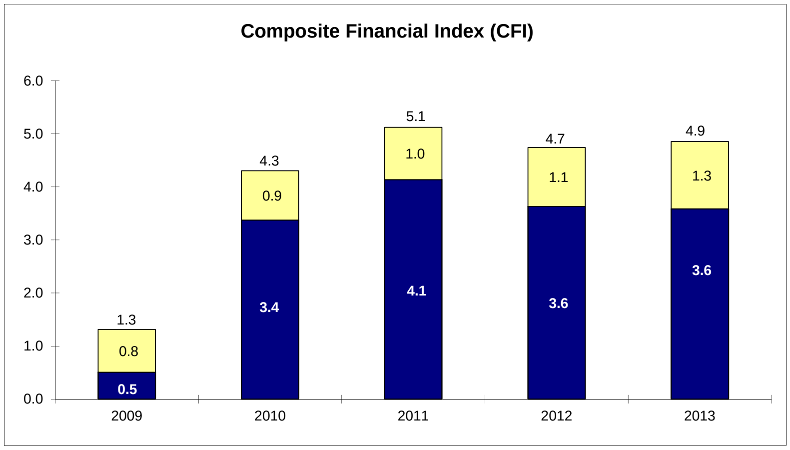


Facilities Condition Index

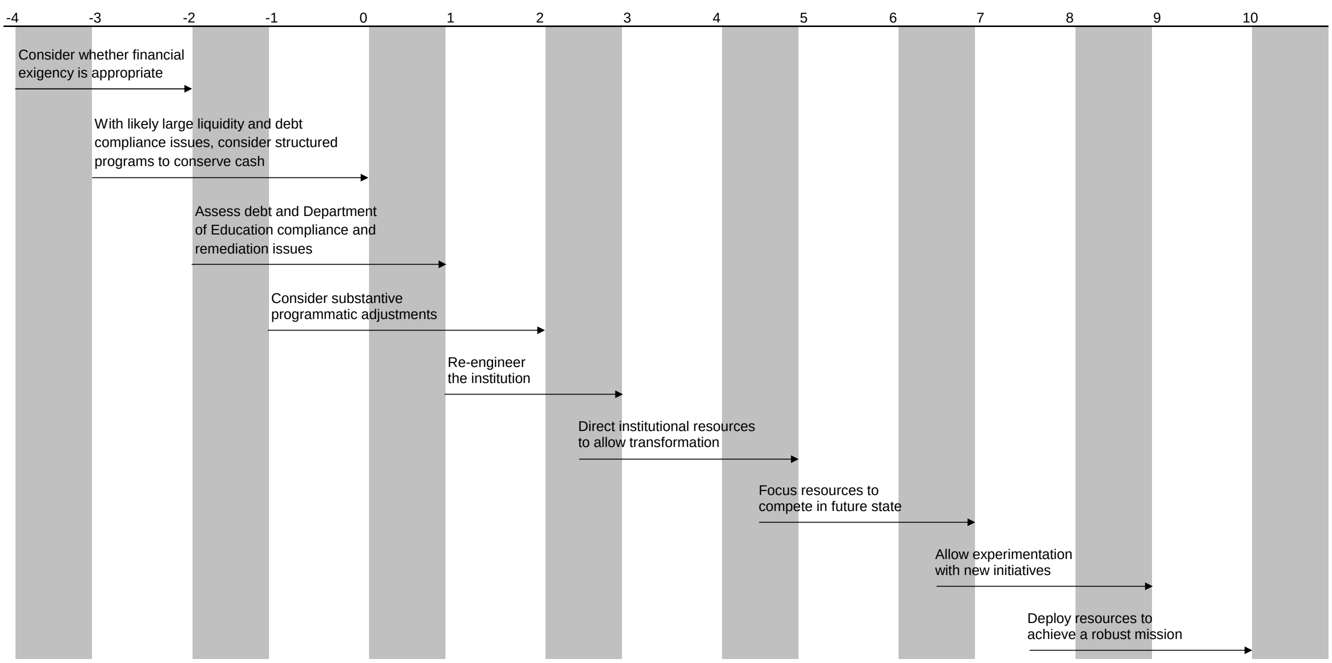


*Restated from prior year reports.

KEY INDICATORS OF FINANCIAL HEALTH
2009 THROUGH 2013

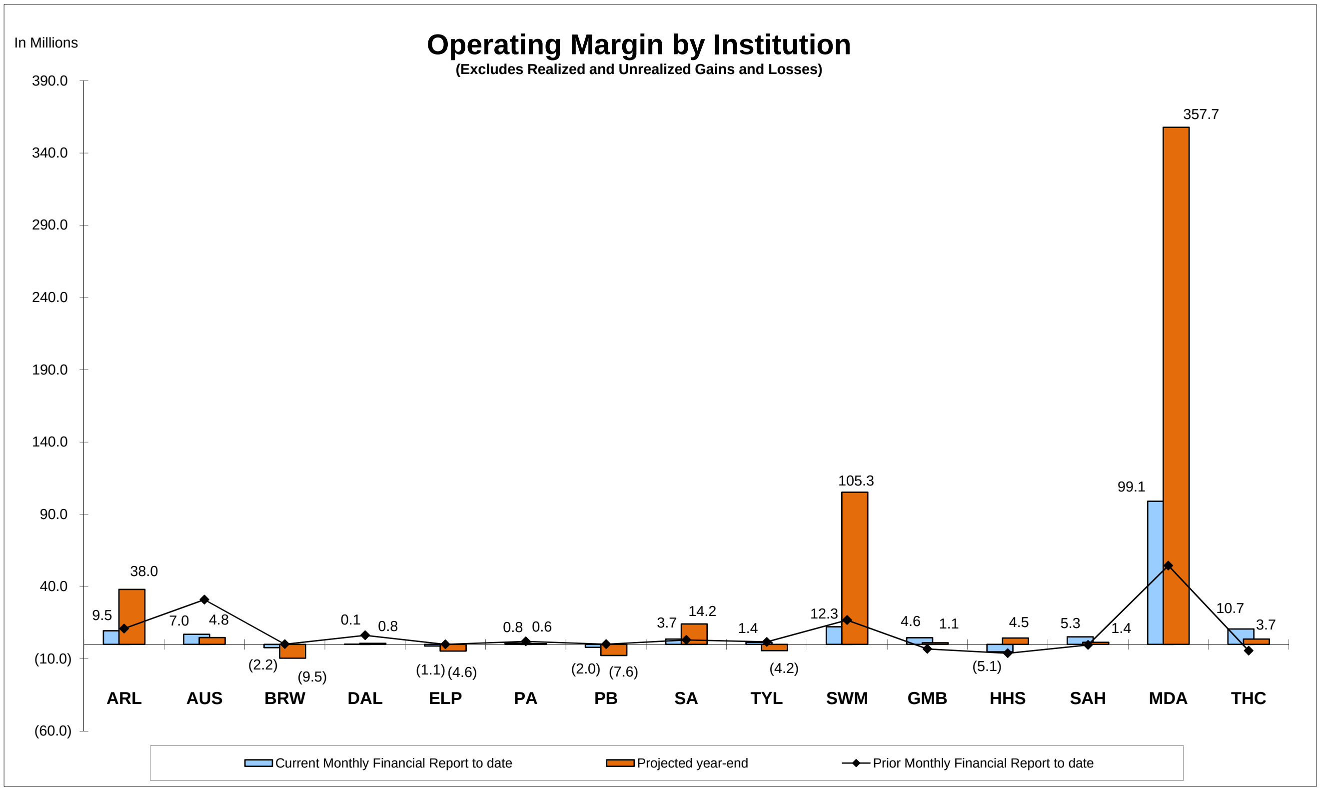


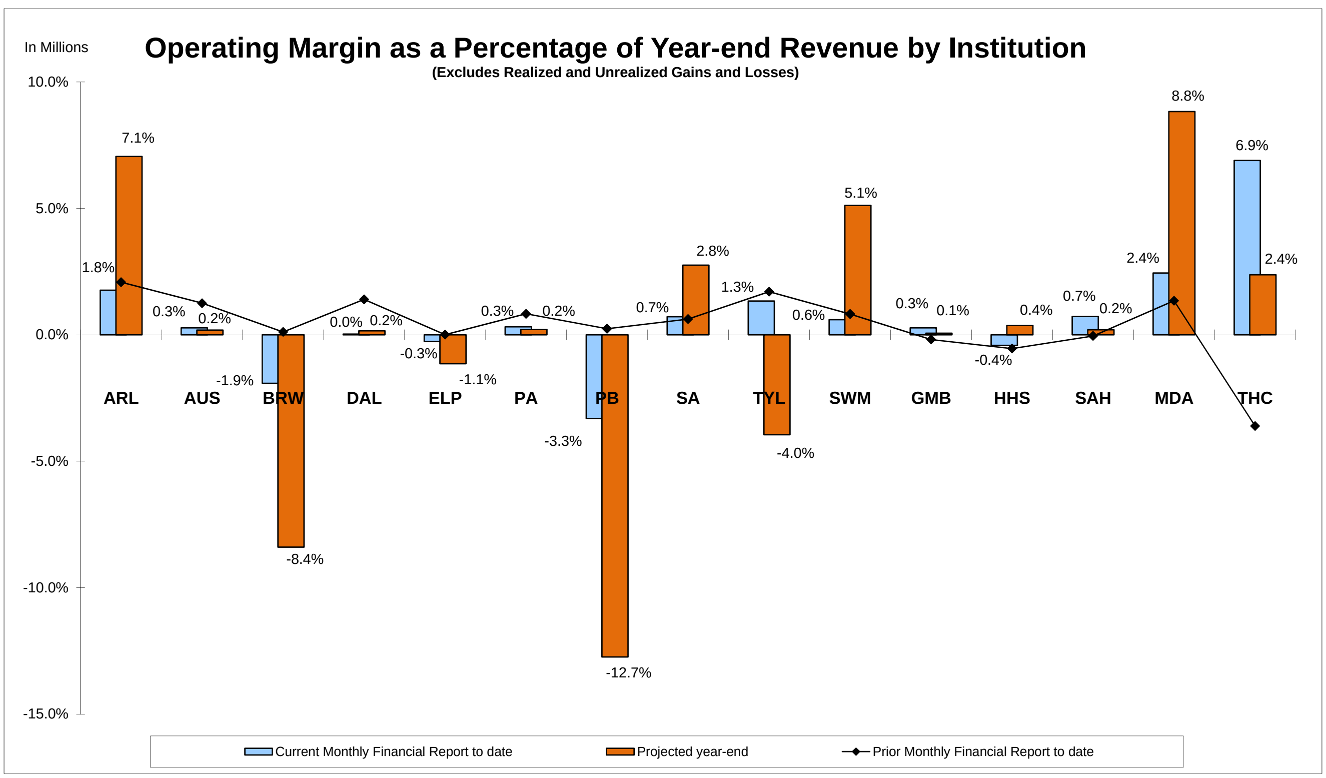
Scale for Charting CFI Performance



Source: Strategic Financial Analysis for Higher Education, Seventh Edition

KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2013 AND 2014 FROM NOVEMBER MONTHLY FINANCIAL REPORT
PROJECTED 2014 YEAR-END MARGIN





THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

MONTHLY FINANCIAL REPORT

(unaudited)

DECEMBER 2013

201 Seventh Street, ASH 5th Floor
Austin, Texas 78701
512.499.4527
www.utsystem.edu/cont

THE UNIVERSITY OF TEXAS SYSTEM
MONTHLY FINANCIAL REPORT
(Unaudited)
FOR THE FOUR MONTHS ENDING
DECEMBER 31, 2013

The University of Texas System
Monthly Financial Report

Foreword

The Monthly Financial Report (MFR) compares the results of operations between the current year-to-date cumulative amounts and the prior year-to-date cumulative amounts. Explanations are provided for institutions having the largest variances in Adjusted Income (Loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. In addition, although no significant variance may exist, institutions with losses may be discussed.

The data is reported in three sections: (1) Operating Revenues, (2) Operating Expenses, and (3) Other Nonoperating Adjustments. Presentation of state appropriation revenues are required under GASB 35 to be reflected as nonoperating revenues, so all institutions will report an Operating Loss prior to this adjustment. The MFR provides an Adjusted Income (Loss), which takes into account the nonoperating adjustments associated with core operating activities. An Adjusted Margin (as a percentage of operating and nonoperating revenue adjustments) is calculated for each period and is intended to reflect relative operating contributions to financial health.

UNAUDITED

The University of Texas System Consolidated
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	500,498,160.49	499,750,361.56	747,798.93	0.1%
Sponsored Programs	897,347,624.27	911,198,612.49	(13,850,988.22)	-1.5%
Net Sales and Services of Educational Activities	194,429,260.73	184,011,608.89	10,417,651.84	5.7%
Net Sales and Services of Hospitals	1,529,743,317.28	1,385,283,907.55	144,459,409.73	10.4%
Net Professional Fees	436,984,812.58	402,199,070.05	34,785,742.53	8.6%
Net Auxiliary Enterprises	191,294,014.65	180,889,249.09	10,404,765.56	5.8%
Other Operating Revenues	105,351,811.12	82,566,171.73	22,785,639.39	27.6%
Total Operating Revenues	**3,855,649,001.12**	**3,645,898,981.36**	**209,750,019.76**	**5.8%**
Operating Expenses				
Salaries and Wages	2,311,822,596.19	2,248,749,450.00	63,073,146.19	2.8%
Payroll Related Costs	586,566,183.68	549,862,976.11	36,703,207.57	6.7%
Cost of Goods Sold	40,159,266.18	28,747,648.61	11,411,617.57	39.7%
Professional Fees and Services	114,799,071.13	121,321,698.69	(6,522,627.56)	-5.4%
Other Contracted Services	217,491,876.27	194,209,500.66	23,282,375.61	12.0%
Travel	45,482,885.22	44,580,287.11	902,598.11	2.0%
Materials and Supplies	497,815,446.23	475,671,329.90	22,144,116.33	4.7%
Utilities	92,851,596.16	98,948,229.92	(6,096,633.76)	-6.2%
Communications	49,787,029.76	42,661,109.11	7,125,920.65	16.7%
Repairs and Maintenance	83,204,430.85	85,771,220.42	(2,566,789.57)	-3.0%
Rentals and Leases	47,970,056.84	47,349,325.56	620,731.28	1.3%
Printing and Reproduction	11,059,862.13	8,988,671.59	2,071,190.54	23.0%
Bad Debt Expense	493,462.65	207,842.86	285,619.79	137.4%
Claims and Losses	2,422,090.26	2,399,274.34	22,815.92	1.0%
Increase in Net OPEB Obligation	178,537,029.00	165,738,185.00	12,798,844.00	7.7%
Scholarships and Fellowships	127,479,446.15	159,995,310.25	(32,515,864.10)	-20.3%
Depreciation and Amortization	383,477,195.07	352,952,771.93	30,524,423.14	8.6%
Federal Sponsored Program Pass-Through to Other State Agencies	3,872,190.73	10,138,429.82	(6,266,239.09)	-61.8%
State Sponsored Program Pass-Through to Other State Agencies	1,346,984.85	917,684.23	429,300.62	46.8%
Other Operating Expenses	129,489,709.72	115,440,280.93	14,049,428.79	12.2%
Total Operating Expenses	**4,926,128,409.07**	**4,754,651,227.04**	**171,477,182.03**	**3.6%**
Operating Loss	**(1,070,479,407.95)**	**(1,108,752,245.68)**	**38,272,837.73**	**3.5%**
Other Nonoperating Adjustments				
State Appropriations	699,300,280.66	640,790,744.90	58,509,535.76	9.1%
Nonexchange Sponsored Programs	62,814,341.94	137,415,810.48	(74,601,468.54)	-54.3%
Gift Contributions for Operations	134,551,409.75	106,609,217.26	27,942,192.49	26.2%
Net Investment Income	423,236,548.94	310,567,386.86	112,669,162.08	36.3%
Interest Expense on Capital Asset Financings	(91,692,191.20)	(95,928,313.80)	4,236,122.60	4.4%
Net Other Nonoperating Adjustments	**1,228,210,390.09**	**1,099,454,845.70**	**128,755,544.39**	**11.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**157,730,982.14**	**(9,297,399.98)**	**167,028,382.12**	**1,796.5%**
Adjusted Margin % including Depreciation & Amortization	**3.0%**	**-0.2%**		
Investment Gain (Losses)	1,373,229,095.40	790,389,195.30	582,839,900.10	73.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**1,530,960,077.54**	**781,091,795.32**	**749,868,282.22**	**96.0%**
Adj. Margin % with Investment Gains (Losses)	**23.4%**	**13.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**541,208,177.21**	**343,655,371.95**	**197,552,805.26**	**57.5%**
Adjusted Margin % excluding Depreciation & Amortization	**10.5%**	**7.1%**		

The University of Texas System
Comparison of Adjusted Income (Loss)
For the Four Months Ending December 31, 2013

	Including Depreciation and Amortization Expense					
	December Year-to-Date FY 2014		**December Year-to-Date FY 2013**	**Variance**		**Fluctuation Percentage**
U. T. System Administration	$ 33,081,254.98		$ (73,401,728.85)	106,482,983.83	(1)	145.1%
U. T. Arlington	12,158,672.85		10,938,514.65	1,220,158.20		11.2%
U. T. Austin	5,176,913.61		26,841,751.79	(21,664,838.18)	(2)	-80.7%
U. T. Brownsville	(2,864,523.20)		72,407.39	(2,936,930.59)	(3)	-4,056.1%
U. T. Dallas	396,214.81		1,278,258.01	(882,043.20)	(4)	-69.0%
U. T. El Paso	(1,459,671.99)		64,043.69	(1,523,715.68)	(5)	-2,379.2%
U. T. Pan American	3,103,093.06		3,716,859.09	(613,766.03)		-16.5%
U. T. Permian Basin	(2,760,801.61)	(6)	(3,056,435.37)	295,633.76		9.7%
U. T. San Antonio	3,159,222.31		5,452,860.43	(2,293,638.12)	(7)	-42.1%
U. T. Tyler	(275,486.71)	(8)	(83,407.31)	(192,079.40)		-230.3%
U. T. Southwestern Medical Center	16,234,629.62		30,660,153.62	(14,425,524.00)	(9)	-47.0%
U. T. Medical Branch - Galveston	1,090,275.84		(4,395,285.21)	5,485,561.05	(10)	124.8%
U. T. Health Science Center - Houston	(9,120,692.33)		(6,177,922.45)	(2,942,769.88)	(11)	-47.6%
U. T. Health Science Center - San Antonio	4,306,741.42		(2,458,883.19)	6,765,624.61	(12)	275.2%
U. T. M. D. Anderson Cancer Center	164,648,508.60		73,088,842.02	91,559,666.58	(13)	125.3%
U. T. Health Science Center - Tyler	9,049,458.55		(4,741,761.62)	13,791,220.17	(14)	290.8%
Elimination of AUF Transfer	(78,192,827.67)		(67,095,666.67)	(11,097,161.00)		-16.5%
Total Adjusted Income (Loss)	157,730,982.14		(9,297,399.98)	167,028,382.12		1,796.5%
Investment Gains (Losses)	1,373,229,095.40		790,389,195.30	582,839,900.10		73.7%
Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization	**$ 1,530,960,077.54**		**$ 781,091,795.32**	**$ 749,868,282.22**		**96.0%**

	Excluding Depreciation and Amortization Expense			
	December Year-to-Date FY 2014	**December Year-to-Date FY 2013**	**Variance**	**Fluctuation Percentage**
U. T. System Administration	$ 35,500,829.15	$ (71,145,980.75)	106,646,809.90	149.9%
U. T. Arlington	27,026,679.93	23,261,777.74	3,764,902.19	16.2%
U. T. Austin	105,843,580.28	115,175,085.12	(9,331,504.84)	-8.1%
U. T. Brownsville	(73,053.50)	2,761,821.51	(2,834,875.01)	-102.6%
U. T. Dallas	17,900,823.34	14,995,552.53	2,905,270.81	19.4%
U. T. El Paso	7,913,643.82	8,865,623.53	(951,979.71)	-10.7%
U. T. Pan American	8,412,251.59	8,770,706.50	(358,454.91)	-4.1%
U. T. Permian Basin	1,805,865.06	843,564.63	962,300.43	114.1%
U. T. San Antonio	18,397,181.27	19,646,967.41	(1,249,786.14)	-6.4%
U. T. Tyler	3,500,381.70	3,699,130.36	(198,748.66)	-5.4%
U. T. Southwestern Medical Center	55,181,257.56	65,910,719.11	(10,729,461.55)	-16.3%
U. T. Medical Branch - Galveston	36,352,553.18	26,104,714.79	10,247,838.39	39.3%
U. T. Health Science Center - Houston	9,812,773.47	12,366,600.33	(2,553,826.86)	-20.7%
U. T. Health Science Center - San Antonio	20,973,408.09	13,874,450.14	7,098,957.95	51.2%
U. T. M. D. Anderson Cancer Center	258,657,361.58	167,394,205.38	91,263,156.20	54.5%
U. T. Health Science Center - Tyler	12,195,468.36	(1,773,899.71)	13,969,368.07	787.5%
Elimination of AUF Transfer	(78,192,827.67)	(67,095,666.67)	(11,097,161.00)	-16.5%
Total Adjusted Income (Loss)	541,208,177.21	343,655,371.95	197,552,805.26	57.5%
Total Adjusted Income (Loss) Excluding Depreciation and Amortization	**$ 541,208,177.21**	**$ 343,655,371.95**	**$ 197,552,805.26**	**57.5%**

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Four Months Ending December 31, 2013

Explanations are provided for institutions having the largest variances in adjusted income (loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. Explanations are also provided for institutions with a current year-to-date adjusted loss and/or a projected year-to-date loss.

(1) *U. T. System Administration* - The $106.5 million (145.1%) increase in adjusted income as compared to adjusted loss for the same period last year was primarily due to increases in oil royalties and oil and gas lease bonus sales, which are a component of net investment income. Also contributing to the variance were increases in sponsored program revenue received for the 2014-2015 biennium for the Joint Admission Medical Program. Excluding depreciation and amortization expense, *U. T. System Administration's* adjusted income was $35.5 million or 11.9%. *U. T. System Administration* anticipates ending the year with a $50.2 million loss, which represents -7.1% of projected revenues and includes the accrual for Other Postemployment Benefits (OPEB) expense for the entire *U. T. System*.

(2) *U. T. Austin* – The $21.7 million (80.7%) decrease in adjusted income over the same period last year was primarily attributable to increases in depreciation and amortization expense and communications expense, as well as a decrease in gift contributions for operations. Excluding depreciation and amortization expense, *U. T. Austin's* adjusted income was $105.8 million or 12.1%.

(3) *U. T. Brownsville* – The $2.9 million (4,056.1%) increase in adjusted loss as compared to adjusted income for the same period last year was primarily attributable to state appropriations being held in trust by the Texas Higher Education Coordinating Board until the fall 2013 semester enrollment is certified as a result of the termination of the Texas Southmost College (TSC) partnership. As a result, *U. T. Brownsville* incurred a year-to-date loss of $2.9 million. Excluding depreciation and amortization expense, *U. T. Brownsville's* adjusted loss was $73,100 or -0.2%. *U. T. Brownsville* anticipates ending the year with a $9.2 million loss which represents -8.0% of projected revenues and includes $8.5 million of depreciation and amortization expense. The projected loss will diminish once the additional state appropriations are available.

(4) *U. T. Dallas* - The $0.9 million (69.0%) decrease in adjusted income over the same period last year was primarily attributable to a decrease in nonexchange sponsored program revenue as a result of the timing of revenue recognition of Texas Research Incentive Program funding in 2013 versus when the expenses were incurred. Excluding depreciation and amortization expense, *U. T. Dallas'* adjusted income was $17.9 million or 11.1%.

(5) *U. T. El Paso* - The $1.5 million (2,379.2%) increase in adjusted loss as compared to adjusted income for the same period last year was primarily attributable to increased depreciation and amortization expense due to growth of buildings and research infrastructure, and due to an increase in tuition exemption scholarship expense, primarily related to the Hazelwood and Hazelwood Legacy programs. As a result, *U. T. El Paso* incurred a year-to-date loss of $1.5 million. Excluding depreciation and amortization expense, *U. T. El Paso's* adjusted income was $7.9 million or 6.8%. *U. T. El Paso* anticipates ending the year with a $4.7 million loss which represents -1.2% of projected revenues and includes $28.3 million of depreciation and amortization expense.

(6) *U. T. Permian Basin* – The year-to-date loss of $2.8 million was primarily due to increases in salaries and wages, payroll related costs, and depreciation and amortization expense. The booming oil economy in Midland and Odessa has resulted in *U. T. Permian Basin* raising salaries to attract and retain personnel. Excluding depreciation and amortization expense, *U. T. Permian Basin's* adjusted income was $1.8 million or 8.6%. *U. T. Permian Basin* anticipates ending the year with a $6.9 million loss which represents -11.4% of projected revenues and includes $13.7 million of depreciation and amortization expense.

(7) *U. T. San Antonio* – The $2.3 million (42.1%) decrease in adjusted income over the same period last year was primarily attributable to decreased net student tuition revenue, which was the direct result of the more stringent enrollment standards that have been put in place. Excluding depreciation and amortization expense, *U. T. San Antonio's* adjusted income was $18.4 million or 11.0%.

(8) *U. T. Tyler* – The year-to-date loss of $0.3 million was primarily attributable to increases in salaries and wages and payroll related costs due to Innovation Academy, as well as an overall increase in faculty and staff. Excluding depreciation and amortization expense, *U. T. Tyler's* adjusted income was $3.5 million or 9.7%. *U. T. Tyler* anticipates ending the year with a $4.0 million loss, which represents -3.8% of projected revenues and includes $11.5 million of depreciation and amortization expense. The projected loss is the result of an increase in personnel and renovation projects across the campus. *U. T. Tyler's* use of prior year balances was approved by *U. T. System Administration* for 2014 for one-time nonrecurring expenses.

(9) *U. T. Southwestern Medical Center* - The $14.4 million (47.0%) decrease in adjusted income over the same period last year was primarily attributable to increases in operating expenses including the following: other contracted services expense as a result of increased subcontracts and service maintenance contracts for software; materials and supplies expense for increased purchases of drugs, implants, software licenses, and chemicals and reagents; and depreciation and amortization expense mainly related to software and equipment. Excluding depreciation and amortization expense, *Southwestern's* adjusted income was $55.2 million or 8.0%.

(10) *U. T. Medical Branch - Galveston* - The $5.5 million (124.8%) increase in adjusted income as compared to adjusted loss for the same period last year was primarily attributable to an increase in state appropriations. Excluding depreciation and amortization expense, *UTMB's* adjusted income was $36.4 million or 6.7%. *UTMB* is currently projecting a positive margin of $1.1 million for 2014, which represents 0.1% of projected revenues and includes depreciation and amortization expense of $106.8 million.

(11) *U. T. Health Science Center - Houston* – The $2.9 million (47.6%) increase in adjusted loss over the same period last year was primarily due to the fact that no revenue from the Medicaid Section 1115 Demonstration program has been recognized thus far in 2014 as the milestones have not been met for recognition; however, expenses relating to the programs have been incurred. As a result, *UTHSC-Houston* incurred a year-to-date loss of $9.1 million. Excluding depreciation and amortization expense, *UTHSC-Houston's* adjusted income was $9.8 million or 2.6%. *UTHSC-Houston* anticipates ending the year with a positive margin of $4.5 million, which represents 0.4% of projected revenues and includes $58.2 million of depreciation and amortization expense.

(12) *U. T. Health Science Center - San Antonio* - The $6.8 million (275.2%) increase in adjusted income as compared to adjusted loss over the same period last year was primarily due to the Delivery System Reform Incentive Payment (DSRIP) revenue received during the first quarter of 2014 with no corresponding DSRIP revenue in the first quarter of 2013. Additionally, net investment income increased due to a $2.3 million surrender of Vidacare stock associated with patent ventures. Excluding depreciation and amortization expense, *UTHSC-San Antonio's* adjusted income was $21.0 million or 8.5%. *UTHSC-San Antonio* anticipates ending the year with $2.2 million in adjusted income, which represents 0.3% of projected revenues and includes $50.0 million of depreciation and amortization expense.

(13) *U. T. M. D. Anderson Cancer Center* – The $91.6 million (125.3%) increase in adjusted income over the same period last year was primarily attributable to an increase in net sales and services of hospitals as a result of increases in hospital admissions, patient and observation days, and outpatient visits. Excluding depreciation and amortization expense, *M. D. Anderson's* adjusted income was $258.7 million or 18.9%.

(14) *U. T. Health Science Center - Tyler* - The $13.8 million (290.8%) increase in adjusted income as compared to adjusted loss for the same period last year was primarily attributable to $18.8 million of DSRIP revenue received during the first quarter of 2014 with no corresponding revenue in the first quarter of 2013. DSRIP related expenses associated with that revenue were only $4.2 million. Without DSRIP, *UTHSC-Tyler* would have incurred a loss of $5.6 million. Excluding depreciation and amortization expense, *UTHSC-Tyler* had adjusted income of $12.2 million or 19.8%. *UTHSC-Tyler* is currently projecting a positive margin of $3.7 million for 2014, which represents 2.4% of projected revenues and includes $9.5 million of depreciation and amortization expense.

GLOSSARY OF TERMS

OPERATING REVENUES:

NET STUDENT TUITION – All student tuition and fee revenues earned at the UT institution for educational purposes, net of tuition discounting.

SPONSORED PROGRAMS – Funding received from local, state and federal governments or private agencies, organizations or individuals, excluding Federal Pell Grant Program which is reported as nonoperating. Includes amounts received for services performed on grants, contracts, and agreements from these entities for current operations. This also includes indirect cost recoveries and pass-through federal and state grants.

NET SALES AND SERVICES OF EDUCATIONAL ACTIVITIES – Revenues that are related to the conduct of instruction, research, and public service and revenues from activities that exist to provide an instructional and laboratory experience for students that create goods and services that may be sold.

NET SALES AND SERVICES OF HOSPITALS – Revenues (net of discounts, allowances, and bad debt expense) generated from UT health institution's daily patient care, special or other services, as well as revenues from health clinics that are part of a hospital.

NET PROFESSIONAL FEES – Revenues (net of discounts, allowances, and bad debt expense) derived from the fees charged by the professional staffs at UT health institutions as part of the Medical Practice Plans. These revenues are also identified as Practice Plan income. Examples of such fees include doctor's fees for clinic visits, medical and dental procedures, professional opinions, and anatomical procedures, such as analysis of specimens after a surgical procedure, etc.

NET AUXILIARY ENTERPRISES – Revenues derived from a service to students, faculty, or staff in which a fee is charged that is directly related to, although not necessarily equal to the cost of the service (e.g., bookstores, dormitories, dining halls, snack bars, inter-collegiate athletic programs, etc.).

OTHER OPERATING REVENUES – Other revenues generated from sales or services provided to meet current fiscal year operating expenses, which are not included in the preceding categories (e.g., certified nonprofit healthcare company revenues, donated drugs, interest on student loans, etc.) Other receipts for settlements, judgments and lawsuits are considered nonoperating revenues.

OPERATING EXPENSES:

SALARIES AND WAGES – Expenses for all salaries and wages of individuals employed by the institution including full-time, part-time, longevity, hourly, seasonal, etc. Includes salary augmentation and incentive compensation.

PAYROLL RELATED COSTS – Expenses for all employee benefits paid by the institution or paid by the state on behalf of the institution. Includes supplemental retirement annuities.

COST OF GOODS SOLD – Purchases of goods for resale and raw materials purchased for use in the manufacture of products intended for sale to others.

PROFESSIONAL FEES AND SERVICES – Payments for services rendered on a fee, contract, or other basis by a person, firm, corporation, or company recognized as possessing a high degree of learning and responsibility. Includes such items as services of a consultant, legal counsel, financial or audit fees, medical contracted services, guest lecturers (not employees) and expert witnesses.

OTHER CONTRACTED SERVICES – Payments for services rendered on a contractual basis by a person, firm, corporation or company that possess a lesser degree of learning and responsibility than that required for Professional Fees and Services. Includes such items as temporary employment expenses, janitorial services, dry cleaning services, etc.

TRAVEL – Payments for travel costs incurred by employees and board members for meetings and training.

MATERIALS AND SUPPLIES – Payments for consumable items. Includes, but is not limited to: computer consumables, office supplies, paper products, soap, lights, plants, fuels and lubricants, chemicals and gasses, medical supplies and copier supplies. Also includes postal services, and subscriptions and other publications not for permanent retention.

UTILITIES – Payments for the purchase of electricity, natural gas, water, and thermal energy.

COMMUNICATIONS - Electronically transmitted communications services (telephone, internet, computation center services, etc.).

REPAIRS AND MAINTENANCE – Payments for the maintenance and repair of equipment, furnishings, motor vehicles, buildings and other plant facilities, and waste disposal. Includes, but is not limited to repair and maintenance to copy machines, furnishings, equipment – including medical and laboratory equipment, office equipment and aircraft.

RENTALS AND LEASES – Payments for rentals or leases of furnishings and equipment, vehicles, land and office buildings (all rental of space).

PRINTING AND REPRODUCTION – Printing and reproduction costs associated with the printing/copying of the institution's documents and publications.

BAD DEBT EXPENSE – Expenses incurred by the university related to nonrevenue receivables such as non-payment of student loans.

CLAIMS AND LOSSES – Payments for claims from self-insurance programs. Other claims for settlements, judgments and lawsuits are considered nonoperating expenses.

INCREASE IN NET OPEB OBLIGATION – The change in the actuarially estimated liability of the cost of providing healthcare benefits to UT System's employees after they separate from employment (retire).

SCHOLARSHIPS AND FELLOWSHIPS – Payments made for scholarship grants to students authorized by law, net of tuition discounting.

FEDERAL SPONSORED PROGRAM PASS-THROUGHS TO OTHER STATE AGENCIES – Pass-throughs to other Texas state agencies, including other universities, of federal grants and contracts.

STATE SPONSORED PROGRAM PASS-THROUGHS TO OTHER STATE AGENCIES – Pass-throughs to other Texas state agencies, including Texas universities.

DEPRECIATION AND AMORTIZATION – Depreciation on capital assets and amortization expense on intangible assets.

OTHER OPERATING EXPENSES – Other operating expenses not identified in other line items above (e.g., certified non-profit healthcare company expenses, property taxes, insurance premiums, credit card fees, hazardous waste disposal expenses, meetings and conferences, etc.). Other claims for settlements, judgments and lawsuits are considered nonoperating expenses.

OPERATING LOSS – Total operating revenues less total operating expenses before other nonoperating adjustments like state appropriations.

OTHER NONOPERATING ADJUSTMENTS:

STATE APPROPRIATIONS – Appropriations from the State General Revenue fund, which supplement the UT institutional revenue in meeting operating expenses, such as faculty salaries, utilities, and institutional support.

NONEXCHANGE SPONSORED PROGRAMS – Funding received for the Federal Pell Grant Program, the portion of "state appropriations" funded by the American Recovery and Reinvestment Act, Texas Research Incentive Program (TRIP) and Enrollment Growth funding.

GIFT CONTRIBUTIONS FOR OPERATIONS – Consist of gifts from donors received for use in current operations, excluding gifts for capital acquisition and endowment gifts. Gifts for capital acquisition which can only be used to build or buy capital assets are excluded because they cannot be used to support current operations. Endowment gifts must be held in perpetuity and cannot be spent. The distributed income from endowment gifts must be spent according to the donor's stipulations.

NET INVESTMENT INCOME (on institutions' sheets) – Interest and dividend income on treasury balances, bank accounts, Short Term Fund, Intermediate Term Fund and Long Term Fund. It also includes distributed earnings from the Permanent Health Fund and patent and royalty income.

NET INVESTMENT INCOME (on the consolidated sheet) – Interest and dividend earnings of the Permanent University Fund, Short Term Fund, Intermediate Term Fund, Long Term Fund and Permanent Health Fund. This line item also includes the Available University Fund surface income, oil and gas royalties, and mineral lease bonus sales.

INTEREST EXPENSE ON CAPITAL ASSET FINANCINGS - Interest expenses associated with bond and note borrowings utilized to finance capital improvement projects by an institution. This consists of the interest portion of mandatory debt service transfers under the Revenue Financing System, Tuition Revenue bond and Permanent University Fund (PUF) bond programs. PUF interest expense is reported on System Administration as the debt legally belongs to the Board of Regents.

ADJUSTED INCOME (LOSS) including Depreciation and Amortization – Total operating revenues less total operating expenses including depreciation and amortization expense plus net other nonoperating adjustments.

ADJUSTED MARGIN % including Depreciation and Amortization – Percentage of Adjusted Income (Loss) including depreciation and amortization expense divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

AVAILABLE UNIVERSITY FUND TRANSFER – Includes Available University Fund (AUF) transfer to System Administration for Educational and General operations and to UT Austin for Excellence Funding. These transfers are funded by investment earnings from the Permanent University Fund (PUF), which are required by law to be reported in the PUF at System Administration. On the MFR, investment income for System Administration has been reduced for the amount of the System Administration transfer so as not to overstate investment income for System Administration. The AUF transfers are eliminated at the consolidated level to avoid overstating System-wide revenues, as the amounts will be reflected as transfers at year-end.

INVESTMENT GAINS (LOSSES) – Realized and unrealized gains and losses on investments.

ADJUSTED INCOME (LOSS) excluding Depreciation and Amortization – Total operating revenues less total operating expenses excluding depreciation and amortization expense plus net other nonoperating adjustments.

ADJUSTED MARGIN % excluding Depreciation and Amortization – Percentage of Adjusted Income (Loss) excluding depreciation and amortization expense divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

UNAUDITED

The University of Texas System Administration
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	10,206,794.00	-	10,206,794.00	100.0%
Net Sales and Services of Educational Activities	15,885,890.62	8,423,060.64	7,462,829.98	88.6%
Other Operating Revenues	19,740,305.34	25,229,713.92	(5,489,408.58)	-21.8%
Total Operating Revenues	**45,832,989.96**	**33,652,774.56**	**12,180,215.40**	**36.2%**
Operating Expenses				
Salaries and Wages	14,618,626.58	13,202,250.54	1,416,376.04	10.7%
Payroll Related Costs	3,800,624.79	3,269,174.46	531,450.33	16.3%
Professional Fees and Services	1,553,967.34	6,737,302.06	(5,183,334.72)	-76.9%
Other Contracted Services	15,173,658.19	5,785,721.80	9,387,936.39	162.3%
Travel	578,810.73	576,156.61	2,654.12	0.5%
Materials and Supplies	4,489,936.32	9,609,428.24	(5,119,491.92)	-53.3%
Utilities	141,044.92	162,844.58	(21,799.66)	-13.4%
Communications	3,263,722.17	3,061,385.36	202,336.81	6.6%
Repairs and Maintenance	1,625,956.88	2,116,616.06	(490,659.18)	-23.2%
Rentals and Leases	375,153.46	414,158.86	(39,005.40)	-9.4%
Printing and Reproduction	74,161.53	132,319.36	(58,157.83)	-44.0%
Claims and Losses	2,422,090.26	2,399,274.34	22,815.92	1.0%
Increase in Net OPEB Obligation	178,537,029.00	165,738,185.00	12,798,844.00	7.7%
Scholarships and Fellowships	210,200.00	145,500.00	64,700.00	44.5%
Depreciation and Amortization	2,419,574.17	2,255,748.10	163,826.07	7.3%
State Sponsored Program Pass-Through to Other State Agencies	859,058.85	903,186.10	(44,127.25)	-4.9%
Other Operating Expenses	13,687,975.72	10,019,328.95	3,668,646.77	36.6%
Total Operating Expenses	**243,831,590.91**	**226,528,580.42**	**17,303,010.49**	**7.6%**
Operating Loss	**(197,998,600.95)**	**(192,875,805.86)**	**(5,122,795.09)**	**-2.7%**
Other Nonoperating Adjustments				
State Appropriations	9,525,487.08	374,755.96	9,150,731.12	2,441.8%
Nonexchange Sponsored Programs	2,136,372.00	2,302,738.14	(166,366.14)	-7.2%
Gift Contributions for Operations	396,415.93	375,967.95	20,447.98	5.4%
Net Investment Income	223,669,898.97	124,638,185.64	99,031,713.33	79.5%
Interest Expense on Capital Asset Financings	(20,330,276.38)	(21,243,879.68)	913,603.30	4.3%
Net Other Nonoperating Adjustments	**215,397,897.60**	**106,447,768.01**	**108,950,129.59**	**102.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**17,399,296.65**	**(86,428,037.85)**	**103,827,334.50**	**120.1%**
Adjusted Margin % including Depreciation & Amortization	**6.2%**	**-53.6%**		
Available University Fund Transfer	15,681,958.33	13,026,309.00	2,655,649.33	20.4%
Adjusted Income (Loss) with AUF Transfer	**33,081,254.98**	**(73,401,728.85)**	**106,482,983.83**	**145.1%**
Adjusted Margin % with AUF Transfer	**11.1%**	**-42.1%**		
Investment Gain (Losses)	927,071,154.66	637,905,547.35	289,165,607.31	45.3%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$960,152,409.64**	**$564,503,818.50**	**$395,648,591.14**	**70.1%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**78.4%**	**69.5%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**35,500,829.15**	**(71,145,980.75)**	**106,646,809.90**	**149.9%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**11.9%**	**-40.8%**		

UNAUDITED

The University of Texas at Arlington
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	74,126,436.53	70,754,873.88	3,371,562.65	4.8%
Sponsored Programs	22,776,765.71	25,773,545.47	(2,996,779.76)	-11.6%
Net Sales and Services of Educational Activities	6,397,362.80	6,159,471.47	237,891.33	3.9%
Net Auxiliary Enterprises	12,208,536.88	12,383,198.27	(174,661.39)	-1.4%
Other Operating Revenues	1,438,691.82	1,556,163.95	(117,472.13)	-7.5%
Total Operating Revenues	**116,947,793.74**	**116,627,253.04**	**320,540.70**	**0.3%**
Operating Expenses				
Salaries and Wages	78,100,086.67	76,685,283.33	1,414,803.34	1.8%
Payroll Related Costs	19,163,789.87	18,463,160.11	700,629.76	3.8%
Cost of Goods Sold	1,177.64	935.32	242.32	25.9%
Professional Fees and Services	2,021,187.13	2,722,184.38	(700,997.25)	-25.8%
Other Contracted Services	15,474,546.61	14,559,681.93	914,864.68	6.3%
Travel	2,331,848.61	2,198,267.09	133,581.52	6.1%
Materials and Supplies	6,695,470.41	8,333,424.89	(1,637,954.48)	-19.7%
Utilities	2,984,133.31	3,009,733.19	(25,599.88)	-0.9%
Communications	2,452,274.18	2,960,593.98	(508,319.80)	-17.2%
Repairs and Maintenance	3,639,443.21	3,621,578.99	17,864.22	0.5%
Rentals and Leases	1,117,433.73	1,359,579.10	(242,145.37)	-17.8%
Printing and Reproduction	848,973.15	463,738.68	385,234.47	83.1%
Bad Debt Expense	333,333.33	153,559.73	179,773.60	117.1%
Scholarships and Fellowships	10,805,507.46	10,194,172.52	611,334.94	6.0%
Depreciation and Amortization	14,868,007.08	12,323,263.09	2,544,743.99	20.6%
Federal Sponsored Program Pass-Through to Other State Agencies	60,275.52	335,682.04	(275,406.52)	-82.0%
State Sponsored Program Pass-Through to Other State Agencies	54,186.99	14,498.13	39,688.86	273.8%
Other Operating Expenses	2,225,230.52	2,566,147.39	(340,916.87)	-13.3%
Total Operating Expenses	**163,176,905.42**	**159,965,483.89**	**3,211,421.53**	**2.0%**
Operating Loss	**(46,229,111.68)**	**(43,338,230.85)**	**(2,890,880.83)**	**-6.7%**
Other Nonoperating Adjustments				
State Appropriations	39,414,461.00	38,132,797.67	1,281,663.33	3.4%
Nonexchange Sponsored Programs	15,000,000.00	15,000,000.00	-	-
Gift Contributions for Operations	3,808,576.72	1,733,712.16	2,074,864.56	119.7%
Net Investment Income	4,628,461.49	4,112,265.75	516,195.74	12.6%
Interest Expense on Capital Asset Financings	(4,463,714.68)	(4,702,030.08)	238,315.40	5.1%
Net Other Nonoperating Adjustments	**58,387,784.53**	**54,276,745.50**	**4,111,039.03**	**7.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**12,158,672.85**	**10,938,514.65**	**1,220,158.20**	**11.2%**
Adjusted Margin % including Depreciation & Amortization	**6.8%**	**6.2%**		
Investment Gain (Losses)	10,078,950.99	3,589,928.78	6,489,022.21	180.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**22,237,623.84**	**14,528,443.43**	**7,709,180.41**	**53.1%**
Adj. Margin % with Investment Gains (Losses)	**11.7%**	**8.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**27,026,679.93**	**23,261,777.74**	**3,764,902.19**	**16.2%**
Adjusted Margin % excluding Depreciation & Amortization	**15.0%**	**13.2%**		

UNAUDITED

The University of Texas at Austin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	155,000,000.00	160,166,666.67	(5,166,666.67)	-3.2%
Sponsored Programs	182,750,692.26	180,606,412.88	2,144,279.38	1.2%
Net Sales and Services of Educational Activities	129,755,505.44	129,763,489.41	(7,983.97)	-
Net Auxiliary Enterprises	107,614,344.13	103,721,665.27	3,892,678.86	3.8%
Other Operating Revenues	2,258,081.77	1,784,892.85	473,188.92	26.5%
Total Operating Revenues	**577,378,623.60**	**576,043,127.08**	**1,335,496.52**	**0.2%**
Operating Expenses				
Salaries and Wages	368,259,474.61	376,723,068.68	(8,463,594.07)	-2.2%
Payroll Related Costs	99,317,101.18	92,395,943.26	6,921,157.92	7.5%
Cost of Goods Sold	7,833,762.01	-	7,833,762.01	100.0%
Professional Fees and Services	10,327,344.41	10,363,728.20	(36,383.79)	-0.4%
Other Contracted Services	44,542,885.91	47,056,928.19	(2,514,042.28)	-5.3%
Travel	15,954,013.74	15,630,423.74	323,590.00	2.1%
Materials and Supplies	38,900,930.58	48,067,077.62	(9,166,147.04)	-19.1%
Utilities	30,590,705.24	32,398,307.04	(1,807,601.80)	-5.6%
Communications	26,001,652.19	20,130,053.17	5,871,599.02	29.2%
Repairs and Maintenance	17,531,264.85	15,826,816.56	1,704,448.29	10.8%
Rentals and Leases	6,682,290.81	6,329,339.94	352,950.87	5.6%
Printing and Reproduction	3,180,871.10	2,431,629.97	749,241.13	30.8%
Bad Debt Expense	(8,454.85)	-	(8,454.85)	100.0%
Scholarships and Fellowships	52,666,666.67	34,333,333.33	18,333,333.34	53.4%
Depreciation and Amortization	100,666,666.67	88,333,333.33	12,333,333.34	14.0%
Federal Sponsored Program Pass-Through to Other State Agencies	1,148,212.94	1,104,023.19	44,189.75	4.0%
Other Operating Expenses	31,098,443.90	30,791,413.97	307,029.93	1.0%
Total Operating Expenses	**854,693,831.96**	**821,915,420.19**	**32,778,411.77**	**4.0%**
Operating Loss	**(277,315,208.36)**	**(245,872,293.11)**	**(31,442,915.25)**	**-12.8%**
Other Nonoperating Adjustments				
State Appropriations	108,808,163.10	102,046,277.85	6,761,885.25	6.6%
Nonexchange Sponsored Programs	15,666,666.67	24,018,218.57	(8,351,551.90)	-34.8%
Gift Contributions for Operations	27,136,015.56	30,696,583.87	(3,560,568.31)	-11.6%
Net Investment Income	68,744,400.25	65,585,472.74	3,158,927.51	4.8%
Interest Expense on Capital Asset Financings	(16,055,951.28)	(16,728,174.80)	672,223.52	4.0%
Net Other Nonoperating Adjustments	**204,299,294.30**	**205,618,378.23**	**(1,319,083.93)**	**-0.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**(73,015,914.06)**	**(40,253,914.88)**	**(32,761,999.18)**	**-81.4%**
Adjusted Margin % including Depreciation & Amortization	**-9.2%**	**-5.0%**		
Available University Fund Transfer	78,192,827.67	67,095,666.67	11,097,161.00	16.5%
Adjusted Income (Loss) with AUF Transfer	**5,176,913.61**	**26,841,751.79**	**(21,664,838.18)**	**-80.7%**
Adjusted Margin % with AUF Transfer	**0.6%**	**3.1%**		
Investment Gain (Losses)	135,095,204.90	45,731,508.96	89,363,695.94	195.4%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$140,272,118.51**	**$72,573,260.75**	**$67,698,857.76**	**93.3%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**13.9%**	**8.0%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**105,843,580.28**	**115,175,085.12**	**(9,331,504.84)**	**-8.1%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**12.1%**	**13.3%**		

UNAUDITED

The University of Texas at Brownsville
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	10,572,192.89	12,479,523.43	(1,907,330.54)	-15.3%
Sponsored Programs	6,849,853.79	18,702,852.95	(11,852,999.16)	-63.4%
Net Sales and Services of Educational Activities	868,322.15	1,007,935.83	(139,613.68)	-13.9%
Net Auxiliary Enterprises	614,150.60	765,119.93	(150,969.33)	-19.7%
Other Operating Revenues	2,070.17	474.04	1,596.13	336.7%
Total Operating Revenues	**18,906,589.60**	**32,955,906.18**	**(14,049,316.58)**	**-42.6%**
Operating Expenses				
Salaries and Wages	16,363,915.22	23,275,421.35	(6,911,506.13)	-29.7%
Payroll Related Costs	4,818,410.33	6,378,913.59	(1,560,503.26)	-24.5%
Professional Fees and Services	528,387.02	404,030.82	124,356.20	30.8%
Other Contracted Services	199,903.98	352,109.20	(152,205.22)	-43.2%
Travel	284,919.19	364,256.13	(79,336.94)	-21.8%
Materials and Supplies	1,370,157.68	599,513.39	770,644.29	128.5%
Utilities	624,531.20	1,299,959.42	(675,428.22)	-52.0%
Communications	225,378.56	264,896.56	(39,518.00)	-14.9%
Repairs and Maintenance	1,052,823.50	527,767.92	525,055.58	99.5%
Rentals and Leases	297,674.22	670,821.37	(373,147.15)	-55.6%
Printing and Reproduction	71,457.58	95,204.13	(23,746.55)	-24.9%
Scholarships and Fellowships	3,658,141.49	21,743,510.02	(18,085,368.53)	-83.2%
Depreciation and Amortization	2,791,469.70	2,689,414.12	102,055.58	3.8%
Federal Sponsored Program Pass-Through to Other State Agencies	4,268.00	49,694.68	(45,426.68)	-91.4%
Other Operating Expenses	1,972,585.40	2,129,879.59	(157,294.19)	-7.4%
Total Operating Expenses	**34,264,023.07**	**60,845,392.29**	**(26,581,369.22)**	**-43.7%**
Operating Loss	**(15,357,433.47)**	**(27,889,486.11)**	**12,532,052.64**	**44.9%**
Other Nonoperating Adjustments				
State Appropriations	11,197,979.99	13,092,056.19	(1,894,076.20)	-14.5%
Nonexchange Sponsored Programs	1,539,321.32	15,148,812.27	(13,609,490.95)	-89.8%
Gift Contributions for Operations	111,218.34	152,445.46	(41,227.12)	-27.0%
Net Investment Income	523,620.29	505,768.33	17,851.96	3.5%
Interest Expense on Capital Asset Financings	(879,229.67)	(937,188.75)	57,959.08	6.2%
Net Other Nonoperating Adjustments	**12,492,910.27**	**27,961,893.50**	**(15,468,983.23)**	**-55.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**(2,864,523.20)**	**72,407.39**	**(2,936,930.59)**	**-4,056.1%**
Adjusted Margin % including Depreciation & Amortization	**-8.9%**	**0.1%**		
Investment Gain (Losses)	1,627,999.13	733,582.59	894,416.54	121.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(1,236,524.07)**	**805,989.98**	**(2,042,514.05)**	**-253.4%**
Adj. Margin % with Investment Gains (Losses)	**-3.6%**	**1.3%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**(73,053.50)**	**2,761,821.51**	**(2,834,875.01)**	**-102.6%**
Adjusted Margin % excluding Depreciation & Amortization	**-0.2%**	**4.5%**		

UNAUDITED

The University of Texas at Dallas
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	80,285,187.93	70,625,694.94	9,659,492.99	13.7%
Sponsored Programs	17,668,449.26	14,299,294.23	3,369,155.03	23.6%
Net Sales and Services of Educational Activities	3,661,284.86	3,330,717.20	330,567.66	9.9%
Net Auxiliary Enterprises	7,742,243.21	4,914,074.42	2,828,168.79	57.6%
Other Operating Revenues	706,026.15	747,169.89	(41,143.74)	-5.5%
Total Operating Revenues	**110,063,191.41**	**93,916,950.68**	**16,146,240.73**	**17.2%**
Operating Expenses				
Salaries and Wages	77,204,461.95	75,721,115.56	1,483,346.39	2.0%
Payroll Related Costs	17,673,344.85	16,137,198.68	1,536,146.17	9.5%
Professional Fees and Services	3,788,034.01	2,920,077.98	867,956.03	29.7%
Other Contracted Services	3,314,438.82	2,987,154.27	327,284.55	11.0%
Travel	1,760,188.10	1,895,890.49	(135,702.39)	-7.2%
Materials and Supplies	8,180,510.72	7,543,028.57	637,482.15	8.5%
Utilities	2,852,997.05	2,633,331.59	219,665.46	8.3%
Communications	217,435.43	275,385.41	(57,949.98)	-21.0%
Repairs and Maintenance	1,062,842.68	1,310,412.24	(247,569.56)	-18.9%
Rentals and Leases	1,457,747.51	1,018,181.80	439,565.71	43.2%
Printing and Reproduction	609,583.52	460,100.99	149,482.53	32.5%
Scholarships and Fellowships	16,536,362.64	12,869,837.80	3,666,524.84	28.5%
Depreciation and Amortization	17,504,608.53	13,717,294.52	3,787,314.01	27.6%
Federal Sponsored Program Pass-Through to Other State Agencies	6,374.69	13,686.35	(7,311.66)	-53.4%
Other Operating Expenses	4,419,931.73	4,145,779.87	274,151.86	6.6%
Total Operating Expenses	**156,588,862.23**	**143,648,476.12**	**12,940,386.11**	**9.0%**
Operating Loss	**(46,525,670.82)**	**(49,731,525.44)**	**3,205,854.62**	**6.4%**
Other Nonoperating Adjustments				
State Appropriations	36,960,163.93	33,512,032.91	3,448,131.02	10.3%
Nonexchange Sponsored Programs	3,661,917.78	11,771,700.82	(8,109,783.04)	-68.9%
Gift Contributions for Operations	4,239,445.77	4,526,978.48	(287,532.71)	-6.4%
Net Investment Income	6,381,611.35	5,682,669.96	698,941.39	12.3%
Interest Expense on Capital Asset Financings	(4,321,253.20)	(4,483,598.72)	162,345.52	3.6%
Net Other Nonoperating Adjustments	**46,921,885.63**	**51,009,783.45**	**(4,087,897.82)**	**-8.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**396,214.81**	**1,278,258.01**	**(882,043.20)**	**-69.0%**
Adjusted Margin % including Depreciation & Amortization	**0.2%**	**0.9%**		
Investment Gain (Losses)	13,144,077.22	5,735,478.20	7,408,599.02	129.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**13,540,292.03**	**7,013,736.21**	**6,526,555.82**	**93.1%**
Adj. Margin % with Investment Gains (Losses)	**7.8%**	**4.5%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**17,900,823.34**	**14,995,552.53**	**2,905,270.81**	**19.4%**
Adjusted Margin % excluding Depreciation & Amortization	**11.1%**	**10.0%**		

UNAUDITED

The University of Texas at El Paso
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	37,446,944.00	36,000,691.19	1,446,252.81	4.0%
Sponsored Programs	23,452,991.07	24,218,571.23	(765,580.16)	-3.2%
Net Sales and Services of Educational Activities	1,970,875.74	1,881,778.22	89,097.52	4.7%
Net Auxiliary Enterprises	10,092,460.21	10,778,337.74	(685,877.53)	-6.4%
Other Operating Revenues	26,004.85	44,162.96	(18,158.11)	-41.1%
Total Operating Revenues	**72,989,275.87**	**72,923,541.34**	**65,734.53**	**0.1%**
Operating Expenses				
Salaries and Wages	55,254,197.30	54,658,756.47	595,440.83	1.1%
Payroll Related Costs	14,204,351.42	13,561,040.57	643,310.85	4.7%
Professional Fees and Services	937,988.40	1,120,604.31	(182,615.91)	-16.3%
Other Contracted Services	7,075,461.45	6,893,493.81	181,967.64	2.6%
Travel	2,779,335.90	2,766,318.67	13,017.23	0.5%
Materials and Supplies	8,213,944.57	8,177,516.90	36,427.67	0.4%
Utilities	2,545,258.91	2,267,296.11	277,962.80	12.3%
Communications	235,962.49	229,487.55	6,474.94	2.8%
Repairs and Maintenance	2,183,911.77	2,295,321.61	(111,409.84)	-4.9%
Rentals and Leases	1,730,466.79	1,575,256.91	155,209.88	9.9%
Printing and Reproduction	455,891.58	539,873.97	(83,982.39)	-15.6%
Scholarships and Fellowships	7,342,970.64	25,249,274.93	(17,906,304.29)	-70.9%
Depreciation and Amortization	9,373,315.81	8,801,579.84	571,735.97	6.5%
Federal Sponsored Program Pass-Through to Other State Agencies	150,687.04	257,185.06	(106,498.02)	-41.4%
Other Operating Expenses	2,643,597.61	2,309,477.20	334,120.41	14.5%
Total Operating Expenses	**115,127,341.68**	**130,702,483.91**	**(15,575,142.23)**	**-11.9%**
Operating Loss	**(42,138,065.81)**	**(57,778,942.57)**	**15,640,876.76**	**27.1%**
Other Nonoperating Adjustments				
State Appropriations	33,513,552.00	30,594,136.00	2,919,416.00	9.5%
Nonexchange Sponsored Programs	2,957,844.00	22,999,432.95	(20,041,588.95)	-87.1%
Gift Contributions for Operations	2,329,808.18	2,717,670.46	(387,862.28)	-14.3%
Net Investment Income	4,589,566.56	4,380,042.33	209,524.23	4.8%
Interest Expense on Capital Asset Financings	(2,712,376.92)	(2,848,295.48)	135,918.56	4.8%
Net Other Nonoperating Adjustments	**40,678,393.82**	**57,842,986.26**	**(17,164,592.44)**	**-29.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**(1,459,671.99)**	**64,043.69**	**(1,523,715.68)**	**-2,379.2%**
Adjusted Margin % including Depreciation & Amortization	**-1.3%**	**-**		
Investment Gain (Losses)	10,015,988.13	3,304,135.86	6,711,852.27	203.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**8,556,316.14**	**3,368,179.55**	**5,188,136.59**	**154.0%**
Adj. Margin % with Investment Gains (Losses)	**6.8%**	**2.5%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**7,913,643.82**	**8,865,623.53**	**(951,979.71)**	**-10.7%**
Adjusted Margin % excluding Depreciation & Amortization	**6.8%**	**6.6%**		

UNAUDITED

The University of Texas-Pan American
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	23,389,068.41	22,903,677.42	485,390.99	2.1%
Sponsored Programs	18,983,287.65	20,525,643.47	(1,542,355.82)	-7.5%
Net Sales and Services of Educational Activities	1,634,710.27	2,357,744.65	(723,034.38)	-30.7%
Net Auxiliary Enterprises	2,863,827.41	2,943,223.59	(79,396.18)	-2.7%
Other Operating Revenues	526,486.38	398,639.51	127,846.87	32.1%
Total Operating Revenues	**47,397,380.12**	**49,128,928.64**	**(1,731,548.52)**	**-3.5%**
Operating Expenses				
Salaries and Wages	36,704,333.56	36,312,660.01	391,673.55	1.1%
Payroll Related Costs	10,582,455.71	9,794,761.60	787,694.11	8.0%
Cost of Goods Sold	100,774.08	111,937.55	(11,163.47)	-10.0%
Professional Fees and Services	635,877.96	618,998.58	16,879.38	2.7%
Other Contracted Services	714,387.27	937,786.29	(223,399.02)	-23.8%
Travel	1,283,654.61	1,151,128.10	132,526.51	11.5%
Materials and Supplies	3,885,118.85	5,176,529.70	(1,291,410.85)	-24.9%
Utilities	1,895,015.28	1,880,170.82	14,844.46	0.8%
Communications	373,778.23	420,874.04	(47,095.81)	-11.2%
Repairs and Maintenance	1,009,935.97	1,450,207.58	(440,271.61)	-30.4%
Rentals and Leases	195,587.38	240,278.62	(44,691.24)	-18.6%
Printing and Reproduction	212,074.29	252,597.28	(40,522.99)	-16.0%
Bad Debt Expense	13,856.76	14,879.06	(1,022.30)	-6.9%
Scholarships and Fellowships	6,368,557.01	26,002,436.19	(19,633,879.18)	-75.5%
Depreciation and Amortization	5,309,158.53	5,053,847.41	255,311.12	5.1%
Federal Sponsored Program Pass-Through to Other State Agencies	17,274.13	(10,443.38)	27,717.51	265.4%
Other Operating Expenses	3,645,433.45	3,689,962.85	(44,529.40)	-1.2%
Total Operating Expenses	**72,947,273.07**	**93,098,612.30**	**(20,151,339.23)**	**-21.6%**
Operating Loss	**(25,549,892.95)**	**(43,969,683.66)**	**18,419,790.71**	**41.9%**
Other Nonoperating Adjustments				
State Appropriations	26,842,789.80	24,875,200.09	1,967,589.71	7.9%
Nonexchange Sponsored Programs	1,111,895.54	22,408,676.94	(21,296,781.40)	-95.0%
Gift Contributions for Operations	646,511.83	526,437.27	120,074.56	22.8%
Net Investment Income	1,548,940.84	1,474,849.69	74,091.15	5.0%
Interest Expense on Capital Asset Financings	(1,497,152.00)	(1,598,621.24)	101,469.24	6.3%
Net Other Nonoperating Adjustments	**28,652,986.01**	**47,686,542.75**	**(19,033,556.74)**	**-39.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**3,103,093.06**	**3,716,859.09**	**(613,766.03)**	**-16.5%**
Adjusted Margin % including Depreciation & Amortization	**4.0%**	**3.8%**		
Investment Gain (Losses)	3,569,831.10	1,761,288.91	1,808,542.19	102.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**6,672,924.16**	**5,478,148.00**	**1,194,776.16**	**21.8%**
Adj. Margin % with Investment Gains (Losses)	**8.2%**	**5.5%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**8,412,251.59**	**8,770,706.50**	**(358,454.91)**	**-4.1%**
Adjusted Margin % excluding Depreciation & Amortization	**10.8%**	**8.9%**		

UNAUDITED

The University of Texas of the Permian Basin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	5,049,700.30	4,385,291.11	664,409.19	15.2%
Sponsored Programs	1,174,328.74	1,010,894.76	163,433.98	16.2%
Net Sales and Services of Educational Activities	392,356.36	372,616.50	19,739.86	5.3%
Net Auxiliary Enterprises	1,733,489.93	2,078,197.02	(344,707.09)	-16.6%
Other Operating Revenues	20,593.31	81,473.60	(60,880.29)	-74.7%
Total Operating Revenues	**8,370,468.64**	**7,928,472.99**	**441,995.65**	**5.6%**
Operating Expenses				
Salaries and Wages	7,685,126.00	7,024,394.21	660,731.79	9.4%
Payroll Related Costs	2,137,664.51	1,795,809.48	341,855.03	19.0%
Professional Fees and Services	751,939.69	444,284.17	307,655.52	69.2%
Other Contracted Services	627,771.11	959,463.11	(331,692.00)	-34.6%
Travel	479,485.62	382,772.99	96,712.63	25.3%
Materials and Supplies	1,406,087.27	1,348,990.34	57,096.93	4.2%
Utilities	537,261.81	617,563.60	(80,301.79)	-13.0%
Communications	204,506.62	222,735.17	(18,228.55)	-8.2%
Repairs and Maintenance	243,933.38	329,507.09	(85,573.71)	-26.0%
Rentals and Leases	88,801.96	64,461.63	24,340.33	37.8%
Printing and Reproduction	21,423.78	53,927.13	(32,503.35)	-60.3%
Bad Debt Expense	(6,345.00)	-	(6,345.00)	100.0%
Scholarships and Fellowships	2,995,143.73	4,118,285.72	(1,123,141.99)	-27.3%
Depreciation and Amortization	4,566,666.67	3,900,000.00	666,666.67	17.1%
Other Operating Expenses	265,550.51	298,367.60	(32,817.09)	-11.0%
Total Operating Expenses	**22,005,017.66**	**21,560,562.24**	**444,455.42**	**2.1%**
Operating Loss	**(13,634,549.02)**	**(13,632,089.25)**	**(2,459.77)**	**-**
Other Nonoperating Adjustments				
State Appropriations	9,702,742.68	9,569,391.67	133,351.01	1.4%
Nonexchange Sponsored Programs	1,667,398.63	1,838,594.62	(171,195.99)	-9.3%
Gift Contributions for Operations	498,357.70	245,250.16	253,107.54	103.2%
Net Investment Income	667,696.32	680,790.67	(13,094.35)	-1.9%
Interest Expense on Capital Asset Financings	(1,662,447.92)	(1,758,373.24)	95,925.32	5.5%
Net Other Nonoperating Adjustments	**10,873,747.41**	**10,575,653.88**	**298,093.53**	**2.8%**
Adjusted Income (Loss) including Depreciation & Amortization	**(2,760,801.61)**	**(3,056,435.37)**	**295,633.76**	**9.7%**
Adjusted Margin % including Depreciation & Amortization	**-13.2%**	**-15.1%**		
Investment Gain (Losses)	1,303,866.63	371,433.12	932,433.51	251.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(1,456,934.98)**	**(2,685,002.25)**	**1,228,067.27**	**45.7%**
Adj. Margin % with Investment Gains (Losses)	**-6.6%**	**-13.0%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**1,805,865.06**	**843,564.63**	**962,300.43**	**114.1%**
Adjusted Margin % excluding Depreciation & Amortization	**8.6%**	**4.2%**		

UNAUDITED

The University of Texas at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	58,824,429.28	68,875,902.32	(10,051,473.04)	-14.6%
Sponsored Programs	21,990,268.33	23,941,761.08	(1,951,492.75)	-8.2%
Net Sales and Services of Educational Activities	3,316,084.34	3,964,575.11	(648,490.77)	-16.4%
Net Auxiliary Enterprises	16,389,227.49	11,652,332.72	4,736,894.77	40.7%
Other Operating Revenues	1,501,181.97	1,364,439.43	136,742.54	10.0%
Total Operating Revenues	**102,021,191.41**	**109,799,010.66**	**(7,777,819.25)**	**-7.1%**
Operating Expenses				
Salaries and Wages	75,710,578.72	76,825,236.61	(1,114,657.89)	-1.5%
Payroll Related Costs	19,404,889.98	18,984,351.86	420,538.12	2.2%
Cost of Goods Sold	175,101.13	266,666.67	(91,565.54)	-34.3%
Professional Fees and Services	1,550,111.05	1,781,299.48	(231,188.43)	-13.0%
Other Contracted Services	4,193,248.92	4,251,741.79	(58,492.87)	-1.4%
Travel	3,915,197.47	3,642,332.30	272,865.17	7.5%
Materials and Supplies	8,881,044.89	9,676,395.40	(795,350.51)	-8.2%
Utilities	4,136,704.17	4,101,666.67	35,037.50	0.9%
Communications	839,118.33	647,546.82	191,571.51	29.6%
Repairs and Maintenance	3,646,026.00	3,580,145.11	65,880.89	1.8%
Rentals and Leases	1,500,819.29	1,407,663.78	93,155.51	6.6%
Printing and Reproduction	357,700.45	394,137.01	(36,436.56)	-9.2%
Bad Debt Expense	160,916.50	39,404.07	121,512.43	308.4%
Scholarships and Fellowships	16,549,852.86	16,527,478.96	22,373.90	0.1%
Depreciation and Amortization	15,237,958.96	14,194,106.98	1,043,851.98	7.4%
Federal Sponsored Program Pass-Through to Other State Agencies	297,597.27	540,043.63	(242,446.36)	-44.9%
Other Operating Expenses	2,570,003.11	4,273,759.09	(1,703,755.98)	-39.9%
Total Operating Expenses	**159,126,869.10**	**161,133,976.23**	**(2,007,107.13)**	**-1.2%**
Operating Loss	**(57,105,677.69)**	**(51,334,965.57)**	**(5,770,712.12)**	**-11.2%**
Other Nonoperating Adjustments				
State Appropriations	42,259,723.01	38,383,606.00	3,876,117.01	10.1%
Nonexchange Sponsored Programs	16,200,000.00	16,673,698.67	(473,698.67)	-2.8%
Gift Contributions for Operations	2,500,000.00	2,427,336.37	72,663.63	3.0%
Net Investment Income	4,820,719.31	5,045,779.28	(225,059.97)	-4.5%
Interest Expense on Capital Asset Financings	(5,515,542.32)	(5,742,594.32)	227,052.00	4.0%
Net Other Nonoperating Adjustments	**60,264,900.00**	**56,787,826.00**	**3,477,074.00**	**6.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**3,159,222.31**	**5,452,860.43**	**(2,293,638.12)**	**-42.1%**
Adjusted Margin % including Depreciation & Amortization	**1.9%**	**3.2%**		
Investment Gain (Losses)	13,471,077.76	5,566,538.67	7,904,539.09	142.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**16,630,300.07**	**11,019,399.10**	**5,610,900.97**	**50.9%**
Adj. Margin % with Investment Gains (Losses)	**9.2%**	**6.2%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**18,397,181.27**	**19,646,967.41**	**(1,249,786.14)**	**-6.4%**
Adjusted Margin % excluding Depreciation & Amortization	**11.0%**	**11.4%**		

UNAUDITED

The University of Texas at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	9,802,729.33	9,669,736.00	132,993.33	1.4%
Sponsored Programs	3,497,193.28	4,329,527.20	(832,333.92)	-19.2%
Net Sales and Services of Educational Activities	2,348,439.65	1,021,286.44	1,327,153.21	129.9%
Net Auxiliary Enterprises	972,254.11	1,316,572.35	(344,318.24)	-26.2%
Other Operating Revenues	75,750.95	69,908.94	5,842.01	8.4%
Total Operating Revenues	**16,696,367.32**	**16,407,030.93**	**289,336.39**	**1.8%**
Operating Expenses				
Salaries and Wages	16,716,744.47	15,498,893.99	1,217,850.48	7.9%
Payroll Related Costs	4,751,310.13	4,218,214.84	533,095.29	12.6%
Cost of Goods Sold	2,378.51	4,487.30	(2,108.79)	-47.0%
Professional Fees and Services	566,941.32	413,645.84	153,295.48	37.1%
Other Contracted Services	2,250,449.65	1,735,771.79	514,677.86	29.7%
Travel	633,211.99	559,941.16	73,270.83	13.1%
Materials and Supplies	2,027,464.34	2,119,153.84	(91,689.50)	-4.3%
Utilities	587,523.63	407,969.04	179,554.59	44.0%
Communications	617,542.19	347,176.70	270,365.49	77.9%
Repairs and Maintenance	696,424.47	589,931.64	106,492.83	18.1%
Rentals and Leases	76,328.46	94,711.29	(18,382.83)	-19.4%
Printing and Reproduction	167,234.39	196,810.06	(29,575.67)	-15.0%
Bad Debt Expense	94.35	-	94.35	100.0%
Scholarships and Fellowships	1,533,333.33	1,664,131.08	(130,797.75)	-7.9%
Depreciation and Amortization	3,775,868.41	3,782,537.67	(6,669.26)	-0.2%
Other Operating Expenses	639,904.69	616,227.46	23,677.23	3.8%
Total Operating Expenses	**35,042,754.33**	**32,249,603.70**	**2,793,150.63**	**8.7%**
Operating Loss	**(18,346,387.01)**	**(15,842,572.77)**	**(2,503,814.24)**	**-15.8%**
Other Nonoperating Adjustments				
State Appropriations	11,913,157.24	10,490,614.99	1,422,542.25	13.6%
Nonexchange Sponsored Programs	493,292.00	4,227,725.50	(3,734,433.50)	-88.3%
Gift Contributions for Operations	5,277,824.83	637,502.16	4,640,322.67	727.9%
Net Investment Income	1,554,173.91	1,642,526.49	(88,352.58)	-5.4%
Interest Expense on Capital Asset Financings	(1,167,547.68)	(1,239,203.68)	71,656.00	5.8%
Net Other Nonoperating Adjustments	**18,070,900.30**	**15,759,165.46**	**2,311,734.84**	**14.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**(275,486.71)**	**(83,407.31)**	**(192,079.40)**	**-230.3%**
Adjusted Margin % including Depreciation & Amortization	**-0.8%**	**-0.2%**		
Investment Gain (Losses)	4,005,783.61	1,371,384.14	2,634,399.47	192.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**3,730,296.90**	**1,287,976.83**	**2,442,320.07**	**189.6%**
Adj. Margin % with Investment Gains (Losses)	**9.3%**	**3.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**3,500,381.70**	**3,699,130.36**	**(198,748.66)**	**-5.4%**
Adjusted Margin % excluding Depreciation & Amortization	**9.7%**	**11.1%**		

UNAUDITED

The University of Texas Southwestern Medical Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	6,295,611.17	5,870,096.58	425,514.59	7.2%
Sponsored Programs	158,877,668.84	150,081,629.80	8,796,039.04	5.9%
Net Sales and Services of Educational Activities	3,106,220.62	3,758,585.94	(652,365.32)	-17.4%
Net Sales and Services of Hospitals	264,446,976.00	237,434,659.00	27,012,317.00	11.4%
Net Professional Fees	144,959,825.30	133,647,635.61	11,312,189.69	8.5%
Net Auxiliary Enterprises	6,470,583.93	5,916,669.11	553,914.82	9.4%
Other Operating Revenues	5,452,184.57	13,578,376.98	(8,126,192.41)	-59.8%
Total Operating Revenues	**589,609,070.43**	**550,287,653.02**	**39,321,417.41**	**7.1%**
Operating Expenses				
Salaries and Wages	354,037,982.28	335,248,768.35	18,789,213.93	5.6%
Payroll Related Costs	78,072,689.67	70,175,175.60	7,897,514.07	11.3%
Cost of Goods Sold	1,150,235.30	1,251,126.98	(100,891.68)	-8.1%
Professional Fees and Services	12,688,351.38	11,616,325.26	1,072,026.12	9.2%
Other Contracted Services	37,716,629.50	32,557,024.71	5,159,604.79	15.8%
Travel	3,354,278.05	2,742,162.33	612,115.72	22.3%
Materials and Supplies	94,043,786.50	82,915,895.86	11,127,890.64	13.4%
Utilities	7,913,450.71	7,839,611.92	73,838.79	0.9%
Communications	2,862,555.58	1,735,321.04	1,127,234.54	65.0%
Repairs and Maintenance	4,616,582.74	2,205,292.13	2,411,290.61	109.3%
Rentals and Leases	2,164,518.39	1,457,866.67	706,651.72	48.5%
Printing and Reproduction	1,014,596.83	172,846.98	841,749.85	487.0%
Scholarships and Fellowships	250,005.67	241,897.33	8,108.34	3.4%
Depreciation and Amortization	38,946,627.94	35,250,565.49	3,696,062.45	10.5%
Federal Sponsored Program Pass-Through to Other State Agencies	729,300.57	810,917.00	(81,616.43)	-10.1%
Other Operating Expenses	19,515,478.47	11,281,436.16	8,234,042.31	73.0%
Total Operating Expenses	**659,077,069.58**	**597,502,233.81**	**61,574,835.77**	**10.3%**
Operating Loss	**(69,467,999.15)**	**(47,214,580.79)**	**(22,253,418.36)**	**-47.1%**
Other Nonoperating Adjustments				
State Appropriations	56,294,625.72	50,969,022.63	5,325,603.09	10.4%
Nonexchange Sponsored Programs	-	9,250.00	(9,250.00)	-100.0%
Gift Contributions for Operations	10,281,977.93	8,695,940.00	1,586,037.93	18.2%
Net Investment Income	30,070,059.32	29,699,838.82	370,220.50	1.2%
Interest Expense on Capital Asset Financings	(10,944,034.20)	(11,499,317.04)	555,282.84	4.8%
Net Other Nonoperating Adjustments	**85,702,628.77**	**77,874,734.41**	**7,827,894.36**	**10.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**16,234,629.62**	**30,660,153.62**	**(14,425,524.00)**	**-47.0%**
Adjusted Margin % including Depreciation & Amortization	**2.4%**	**4.8%**		
Investment Gain (Losses)	73,452,949.13	18,499,255.32	54,953,693.81	297.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**89,687,578.75**	**49,159,408.94**	**40,528,169.81**	**82.4%**
Adj. Margin % with Investment Gains (Losses)	**11.8%**	**7.5%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**55,181,257.56**	**65,910,719.11**	**(10,729,461.55)**	**-16.3%**
Adjusted Margin % excluding Depreciation & Amortization	**8.0%**	**10.3%**		

UNAUDITED

The University of Texas Medical Branch at Galveston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	11,550,109.05	11,046,603.89	503,505.16	4.6%
Sponsored Programs	60,794,620.84	70,101,054.73	(9,306,433.89)	-13.3%
Net Sales and Services of Educational Activities	5,486,653.37	3,624,065.33	1,862,588.04	51.4%
Net Sales and Services of Hospitals	276,937,628.58	260,621,163.66	16,316,464.92	6.3%
Net Professional Fees	48,234,462.43	43,648,705.86	4,585,756.57	10.5%
Net Auxiliary Enterprises	2,094,753.71	2,065,056.45	29,697.26	1.4%
Other Operating Revenues	10,196,335.40	9,653,285.30	543,050.10	5.6%
Total Operating Revenues	**415,294,563.38**	**400,759,935.22**	**14,534,628.16**	**3.6%**
Operating Expenses				
Salaries and Wages	276,697,278.70	267,151,546.87	9,545,731.83	3.6%
Payroll Related Costs	71,732,219.62	69,064,799.92	2,667,419.70	3.9%
Cost of Goods Sold	24,012,463.11	20,135,571.90	3,876,891.21	19.3%
Professional Fees and Services	9,666,763.31	11,082,068.38	(1,415,305.07)	-12.8%
Other Contracted Services	25,302,476.61	27,353,867.98	(2,051,391.37)	-7.5%
Travel	2,362,149.37	2,103,942.33	258,207.04	12.3%
Materials and Supplies	43,572,248.82	40,480,206.04	3,092,042.78	7.6%
Utilities	8,467,921.75	12,688,308.19	(4,220,386.44)	-33.3%
Communications	2,875,113.49	2,799,927.63	75,185.86	2.7%
Repairs and Maintenance	13,009,687.53	17,901,272.64	(4,891,585.11)	-27.3%
Rentals and Leases	8,246,683.76	8,213,161.85	33,521.91	0.4%
Printing and Reproduction	347,488.14	384,638.30	(37,150.16)	-9.7%
Scholarships and Fellowships	1,737,143.83	1,405,754.12	331,389.71	23.6%
Depreciation and Amortization	35,262,277.34	30,500,000.00	4,762,277.34	15.6%
Federal Sponsored Program Pass-Through to Other State Agencies	543,579.03	1,154,974.69	(611,395.66)	-52.9%
Other Operating Expenses	15,274,850.02	11,540,858.18	3,733,991.84	32.4%
Total Operating Expenses	**539,110,344.43**	**523,960,899.02**	**15,149,445.41**	**2.9%**
Operating Loss	**(123,815,781.05)**	**(123,200,963.80)**	**(614,817.25)**	**-0.5%**
Other Nonoperating Adjustments				
State Appropriations	113,523,703.38	108,762,105.88	4,761,597.50	4.4%
Nonexchange Sponsored Programs	394,952.00	309,939.00	85,013.00	27.4%
Gift Contributions for Operations	1,381,135.54	1,245,232.11	135,903.43	10.9%
Net Investment Income	12,036,129.24	10,987,069.57	1,049,059.67	9.5%
Interest Expense on Capital Asset Financings	(2,429,863.27)	(2,498,667.97)	68,804.70	2.8%
Net Other Nonoperating Adjustments	**124,906,056.89**	**118,805,678.59**	**6,100,378.30**	**5.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**1,090,275.84**	**(4,395,285.21)**	**5,485,561.05**	**124.8%**
Adjusted Margin % including Depreciation & Amortization	**0.2%**	**-0.8%**		
Investment Gain (Losses)	34,155,262.64	7,509,108.24	26,646,154.40	354.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**35,245,538.48**	**3,113,823.03**	**32,131,715.45**	**1,031.9%**
Adj. Margin % with Investment Gains (Losses)	**6.1%**	**0.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**36,352,553.18**	**26,104,714.79**	**10,247,838.39**	**39.3%**
Adjusted Margin % excluding Depreciation & Amortization	**6.7%**	**5.0%**		

UNAUDITED

The University of Texas Health Science Center at Houston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	15,707,014.00	14,982,650.84	724,363.16	4.8%
Sponsored Programs	171,245,050.14	161,575,825.65	9,669,224.49	6.0%
Net Sales and Services of Educational Activities	9,206,299.01	8,239,547.43	966,751.58	11.7%
Net Sales and Services of Hospitals	20,194,042.72	20,986,381.47	(792,338.75)	-3.8%
Net Professional Fees	70,220,489.70	59,491,513.17	10,728,976.53	18.0%
Net Auxiliary Enterprises	8,141,127.17	7,673,145.74	467,981.43	6.1%
Other Operating Revenues	4,051,142.80	4,349,498.37	(298,355.57)	-6.9%
Total Operating Revenues	**298,765,165.54**	**277,298,562.67**	**21,466,602.87**	**7.7%**
Operating Expenses				
Salaries and Wages	226,374,605.09	200,678,419.18	25,696,185.91	12.8%
Payroll Related Costs	47,707,600.04	41,621,813.93	6,085,786.11	14.6%
Cost of Goods Sold	4,672,288.70	5,105,587.19	(433,298.49)	-8.5%
Professional Fees and Services	18,260,158.20	13,947,631.37	4,312,526.83	30.9%
Other Contracted Services	17,509,463.16	15,873,575.60	1,635,887.56	10.3%
Travel	2,889,208.02	2,648,207.86	241,000.16	9.1%
Materials and Supplies	16,326,729.61	19,681,990.49	(3,355,260.88)	-17.0%
Utilities	6,023,677.41	5,923,764.25	99,913.16	1.7%
Communications	1,535,440.08	1,357,717.82	177,722.26	13.1%
Repairs and Maintenance	3,253,759.81	2,272,025.50	981,734.31	43.2%
Rentals and Leases	7,519,629.34	6,950,237.04	569,392.30	8.2%
Printing and Reproduction	1,697,496.86	1,775,854.29	(78,357.43)	-4.4%
Bad Debt Expense	61.56	-	61.56	100.0%
Scholarships and Fellowships	2,421,323.59	2,472,138.82	(50,815.23)	-2.1%
Depreciation and Amortization	18,933,465.80	18,544,522.78	388,943.02	2.1%
Federal Sponsored Program Pass-Through to Other State Agencies	1,017,111.67	2,444,937.00	(1,427,825.33)	-58.4%
Other Operating Expenses	9,508,107.61	9,673,404.24	(165,296.63)	-1.7%
Total Operating Expenses	**385,650,126.55**	**350,971,827.36**	**34,678,299.19**	**9.9%**
Operating Loss	**(86,884,961.01)**	**(73,673,264.69)**	**(13,211,696.32)**	**-17.9%**
Other Nonoperating Adjustments				
State Appropriations	65,368,899.06	58,403,257.83	6,965,641.23	11.9%
Nonexchange Sponsored Programs	32,572.00	157,023.00	(124,451.00)	-79.3%
Gift Contributions for Operations	6,590,574.20	4,590,597.81	1,999,976.39	43.6%
Net Investment Income	9,547,083.10	8,345,054.52	1,202,028.58	14.4%
Interest Expense on Capital Asset Financings	(3,774,859.68)	(4,000,590.92)	225,731.24	5.6%
Net Other Nonoperating Adjustments	**77,764,268.68**	**67,495,342.24**	**10,268,926.44**	**15.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**(9,120,692.33)**	**(6,177,922.45)**	**(2,942,769.88)**	**-47.6%**
Adjusted Margin % including Depreciation & Amortization	**-2.4%**	**-1.8%**		
Investment Gain (Losses)	23,243,400.45	8,156,638.00	15,086,762.45	185.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**14,122,708.12**	**1,978,715.55**	**12,143,992.57**	**613.7%**
Adj. Margin % with Investment Gains (Losses)	**3.5%**	**0.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**9,812,773.47**	**12,366,600.33**	**(2,553,826.86)**	**-20.7%**
Adjusted Margin % excluding Depreciation & Amortization	**2.6%**	**3.5%**		

UNAUDITED

The University of Texas Health Science Center at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	11,430,513.00	11,093,274.33	337,238.67	3.0%
Sponsored Programs	89,433,928.54	92,521,362.72	(3,087,434.18)	-3.3%
Net Sales and Services of Educational Activities	8,661,743.00	8,223,311.77	438,431.23	5.3%
Net Professional Fees	48,131,711.05	46,842,437.38	1,289,273.67	2.8%
Net Auxiliary Enterprises	1,628,980.22	1,686,163.99	(57,183.77)	-3.4%
Other Operating Revenues	7,103,872.19	2,311,189.45	4,792,682.74	207.4%
Total Operating Revenues	**166,390,748.00**	**162,677,739.64**	**3,713,008.36**	**2.3%**
Operating Expenses				
Salaries and Wages	135,427,048.78	135,983,995.27	(556,946.49)	-0.4%
Payroll Related Costs	33,769,524.56	32,538,230.82	1,231,293.74	3.8%
Professional Fees and Services	5,052,886.77	4,783,216.38	269,670.39	5.6%
Other Contracted Services	6,688,408.77	4,789,766.22	1,898,642.55	39.6%
Travel	1,530,320.48	1,678,798.73	(148,478.25)	-8.8%
Materials and Supplies	11,706,759.34	12,504,608.06	(797,848.72)	-6.4%
Utilities	5,912,678.33	5,638,089.33	274,589.00	4.9%
Communications	3,802,518.59	3,366,695.12	435,823.47	12.9%
Repairs and Maintenance	1,546,647.51	1,642,214.21	(95,566.70)	-5.8%
Rentals and Leases	1,741,205.60	1,660,796.25	80,409.35	4.8%
Printing and Reproduction	574,190.05	796,998.51	(222,808.46)	-28.0%
Scholarships and Fellowships	2,835,387.25	2,501,710.87	333,676.38	13.3%
Depreciation and Amortization	16,666,666.67	16,333,333.33	333,333.34	2.0%
Federal Sponsored Program Pass-Through to Other State Agencies	666,666.67	591,666.67	75,000.00	12.7%
Other Operating Expenses	11,066,619.62	11,109,430.96	(42,811.34)	-0.4%
Total Operating Expenses	**238,987,528.99**	**235,919,550.73**	**3,067,978.26**	**1.3%**
Operating Loss	**(72,596,780.99)**	**(73,241,811.09)**	**645,030.10**	**0.9%**
Other Nonoperating Adjustments				
State Appropriations	58,074,807.33	54,748,725.33	3,326,082.00	6.1%
Nonexchange Sponsored Programs	400,000.00	550,000.00	(150,000.00)	-27.3%
Gift Contributions for Operations	7,692,008.87	7,871,899.04	(179,890.17)	-2.3%
Net Investment Income	13,849,205.53	10,897,514.37	2,951,691.16	27.1%
Interest Expense on Capital Asset Financings	(3,112,499.32)	(3,285,210.84)	172,711.52	5.3%
Net Other Nonoperating Adjustments	**76,903,522.41**	**70,782,927.90**	**6,120,594.51**	**8.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**4,306,741.42**	**(2,458,883.19)**	**6,765,624.61**	**275.2%**
Adjusted Margin % including Depreciation & Amortization	**1.7%**	**-1.0%**		
Investment Gain (Losses)	25,730,138.73	9,483,591.73	16,246,547.00	171.3%
Adj. Inc. (Loss) with Investment Gains (Losses)	**30,036,880.15**	**7,024,708.54**	**23,012,171.61**	**327.6%**
Adj. Margin % with Investment Gains (Losses)	**11.0%**	**2.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**20,973,408.09**	**13,874,450.14**	**7,098,957.95**	**51.2%**
Adjusted Margin % excluding Depreciation & Amortization	**8.5%**	**5.9%**		

UNAUDITED

The University of Texas M. D. Anderson Cancer Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	975,351.38	880,048.40	95,302.98	10.8%
Sponsored Programs	103,245,960.14	118,860,847.34	(15,614,887.20)	-13.1%
Net Sales and Services of Educational Activities	1,169,021.22	1,376,289.37	(207,268.15)	-15.1%
Net Sales and Services of Hospitals	949,944,956.41	851,312,506.76	98,632,449.65	11.6%
Net Professional Fees	121,951,004.95	115,131,338.70	6,819,666.25	5.9%
Net Auxiliary Enterprises	12,670,933.56	12,935,937.46	(265,003.90)	-2.0%
Other Operating Revenues	33,174,229.55	20,872,091.19	12,302,138.36	58.9%
Total Operating Revenues	**1,223,131,457.21**	**1,121,369,059.22**	**101,762,397.99**	**9.1%**
Operating Expenses				
Salaries and Wages	549,986,300.02	533,150,351.99	16,835,948.03	3.2%
Payroll Related Costs	152,718,991.78	145,500,591.95	7,218,399.83	5.0%
Cost of Goods Sold	2,175,978.41	1,844,698.65	331,279.76	18.0%
Professional Fees and Services	43,913,374.25	49,762,338.10	(5,848,963.85)	-11.8%
Other Contracted Services	30,776,221.10	25,958,608.12	4,817,612.98	18.6%
Travel	5,136,870.39	6,076,930.06	(940,059.67)	-15.5%
Materials and Supplies	241,412,668.41	214,889,018.85	26,523,649.56	12.3%
Utilities	16,663,648.55	17,276,819.17	(613,170.62)	-3.5%
Communications	4,063,585.10	4,621,821.44	(558,236.34)	-12.1%
Repairs and Maintenance	26,523,801.94	28,907,573.06	(2,383,771.12)	-8.2%
Rentals and Leases	14,390,970.13	15,587,838.32	(1,196,868.19)	-7.7%
Printing and Reproduction	1,409,664.18	830,410.29	579,253.89	69.8%
Scholarships and Fellowships	1,557,860.30	503,510.00	1,054,350.30	209.4%
Depreciation and Amortization	94,008,852.98	94,305,363.36	(296,510.38)	-0.3%
Federal Sponsored Program Pass-Through to Other State Agencies	(777,151.62)	2,769,531.33	(3,546,682.95)	-128.1%
State Sponsored Program Pass-Through to Other State Agencies	433,739.01	-	433,739.01	100.0%
Other Operating Expenses	10,072,309.26	10,405,660.56	(333,351.30)	-3.2%
Total Operating Expenses	**1,194,467,684.19**	**1,152,391,065.25**	**42,076,618.94**	**3.7%**
Operating Loss	**28,663,773.02**	**(31,022,006.03)**	**59,685,779.05**	**192.4%**
Other Nonoperating Adjustments				
State Appropriations	61,636,780.09	54,424,169.01	7,212,611.08	13.3%
Nonexchange Sponsored Programs	1,552,110.00	-	1,552,110.00	100.0%
Gift Contributions for Operations	61,604,923.43	40,063,668.57	21,541,254.86	53.8%
Net Investment Income	23,508,271.06	22,449,592.11	1,058,678.95	4.7%
Interest Expense on Capital Asset Financings	(12,317,349.00)	(12,826,581.64)	509,232.64	4.0%
Net Other Nonoperating Adjustments	**135,984,735.58**	**104,110,848.05**	**31,873,887.53**	**30.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**164,648,508.60**	**73,088,842.02**	**91,559,666.58**	**125.3%**
Adjusted Margin % including Depreciation & Amortization	**12.0%**	**5.9%**		
Investment Gain (Losses)	94,935,179.83	39,658,944.58	55,276,235.25	139.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**259,583,688.43**	**112,747,786.60**	**146,835,901.83**	**130.2%**
Adj. Margin % with Investment Gains (Losses)	**17.7%**	**8.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**258,657,361.58**	**167,394,205.38**	**91,263,156.20**	**54.5%**
Adjusted Margin % excluding Depreciation & Amortization	**18.9%**	**13.5%**		

UNAUDITED

The University of Texas Health Science Center at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	42,873.22	15,630.56	27,242.66	174.3%
Sponsored Programs	4,399,771.68	4,649,388.98	(249,617.30)	-5.4%
Net Sales and Services of Educational Activities	568,491.28	507,133.58	61,357.70	12.1%
Net Sales and Services of Hospitals	18,219,713.57	14,929,196.66	3,290,516.91	22.0%
Net Professional Fees	3,487,319.15	3,437,439.33	49,879.82	1.5%
Net Auxiliary Enterprises	57,102.09	59,555.03	(2,452.94)	-4.1%
Other Operating Revenues	19,078,853.90	524,691.35	18,554,162.55	3,536.2%
Total Operating Revenues	**45,854,124.89**	**24,123,035.49**	**21,731,089.40**	**90.1%**
Operating Expenses				
Salaries and Wages	22,681,836.24	20,609,287.59	2,072,548.65	10.1%
Payroll Related Costs	6,711,215.24	5,963,795.44	747,419.80	12.5%
Cost of Goods Sold	35,107.29	26,637.05	8,470.24	31.8%
Professional Fees and Services	2,555,758.89	2,603,963.38	(48,204.49)	-1.9%
Other Contracted Services	5,931,925.22	2,156,805.85	3,775,119.37	175.0%
Travel	209,392.95	162,758.52	46,634.43	28.7%
Materials and Supplies	6,702,587.92	4,548,551.71	2,154,036.21	47.4%
Utilities	975,043.89	802,795.00	172,248.89	21.5%
Communications	216,446.53	219,491.30	(3,044.77)	-1.4%
Repairs and Maintenance	1,561,388.61	1,194,538.08	366,850.53	30.7%
Rentals and Leases	384,746.01	304,972.13	79,773.88	26.2%
Printing and Reproduction	17,054.70	7,584.64	9,470.06	124.9%
Scholarships and Fellowships	10,989.68	22,338.56	(11,348.88)	-50.8%
Depreciation and Amortization	3,146,009.81	2,967,861.91	178,147.90	6.0%
Federal Sponsored Program Pass-Through to Other State Agencies	7,994.82	76,531.56	(68,536.74)	-89.6%
Other Operating Expenses	883,688.10	589,146.86	294,541.24	50.0%
Total Operating Expenses	**52,031,185.90**	**42,257,059.58**	**9,774,126.32**	**23.1%**
Operating Loss	**(6,177,061.01)**	**(18,134,024.09)**	**11,956,963.08**	**65.9%**
Other Nonoperating Adjustments				
State Appropriations	14,263,245.25	12,412,594.89	1,850,650.36	14.9%
Gift Contributions for Operations	56,614.92	101,995.39	(45,380.47)	-44.5%
Net Investment Income	1,414,753.07	1,413,657.59	1,095.48	0.1%
Interest Expense on Capital Asset Financings	(508,093.68)	(535,985.40)	27,891.72	5.2%
Net Other Nonoperating Adjustments	**15,226,519.56**	**13,392,262.47**	**1,834,257.09**	**13.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**9,049,458.55**	**(4,741,761.62)**	**13,791,220.17**	**290.8%**
Adjusted Margin % including Depreciation & Amortization	**14.7%**	**-12.5%**		
Investment Gain (Losses)	2,328,230.49	1,010,830.85	1,317,399.64	130.3%
Adj. Inc. (Loss) with Investment Gains (Losses)	**11,377,689.04**	**(3,730,930.77)**	**15,108,619.81**	**405.0%**
Adj. Margin % with Investment Gains (Losses)	**17.8%**	**-9.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**12,195,468.36**	**(1,773,899.71)**	**13,969,368.07**	**787.5%**
Adjusted Margin % excluding Depreciation & Amortization	**19.8%**	**-4.7%**		

3. U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2013

INTRODUCTION

Financial analysis is performed from each institution's Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets. The ratios presented in this report are ratios commonly used by bond rating agencies, public accounting firms, and consulting firms. The following ratios were analyzed: Composite Financial Index, Operating Expense Coverage, Annual Operating Margin, Expendable Resources to Debt, Debt Burden, Debt Service Coverage, and Full-time Equivalent (FTE) Student Enrollment (academic institutions only).

The Analysis of Financial Condition has been prepared since 1995 to track financial ratios to determine if the financial condition of the institutions is improving or declining. This analysis compares trends for Fiscal Year 2009 through Fiscal Year 2013.

REPORT

The Analysis of Financial Condition, which is set forth on Pages 99 - 157 that follow, is a broad annual financial evaluation that rates U. T. System institutions based on the factors analyzed as either “Satisfactory," “Watch," or “Unsatisfactory."

An Executive Summary of the report may be found on Pages 100 - 101. U. T. Permian Basin and U. T. Medical Branch - Galveston continue on "Watch" status and U. T. Health Science Center - Tyler's rating changed from "Satisfactory" to "Watch" for 2013. All other institutions' ratings remained "Satisfactory" for 2013.

2013 Analysis of Financial Condition

February 2014

The University of Texas System
2013 Analysis of Financial Condition

Executive Summary

The Analysis of Financial Condition (AFC) was performed from the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. Since debt is reported at the System level and not on the individual institution's books, debt was allocated to the appropriate institution, as provided by the Office of Finance.

The ratios presented in this report are ratios commonly used by bond rating agencies, public accounting firms, and consulting firms. In addition to using individual ratios, a Composite Financial Index (CFI) is calculated using four commonly used ratios to form a composite score to help analyze the overall financial health of each institution. Use of a single score allows a weakness in a particular ratio to be offset by strength in another ratio. The four core ratios that make up the CFI are as follows:

- *Primary Reserve Ratio* – measures the financial strength of the institution by comparing expendable net position to total expenses (in days). This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function by using its expendable reserves without relying on additional net position generated by operations.
- *Annual Operating Margin Ratio* – indicates whether the institution has balanced annual operating expenses with revenues. Depreciation expense is included, as it is believed that inclusion of depreciation reflects a more complete picture of operating performance since it reflects use of physical assets.
- *Return on Net Position Ratio* – determines whether the institution is financially better off than in previous years by measuring economic return. As mentioned above, the debt reported at the system level was allocated to each institution in the calculation of this ratio. A temporary decline in this ratio may be appropriate and even warranted if it reflects a strategy to better fulfill the institution's mission. On the other hand, an improving trend in this ratio indicates that the institution is increasing its net position and is likely to be able to set aside financial resources to strengthen its future financial flexibility.
- *Expendable Resources to Debt Ratio* – determines if an institution has the ability to fund outstanding debt with existing net position balances should an emergency occur.

In addition to the CFI that includes the four core ratios mentioned above, the following ratios are presented:

- *Operating Expense Coverage Ratio* – measures an institution's ability to cover future operating expenses with available year-end balances (in months).
- *Debt Burden Ratio* – examines the institution's dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses.
- *Debt Service Coverage Ratio* – measures the actual margin of protection provided to investors by annual operations. *Moody's Investors Service* excludes actual investment income from its calculation of total operating revenue and instead, uses a normalized investment income. Moody's applies 5% of the average of the previous three years' market value of cash and investments to compute normalized investment income. This calculation is used by the Office of Finance, and in order to be consistent with their calculation of the debt service coverage ratio, normalized investment income is used as defined above for this ratio only.
- *Full-time Equivalent (FTE) Student Enrollment* – calculates total semester credit hours taken by students during the fall semester, divided by factors of 15 for undergraduate students, 12 for graduate and special professional students, and 9 for doctoral students to arrive at the FTE students represented by the course hours taken.

All of these ratios, including the CFI, only deal with the financial aspects of the institution and must be considered with key performance indicators in academics, infrastructure, and student and faculty satisfaction to understand a more complete measure of total institutional strength.

This report is meant to be a broad annual financial evaluation that rates the institutions as either "Satisfactory," "Watch," or "Unsatisfactory" based upon the factors analyzed. (See Appendix A – Definitions of Evaluation Factors). For institutions rated "Unsatisfactory," the Chancellor and the appropriate Executive Vice Chancellors will request the institutions to develop a specific financial plan of action to improve the institution's financial condition. By policy, institutions rated "Unsatisfactory" are not permitted to invest in the Intermediate Term Fund. Progress towards the achievement of the plans will be periodically discussed with the Chief Business Officer and President, and representatives from the U. T. System Offices of Business, Academic and/or Health Affairs, as appropriate.

U. T. Permian Basin, UTMB and UTHSC-Tyler were the only institutions rated less than "Satisfactory" for 2013. U. T. Permian Basin's rating was maintained as "Watch" for 2013 based upon a CFI of 0.3, which was the lowest CFI of all the U. T. institutions, and an operating expense coverage ratio of 2.0 months, which was the lowest of the academic institutions and the lowest of all of the U. T. institutions with the exception of UTMB. The rating of "Watch" is consistent with both UTMB and UTHSC-Tyler which were rated as such and had similar performance ratios. Other factors supporting the rating were U. T. Permian Basin's expendable resources to debt ratio, which was the lowest of all the U. T. institutions, and the debt burden ratio, which was the highest of all the U. T. institutions. Additionally, U. T. Permian Basin's annual operating deficit for 2013 was ($6.0) million or (9.4%), which was the lowest percentage of all of the U. T. institutions with the exception of UTHSC-Tyler.

UTMB's rating was maintained as "Watch;" however, if in the future UTMB can maintain an upward trend in the financial ratios over several years with no significant set-backs, then it is likely that UTMB's rating would be upgraded. UTMB's CFI decreased from 3.1 in 2012 to 2.2 in 2013. Although the operating expense coverage ratio increased by 0.5 months to 1.8 months in 2013, it still remained below U. T. System Administration's benchmark of 2.0 months and was the lowest operating expense coverage ratio of all the U. T. institutions. UTMB has been rated less than "Satisfactory" since 1998.

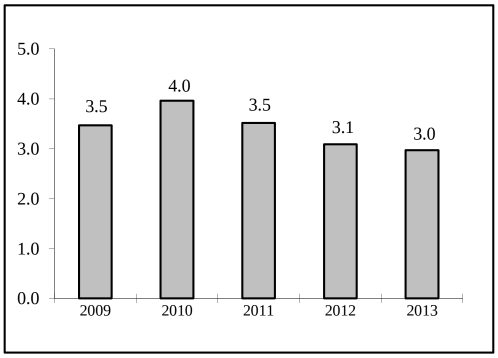
UTHSC-Tyler's rating was downgraded from "Satisfactory" to "Watch" given the significant decline in operating performance and the impact of this decline on all of the ratios analyzed in the AFC, especially the CFI and the operating expense coverage ratio. UTHSC-Tyler's annual operating deficit was ($16.7) million for 2013 or (13.9%) which was the lowest of all the U. T. institutions. UTHSC-Tyler's CFI decreased from 2.7 in 2012 to 0.4 in 2013, which was lower than the CFIs for all of the U. T. institutions with the exception of U. T. Permian Basin. UTHSC-Tyler's operating expense coverage ratio decreased from 3.9 months in 2012 to 2.1 months in 2013, which was only slightly above U. T. System Administration's benchmark of 2.0 months. UTHSC-Tyler's expendable resources to debt ratio was the lowest of all the health institutions. Finally, UTHSC-Tyler's debt service coverage ratio was the lowest of all the U. T. institutions.

All of the other U. T. institutions were rated "Satisfactory" for 2013. The changes in the CFIs in 2013 for all of the institutions rated as "Satisfactory" varied with some increasing while others decreased. The decreases in the CFIs were primarily due to a decline in operating performance, while the increases were largely driven by the change in the fair value of investments, an improvement in operating performance and a reduction in the amount of debt outstanding. Four of the academic institutions received Texas Research Incentive Program (TRIP) funding in 2013. Given that these funds were received late in 2013, the institutions were not able to spend all of the TRIP funding in 2013. Therefore, in order to more appropriately match revenues with expenses the unspent TRIP funding was removed from 2013 nonexhcange sponsored programs revenue in the AFC and will be added to nonexchange sponsored programs revenue in 2014 when the 2014 AFC is prepared. The institutions that received TRIP funding are as follows: U. T. Arlington, U. T. Dallas, U. T. El Paso, and U. T. San Antonio. All of the health-related institutions received House Bill 4 (HB 4) supplemental funding in 2012. Some of the HB 4 supplemental funding was intended to cover expenses in 2013. Therefore, in order to properly match revenues with expenses a portion of the HB 4 funding received in 2012 was removed from revenues in 2012 and was added to 2013 revenues. This adjustment was made to all of the health-related institutions' AFCs with the exception of UTHSC-Tyler. All of the HB4 supplemental funding was utilized by UTHSC-Tyler in 2012. The majority of the institutions rated as "Satisfactory" also experienced an improvement in the operating expense coverage ratio. The operating expense coverage ratios for the institutions rated "Satisfactory" were above U. T. System Administration's benchmark of 2.0 months.

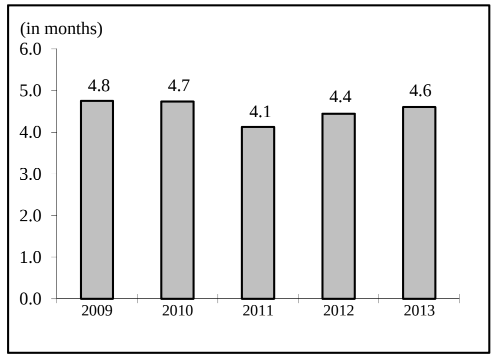
The University of Texas at Arlington
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

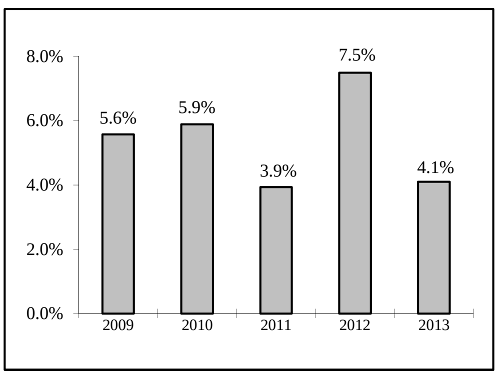
Composite Financial Index



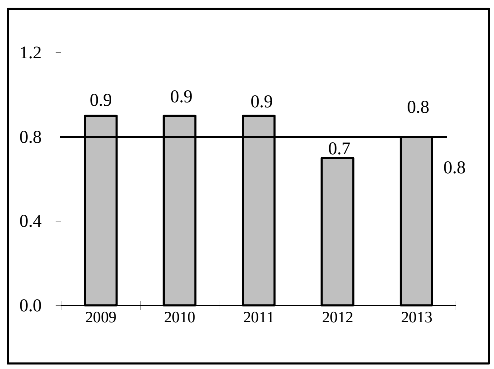
Operating Expense Coverage Ratio



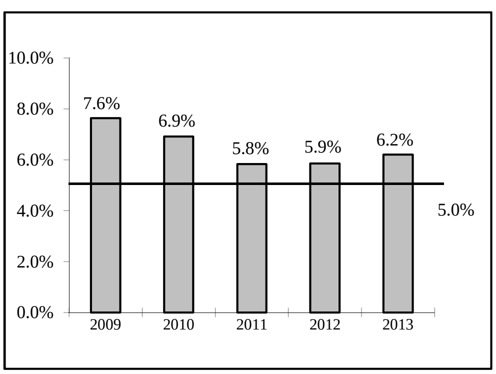
Annual Operating Margin Ratio



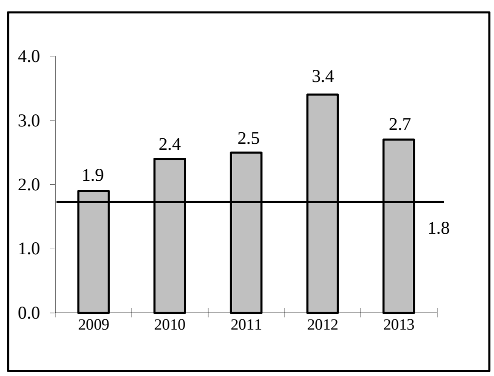
Expendable Resources to Debt Ratio



Debt Burden Ratio

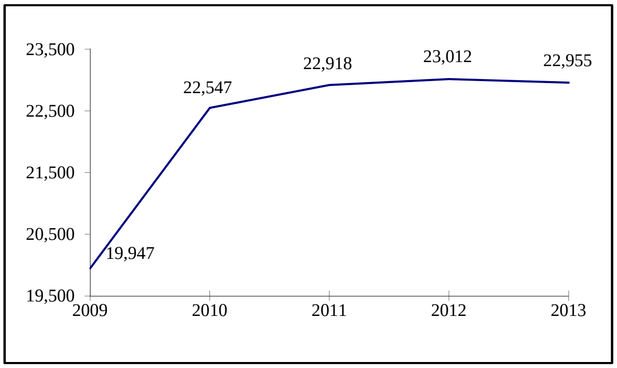


Debt Service Coverage Ratio



The University of Texas at Arlington
2013 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Arlington's CFI decreased slightly from 3.1 in 2012 to 3.0 in 2013 as a result of a decrease in the annual operating margin ratio, which was mostly offset by increases in the return on net position and the expendable resources to debt ratios. The changes in the annual operating margin ratio and the expendable resources to debt ratio are discussed below. The increase in the return on net position ratio was driven by a decrease in the amount of debt outstanding.

Operating Expense Coverage Ratio - U. T. Arlington's operating expense coverage ratio increased from 4.4 months in 2012 to 4.6 months in 2013 primarily due to the $19.8 million increase in total unrestricted net position, which was partially offset by the increase in total operating expenses (including interest expense) of $33.0 million. The increase in total unrestricted net position was largely attributable to normal operating activities in unrestricted funds, as well as the net increase in fair value allocated to unrestricted funds. The increase in total operating expenses was primarily due to the following: an $8.7 million increase in other contracted services as a result of an increase in the Academic Partnership Program, an increase in the meal plan due to the opening of the new Vandergriff Hall dormitory, recruitment fees related to the Asian Executive MBA Program, and a financial assessment; an $8.1 million increase in salaries and wages and payroll related costs attributable to merit increases given to faculty and staff, an increase in positions to support the PeopleSoft conversion, and growth in Development and Communications operating staff to increase enrollment; a $4.9 million increase in depreciation and amortization expense due to the completion of College Park; a $3.6 million increase in interest expense; a $2.8 million increase in scholarships and fellowships expense due to a change in the reporting of Pell Grants (see explanation below); and a $2.8 million increase in repairs and maintenance due to costs associated with the IRT Institute for Research Technologies project, information technology assessments and billing, software license maintenance fees, Maverick Stadium audio upgrade, the maintenance of The Heights on Pecan apartments, and the Library Voyager System maintenance.

Annual Operating Margin Ratio - U. T. Arlington's annual operating margin ratio decreased from 7.5% for 2012 to 4.1% for 2013 as a result of the growth in total operating expenses of $33.0 million outpacing the growth in total operating revenues of $16.4 million. The increase in total operating revenues was primarily due to the following: a $23.6 million increase in sponsored programs revenue (including nonexchange sponsored programs and excluding the unspent portion of Texas Research Incentive Program (TRIP) funding) attributable to a change in reporting Pell Grants in 2013 explained below; an $8.1 million increase in gifts for operations primarily as a result of a $7.5 million pledge received from Shimadzu Scientific Instruments; and a $6.2 million increase in auxiliary enterprises revenue due to the opening of the new Vandergriff Hall dormitory and related increase in the meal plan, and rental income from The Heights on Pecan apartments and the Lofts at College Park apartments. These increases in revenues were partially offset by the following: a decrease in net tuition and fees of $14.8 million caused by an increase in tuition discounting as a result of the change in reporting of Pell Grants discussed below; a $3.3 million decrease in other operating revenues; and a $2.9 million decrease in state appropriations.

In 2013 U. T. Arlington received a total of $1.2 million in TRIP funding from the Texas Higher Education Coordinating Board. U. T. Arlington spent only $4,000 of these funds in 2013. Therefore, in order to more appropriately match revenues with expenses the $1.2 million of unspent TRIP funding was removed from 2013 nonexchange sponsored program revenue on this report. When the 2014 Analysis of Financial Condition is prepared, the $1.2 million will be added to 2014 nonexchange sponsored program revenues to match the expenses incurred in 2014. Additionally, in 2013 the State Auditor's Office made a determination that Pell Grants should not be deferred to match the related tuition and fees. This resulted in the institutions reporting 2 years of activity in 2013 for both nonexchange sponsored programs revenue and scholarships and fellowships expense (a component of tuition discounting); however, this change has no impact on the annual operating margin.

Expendable Resources to Debt Ratio - U. T. Arlington's expendable resources to debt ratio increased from 0.7 in 2012 to 0.8 in 2013 due to growth in total unrestricted net position of $19.8 million, previously discussed, as well as a decrease in the amount of debt outstanding of $15.8 million.

Debt Burden Ratio - U. T. Arlington's debt burden ratio increased from 5.9% in 2012 to 6.2% in 2013 as a result of a $3.5 million increase in debt service payments.

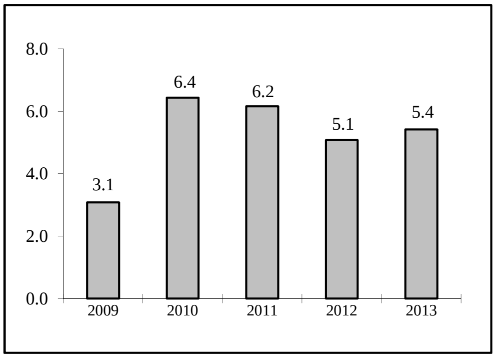
Debt Service Coverage Ratio - U. T. Arlington's debt service coverage ratio declined from 3.4 in 2012 to 2.7 in 2013. The decrease in this ratio was driven by the decrease in operating performance, mentioned in the annual operating margin ratio, as well as the increase in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Arlington's FTE student enrollment remained constant.

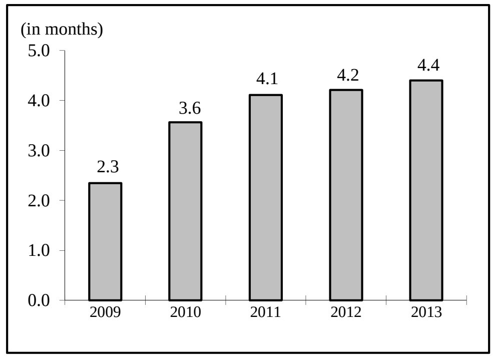
The University of Texas at Austin
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

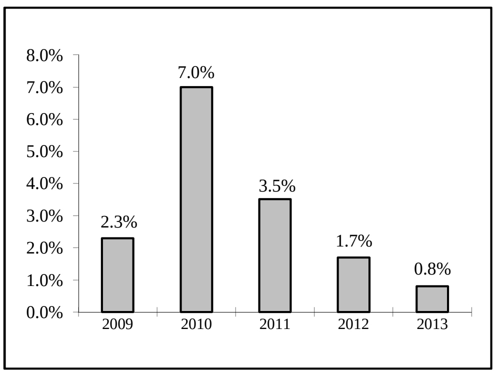
Composite Financial Index



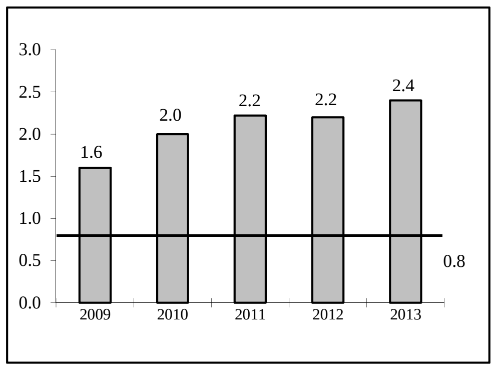
Operating Expense Coverage Ratio



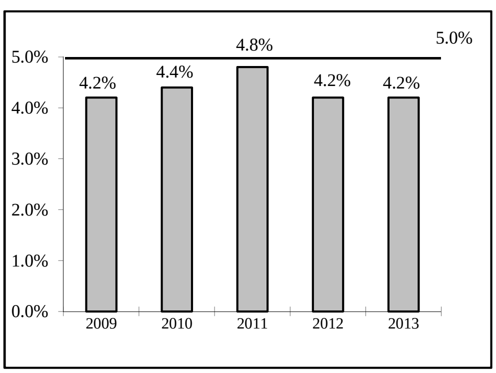
Annual Operating Margin Ratio



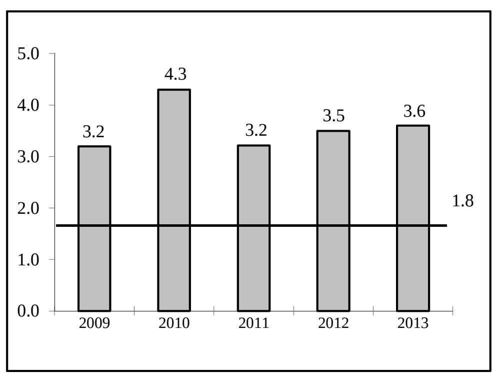
Expendable Resources to Debt Ratio



Debt Burden Ratio

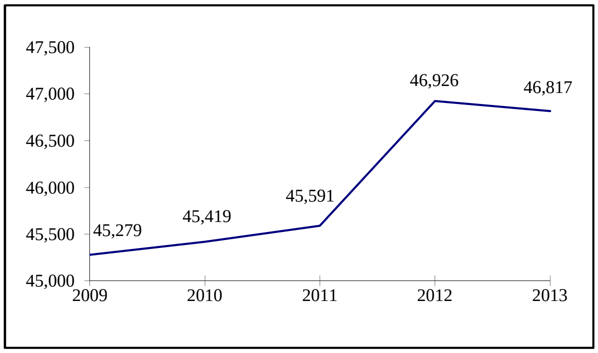


Debt Service Coverage Ratio



The University of Texas at Austin
2013 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Austin's CFI increased from 5.1 in 2012 to 5.4 in 2013 as a result of increases in the return on net position ratio and the expendable resources to debt ratio. The increase in the return on net position ratio was largely driven by the net increase in the fair value of investments in 2013 of $107.5 million as compared to a net decrease in 2012 of $61.8 million for a total increase between years of $169.3 million. The increase in the expendable resources to debt ratio is discussed below.

Operating Expense Coverage Ratio - U. T. Austin's operating expense coverage ratio increased from 4.2 months in 2012 to 4.4 months in 2013 due to a $102.2 million increase in total unrestricted net position, which was partially offset by an increase in total operating expenses (including interest expense) of $165.4 million. The increase in total unrestricted net position was primarily attributable to activity in educational and general funds, designated funds, and auxiliary enterprise funds including increases in investment income and the fair value of investments. Additionally, the transfer from the Available University Fund (AUF) increased $29.7 million over the prior year. The increase in total operating expenses was primarily due to the following: a $63.5 million increase in salaries and wages and payroll related costs attributable to a combination of the reallocation of service center activity, the timing of faculty salary recognition, merit increases, and new faculty and staff positions, as well as a $16.6 million increase in benefits related to salaries and wages overall; a $36.7 million increase in scholarships and fellowships due to a change in reporting Pell Grants (see explanation below); and a $31.9 million increase in depreciation and amortization expense primarily due to an adjustment made to the acquisition date entered into the inventory system for 4 large gifted software licenses, which resulted in a larger than normal increase in depreciation and amortization expense to bring accumulated depreciation and amortization up to the correct level in 2013.

Annual Operating Margin Ratio - U. T. Austin's annual operating margin ratio decreased from 1.7% for 2012 to. 0.8% for 2013 as a result of the $165.4 million growth in total operating expenses exceeding the $146.4 million growth in total operating revenues. The increase in total operating revenues was primarily due to the following: an increase of $29.7 million in the transfer from AUF; an increase of $27.1 million in net sales and services of educational activities primarily attributable to the recognition of service center revenue; an increase of $24.9 million in net tuition and fees due to the timing of tuition and fee recognition, and the rest was a result of a non-resident undergraduate and graduate tuition increase and higher overall enrollment; a $22.2 million increase in sponsored program revenue (including nonexchange sponsored programs) due to a change in reporting Pell Grants in 2013 explained below; a $13.2 million increase in net auxiliary enterprises revenue attributable to a $5.4 million increase in gate receipts for Athletics, a $4.1 million increase in revenue for the Division of Housing and Food, a $1.2 million increase in concessions income primarily at the Frank Erwin Center, a $1.1 million increase in food sales for Housing and Food and the AT&T Conference Center, a $0.9 million increase in ticket handling revenue for the Texas Box Office, a $0.9 million increase in medical service sales for University Health Services and the Pharmacy School, and a $0.6 million increase in convenience and process ordering fees charged by Athletics; and a $10.1 million increase in investment income (excluding realized gains/losses). The increase in total operating expenses is discussed in the operating expense coverage ratio above. The negative impact on margin of donated software licenses, which are required to be amortized over a three year license period, was a gross amount of $72.5 million for 2013. Excluding the amortization expense of the donated software licenses, the annual operating margin ratio would have been 3.7%.

In 2013 the State Auditor's Office made a determination that Pell Grants should not be deferred to match the related tuition and fees. This resulted in the institutions reporting 2 years of activity in 2013 for both nonexchange sponsored programs revenue and scholarships and fellowships expense; however, this change has no impact on the annual operating margin.

Expendable Resources to Debt Ratio - U. T. Austin's expendable resources to debt ratio increased from 2.2 in 2012 to 2.4 in 2013. The increase in this ratio was attributable to an increase of $110.3 million in total restricted expendable net position (excluding expendable for capital projects) and the increase in total unrestricted net position of $102.2 million as previously discussed, as well as a $27.6 million decrease in the amount of debt outstanding. The increase in restricted expendable net position was primarily due to the increase in the appreciation on the permanent endowment funds.

Debt Burden Ratio - U. T. Austin's debt burden ratio remained unchanged at 4.2% in 2013. The stability of this ratio was a result of the increased scholarships and fellowships expense, as discussed above, which is excluded from operating expenses for the calculation of this ratio and which lessened the impact of the increase in total operating expenses.

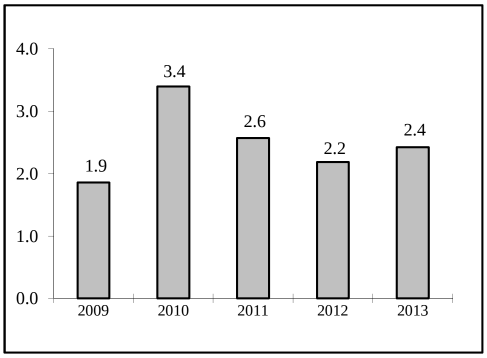
Debt Service Coverage Ratio - U. T. Austin's debt service coverage ratio increased slightly from 3.5 in 2012 to 3.6 in 2013. The slight increase was predominately due to the increase in AUF and nonexchange sponsored programs revenue (explained in operating sections above).

Full-Time Equivalent (FTE) Student Enrollment - U. T. Austin's FTE student enrollment slightly decreased in Fall 2013 returning to normal following a one-year spike in Fall 2012.

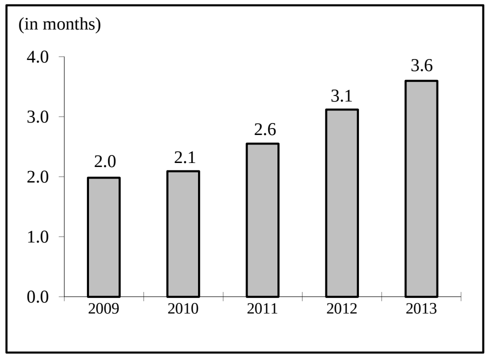
The University of Texas at Brownsville
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

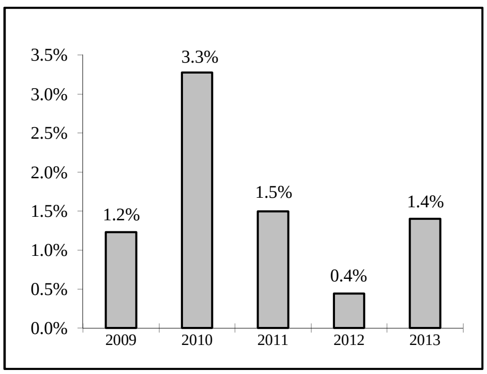
Composite Financial Index



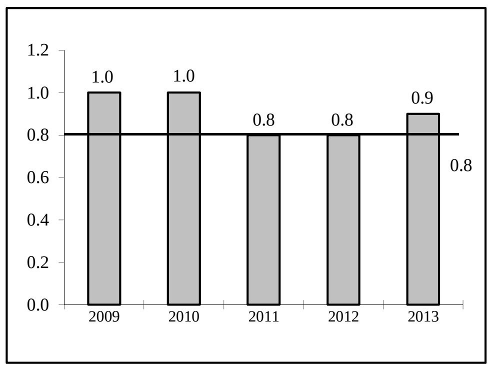
Operating Expense Coverage Ratio



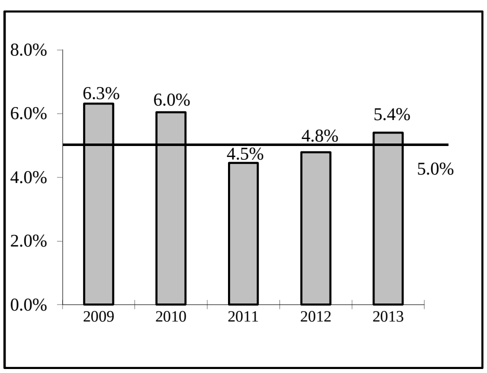
Annual Operating Margin Ratio



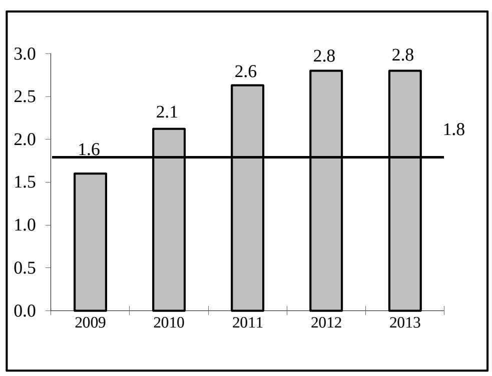
Expendable Resources to Debt Ratio



Debt Burden Ratio

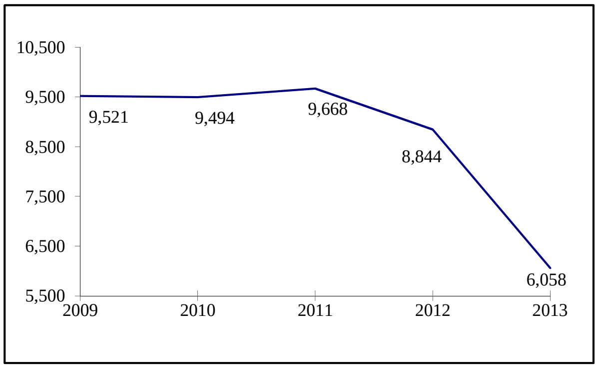


Debt Service Coverage Ratio



The University of Texas at Brownsville
2013 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Brownsville's CFI increased from 2.2 in 2012 to 2.4 in 2013 primarily due to increases in the return on net position and the expendable resources to debt ratios. The increase in the return on net position ratio was largely driven by an increase in the fair value of investments of $0.9 million in 2013 as compared to a decrease in the fair value of investments of $0.2 million for a net change between years of $1.1 million, as well as the improvement in operating performance as discussed in more detail in the annual operating margin ratio below. The increase in expendable resources to debt ratio is also discussed below.

Operating Expense Coverage Ratio - U. T. Brownsville's operating expense coverage ratio increased from 3.1 months in 2012 to 3.6 months in 2013 due to an increase of $5.8 million in total unrestricted net position combined with a $4.2 million decrease in total operating expenses (including interest expense). The increase in total unrestricted net position was attributable to normal operating activities in unrestricted current funds, as well as a transfer from restricted funds to unrestricted current funds resulting from the scholarship allowance. Additionally, prior to 2013, U. T. Brownsville classified all net position in unexpended plant funds as restricted. However, beginning in 2013 U. T. System requested all of the institutions to follow the same methodology for classifying net position in unexpended plant funds between restricted and unrestricted which resulted in U. T. Brownsville classifying $1.6 million as unrestricted in unexpended plant funds. The decrease in total operating expenses was primarily attributable to a decrease of $3.6 million in salaries and wages and payroll related costs as a result of the reduction in force implemented due to the end of the partnership between U. T. Brownsville and Texas Southmost College (TSC). Cost containment activities also contributed to the reduction in total operating expenses.

Annual Operating Margin Ratio - U. T. Brownsville's annual operating margin ratio increased from 0.4% for 2012 to 1.4% for 2013 due to a greater decrease in total operating expenses ($4.2 million) as compared to the decrease in total operating revenues ($2.6 million). The decrease in total operating revenues was largely attributable to a $14.1 million decrease in sponsored programs revenue (including nonexchange sponsored programs) resulting from the following: a reduction in the TSC contract due to a 50% decrease in TSC's student enrollment, a 52% decrease in semester credit hours (SCH) and the termination of several TSC contracts. The decrease in revenues was partially offset by a $9.2 million increase in net tuition and fees as students self-identified the institution of choice as part of the U. T. Brownsville and TSC separation process, which overall resulted in U. T. Brownsville experiencing a 6% increase in student enrollment and a 56% increase in semester credit hours. The decrease in total operating expenses is discussed above.

Expendable Resources to Debt Ratio - U. T. Brownsville's expendable resources to debt ratio increased slightly from 0.8 in 2012 to 0.9 in 2013. The small increase in this ratio was primarily attributable to the $5.8 million decrease in the amount of debt outstanding.

Debt Burden Ratio - U. T. Brownsville's debt burden ratio increased from 4.8% in 2012 to 5.4% in 2013 largely as a result of the decrease in total operating expenses previously discussed.

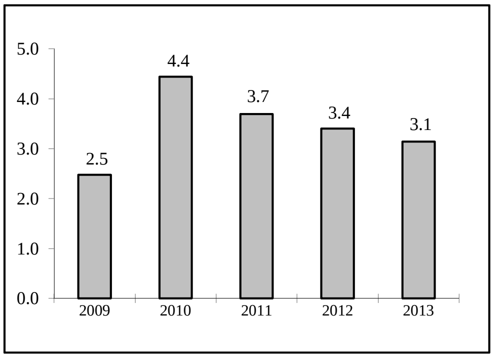
Debt Service Coverage Ratio - U. T. Brownsville's debt service coverage ratio remained unchanged at 2.8 in 2013. The stability of this ratio was attributable to the increase in the annual operating margin which was offset by the increase in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Brownsville's FTE student enrollment was 6,058 for Fall 2013. The 2013 fall semester was the first semester that U. T. Brownsville registered students separate from TSC as a result of the termination of the U. T. Brownsville and TSC partnership. Initial student enrollment forecast for the semester was 8,181. The actual student enrollment surpassed the forecast by 5% with a student headcount of 8,612. U. T. Brownsville expects the student enrollment to increase throughout the year.

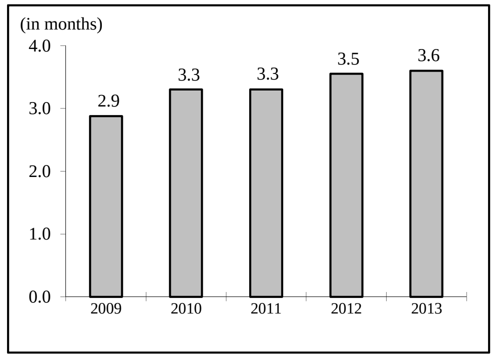
The University of Texas at Dallas
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

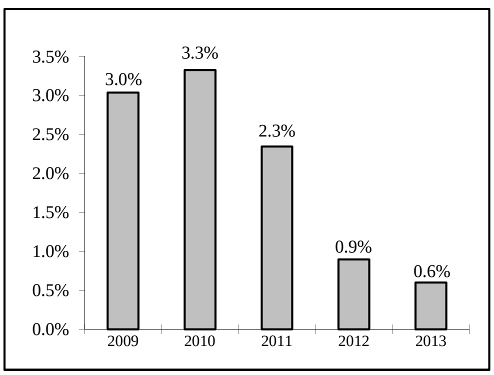
Composite Financial Index



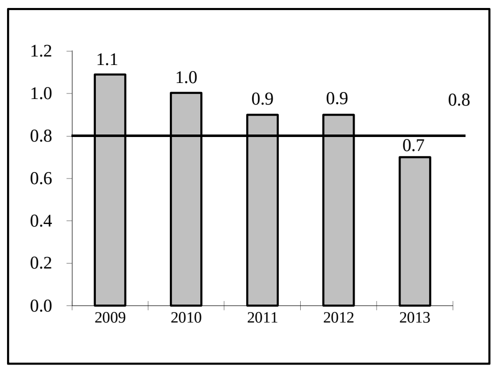
Operating Expense Coverage Ratio



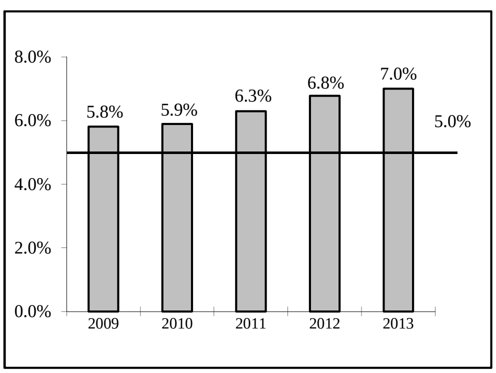
Annual Operating Margin Ratio



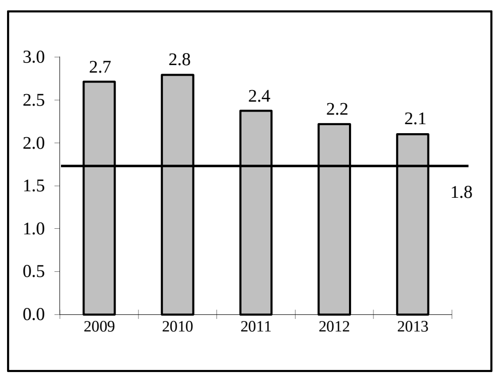
Expendable Resources to Debt Ratio



Debt Burden Ratio

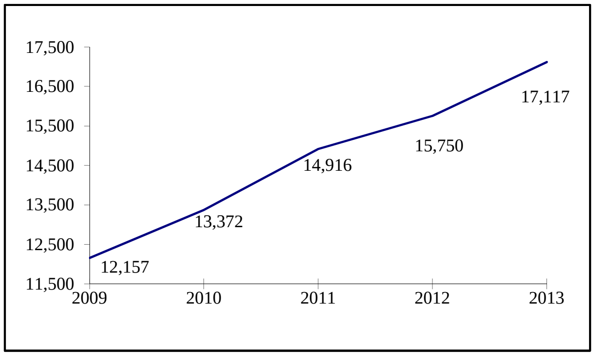


Debt Service Coverage Ratio



The University of Texas at Dallas
2013 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Dallas' CFI decreased from 3.4 in 2012 to 3.1 in 2013 largely due to decreases in the expendable resources to debt and primary reserve ratios. The decrease in the expendable resources to debt ratio is discussed in further detail below. The decrease in the primary reserve ratio was attributable to the increase in total operating expenses which is also discussed below.

Operating Expense Coverage Ratio - U. T. Dallas' operating expense coverage ratio increased from 3.5 months in 2012 to 3.6 months in 2013 primarily due to an increase in total unrestricted net position of $16.9 million, which was partially offset by growth in total operating expenses (including interest expense) of $51.5 million. The increase in total unrestricted net position was largely attributable to an increase in designated funds as a result of the Texas Research Incentive Program (TRIP) funding received late in 2013 and an increase in auxiliary enterprises primarily due to an increase in resident housing. The increase in total operating expenses was primarily due to the following: a $29.6 million increase in salaries and wages and payroll related costs resulting from overall growth, an increase in faculty, and increased costs for benefits, as well as merit increases; a $6.7 million increase in depreciation and amortization expense primarily attributable to several large buildings and additions to buildings that were placed into service in 2013, along with a full year of depreciation on buildings that were placed into service in the prior year; a $6.1 million increase due to an increase in noncapitalized furniture and equipment purchases, as well as increased purchases of parts for computers, motor vehicles, and an increase in facility hardware and materials; a $4.4 million increase in scholarships and fellowships as a result of increased enrollment; and a $3.1 million increase in other operating expenses attributable to increases in royalty payments, student recruitment expenses, credit card processing fees, postal service expenses, group student travel, meals and conference expenses, and meeting and seminar expenses.

Annual Operating Margin Ratio - U. T. Dallas' annual operating margin ratio decreased from 0.9% for 2012 to 0.6% for 2013 as the growth in total operating expenses of $51.5 million slightly outpaced the growth in total operating revenues of $50.8 million. The increase in total operating revenues was primarily due to the following: a $24.5 million increase in net tuition and fees as a result of a 5% increase in student enrollment and tuition increases of 3% for undergraduate and 7% for graduate students; a $9.6 million increase in sponsored programs revenue (including nonexchange sponsored programs and excluding the unspent portion of TRIP funding) due to an increase in TRIP funding; a $4.2 million increase in auxiliary enterprises revenue resulting from an increase in on-campus housing attributable to greater capacity from the new residence hall and thus higher occupancy, and an increase in commissions due to expanded food services; a $3.8 million increase in net sales and services of educational activities primarily due to increases in the Callier Center patient fees, miscellaneous external revenue and Callier professional services and contracts; a $3.1 million increase in other operating revenues largely attributable to increases in lease income earned by license agreement with Jassen Biotech for U. T. Dallas owned intellectual property, lease revenue for Waterview Park and lease revenue for the new English Learning School; and a $3.1 million increase in investment income (excluding realized gains/losses).

Late in 2013 U. T. Dallas received $10.2 million in TRIP funding from the Texas Higher Education Coordinating Board. Given that these funds were received so close to year-end, U. T. Dallas was not able to spend $5.0 million of these funds in 2013. Therefore, in order to more appropriately match revenues with expenses the $5.0 million of unspent TRIP funding was removed from 2013 nonexchange sponsored programs revenue on this report. When the 2014 Analysis of Financial Condition is prepared, the $5.0 million will be added to 2014 nonexchange sponsored programs revenues to match the expenses incurred in 2014.

Expendable Resources to Debt Ratio - U. T. Dallas' expendable resources to debt ratio decreased from 0.9 in 2012 to 0.7 in 2013. The decrease in this ratio was attributable to an increase of $95.1 million in the amount of debt outstanding. The increase in the amount of debt outstanding was related to the Student Living/Learning Center, parking structure, existing space renovations, and the Waterview Park student housing improvements purchase.

Debt Burden Ratio - U. T. Dallas' debt burden ratio increased from 6.8% in 2012 to 7.0% in 2013 primarily due to an increase in debt service payments of $4.4 million, which increase was partially offset by the increase in total operating expenses discussed above.

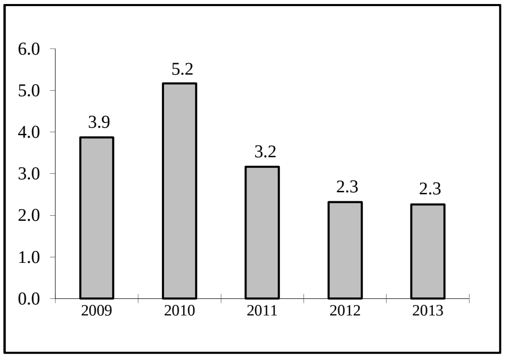
Debt Service Coverage Ratio - U. T. Dallas' debt service coverage ratio decreased from 2.2 in 2012 to 2.1 in 2013. The slight decrease in this ratio was attributable to the increase in debt service payments as mentioned above.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Dallas' overall student enrollment increased by 8.7% from 2012 to 2013. The upward trend in FTE student enrollment relative to gross enrollment reflects the effects of the university's guaranteed tuition plan, which encourages full-time status, federal and state eligibility requirements for aid for domestic students and visa requirements for international students. In the fall of 2013 undergraduate FTE rose 10% over the fall of 2012. FTE masters student enrollment increased 12.5% between 2012 and 2013.

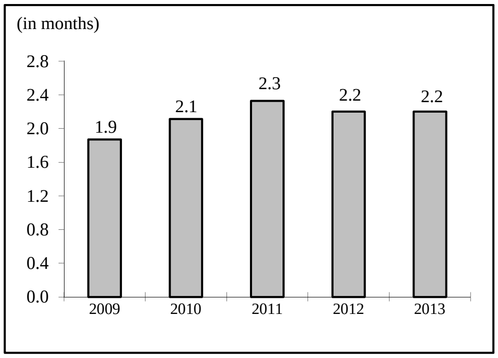
The University of Texas at El Paso
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

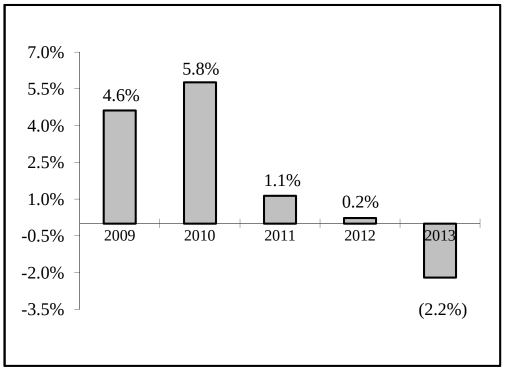
Composite Financial Index



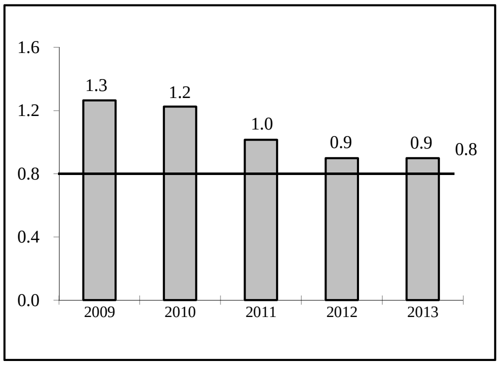
Operating Expense Coverage Ratio



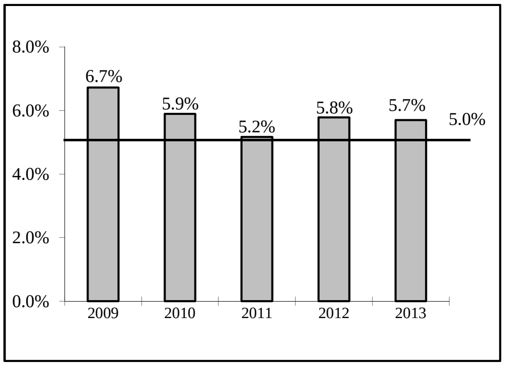
Annual Operating Margin Ratio



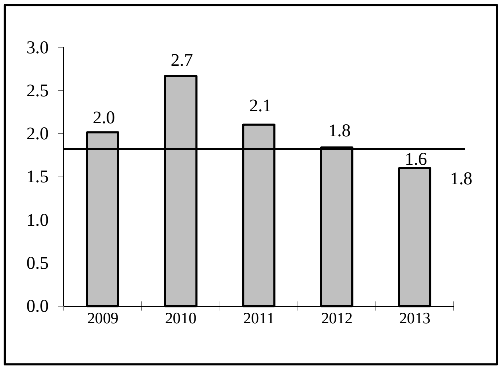
Expendable Resources to Debt Ratio



Debt Burden Ratio

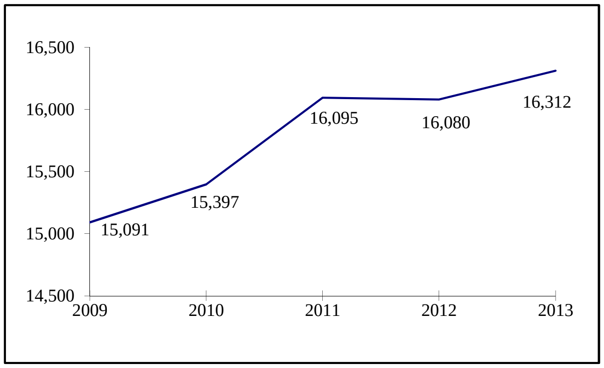


Debt Service Coverage Ratio



The University of Texas at El Paso
2013 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. El Paso's CFI remained stable at 2.3 in 2013. The decline in the annual operating margin ratio, as discussed below, was offset by an increase in the return on net position ratio. The increase in the return on net position ratio was primarily driven by an increase in the amount of bond proceeds transferred to U. T. El Paso for construction projects which contributed to a larger change in net position in 2013 as compared to 2012.

Operating Expense Coverage Ratio - U. T. El Paso's operating expense coverage ratio remained unchanged at 2.2 months in 2013. The stability of this ratio was attributable to the increase in total unrestricted net position of $3.2 million offsetting the increase in total operating expenses (including interest expense) of $20.8 million. The increase in total unrestricted net position was primarily due to the net increase in the fair value of investments allocated to designated funds. The increase in total operating expenses was largely attributable to the following: an $8.3 million increase in salaries and wages and payroll related costs as a result of merit increases and the hiring of new faculty; a $6.0 million increase in scholarships and fellowships expense due to a change in the reporting of Pell Grants (see explanation below); a $2.7 million increase in depreciation and amortization expense resulting from the recognition of a full year of depreciation expense on the Chemistry and Computer Science Building and the Engineering-Biological Sciences Complex, as well as the addition of the Swimming and Fitness Center Phase II which was placed into service in 2013; a $1.5 million increase in interest expense; and a $1.2 million increase in professional fees and contracted services due to an increase in educational and training fees under research programs, an increase in other contracted services related to payments for consulting services, and an increase in payments for travel for students performing research.

Annual Operating Margin Ratio - U. T. El Paso's annual operating margin ratio decreased from 0.2% for 2012 to (2.2%) for 2013 as the growth in total operating revenues of $11.6 million lagged behind the growth in total operating expenses of $20.8 million. The increase in total operating revenues was primarily due to the following: a $21.3 million increase in sponsored programs revenue (including nonexchange sponsored programs and excluding the unspent portion of Texas Research Incentive Program (TRIP) funding) attributable to a change in reporting Pell Grants in 2013 explained below; a $3.5 million increase in state appropriations; a $1.3 million increase in auxiliary enterprises revenue generated from an increase in game guarantees paid to the football program; a $1.2 million increase in sales and services of educational activities due to the addition of two new outreach programs; and a $0.8 million increase in investment income (excluding realized gains and losses). Operating revenues also reflect semester credit hour production of 2%, or $4.6 million, below that initially projected. These increases in revenues were partially offset by a decrease in net tuition and fees of $13.9 million caused by an increase in tuition discounting as a result of the change in reporting of Pell Grants discussed below, as well as an increase in Hazelwood Exemptions. The overall increase in exemptions of $1.4 million in 2013 was primarily due to increases of $0.3 million and $0.8 million for the Hazelwood Act and Hazelwood Legacy programs, respectively

U. T. El Paso was awarded $5.1 million in TRIP funds from the Texas Higher Education Coordinating Board during the last quarter of 2013. Although the funds were received and properly recorded as nonexchange sponsored revenue in the financial statements, U. T. System determined that since the funds were received late in the year, the unspent balance at year-end of $4.7 million would be removed from revenue in 2013 for the purposes of this report to more closely match revenues and expenses. When the 2014 Analysis of Financial Condition is prepared, the $4.7 million will be added to 2014 nonexchange sponsored programs revenue to match the expenses incurred in 2014. Additionally, in 2013 the State Auditor's Office made a determination that Pell Grants should not be deferred to match the related tuition and fees. This resulted in the institutions reporting 2 years of activity in 2013 for both nonexchange sponsored programs revenue and scholarships and fellowships expense (a component of tuition discounting); however, this change has no impact on the annual operating margin.

Expendable Resources to Debt Ratio - U. T. El Paso's expendable resources to debt ratio remained unchanged at 0.9 in 2013. The stability of this ratio was attributable to the increases in total unrestricted net position of $3.2 million, previously discussed, and the increase in total restricted expendable net position of $16.5 million (excluding the funds restricted for capital projects), which increases were offset by an increase of $20.9 million in the amount of debt outstanding. The increase in the total restricted expendable net position was primarily due to the increase in the appreciation on the endowment funds. The increase in the debt outstanding was related to the McIntyre Land Purchase, the Campus Transformation Project, and the purchase of University Towers.

Debt Burden Ratio - U. T. El Paso's debt burden ratio decreased slightly from 5.8% in 2012 to 5.7% in 2013 as a result of the increase in total operating expenses as previously discussed.

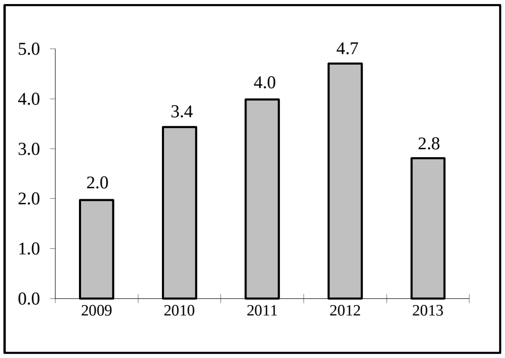
Debt Service Coverage Ratio - U. T. El Paso's debt service coverage ratio decreased from 1.8 in 2012 to 1.6 in 2013 due to the decline in operating performance as discussed in the annual operating margin ratio above.

Full-Time Equivalent (FTE) Student Enrollment - U. T. El Paso's FTE student enrollment continued to increase. Undergraduate enrollment increased by approximately 3%, offset by a decrease in graduate student enrollment of 9%.

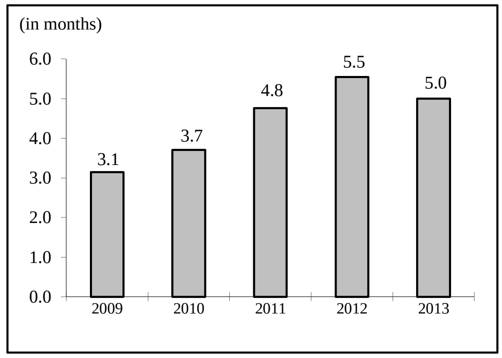
The University of Texas-Pan American
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

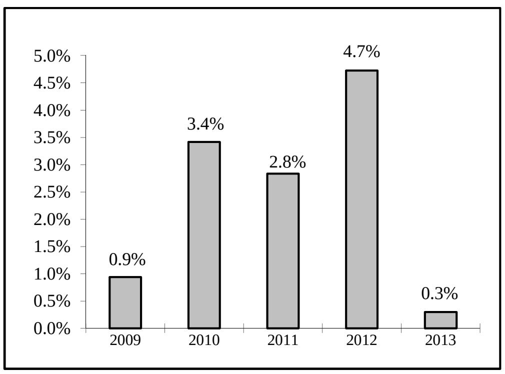
Composite Financial Index



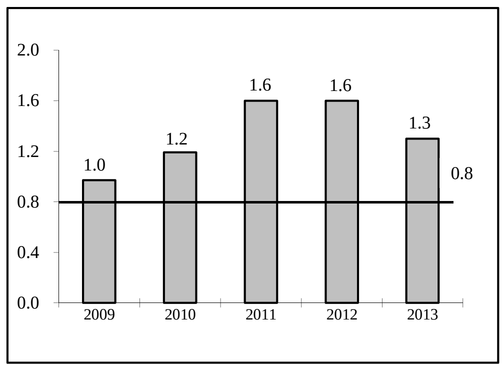
Operating Expense Coverage Ratio



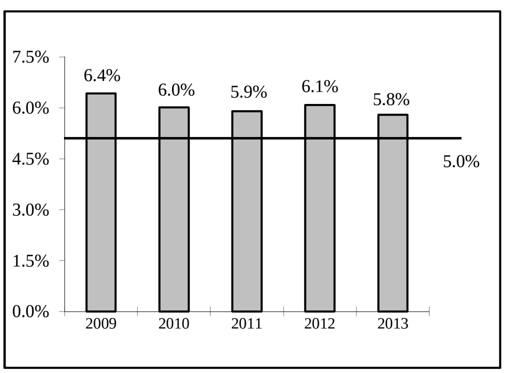
Annual Operating Margin Ratio



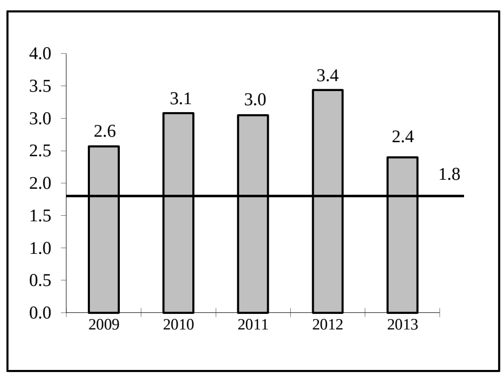
Expendable Resources to Debt Ratio



Debt Burden Ratio

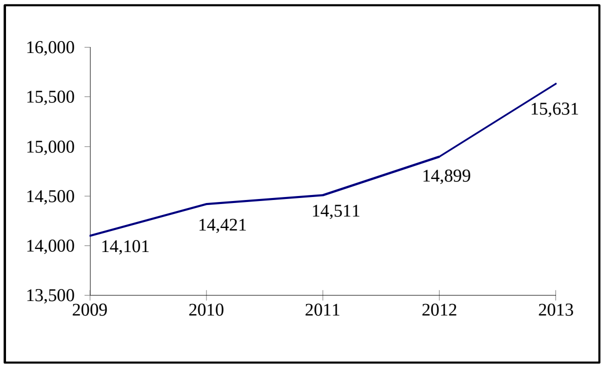


Debt Service Coverage Ratio



The University of Texas-Pan American
2013 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Pan American's CFI decreased from 4.7 in 2012 to 2.8 in 2013 and was caused by decreases in all four core ratios. The decreases in the annual operating margin ratio and the expendable resources to debt ratio are discussed below. The decreases in the return on net position ratio and the primary reserve ratio were both driven by the decline in operating performance. The change in total net position in 2013 was $3.0 million as compared to a change in total net position in 2012 of $50.6 million. The primary reserve ratio was also impacted by the exclusion of the net position restricted for capital projects from the calculation of this ratio beginning in 2013. This change was made to be consistent with the approach recommended by experts in the field of ratio analysis. The prior years were not restated for this change as the amounts were not computed consistently until 2013.

Operating Expense Coverage Ratio - U. T. Pan American's operating expense coverage ratio decreased from 5.5 months in 2012 to 5.0 months in 2013 due to a $5.9 million decrease in total unrestricted net position and a $9.9 million increase in total operating expenses (including interest expense). The decrease in total unrestricted net position was attributable to a decline in operating performance as discussed in the annual operating margin ratio below. Total operating expenses increased primarily due to the following: a $2.2 million increase in salaries and wages and payroll related costs as a result of one-time merit awards for faculty and staff; a $2.1 million increase in repairs and maintenance due to increased expenses for construction repair and maintenance projects, the Information Security Assurance Initiative Project-Deloitte IT Assessment, and increased costs for projects such as Energy Efficient Lighting and the Haggar Renovation; a $1.0 million increase in in non-capital expenditures associated mostly with the Campus Master Plan and to a lesser extent the Western Atlantic Conference (WAC) membership and the International Latin Studies program; a $0.9 million increase in depreciation and amortization expense attributable to the completion of several projects that were placed into service in 2013; and a $0.3 million increase in athletic expenses associated with the Western Atlantic Conference membership.

Annual Operating Margin Ratio - U. T. Pan American's annual operating margin ratio declined from 4.7% for 2012 to 0.3% for 2013 as a result of an increase in total operating expenses of $9.9 million while total operating revenues decreased by $1.3 million. The decrease in total operating revenues was primarily attributable to an $18.9 million decrease in net tuition and fees caused by an increase in tuition discounting as a result of the change in reporting of Pell Grants discussed below. This decrease in revenue was largely offset by the related increase in sponsored programs revenue (including nonexchange sponsored programs) of $16.4 million. Also offsetting the reduction in revenue was an increase in other operating revenues of $0.9 million and an increase in investment income (excluding realized gains/losses) of $0.6 million.

In 2013 the State Auditor's Office made a determination that Pell Grants should not be deferred to match the related tuition and fees. This resulted in the institutions reporting 2 years of activity in 2013 for both nonexchange sponsored programs revenue and scholarships and fellowships expense (a component of tuition discounting); however, this change has no impact on the annual operating margin.

Expendable Resources to Debt Ratio - U. T. Pan American's expendable resources to debt ratio decreased from 1.6 in 2012 to 1.3 in 2013. The decrease in this ratio was due to the decrease in both total unrestricted net position, as previously discussed, and a decrease in total restricted expendable net position. Beginning in 2013 funds classified as restricted expendable for capital projects are excluded from the total restricted expendable net position used in the calculation of this ratio. This change was made to be consistent with the approach recommended by experts in the field of ratio analysis. The prior years were not restated for this change as the amounts were not computed consistently until 2013. U. T. Pan American had $26.4 million in restricted expendable for capital projects in 2013.

Debt Burden Ratio - U. T. Pan American's debt burden ratio decreased from 6.1% in 2012 to 5.8% in 2013 as a result of the increase in total operating expenses.

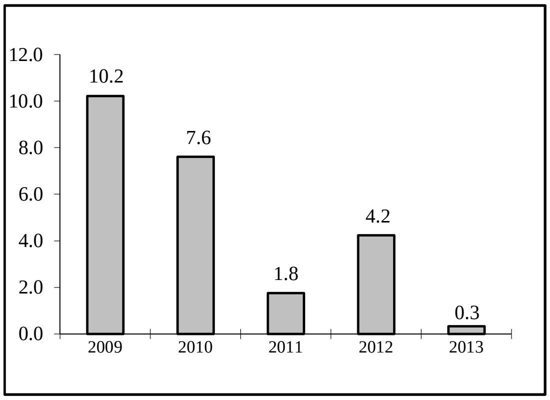
Debt Service Coverage Ratio - U. T. Pan American's debt service coverage ratio decreased from 3.4 in 2012 to 2.4 in 2013. The drop in this ratio was attributable to the decline in operating performance as discussed above.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Pan American's FTE student enrollment went up from 14,899 in Fall 2012 to 15,631 in Fall 2013, which was a 4.9% increase. A quality advisement program and several other student success initiatives are helping student retention and timely graduation.

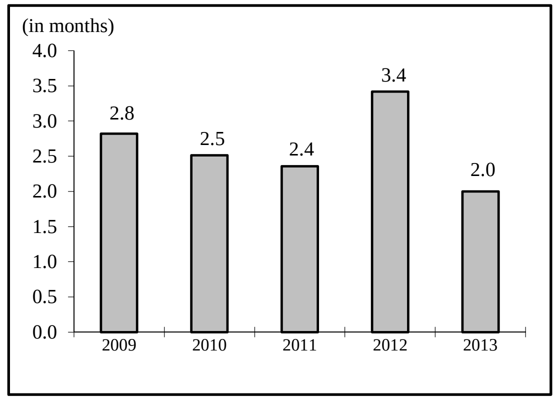
The University of Texas of the Permian Basin
2013 Summary of Financial Condition

Financial Condition: **Watch**

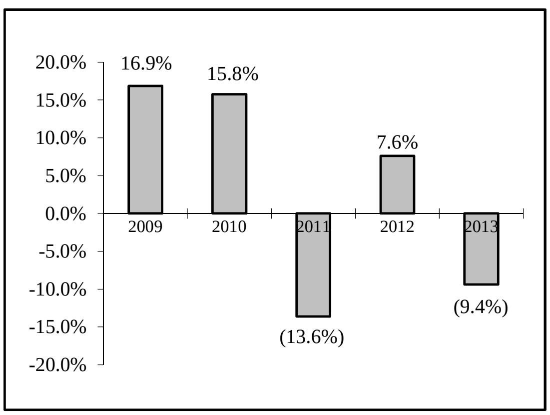
Composite Financial Index



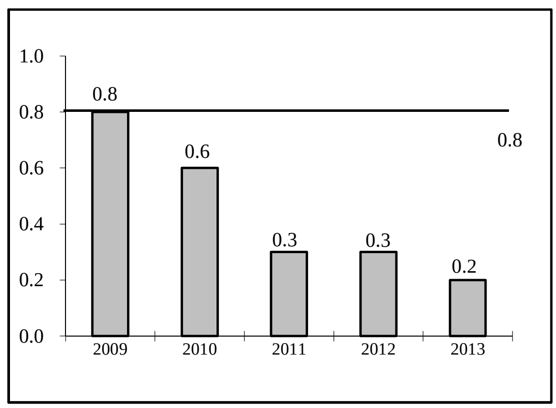
Operating Expense Coverage Ratio



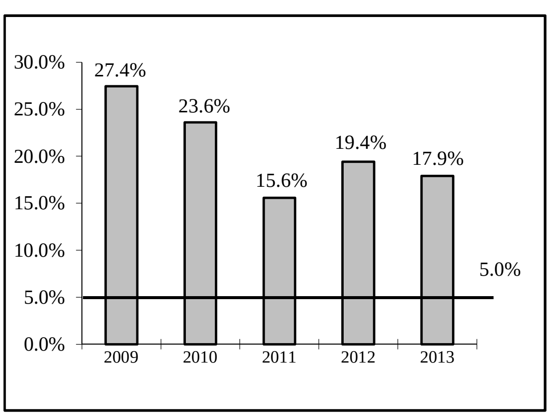
Annual Operating Margin Ratio



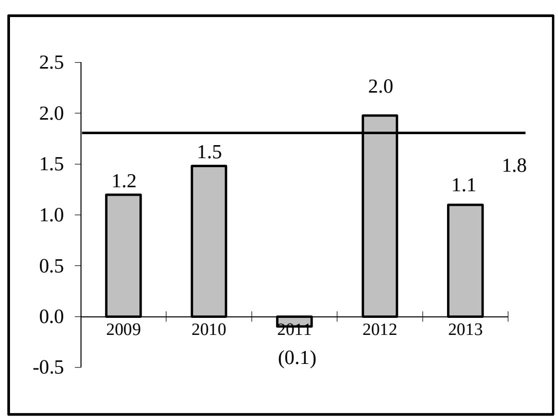
Expendable Resources to Debt Ratio



Debt Burden Ratio

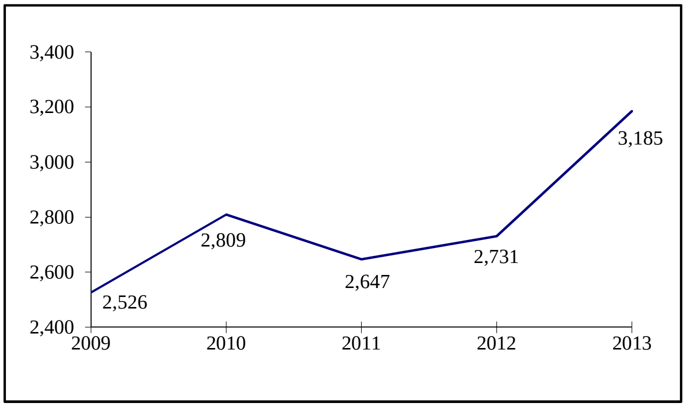


Debt Service Coverage Ratio



The University of Texas of the Permian Basin
2013 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Permian Basin's CFI declined from 4.2 in 2012 to 0.3 in 2013 as a result of decreases in all 4 core ratios. The decreases in the annual operating margin ratio and the expendable resources to debt ratio are discussed below. The decreases in the return on net position ratio and the primary reserve ratio were both driven by the decline in operating performance. The change in total net position in 2013 was ($8.2) million as compared to a change in total net position in 2012 of $18.4 million.

Operating Expense Coverage Ratio - U. T. Permian Basin's operating expense coverage ratio decreased from 3.4 months in 2012 to 2.0 months in 2013 due to a decrease of $2.3 million in total unrestricted net position and an increase of $19.9 million in total operating expenses (including interest expense). The decrease in total unrestricted net position was primarily attributable to the increase in total operating expenses, as well as a reduction in state appropriations. The increase in total operating expenses was primarily due to the following: a $13.9 million increase in scholarships and fellowships expense as a result of a $7.0 million error made in 2011 which caused 2012 expenses to be understated along with a change in the recording of Pell Grants (see explanation below); a $3.4 million increase in salaries and wages and payroll related costs resulting from a $2.9 million reduction in salaries and wages in 2012 to correct an error made in 2011, as well as merit increases; and a $1.4 million increase in depreciation and amortization expense attributable to the recognition of a full year of depreciation on the Falcon's Nest Addition.

A*nnual Operating Margin Ratio* - U. T. Permian Basin's annual operating margin ratio dropped from 7.6% for 2012 to (9.4%) for 2013 as the growth in total operating expenses of $19.9 million far exceeded the growth in total operating revenues of $9.8 million. The increase in total operating revenues was primarily due to the following: a $5.3 million increase in net tuition as a result of errors in the tuition discounting calculation in 2012; and a $4.1 million increase in sponsored programs revenue (including nonexchange sponsored programs) attributable to a change in reporting Pell Grants in 2013 as explained below.

In 2013 the State Auditor's Office made a determination that Pell Grants should not be deferred to match the related tuition and fees. This resulted in the institutions reporting 2 years of activity in 2013 for both nonexchange sponsored programs revenue and scholarships and fellowships expense (a component of tuition discounting); however, this change has no impact on the annual operating margin.

Expendable Resources to Debt Ratio - U. T. Permian Basin's expendable resources to debt ratio decreased from 0.3 in 2012 to 0.2 in 2013. The decrease in this ratio was due to decreases in both the total unrestricted net position, as mentioned above, and the total restricted expendable net position (excluding the portion restricted for capital projects). Beginning in 2013 funds classified as restricted expendable for capital projects are excluded from the total restricted expendable net position used in the calculation of this ratio. This change was made to be consistent with the approach recommended by experts in the field of ratio analysis. The prior years were not restated for this change as the amounts were not computed consistently until 2013. U. T. Permian Basin had ($4.3) million in restricted expendable for capital projects in 2013 as compared to $10.5 million in 2012.

Debt Burden Ratio - U. T. Permian Basin's debt burden ratio decreased from 19.4% in 2012 to 17.9% in 2013 as a result of the increase in total operating expenses (excluding scholarships expense).

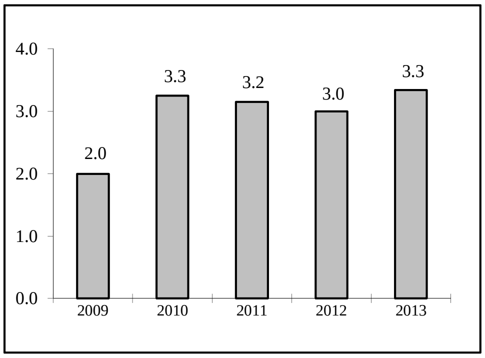
Debt Service Coverage Ratio - U. T. Permian Basin's debt service coverage ratio decreased from 2.0 in 2012 to 1.1 in 2013. The decrease in this ratio was due to the decline in operating performance as previously discussed.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Permian Basin's FTE student enrollment increase was attributable to increased participation in the on-line enrollment, principally Academic Partnerships, as well as Dual Credit and Early College High School enrollments.

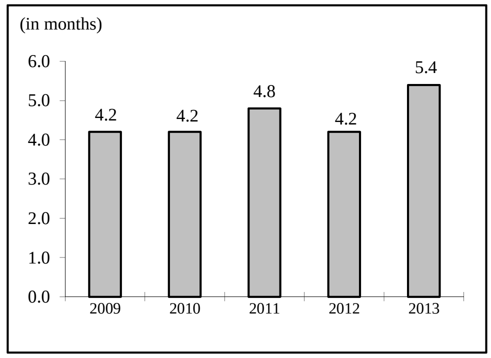
The University of Texas at San Antonio
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

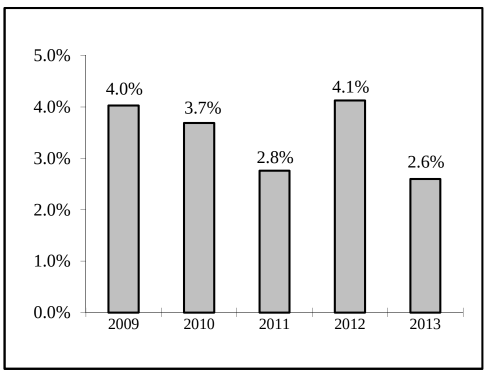
Composite Financial Index



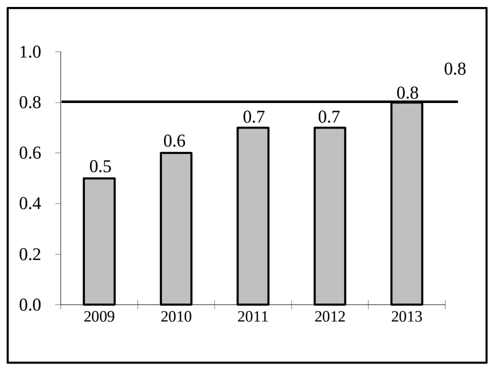
Operating Expense Coverage Ratio



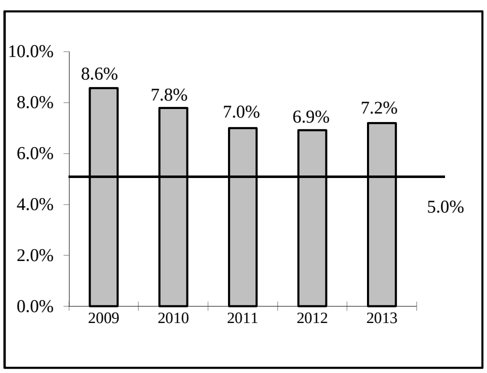
Annual Operating Margin Ratio



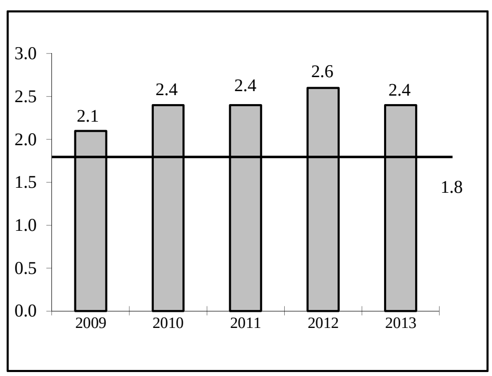
Expendable Resources to Debt Ratio



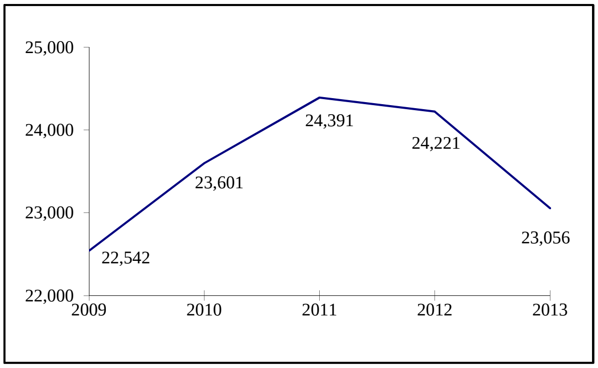
Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas at San Antonio
2013 Summary of Financial Condition
Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. San Antonio's CFI increased from 3.0 in 2012 to 3.3 in 2013 primarily as a result of an increase in the return on net position ratio. The increase in the return on net position ratio was largely driven by an $11.3 million reduction in the amount of debt outstanding.

Operating Expense Coverage Ratio - U. T. San Antonio's operating expense coverage ratio increased from 4.2 months in 2012 to 5.4 months in 2013 due to a $50.9 million increase in total unrestricted net position. The increase in total unrestricted net position was primarily attributable to an increase in the amount of unexpended plant funds classified as unrestricted primarily due to the use of a consistent methodology across all U. T. institutions for classifying unexpended plant funds between restricted and unrestricted funds as determined by U. T. System. Prior to 2013, U. T. San Antonio classified the majority of net position in unexpended plant funds as restricted. Also contributing to the increase in total unrestricted net position was normal operating activities in current unrestricted funds.

Annual Operating Margin Ratio - U. T. San Antonio's annual operating margin ratio decreased from 4.1% for 2012 to 2.6% for 2013 due to the growth in total operating expenses of $13.3 million exceeding the growth in total operating revenues of $5.7 million. The increase in total operating revenue was primarily attributable to the following: a $17.3 million increase in sponsored programs revenue (including nonexchange sponsored programs and excluding the unspent portion of Texas Research Incentive Program (TRIP) funding) attributable to a change in reporting Pell Grants in 2013 as explained below; and a $2.8 million increase in other operating revenues as a result of the Information Security Assurance Initiative Project-Deloitte IT Assessment. These increases in revenue were largely offset by a $12.2 million decrease in net tuition and fees caused by an increase in tuition discounting as a result of the change in reporting of Pell Grants as discussed below. The increase in total operating expenses was primarily due to the following: a $7.1 million increase in salaries and wages and payroll related costs attributable to merit increases and increased cost of benefits; a $2.4 million increase in scholarships and fellowships expense due to additional funds received for the TEXAS Grant Program; a $1.9 million increase in repairs and maintenance as a result of increased building repairs and maintenance due to various non-capitalized renovation projects related to refurbishing and renovating offices and increased computer repairs and maintenance as a result of expenses incurred to enhance computer security; a $1.8 million increase in depreciation and amortization expense related to various capital projects that were completed and placed into service in 2013; and a $1.1 million increase in professional fees and services attributable to increased enrollment in the Extended Education Program which generated increased expenses for educational training fees that are required for various certifications.

Late in 2013 U. T. San Antonio received $2.2 million in TRIP funding from the Texas Higher Education Coordinating Board. Given that these funds were received so close to year-end, U. T. San Antonio was not able to spend $0.6 million of these funds in 2013. Therefore, in order to more appropriately match revenues with expenses the $0.6 million of unspent TRIP funding was removed from 2013 nonexchange sponsored programs revenue. When the 2014 Analysis of Financial Condition is prepared, the $0.6 million will be added to 2014 nonexchange sponsored programs revenue. Additionally, in 2013 the State Auditor's Office made a determination that Pell Grants should not be deferred to match the related tuition and fees. This resulted in the institutions reporting 2 years of activity in 2013 for both nonexchange sponsored programs revenue and scholarships and fellowships expense (a component of tuition discounting); however, this change has no impact on the annual operating margin.

Expendable Resources to Debt Ratio - U. T. San Antonio's expendable resources to debt ratio increased from 0.7 in 2012 to 0.8 in 2013. The increase in this ratio was primarily due to the decrease in the debt outstanding.

Debt Burden Ratio - U. T. San Antonio's debt burden ratio increased from 6.9% in 2012 to 7.2% in 2013 as a result of a $2.0 million increase in debt service payments.

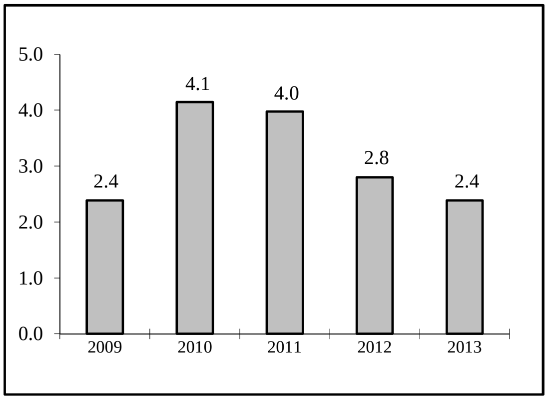
Debt Service Coverage Ratio - U. T. San Antonio's debt service coverage ratio decreased from 2.6 in 2012 to 2.4 in 2013. The decrease in this ratio was caused by both the reduction in operating performance, as discussed in the annual operating margin ratio, and the increase in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. San Antonio's FTE student enrollment decreased by 5%. The decline in enrollment was due to a smaller incoming class of undergraduates for Fall 2013 as a result of increased admission standards, combined with an increased number of students graduating during the 2012-2013 academic year.

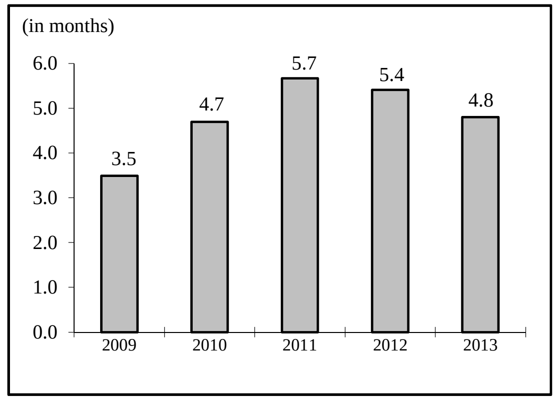
The University of Texas at Tyler
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

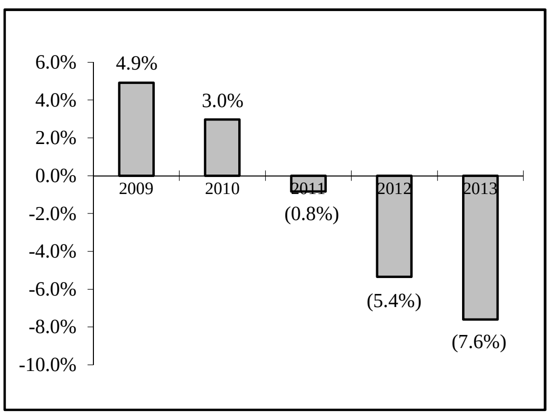
Composite Financial Index



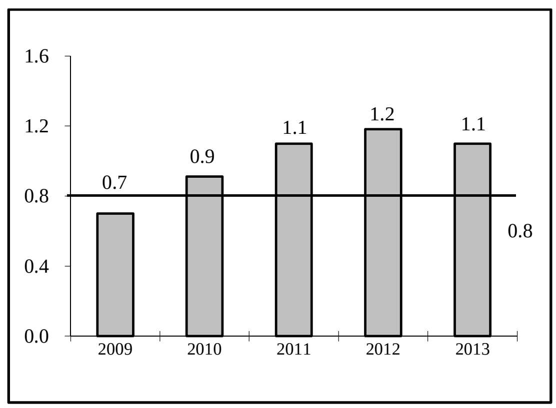
Operating Expense Coverage Ratio



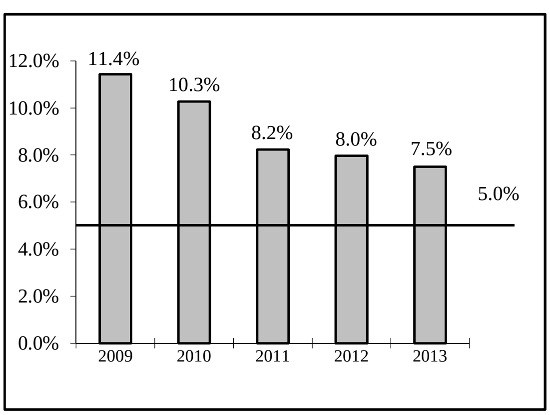
Annual Operating Margin Ratio



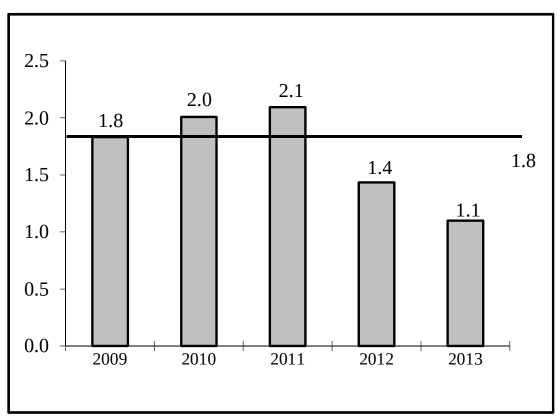
Expendable Resources to Debt Ratio



Debt Burden Ratio

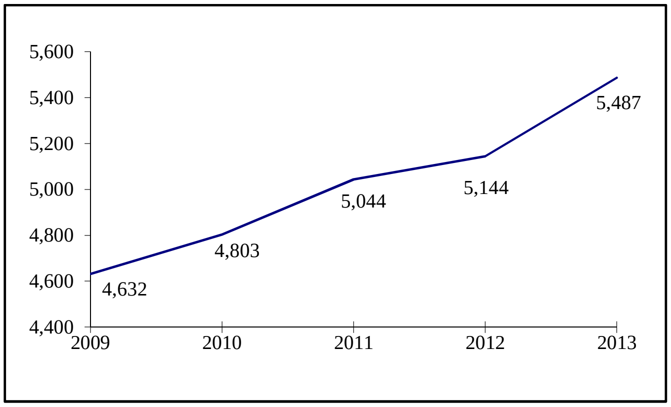


Debt Service Coverage Ratio



The University of Texas at Tyler
2013 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Tyler's CFI decreased from 2.8 in 2012 to 2.4 in 2013 largely due to decreases in the primary reserve and annual operating margin ratios. The reduction in the primary reserve ratio was due to decreases in both unrestricted net position and restricted expendable net position combined with the increase in total operating expenses, all of which are discussed below. The reduction in the annual operating margin is also discussed below.

Operating Expense Coverage Ratio - U. T. Tyler's operating expense coverage ratio decreased from 5.4 months in 2012 to 4.8 months in 2013 due to a $10.0 million increase in total operating expenses (including interest expense) combined with a small decrease in total unrestricted net position of $0.6 million. The increase in total operating expenses was primarily attributable to the following: a $4.1 million increase in salaries and wages and payroll related costs as a result of the addition of new faculty and staff, as well as one-time merit increases awarded in December; a $3.6 million increase in scholarships and fellowships due to a change in the reporting of Pell Grants (see explanation below); and a $1.6 million increase in materials and supplies as a result of increased purchases of computers and one-time information technology (IT) projects. U. T. Tyler's use of prior year balances was approved by U. T. System Administration for 2013 for one-time nonrecurring expenses, such as repairs and maintenance to the campus, a one-time merit bonus, and programming for Academic Partnerships. This approval was granted due to U. T. Tyler having adequate operating expense coverage.

Annual Operating Margin Ratio - U. T. Tyler's annual operating margin ratio declined from (5.4%) for 2012 to (7.6%) for 2013 due to the growth in total operating expenses of $10.0 million outpacing the growth in total operating revenues of $7.4 million. The increase in total operating revenues was primarily attributable to the following: a $4.2 million increase in sponsored programs revenue (including nonexchange sponsored programs) attributable to a change in the reporting of Pell Grants in 2013 explained below; a $1.3 million increase in net tuition and fees due to enrollment growth and an increase in designated tuition rates; a $0.5 million increase in other operating revenues as result of the Information Security Assurance Initiative Project-Deloitte IT Assessment; a $0.5 million increase in state appropriations; and a $0.4 million increase in gifts for operations.

In 2013 the State Auditor's Office made a determination that Pell Grants should not be deferred to match the related tuition and fees. This resulted in the institutions reporting 2 years of activity in 2013 for both nonexchange sponsored programs revenue and scholarships and fellowships expense (a component of tuition discounting); however, this change has no impact on the annual operating margin.

Expendable Resources to Debt Ratio - U. T. Tyler's expendable resources to debt ratio decreased from 1.2 in 2012 to 1.1 in 2013. The slight decrease in this ratio was primarily attributable to the small decrease in total unrestricted net position and the decrease in total restricted expendable net position (excluding the funds restricted for capital projects). Beginning in 2013 funds classified as restricted expendable for capital projects are excluded from the total restricted expendable net position used in the calculation of this ratio. This change was made to be consistent with the approach recommended by experts in the field of ratio analysis. The prior years were not restated for this change. U. T. Tyler had $3.7 million in restricted expendable for capital projects in 2013.

Debt Burden Ratio - U. T. Tyler's debt burden ratio decreased from 8.0% in 2012 to 7.5% in 2013 as a result of the increase in total operating expenses as previously discussed.

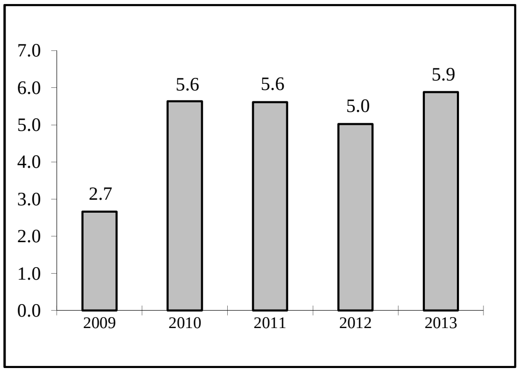
Debt Service Coverage Ratio - U. T. Tyler's debt service coverage ratio decreased from 1.4 in 2012 to 1.1 in 2013. The decrease in this ratio was driven by the decline in operating performance as discussed in the annual operating margin ratio.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Tyler's FTE student enrollment increased by 343 or 6.7% from 2012. This increase was due to continued efforts in student recruitment and retention.

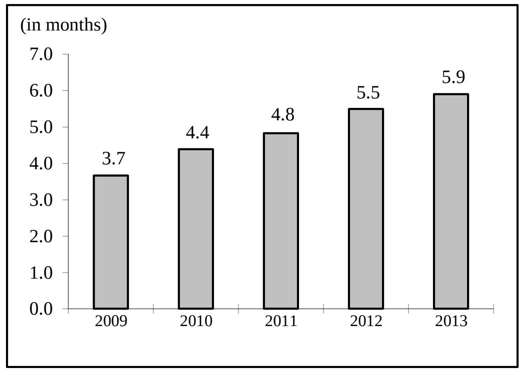
The University of Texas Southwestern Medical Center
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

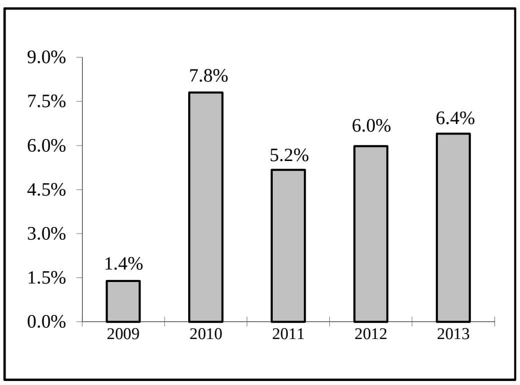
Composite Financial Index



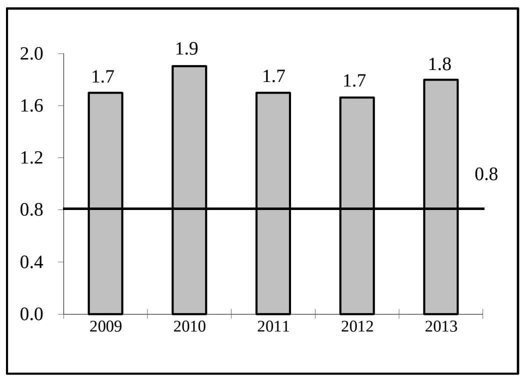
Operating Expense Coverage Ratio



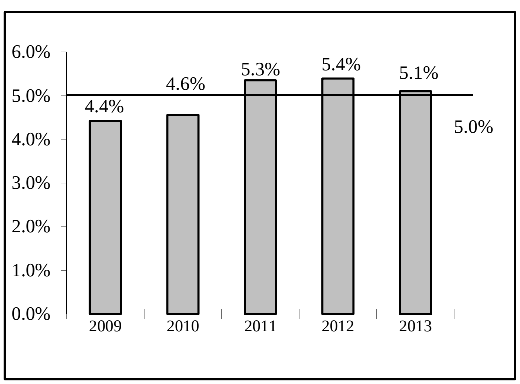
Annual Operating Margin Ratio



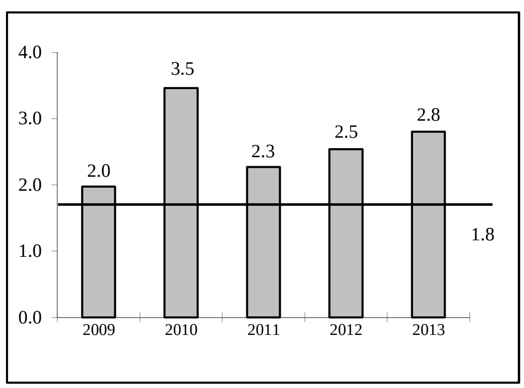
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Southwestern Medical Center
2013 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Southwestern Medical Center's (Southwestern) CFI increased from 5.0 in 2012 to 5.9 in 2013 primarily due to increases in the return on net position and expendable resources to debt ratios. The increase in the return on net position ratio was largely driven by the following: a $121.6 million increase in gifts and sponsored programs for capital acquisitions due to a capital contribution received from Southwestern Medical Foundation in 2013 for construction projects; the net increase in the fair value of investments of $51.8 million in 2013 as compared to a net decrease of $29.4 million in 2012 for a net change between years of $81.2 million; and an improvement in operating performance as discussed in the annual operating margin ratio below. The increase in the expendable resources to debt ratio is also discussed below.

Operating Expense Coverage Ratio - Southwestern's operating expense coverage ratio increased from 5.5 months in 2012 to 5.9 months in 2013 due to a $132.1 million increase in total unrestricted net position, which was partially offset by a $149.9 million increase in total operating expenses (including interest expense). The increase in total unrestricted net position was primarily attributable to an increase of $101.4 million in designated funds due to hospital and practice plan activity as a result of increased volumes in 2013 and an increase of $34.1 million in unrestricted net position in unexpended plant funds for the construction or remodel of the Park Cities Clinic, pathology lab, minor infrastructure projects, the Dean's minor capital projects, various ambulatory meaningful use projects, energy management projects, and IR software development projects. The increase in total operating expenses was primarily due to the following: a $79.0 million increase in salaries and wages and payroll related costs as a result of a 2.5% merit increase for faculty and staff; a $31.6 million increase in materials and supplies mostly due to increased costs for medical supplies, drugs, implants, laboratory supplies, organ acquisitions, computer software and licenses and the purchase of computer equipment not capitalized; a $12.3 million increase in other contracted services primarily attributable to increases in subcontract service contracts, vendor contract labor, reference laboratory, miscellaneous purchased services, blood and marrow services, and transcription services; a $10.9 million increase in professional fees and services as a result of increases in sub-recipient payments, contract labor, other professional services and legal services; and a $9.0 million increase in depreciation and amortization expense associated with equipment and software purchases, building additions and renovations, and the completion of various phases of several major projects.

Annual Operating Margin Ratio - Southwestern's annual operating margin ratio increased from 6.0% for 2012 to 6.4% for 2013 as the growth in total operating revenues of $169.7 million exceeded the growth in total operating expenses of $149.9 million. The increase in total operating revenues was primarily due to the following: a $76.4 million increase in net sales and services of hospitals resulting from a 5% increase in patient days and an increase of 45,206 in outpatient visits; a $34.2 million increase in other operating revenues mainly due to revenue from the Delivery System Reform Incentive Payments (DSRIP) program associated with the Medicaid Section 1115 Demonstration, meaningful use payments, and the Simmons Cancer Center Retail Pharmacy; a $17.8 million increase in sponsored programs revenue (including nonexchange sponsored programs) mostly attributable to increases in the contracts with Parkland Memorial Hospital, Children's Medical Center and the Veteran's Administration, along with an increase in the amount received from the Cancer Prevention and Research Institute of Texas (CPRIT); a $14.1 million increase in net professional fees driven by an increase in patient volumes; a $12.3 million increase in gifts for operations; and an $8.6 million increase in investment income (excluding realized gains and losses). In 2012 Southwestern received a total of $12.8 million in House Bill 4 (HB 4) supplemental funding of which half, or $6.4 million, was intended for use in 2013. Therefore, in order to more appropriately match revenues with expenses, $6.4 million of the HB 4 supplemental appropriation received in 2012 was removed from 2012 revenue and was added to 2013 revenue in this report.

Expendable Resources to Debt Ratio - Southwestern's expendable resources to debt ratio increased from 1.7 in 2012 to 1.8 in 2013. The small increase in this ratio was attributable to the increase in total unrestricted net position, discussed above, and a $21.7 million decrease in the amount of debt outstanding.

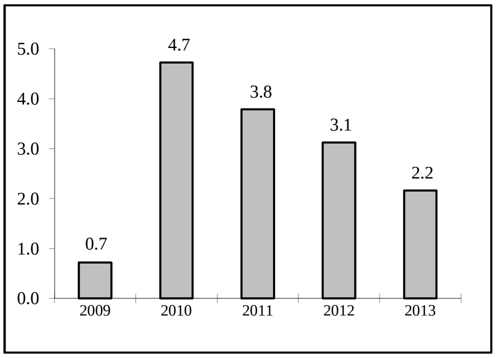
Debt Burden Ratio - Southwestern's debt burden ratio decreased from 5.4% in 2012 to 5.1% in 2013 as a result of the increase in total operating expenses as discussed above.

Debt Service Coverage Ratio - Southwestern's debt service coverage ratio increased from 2.5 in 2012 to 2.8 in 2013. The increase in this ratio was generated by the improvement in operating performance as previously discussed.

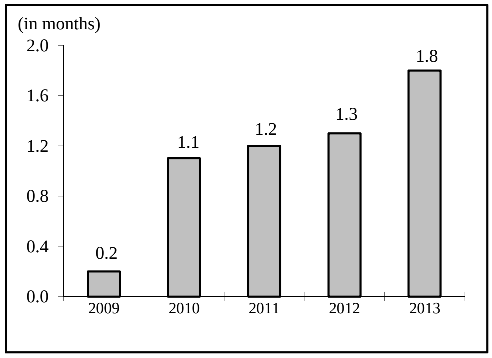
The University of Texas Medical Branch at Galveston
2013 Summary of Financial Condition

Financial Condition: **Watch**

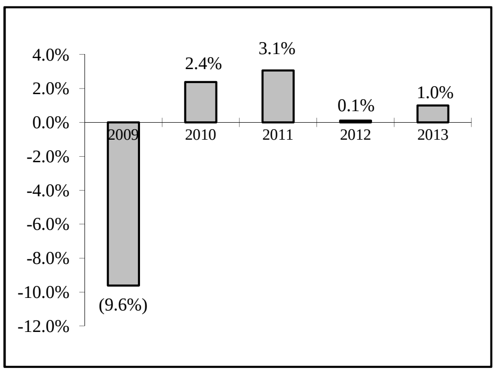
Composite Financial Index



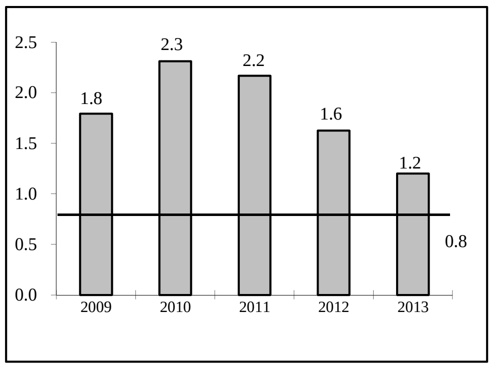
Operating Expense Coverage Ratio



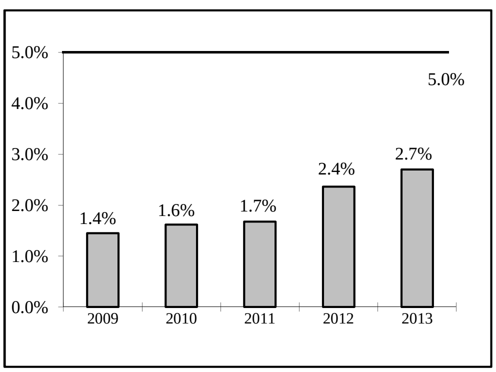
Annual Operating Margin Ratio



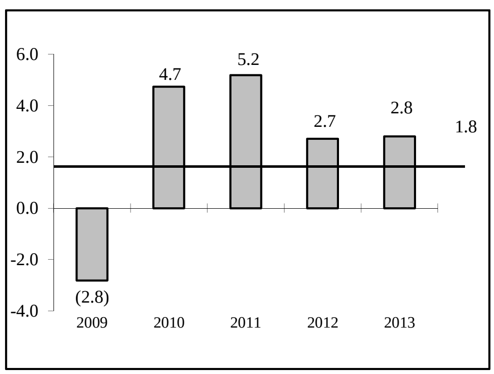
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Medical Branch at Galveston
2013 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Medical Branch - Galveston's (UTMB) CFI decreased from 3.1 in 2012 to 2.2 in 2013 primarily as a result of decreases in the return on net position and expendable resources to debt ratios. The decrease in the return on net position ratio was largely driven by a much smaller change in net position of $58.3 million in 2013 as compared to the change in net position in 2012 of $233.7 million. The smaller change in net position was primarily caused by the increase in anticipated bond proceeds in 2013 related to the Victory Lakes project as opposed to a decrease in anticipated bond proceeds in 2012. The decrease in the expendable resources to debt ratio is discussed below.

Operating Expense Coverage Ratio - UTMB's operating expense coverage ratio increased from 1.3 months in 2012 to 1.8 months in 2013 due to the increase in total unrestricted net position of $79.1 million, which was partially offset by the increase in total operating expenses (including interest expense) of $88.0 million. The increase in total unrestricted net position was primarily attributable to an increase of $77.6 million in the amount of unexpended plant funds classified as unrestricted as a result of the use of a consistent methodology across all U. T. institutions for classifying unexpended plant funds between restricted and unrestricted funds as determined by U. T. System. In prior years UTMB classified all unexpended plant funds as restricted expendable for capital projects. This change was implemented in 2013 with no restatement to prior years as the amounts were not computed consistently until 2013. The increase in total operating expenses was primarily due to the following: a $38.6 million increase in salaries and wages ($26.6 million or 3%) and payroll related costs ($12.0 million or 6%) as a result of salary administration and increases in full-time equivalents (FTEs) primarily within the Hospitals and Clinics; a $17.2 million increase in other contracted services attributable to increases in temporary employment contracts for the newly established international nursing program, temporary nurses and other temporary positions, and Correctional Managed Care (CMC) offsite care; a $10.8 million increase in depreciation and amortization expense resulting from the John Sealy Hospital Modernization project, the Basic Science Building Renovation and infrastructure being placed into service in 2013, along with purchases of clinical equipment, the completion of the financial system software upgrade projects, and an increase in leasehold improvements; a $10.7 million increase in other operating expenses caused by increased expenses associated with students and employee recruitment and non-employee charges, and increased insurance costs; and an increase of $4.2 million in materials and supplies primarily attributable to healthcare related items such as medical implants.

UTMB's operating expenses include those expenses incurred in the delivery of the Texas Department of Criminal Justice (TDCJ) contract. This contract is a cost reimbursement contract and as such is not expected to generate net position. Reviewing UTMB excluding the TDCJ contract expenses of $395.6 million presents a ratio that more clearly reflects UTMB's ability to meet future business obligations. The operating expense coverage ratio excluding the TDCJ contract is 2.4 months, as compared to 1.8 months when included.

Annual Operating Margin Ratio - UTMB's annual operating margin ratio increased from 0.1% for 2012 to 1.0% for 2013 due to the growth in total operating revenues of $102.2 million exceeding the growth in total operating expenses (including interest expense) of $88.0 million. The increase in total operating revenues was primarily driven by the following: a $64.9 million increase in net sales and services of hospitals as a result of an overall increase in rates of 11.4%, an increase in outpatient volumes, and an increase in the case mix index with emphasis on reducing the lag time for coders; a $12.5 million increase in other operating revenues primarily due to revenue from the Delivery System Reform Incentive Payments (DSRIP) program associated with the Medicaid Section 1115 Demonstration; a $4.1 million increase in net professional fees attributable to an overall increase in rates of 12.0% and an emphasis on reducing the lag time for coders; and a $3.7 million increase in net sales and services of educational activities primarily due to new contracts for Automated Office Equipment Leasing and for Fleet Services, combined with higher revenues in the Institute of Translational Services Clinical Research Center and the Early Childhood Intervention project which was new in 2013.

In 2012 UTMB received a total of $19.9 million in House Bill 4 (HB 4) supplemental funding, of which $15.4 million was intended for use in 2013. Therefore, in order to more appropriately match revenues with expenses, $15.4 million of the HB 4 supplemental appropriation received in 2012 was removed from 2012 revenues and was added to 2013 revenues in this report. Additionally, UTMB was appropriated $150.0 million in Federal Emergency Management Agency (FEMA) State Matching funds that were recognized in general revenue in 2009 and were excluded from the Analysis of Financial Condition (AFC) until the funds were available for operating activities. Since 2009 UTMB's revenues have been adjusted annually for the amount of FEMA State Matching funds spent on operating expenses. UTMB recognized $33.8 million of the FEMA State Matching funds in 2013.

Expendable Resources to Debt Ratio - UTMB's expendable resources to debt ratio decreased from 1.6 in 2012 to 1.2 in 2013. The decrease in this ratio was attributable to the decrease in total restricted expendable net position (excluding restricted expendable for capital projects) and the increase in the amount of debt outstanding. The decrease in total restricted expendable net position was primarily due to the change in the classification of unexpended plant funds between restricted and unrestricted net position in 2013 with no restatement to prior years, as discussed previously. The increase of $17.2 million in the amount of debt outstanding was related to Victory Lakes Specialty Care Center Expansion and campus infrastructure at Victory Lakes.

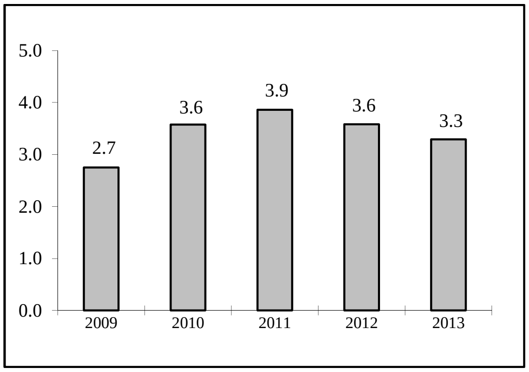
Debt Burden Ratio - UTMB's debt burden ratio increased from 2.4% in 2012 to 2.7% in 2013 as a result of an $8.1 million increase in debt service payments.

Debt Service Coverage Ratio - UTMB's debt service coverage ratio increased from 2.7 in 2012 to 2.8 in 2013. The increase in this ratio was due to the improvement in operating performance as discussed above.

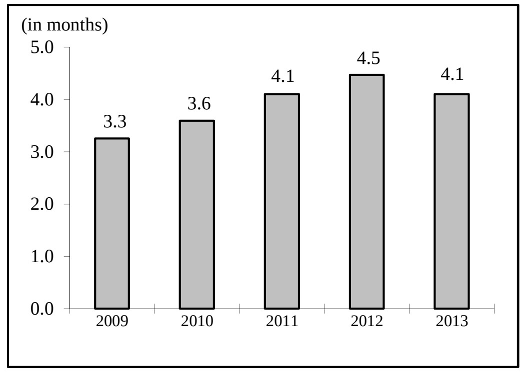
The University of Texas Health Science Center at Houston
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

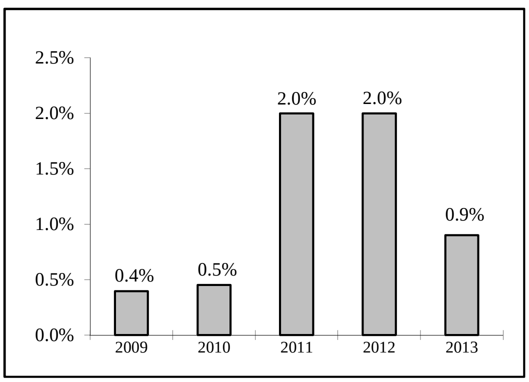
Composite Financial Index



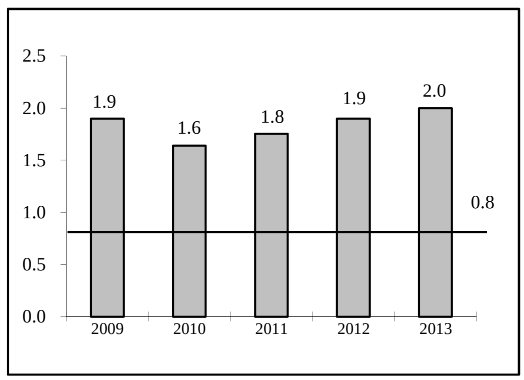
Operating Expense Coverage Ratio



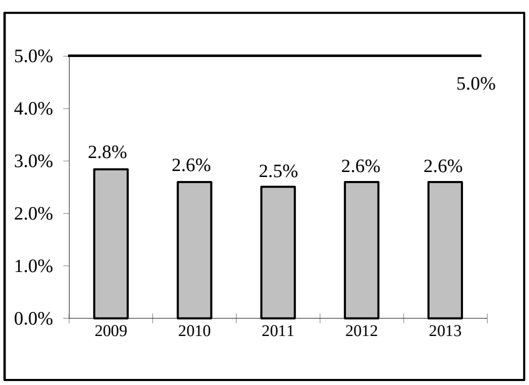
Annual Operating Margin Ratio



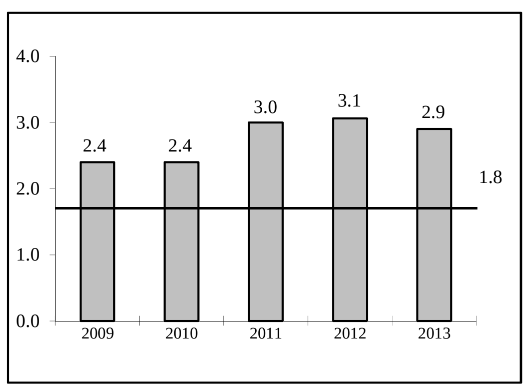
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Houston
2013 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - Houston's (UTHSC-Houston) CFI decreased from 3.6 in 2012 to 3.3 in 2013 as a result of decreases in the primary reserve, annual operating margin and return on net position ratios. The decrease in the primary reserve ratio was primarily driven by the $106.5 million increase in total operating expenses (including interest expense) as discussed below. The decrease in the return on net position ratio was the result of a smaller change in net position of $13.7 million in 2013 as compared to the change in net position of $30.8 million in 2012. The smaller change in net position in 2013 was primarily caused by UTHSC-Houston receiving $24.1 million in House Bill 4 (HB 4) supplemental funding during 2012 for use during the biennium. The decline in the annual operating margin ratio is discussed below.

Operating Expense Coverage Ratio - UTHSC-Houston's operating expense coverage ratio decreased from 4.5 months in 2012 to 4.1 months in 2013 due to an increase in total operating expenses (including interest expense) of $106.5 million. The increase in total operating expenses was primarily attributable to the expansion of the clinic operations. UTHSC-Houston added 17 new clinics in 2013 and as a result added 119 additional faculty/physicians and 420 staff. This growth was the primary driver of the following: an $81.3 million increase in salaries and wages and payroll related cost, a $2.6 million increase in other contracted services, a $2.6 million increase in rentals and leases, a $2.1 million increase in materials and supplies, and a $1.8 million increase in professional fees and services primarily attributable to an increase in the billing and collection costs of professional fees in the physician practice plan. In addition, UTHSC-Houston had a $9.2 million increase in depreciation and amortization expense primarily due to the recognition of a full year of depreciation on the School of Dentistry building which opened late in 2012 and the recognition of a full year of amortization on the SIS software purchased in 2012, as well as depreciation on new equipment purchased; an $8.6 million increase in other operating expenses primarily related to more detailed reporting of the U. T. System Medical Foundation which converted to PeopleSoft in 2013 allowing for more accurate financial reporting; a $1.5 million increase in interest expense; a $1.4 million increase in scholarships and fellowships as a result of more scholarships in 2013; and a $1.0 million increase in printing and reproduction costs associated with sponsored programs in order to supply classrooms with materials in compliance with funding requirements. These increases in expenses were partially offset by a $6.2 million decrease in cost of goods sold due to provider issues and a lower volume of sales in the Hemophilia/Thrombophilia Pharmacy Program.

Annual Operating Margin Ratio - UTHSC-Houston's annual operating margin ratio decreased from 2.0% for 2012 to 0.9% for 2013 as the growth in total operating revenues of $95.5 million lagged behind the growth in total operating expenses of $106.5 million. The increase in total operating revenues was primarily attributable to the expansion of clinic operations as described above. This growth was the primary driver of the following: a $37.4 million increase in net professional fees, including the receipt of uncompensated care payments associated with the Medicaid Section 1115 Demonstration; a $34.1 million increase in sponsored programs revenue (including nonexchange sponsored programs) due to increased contractual amounts with Memorial Hermann Hospital and Harris County Hospital District; and $15.9 million in new other operating revenues generated by revenue from the Delivery System Reform Incentive Payments (DSRIP) associated with the Medicaid Section 1115 Demonstration. In addition to the expansion of clinic operations UTHSC-Houston had a $2.9 million increase in gifts for operations; a $2.4 million increase in net sales and services of educational activities primarily attributable to increased revenue from other U. T. institutions for various restricted contracts, including increased support from M. D. Anderson for student stipends, personnel and operating expenses for the joint operation of the Graduate School of Biomedical Sciences; a $1.8 million increase in investment income (excluding realized gains and losses); and a $1.6 million increase in auxiliary enterprises revenue resulting from the addition of a new parking lot at the School of Dentistry in 2013, an increase in memberships at the recreational center and a 3% increase in student housing rates. In 2012 UTHSC-Houston received a total of $24.1 million in HB 4 supplemental funding of which $11.1 million was intended for use in 2013. Therefore, in order to more appropriately match revenues with expenses, $11.1 million of the HB 4 supplemental appropriation received in 2012 was removed from 2012 revenues and was added to 2013 revenues in this report.

Expendable Resources to Debt Ratio - UTHSC-Houston's expendable resources to debt ratio increased from 1.9 in 2012 to 2.0 in 2013. The increase in this ratio was due to growth in both total unrestricted net position of $9.9 million and total restricted expendable net position (excluding expendable for capital projects) of $11.5 million, as well as a decrease of $10.2 million in the amount of debt outstanding. The increase in total unrestricted net position was largely driven by the net increase in the fair value of investments allocated to designated funds. The increase in total restricted expendable net position (excluding expendable for capital projects) was primarily due to an increase in funds functioning as endowments-restricted.

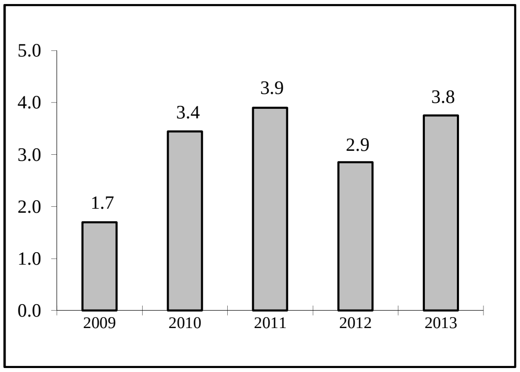
Debt Burden Ratio - UTHSC-Houston's debt burden ratio remained unchanged at 2.6% in 2013. The stability of this ratio was a result of an increase of $2.1 million in debt service payments offset by the increase in total operating expenses previously discussed.

Debt Service Coverage Ratio - UTHSC-Houston's debt service coverage ratio decreased from 3.1 in 2012 to 2.9 in 2013 due to the decline in operating performance, discussed above, and the increase in debt service payments.

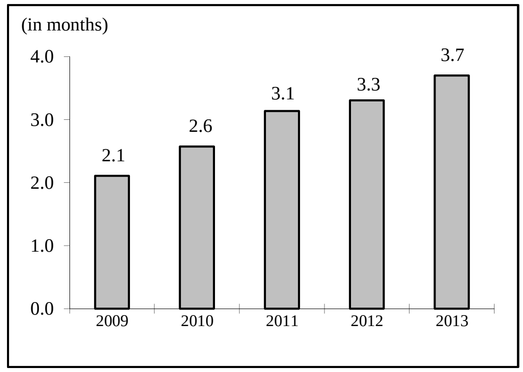
The University of Texas Health Science Center at San Antonio
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

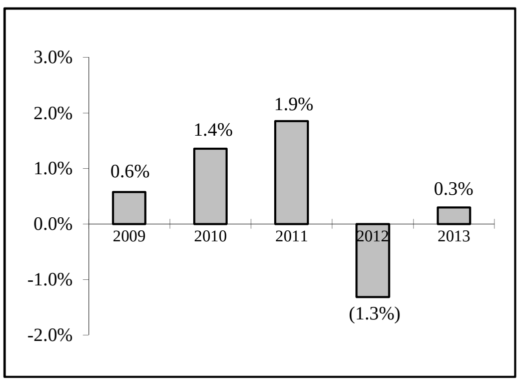
Composite Financial Index



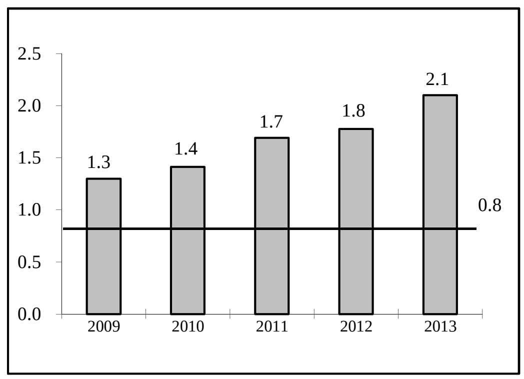
Operating Expense Coverage Ratio



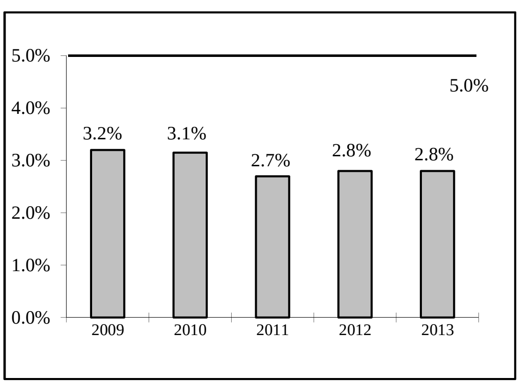
Annual Operating Margin Ratio



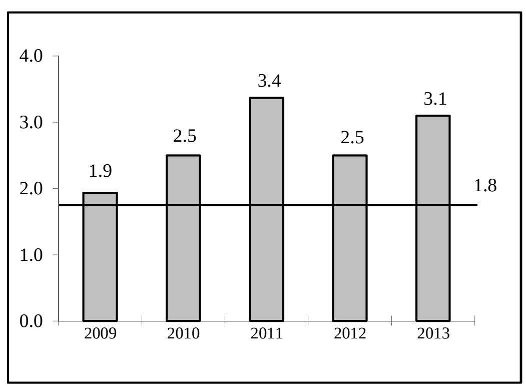
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at San Antonio
2013 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - San Antonio's (UTHSC-San Antonio) CFI increased from 2.9 in 2012 to 3.8 in 2013 as a result of increases in all four core ratios. The increase in the return on net position ratio was largely driven by the net increase in the fair value of investments of $20.1 million in 2013 as compared to a net decrease of $8.4 million in 2012, combined with an increase in bond proceeds transferred to UTHSC-San Antonio for capital projects. The increase in the primary reserve ratio was attributable to the growth in total expendable net position (both restricted, excluding restricted for capital projects, and unrestricted net position) while total operating expenses remained flat from 2012. The increases in the expendable resources to debt ratio and the annual operating margin ratio are discussed below.

Operating Expense Coverage Ratio - UTHSC-San Antonio's operating expense coverage ratio increased from 3.3 months in 2012 to 3.7 months in 2013 due to a $22.2 million increase in total unrestricted net position. The increase in total unrestricted net position was primarily attributable to operating activity in designated funds, including the recognition of Delivery System Reform Incentive Payment (DSRIP) program receipts in 2013 ($15.2 million) associated with the Medicaid Section 1115 Demonstration, as well as the net increase in the fair value of investments allocated to unrestricted funds ($3.1 million), planned cost containment, and efficiency measures implemented by the schools and administrative units.

Annual Operating Margin Ratio - UTHSC-San Antonio's annual operating margin ratio improved from (1.3%) for 2012 to 0.3% for 2013 as a result of growth in total operating revenues of $12.3 million and minimal growth in total operating expenses (including interest expense) of only $0.2 million. The increase in total operating revenues was primarily due to the following: an $11.9 million increase in other operating revenues due to the recognition of $15.2 million of DSRIP program receipts; an $8.9 million increase in local sponsored programs of which $3.8 million was associated with increases in clinical contracts in the physician practice plan; a $7.8 million increase in gifts for operations attributable to pledged gifts associated with the Cancer Therapy and Research Center (CTRC) Foundation along with the receipt of a large gift from the Greehey family; a $1.7 million increase in tuition and fees as a result of slight enrollment growth and rate increases previously approved by the U. T. System Board of Regents; and a $1.2 million increase in investment income. These increases in revenues were partially offset by decreases in the following: a $9.7 million decrease in federal sponsored programs revenue due to budget reductions at the national level; and a $7.7 million decrease in private sponsored programs associated with clinical trial activities. UTHSC-San Antonio's overall operations were impacted by a $6.2 million combined decrease in professional fees and local sponsored programs resulting from the loss of funding from Christus Santa Rosa due to the transition of the pediatrics program to other local hospital partners. Improvements in other clinical areas helped to absorb the pediatric losses.

In 2011, UTHSC-San Antonio received $8.0 million in House Bill 4 (HB 4) supplemental appropriations; $4.0 million of this HB 4 supplemental funding was intended for 2012 operations and $4.0 million was intended for 2013 operations. In 2012, UTHSC-San Antonio received additional HB 4 supplemental funding of $14.8 million of which half was intended for 2013. In order to more appropriately match revenues with expenses, the entire $8.0 million of the HB 4 supplemental appropriation received in 2011 was removed from 2011 revenues and $4.0 million was added to 2012 revenues and the remaining $4.0 million was added to 2013 revenues in this report. The $7.4 million of the HB 4 supplemental appropriations received in 2012 was removed from 2012 revenues and was added to 2013 revenues in this report. The total addition to 2013 revenues for the HB 4 supplemental funding received in 2011 and 2012 was $11.4 million.

Expendable Resources to Debt Ratio - UTHSC-San Antonio's expendable resources to debt ratio increased from 1.8 in 2012 to 2.1 in 2013. The increase in this ratio was attributable to increases in both total unrestricted net position of $22.2 million, as previously discussed, and total restricted expendable net position (excluding expendable for capital projects) of $21.6 million. The growth in total restricted expendable net position (excluding expendable for capital projects) was primarily due to the net increase in the fair value of investments in the endowment funds. A decrease of $11.1 million in the amount of debt outstanding also contributed to the increase in this ratio.

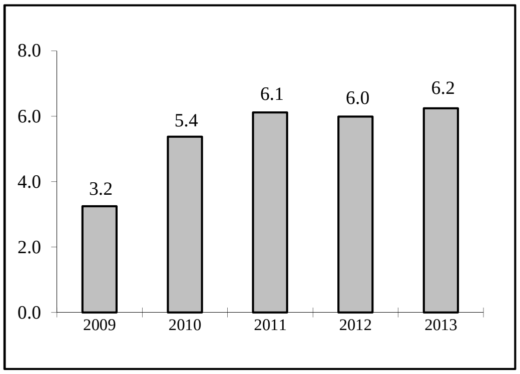
Debt Burden Ratio - UTHSC-San Antonio's debt burden ratio remained unchanged at 2.8% in 2013. The stability of this ratio was a result of the minimal changes in both total operating expenses and debt service payments.

Debt Service Coverage Ratio - UTHSC-San Antonio's debt service coverage ratio increased from 2.5 in 2012 to 3.1 in 2013. The increase in this ratio was generated by the improvement in operating performance as discussed above.

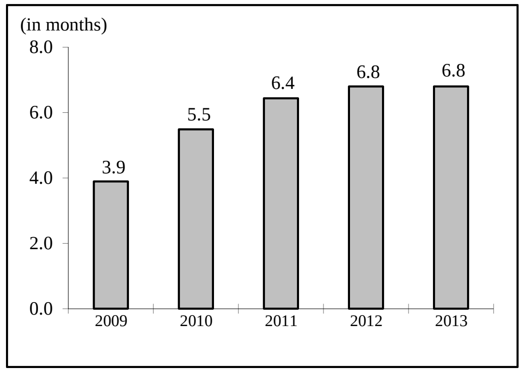
The University of Texas M. D. Anderson Cancer Center
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

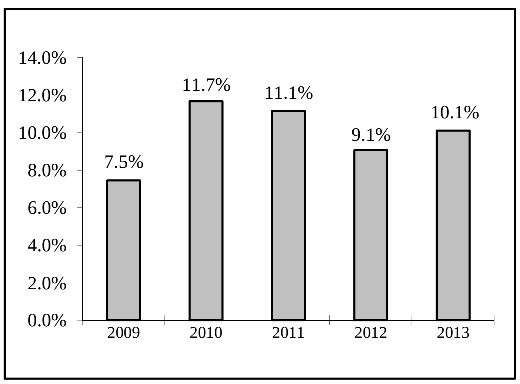
Composite Financial Index



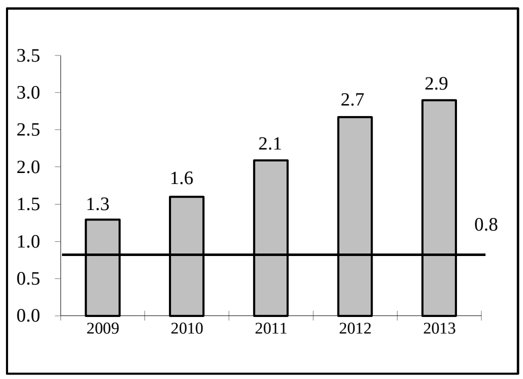
Operating Expense Coverage Ratio



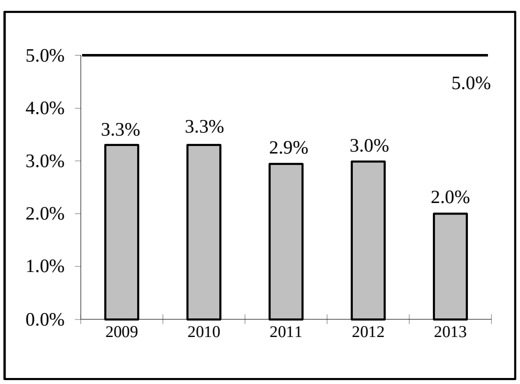
Annual Operating Margin Ratio



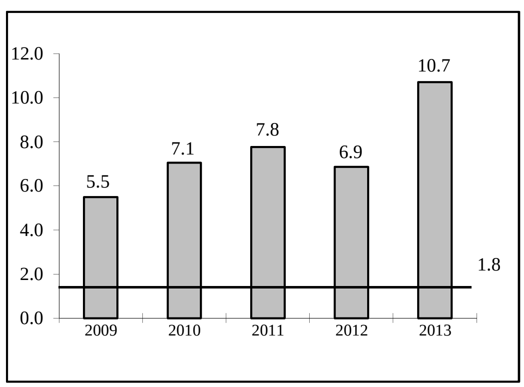
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas M. D. Anderson Cancer Center
2013 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. M. D. Anderson Cancer Center's (M. D. Anderson) CFI increased from 6.0 in 2012 to 6.2 in 2013 primarily as a result of an increase in the expendable resources to debt ratio as discussed below.

Operating Expense Coverage Ratio - M. D. Anderson's operating expense coverage ratio remained unchanged at 6.8 months in 2013. The stability of this ratio was attributable to the growth in total unrestricted net position of $148.5 million and the growth in total operating expenses (including interest expense) of $255.0 million. The increase in total unrestricted net position was largely driven by continued strong operating performance in both hospital and clinic operations combined with the net increase in the fair value of investments allocated to unrestricted funds. The increase in total operating expenses was primarily due to the following: a $174.8 million increase in salaries and wages and payroll related costs resulting from an increase in faculty, merit increases, and market and equity adjustments; a $26.3 million increase in professional fees and services mostly attributable to increased consulting services for the PeopleSoft conversion, Artificial Oncology Intelligence Project, and ICD-10 Implementation Program, increased professional services for the Moon Shot Program and Regional Care Center expansion, and increased professional fees for the Application Service Provider agreements and materials managed services; a $23.0 million increase in materials and supplies primarily due to increased pharmaceutical purchases to support increased patient census; a $13.8 million increase in other contracted services resulting from increased temporary personnel expenses for the Laptop Encryption project and Nursing service, advertising expenses, patient care research and transcription expenses, parking expenses and expenses for external communications/public relations; a $9.3 million increase in depreciation and amortization expense due to the recognition of a full year of depreciation expense on buildings that were placed into service in 2012, as well as the Alkek expansion, the South Campus Research Building Phase 3 and the ERP Project that were placed into service in 2013; and a $7.3 million increase in repairs and maintenance primarily attributable to the maintenance and repairs of buildings in the patient care facilities and research/educational space and the software licenses for Oracle/PeopleSoft.

Annual Operating Margin Ratio - M. D. Anderson's annual operating margin ratio increased from 9.1% for 2012 to 10.1% for 2013 as the growth in total operating revenues of $328.4 million exceeded the growth in total operating expenses of $255.0 million. The increase in total operating revenues was primarily due to the following: a $197.4 million increase in net sales and services of hospitals due to increased patient volumes and fee increases; a $98.4 million increase in gift contributions for operations due primarily to a $49.0 million gift received in June; a $22.7 million increase in net professional fees as a result of an overall increase in patient activity and volumes; a $19.3 million increase in other operating revenues generated from payments received from the Meaningful Use Incentive Program, increased revenue from the Cancer Network consulting agreements and the Proton Therapy Center, property management revenue from El Rio tenants, increased revenue from the Physician's Network/Services Corporation, increased international patient revenue and program income for the Radiation Physics Research and a $2.1 million increase in the recognition of Delivery System Reform Incentive Payment (DSRIP) program receipts associated with the Medicaid Section 1115 Demonstration; a $4.9 million increase in investment income (excluding realized gains and losses); and a $3.7 million increase in auxiliary enterprises revenue attributable to increased parking revenue and food and beverage sales as a result of increased occupancy in Braeswood, Pressler and Mid Campus Building I, as well as increased hotel revenue due to higher guest occupancy at the Rotary House. These increases in revenues were partially offset by a decrease in sponsored programs revenue (including nonexchange sponsored programs) of $19.7 million mostly due to the ending of the American Recovery and Reinvestment Act (ARRA) funding. In 2012 M. D. Anderson received a total of $17.4 million in House Bill 4 (HB 4) supplemental funding of which half or $8.7 million was intended for use in 2013. Therefore, in order to more appropriately match revenues with expenses, $8.7 million of the HB 4 supplemental appropriation received in 2012 was removed from 2012 revenues and added to 2013 revenues in this report.

Expendable Resources to Debt Ratio - M. D. Anderson's expendable resources to debt ratio increased from 2.7 in 2012 to 2.9 in 2013. The increase in this ratio was primarily attributable to the growth in total unrestricted net position of $148.5 million as discussed above.

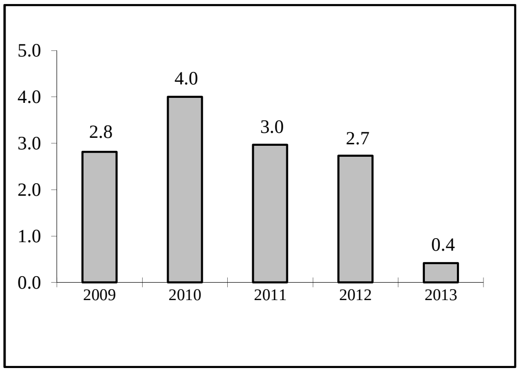
Debt Burden Ratio - M. D. Anderson's debt burden ratio decreased from 3.0% in 2012 to 2.0% in 2013 as a result of a decrease in debt service payments of $26.6 million and the increase in total operating expenses as previously mentioned.

Debt Service Coverage Ratio - M. D. Anderson's debt service coverage ratio increased significantly from 6.9 in 2012 to 10.7 in 2013. The sizeable increase in this ratio was generated by the improvement in operating performance combined with the decrease in debt service payments.

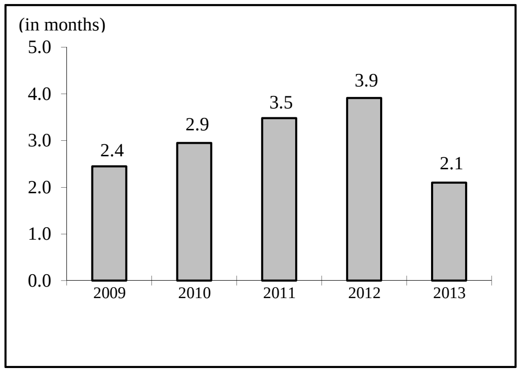
The University of Texas Health Science Center at Tyler
2013 Summary of Financial Condition

Financial Condition: **Watch**

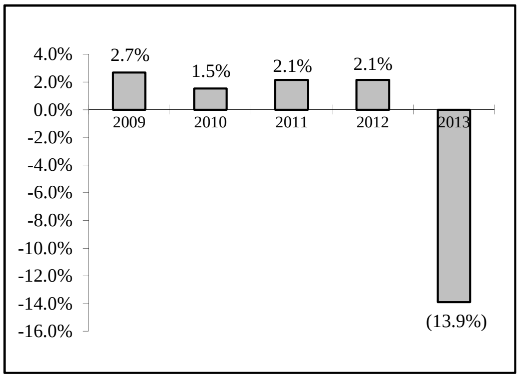
Composite Financial Index



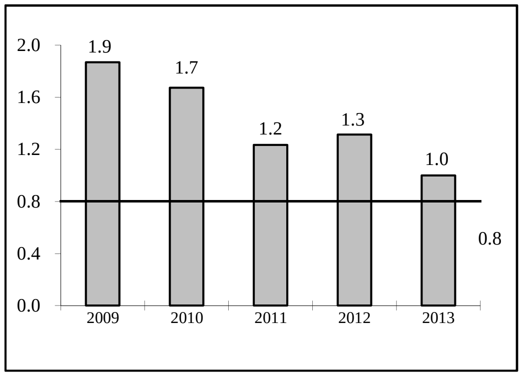
Operating Expense Coverage Ratio



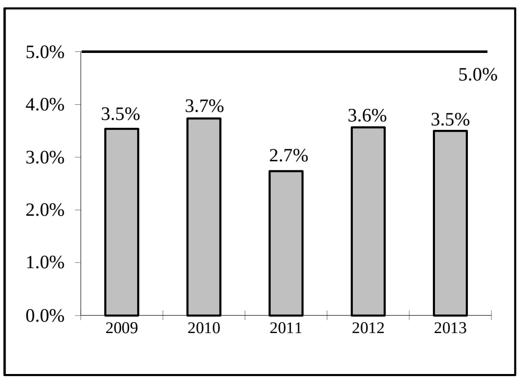
Annual Operating Margin Ratio



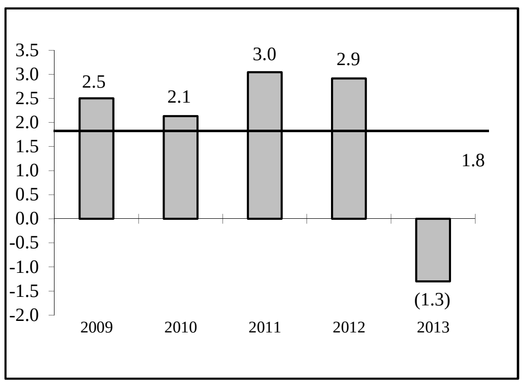
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Tyler
2013 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - Tyler's (UTHSC-Tyler) CFI decreased from 2.7 in 2012 to 0.4 in 2013 as a result of decreases in all four core ratios. The decreases in the annual operating margin ratio and the expendable resources to debt ratio are discussed below. The decrease in the return on net position was largely driven by the reduction in operating performance in 2013. The decrease in the primary reserve ratio resulted from both the decrease in total unrestricted net position and the increase in total operating expenses.

Operating Expense Coverage Ratio - UTHSC-Tyler's operating expense coverage ratio decreased from 3.9 months in 2012 to 2.1 months in 2013 due to a decrease of $15.7 million in total unrestricted net position and an increase in total operating expenses (including interest expense) of $15.6 million. The decrease in total unrestricted net position was primarily attributable to the decline in operating performance in current unrestricted funds including a $9.0 million decrease in state appropriations as all of the House Bill 4 (HB 4) supplemental funding was recognized in 2012. The increase in total operating expenses was mostly due to the following: an $8.0 million increase in salaries and wages and payroll related costs as a result of the addition of new specialty physicians related to the medical and academic program expansion and new employees hired for various Delivery System Reform Incentive Payment (DSRIP) projects associated with the Medicaid Section 1115 Demonstration and the Good Shepherd Medical Center Internal Medicine Residency Training Program contract; a $2.0 million increase in materials and supplies attributable to the new Rusk State Hospital contract, supplies and equipment related to various DSRIP projects, the purchase of supplies and non-capitalized equipment for the new allergy clinic in Longview and for the upper floors of the Academic Center; a $2.0 million increase in other contracted services resulting from a contract with Integrated Solutions for personnel to provide care for behavioral health residential patients related to the new Rusk State Hospital contract; a $1.3 million increase in repairs and maintenance due to increased maintenance contracts on various radiology equipment, including two Varian systems, as well as information technology contracts including Oracle and Presidio; a $1.0 million increase in professional fees and services caused by an increase in temporary nursing services, and an increase in consultants for software implementation; and a $0.9 million increase in other operating expenses resulting from a new promotional advertising campaign in 2013.

Annual Operating Margin Ratio - UTHSC-Tyler's annual operating margin ratio decreased substantially from 2.1% for 2012 to (13.9%) for 2013 as a result of the increase in total operating expenses of $15.6 million combined with a decrease in total operating revenues of $3.7 million. The decrease in total operating revenues was primarily due to the following: a $9.0 million decrease in state appropriations as UTHSC-Tyler recognized all of the House Bill 4 (HB 4) supplemental funding in 2012; a $1.0 million decrease in net professional fees attributable to an increase in bad debt reserves due to a transitioning of self-pay accounts from an outside third party contractor to in-house operations; and a $0.8 million decrease in net sales and services of hospitals attributable to a Medicare reserve recommended by Deloitte & Touche in their audit of the 2012 financial statements. These decreases in revenues were partially offset by the following: a $6.1 million increase in other operating revenues generated by the initial anchor payments for the Medicaid Section 1115 Demonstration; and a $1.1 million increase in sponsored programs revenue primarily as a result of an increase in the Good Shepherd Medical Center Internal Medicine Residency Training Program medical residents contract.

Expendable Resources to Debt Ratio - UTHSC-Tyler's expendable resources to debt ratio decreased from 1.3 in 2012 to 1.0 in 2013. The decrease in this ratio was due to the decrease in total unrestricted net position previously discussed.

Debt Burden Ratio - UTHSC-Tyler's debt burden ratio decreased slightly from 3.6% in 2012 to 3.5% in 2013 as a result of the increase in total operating expenses as discussed above.

Debt Service Coverage Ratio -UTHSC-Tyler's debt service coverage ratio declined significantly from 2.9 in 2012 to (1.3) in 2013. The decrease in this ratio was caused by the decline in operating performance as discussed in the annual operating margin ratio above.

Appendix A - Definitions of Evaluation Factors

1. **Composite Financial Index (CFI)** – The CFI measures the overall financial health of an institution by combining four core ratios into a single score. The four core ratios used to compute the CFI are as follows: primary reserve ratio, expendable resources to debt ratio, return on net position ratio, and annual operating margin ratio.

Core Ratio Values		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	/	0.133	=	Strength Factor	x	35.0%	=	Score
Annual Operating Margin	/	1.3%	=	Strength Factor	x	10.0%	=	Score
Return on Net Position	/	2.0%	=	Strength Factor	x	20.0%	=	Score
Expendable Resources to Debt	/	0.417	=	Strength Factor	x	35.0%	=	Score
						CFI	=	Total Score

2. **Operating Expense Coverage Ratio** – This ratio measures an institution's ability to cover future operating expenses with available year-end balances. This ratio is expressed in number of months coverage.

$$\frac{\text{Total Unrestricted Net Position}}{\text{Total Operating Expenses + Interest Expense on Debt}} * 12$$

3. **Annual Operating Margin Ratio** – This ratio indicates whether an institution is living within its available resources.

$$\frac{\text{Op Rev+GR+Op Gifts+NonexchSP+Inv Inc+RAHC\&AUF Trans+/-TX Ent Fund+NSERB Appr+HEAF for Op Exp+/-UTMB Ike+/-TRIP+HB4–Op \& Int Exp}}{\text{Op Rev+GR+Op Gifts+NonexchSP+Inv Inc+RAHC\&AUF Trans+/-TX Ent Fund+NSERB Approp+HEAF for Op Exp+/-UTMB Ike+/-TRIP+HB4}}$$

4. **Expendable Resources to Debt Ratio** – This ratio measures an institution's ability to fund outstanding debt with existing net position balances should an emergency occur. Debt capacity thresholds are provided by the Office of Finance and are based on formulas used by Moody's Investors Service. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. According to *Strategic Financial Analysis for Higher Education*, Seventh Edition, the amount of restricted expendable net position that will be invested in plant should be excluded in the calculation of this ratio. Therefore, beginning in 2013 the amount of restricted expendable for capital projects is excluded from the numerator. The minimum expendable resources to debt ratio is 0.8 times.

$$\frac{\text{Restricted Expendable Net Position (excluding expendable for capital projects) + Unrestricted Net Position}}{\text{Debt not on Institution's Books}}$$

5. **Debt Burden Ratio** – This ratio examines the institution's dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses. Debt capacity thresholds are provided by the Office of Finance and are based on formulas used by Moody's Investors Service. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. The maximum debt burden ratio is 5.0%.

$$\frac{\text{Debt Service Transfers}}{\text{Operating Exp. (excluding Scholarships Exp.) + Interest Exp.}}$$

Appendix A - Definitions of Evaluation Factors (Continued)

6. **Debt Service Coverage Ratio** – This ratio measures the actual margin of protection provided to investors by annual operations. Moody's excludes actual investment income from its calculation of total operating revenue and instead uses a normalized investment income. Moody's applies 5% of the average of the previous three years' market value of cash and investments to compute normalized investment income. In order to be consistent with the Office of Finance's calculation of the debt service coverage ratio, normalized investment income as defined above is used for the calculation of this ratio only. Debt capacity thresholds are provided by the Office of Finance and are based on formulas used by Moody's Investors Service. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. The minimum debt service coverage ratio is 1.8 times.

$$\frac{\text{Op Rev+GR+Op Gifts+NonexchSP+Norm Inv Inc+RAHC\&AUF Trans+/-TX Ent Fund+NSERB+Total HEAF+/-UTMB Ike+/-TRIP+HB4–Op Exp+Depr}}{\text{Debt Service Transfers}}$$

7. **Primary Reserve Ratio** - This ratio measures the financial strength of an institution by comparing expendable net position to total expenses. This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net position generated by operations. According to *Strategic Financial Analysis for Higher Education*, Seventh Edition, the amount of restricted expendable net position that will be invested in plant should be excluded in the calculation of this ratio. Therefore, beginning in 2013 the amount of restricted expendable for capital projects is excluded from the numerator.

$$\frac{\text{Expendable Net Position (excluding expendable for capital projects) + Unrestricted Net Position}}{\text{Total Operating Expenses + Interest Expense on Debt}}$$

8. **Return on Net Position Ratio –** This ratio determines whether the institution is financially better off than in previous years by measuring total economic return. An improving trend indicates that the institution is increasing its net position and is likely to be able to set aside financial resources to strengthen its future financial flexibility.

$$\frac{\text{Change in Net Position (Adjusted for Change in Debt not on Institution's Books)}}{\text{Beginning Net Position – Debt not on Institution's Books}}$$

9. **Full-Time Equivalent (FTE) Student Enrollment** - Total semester credit hours taken by students during the fall semester, divided by factors of 15 for undergraduate students, 12 for graduate and special professional students, and 9 for doctoral students to arrive at the full-time equivalent (FTE) students represented by the course hours taken.

Appendix A - Definitions of Evaluation Factors (Continued)

The categories, which are utilized to indicate the assessment of an institution's financial condition, are "Satisfactory," "Watch," and "Unsatisfactory." In most cases the rating is based upon the trends of the financial ratios unless isolated financial difficulties in particular areas are material enough to threaten the overall financial results.

Satisfactory – an institution assigned this assessment exhibits a general history of relatively stable or increasing financial ratios. The CFI remains relatively stable within the trend period. However, the CFI can fluctuate depending upon the underlying factors contributing to the fluctuation with respect to the overall mission of an institution. The CFI must be analyzed in conjunction with the trends in the other ratios analyzed. The operating expense coverage ratio should be at or above a two-month benchmark and should be stable or improving. The annual operating margin ratio could be both positive and negative during the trend period due to nonrecurring items. Some of these items include unexpected reductions in external sources of income, such as state appropriations, gifts and investment income, all of which are unpredictable and subject to economic conditions. The Office of Finance uses the expendable resources to debt ratio, debt burden ratio, and debt service coverage ratio, which are the same ratios the bond rating agencies calculate for U. T. System. Trends in these ratios can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. In general, an institution's expendable resources to debt and debt service coverage ratios should exceed the Office of Finance's standards of 0.8 times and 1.8 times, respectively, while the debt burden ratio should fall below the Office of Finance's standard of 5.0%. Full-time equivalent (FTE) student enrollment must be relatively stable or increasing. Isolated financial difficulties in particular areas may be evident, but must not be material enough to threaten the overall financial health of an institution.

Watch – an institution assigned this assessment exhibits a history of relatively unstable or declining financial ratios. The CFI is less stable and/or the fluctuations are not expected given the mission of an institution. The operating expense coverage ratio can be at or above a two-month benchmark, but typically shows a declining trend. Annual operating margin ratio is negative or near break-even during the trend period due to recurring items, material operating difficulties or uncertainties caused by either internal management decisions or external factors. Trends in the expendable resources to debt ratio, debt burden ratio, and debt service coverage ratio can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. FTE student enrollment can be stable or declining, depending upon competitive alternatives or recruitment and retention efforts. Isolated financial difficulties in particular areas may be evident and can be material enough to threaten the overall financial health of an institution.

Unsatisfactory – an institution assigned this assessment exhibits a history of relatively unstable financial ratios. The CFI is very volatile and does not support the mission of an institution. The operating expense coverage ratio may be below a two-month benchmark and shows a declining trend. The annual operating margin ratio is predominately volatile or negative during the trend period due to material operating difficulties or uncertainties caused by either internal management decisions or external factors. Trends in the expendable resources to debt ratio, debt burden ratio, and debt service coverage ratio can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. The FTE student enrollment can be stable or declining, depending upon competitive alternatives or recruitment and retention efforts. Widespread financial difficulties in key areas are evident and are material enough to further threaten the overall financial health of an institution. For institutions rated "Unsatisfactory," the Chancellor and the appropriate Executive Vice Chancellors will request the institutions to develop a specific financial plan of action to improve the institution's financial condition. By policy, institutions rated "Unsatisfactory" are not permitted to invest in the Intermediate Term Fund. Progress towards the achievement of the plans will be periodically discussed with the Chief Business Officer and President, and representatives from the U. T. System Offices of Business, Academic, and/or Health Affairs, as appropriate.

Appendix B - Calculation of Composite Financial Index
Academic Institutions
As of August 31, 2013

U. T. Arlington

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.50	/	0.133	=	3.76	x	35.0%	=	1.32
Annual Operating Margin	4.10%	/	1.3%	=	3.15	x	10.0%	=	0.32
Return on Net Position	6.70%	/	2.0%	=	3.35	x	20.0%	=	0.67
Expendable Resources to Debt	0.80	/	0.417	=	1.92	x	35.0%	=	0.67
							CFI		3.0

U. T. Austin

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	1.10	/	0.133	=	8.27	x	35.0%	=	2.89
Annual Operating Margin	0.80%	/	1.3%	=	0.62	x	10.0%	=	0.06
Return on Net Position	4.50%	/	2.0%	=	2.25	x	20.0%	=	0.45
Expendable Resources to Debt	2.40	/	0.417	=	5.76	x	35.0%	=	2.01
							CFI		5.4

U. T. Brownsville

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.30	/	0.133	=	2.26	x	35.0%	=	0.79
Annual Operating Margin	1.40%	/	1.3%	=	1.08	x	10.0%	=	0.11
Return on Net Position	7.70%	/	2.0%	=	3.85	x	20.0%	=	0.77
Expendable Resources to Debt	0.90	/	0.417	=	2.16	x	35.0%	=	0.76
							CFI		2.4

U. T. Dallas

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.70	/	0.133	=	5.26	x	35.0%	=	1.84
Annual Operating Margin	0.60%	/	1.3%	=	0.46	x	10.0%	=	0.05
Return on Net Position	6.70%	/	2.0%	=	3.35	x	20.0%	=	0.67
Expendable Resources to Debt	0.70	/	0.417	=	1.68	x	35.0%	=	0.59
							CFI		3.1

U. T. El Paso

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.50	/	0.133	=	3.76	x	35.0%	=	1.32
Annual Operating Margin	-2.20%	/	1.3%	=	-1.69	x	10.0%	=	-0.17
Return on Net Position	3.60%	/	2.0%	=	1.80	x	20.0%	=	0.36
Expendable Resources to Debt	0.90	/	0.417	=	2.16	x	35.0%	=	0.76
							CFI		2.3

Appendix B - Calculation of Composite Financial Index
Academic Institutions
As of August 31, 2013
(continued)

U. T. Pan American

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.50	/	0.133	=	3.76	x	35.0%	=	1.32
Annual Operating Margin	0.30%	/	1.3%	=	0.23	x	10.0%	=	0.02
Return on Net Position	3.80%	/	2.0%	=	1.90	x	20.0%	=	0.38
Expendable Resources to Debt	1.30	/	0.417	=	3.12	x	35.0%	=	1.09
							CFI		2.8

U. T. Permian Basin

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.40	/	0.133	=	3.01	x	35.0%	=	1.05
Annual Operating Margin	-9.40%	/	1.3%	=	-7.23	x	10.0%	=	-0.72
Return on Net Position	-1.70%	/	2.0%	=	-0.85	x	20.0%	=	-0.17
Expendable Resources to Debt	0.20	/	0.417	=	0.48	x	35.0%	=	0.17
							CFI		0.3

U. T. San Antonio

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.60	/	0.133	=	4.51	x	35.0%	=	1.58
Annual Operating Margin	2.60%	/	1.3%	=	2.00	x	10.0%	=	0.20
Return on Net Position	8.90%	/	2.0%	=	4.45	x	20.0%	=	0.89
Expendable Resources to Debt	0.80	/	0.417	=	1.92	x	35.0%	=	0.67
							CFI		3.3

U. T. Tyler

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.80	/	0.133	=	6.02	x	35.0%	=	2.11
Annual Operating Margin	-7.60%	/	1.3%	=	-5.85	x	10.0%	=	-0.58
Return on Net Position	-0.60%	/	2.0%	=	-0.30	x	20.0%	=	-0.06
Expendable Resources to Debt	1.10	/	0.417	=	2.64	x	35.0%	=	0.92
							CFI		2.4

Appendix B - Calculation of Composite Financial Index
Health Institutions
As of August 31, 2013

Southwestern

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	1.00	/	0.133	=	7.52	x	35.0%	=	2.63
Annual Operating Margin	6.40%	/	1.3%	=	4.92	x	10.0%	=	0.49
Return on Net Position	12.50%	/	2.0%	=	6.25	x	20.0%	=	1.25
Expendable Resources to Debt	1.80	/	0.417	=	4.32	x	35.0%	=	1.51
							CFI		5.9

UTMB

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.30	/	0.133	=	2.26	x	35.0%	=	0.79
Annual Operating Margin	1.00%	/	1.3%	=	0.77	x	10.0%	=	0.08
Return on Net Position	2.90%	/	2.0%	=	1.45	x	20.0%	=	0.29
Expendable Resources to Debt	1.20	/	0.417	=	2.88	x	35.0%	=	1.01
							CFI		2.2

UTHSC-Houston

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.50	/	0.133	=	3.76	x	35.0%	=	1.32
Annual Operating Margin	0.90%	/	1.3%	=	0.69	x	10.0%	=	0.07
Return on Net Position	2.30%	/	2.0%	=	1.15	x	20.0%	=	0.23
Expendable Resources to Debt	2.00	/	0.417	=	4.80	x	35.0%	=	1.68
							CFI		3.3

UTHSC-San Antonio

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.60	/	0.133	=	4.51	x	35.0%	=	1.58
Annual Operating Margin	0.30%	/	1.3%	=	0.23	x	10.0%	=	0.02
Return on Net Position	3.90%	/	2.0%	=	1.95	x	20.0%	=	0.39
Expendable Resources to Debt	2.10	/	0.417	=	5.04	x	35.0%	=	1.76
							CFI		3.8

M. D. Anderson

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.70	/	0.133	=	5.26	x	35.0%	=	1.84
Annual Operating Margin	10.10%	/	1.3%	=	7.77	x	10.0%	=	0.78
Return on Net Position	11.90%	/	2.0%	=	5.95	x	20.0%	=	1.19
Expendable Resources to Debt	2.90	/	0.417	=	6.95	x	35.0%	=	2.43
							CFI		6.2

UTHSC-Tyler

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.30	/	0.133	=	2.26	x	35.0%	=	0.79
Annual Operating Margin	-13.90%	/	1.3%	=	-10.69	x	10.0%	=	-1.07
Return on Net Position	-1.40%	/	2.0%	=	-0.70	x	20.0%	=	-0.14
Expendable Resources to Debt	1.00	/	0.417	=	2.40	x	35.0%	=	0.84
							CFI		0.4

Appendix C - Calculation of Expendable Net Position
Academic Institutions
As of August 31, 2013
(In Millions)

Institution	Restricted Expendable Net Position: Capital Projects	Restricted Expendable Net Position: Funds Functioning Restricted	Restricted Expendable Net Position: Other Expendable	Restricted Expendable Net Position: Total	Total Unrestricted Net Position	Total Expendable Net Position	Less: Restricted Exp for Cap. Projects	Total Exp. Net Position Excluding Cap. Projects
U. T. Arlington	$ 16.8	5.2	55.7	77.7	195.2	272.8	(16.8)	256.0
U. T. Austin	(1.9)	164.3	1,645.0	1,807.4	907.0	2,714.4	1.9	2,716.3
U. T. Brownsville	2.0	-	5.3	7.4	50.1	57.4	(2.0)	55.4
U. T. Dallas	13.2	18.0	150.9	182.2	135.7	317.9	(13.2)	304.7
U. T. El Paso	3.1	17.6	119.9	140.6	71.8	212.4	(3.1)	209.3
U. T. Pan American	26.4	1.2	18.1	45.8	105.2	151.0	(26.4)	124.6
U. T. Permian Basin	(4.3)	0.1	16.7	12.4	11.8	24.3	4.3	28.6
U. T. San Antonio	(4.0)	1.3	56.5	53.7	219.7	273.4	4.0	277.4
U. T. Tyler	3.7	0.4	38.8	42.9	44.3	87.2	(3.7)	83.6

Appendix C - Calculation of Expendable Net Position
Health Institutions
As of August 31, 2013
(In Millions)

Institution		Restricted Expendable Net Position				Total Unrestricted Net Position	Total Expendable Net Position	Less: Restricted Exp for Cap. Projects	Total Exp. Net Position Excluding Cap. Projects
		Capital Projects	Funds Functioning Restricted	Other Expendable	Total				
Southwestern	$	35.2	24.0	870.2	929.4	938.6	1,868.0	(35.2)	1,832.8
UTMB		10.8	28.7	199.3	238.8	250.5	489.4	(10.8)	478.6
UTHSC-Houston		4.2	23.8	150.4	178.5	381.3	559.8	(4.2)	555.6
UTHSC-San Antonio		(5.2)	8.5	196.6	199.9	226.9	426.8	5.2	432.0
M. D. Anderson		160.1	61.4	524.8	746.4	2,061.7	2,808.1	(160.1)	2,647.9
UTHSC-Tyler		(3.1)	0.9	18.3	16.2	23.8	39.9	3.1	43.0

Appendix D - Calculation of Annual Operating Margin
Academic Institutions
As of August 31, 2013
(In Millions)

Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Less: Nonoperating Items Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.	Margin From SRECNA	Other Adjustments Minus: Realized Gains/ (Losses)	Plus: AUF Transfer	Plus: TX Ent. Fund & NSERB	Plus: TRIP & Other	Plus: HEAF for Op. Exp.	Plus: Interest Expense	Annual Operating Margin
U. T. Arlington	$ 45.8	-	-	(0.9)	9.9	36.9	-	-	-	(1.2)	-	(13.9)	21.8
U. T. Austin	(69.0)	14.3	(43.6)	(5.1)	107.5	(142.1)	0.2	209.3	-	-	-	(46.9)	20.1
U. T. Brownsville	3.8	-	-	-	0.9	2.9	-	-	-	-	2.2	(2.8)	2.4
U. T. Dallas	12.9	0.8	-	(2.3)	4.5	10.0	1.9	-	11.6	(5.0)	-	(11.7)	2.9
U. T. El Paso	13.1	0.2	(0.7)	(0.1)	11.0	2.6	(1.6)	-	-	(4.0)	-	(8.5)	(8.3)
U. T. Pan American	2.2	0.1	-	(0.4)	1.9	0.7	0.8	-	-	-	4.3	(3.5)	0.7
U. T. Permian Basin	0.3	0.5	(0.4)	(0.4)	0.8	(0.3)	0.4	-	-	-	-	(5.2)	(6.0)
U. T. San Antonio	36.9	-	-	(0.2)	7.7	29.3	0.2	-	-	(0.6)	-	(15.7)	12.9
U. T. Tyler	(0.7)	-	-	-	3.4	(4.1)	-	-	-	-	-	(3.7)	(7.7)

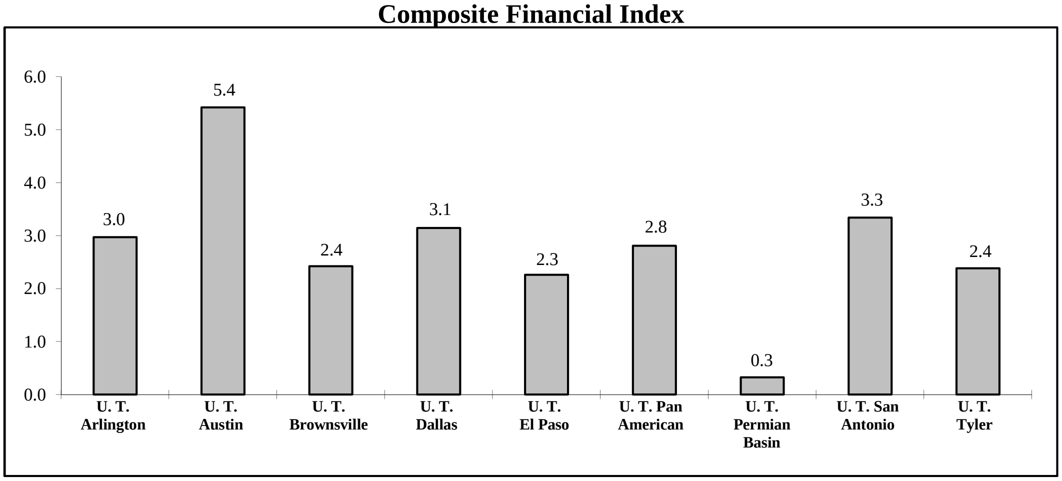
Appendix D - Calculation of Annual Operating Margin
Health Institutions
As of August 31, 2013
(In Millions)

Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Less: Nonoperating Items Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.	Margin From SRECNA	Other Adjustments Minus: Realized Gains/ (Losses)	Plus: HB 4 Funding	Plus: RAHC Transfer	Plus: Ike Funding*	Plus: Interest Expense	Annual Operating Margin
Southwestern	$ 194.3	2.1	(0.7)	(10.6)	51.8	151.7	4.9	6.4	-	-	(21.4)	131.9
UTMB	(5.2)	3.9	(0.1)	(2.6)	18.7	(25.2)	0.6	15.4	-	33.8	(7.4)	16.0
UTHSC-Houston	25.7	-	-	(0.7)	12.0	14.5	4.7	11.1	0.6	-	(11.8)	9.5
UTHSC-San Antonio	19.5	-	(1.1)	(0.4)	20.1	0.8	0.8	11.4	0.6	-	(9.6)	2.4
M. D. Anderson	546.1	0.2	(0.5)	2.1	68.0	476.2	36.9	8.7	-	-	(38.3)	409.7
UTHSC-Tyler	(13.0)	-	-	-	1.9	(14.9)	0.2	-	-	-	(1.6)	(16.7)

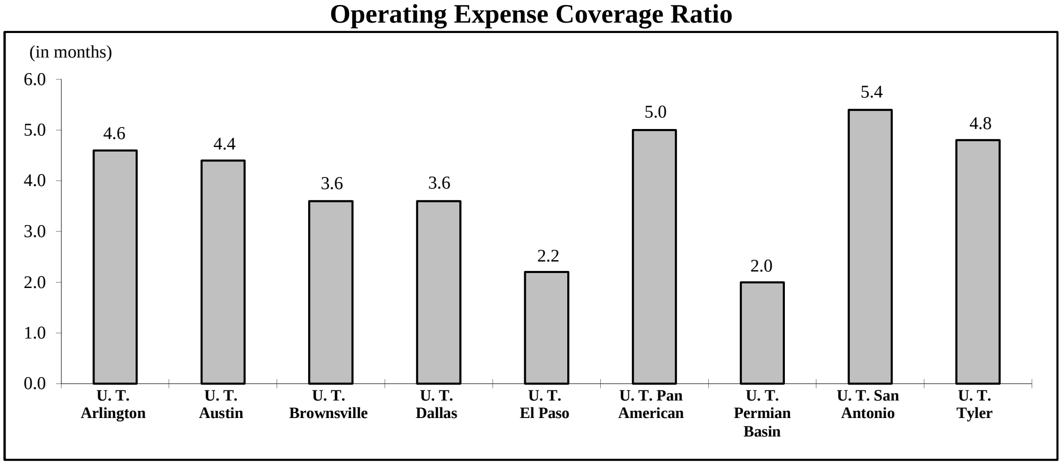
*UTMB was appropriated $150.0 million in FEMA State Matching funds that was recognized in general revenue in 2009 and was excluded from the Annual Operating Margin calculation in 2009. In 2013, UTMB spent $122.2 million of the FEMA State Matching funds of which $33.8 million was operating in nature; therefore, UTMB's Annual Operating Margin for 2013 was adjusted to include the $33.8 million. UTMB drew down the remaining amount of the FEMA State Matching funds in 2013.

Appendix E - Academic Institutions' Evaluation Factors
2013 Analysis of Financial Condition

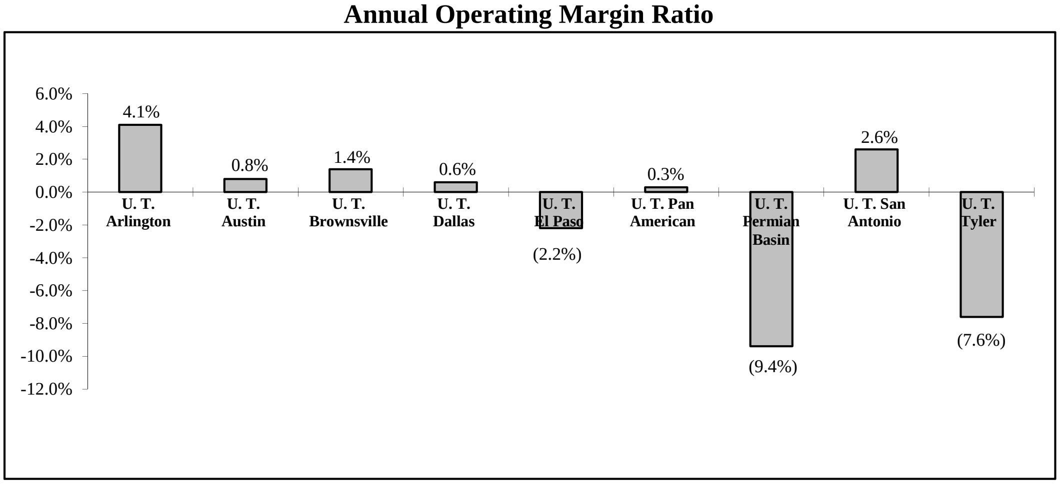
Composite Financial Index



Operating Expense Coverage Ratio

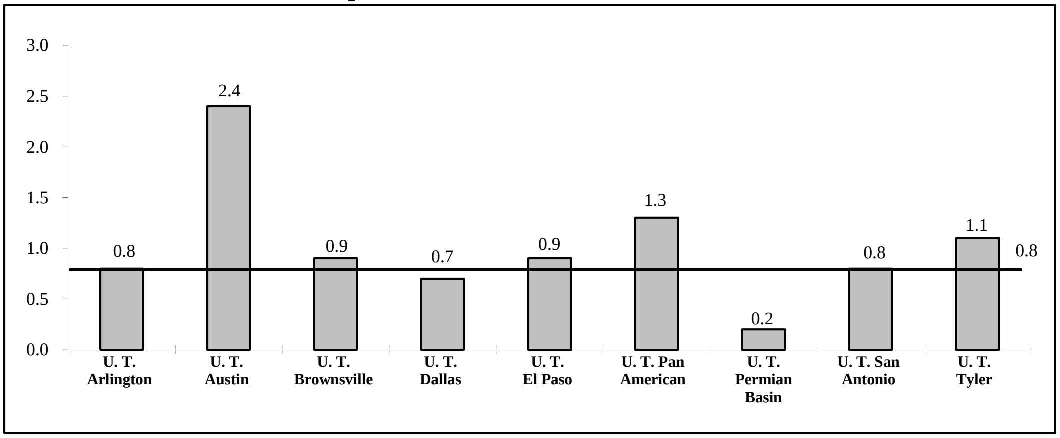


Annual Operating Margin Ratio

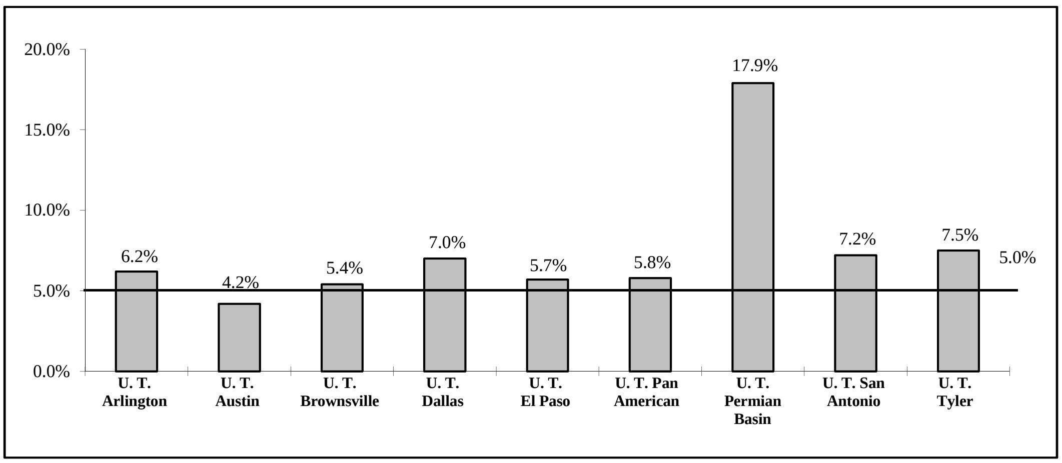


Appendix E - Academic Institutions' Evaluation Factors
2013 Analysis of Financial Condition

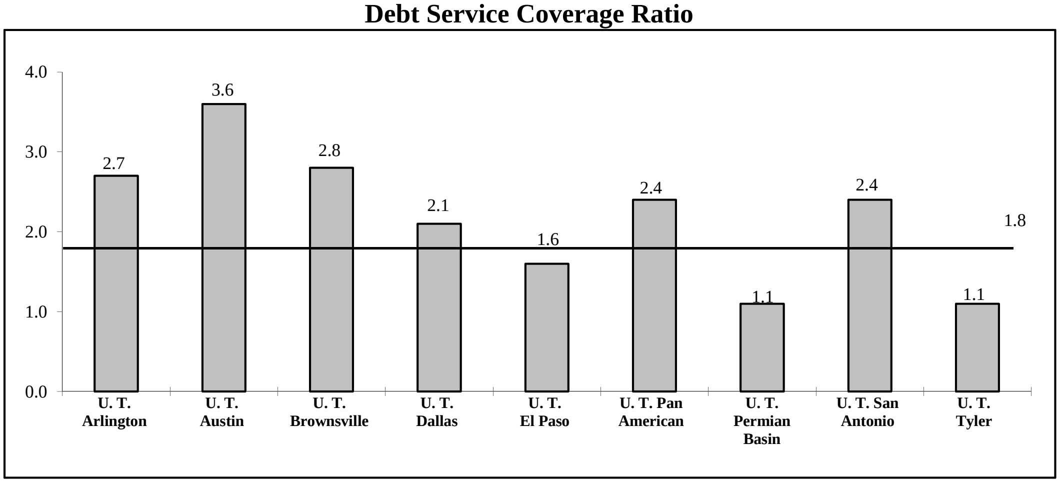
Expendable Resources to Debt Ratio



Debt Burden Ratio

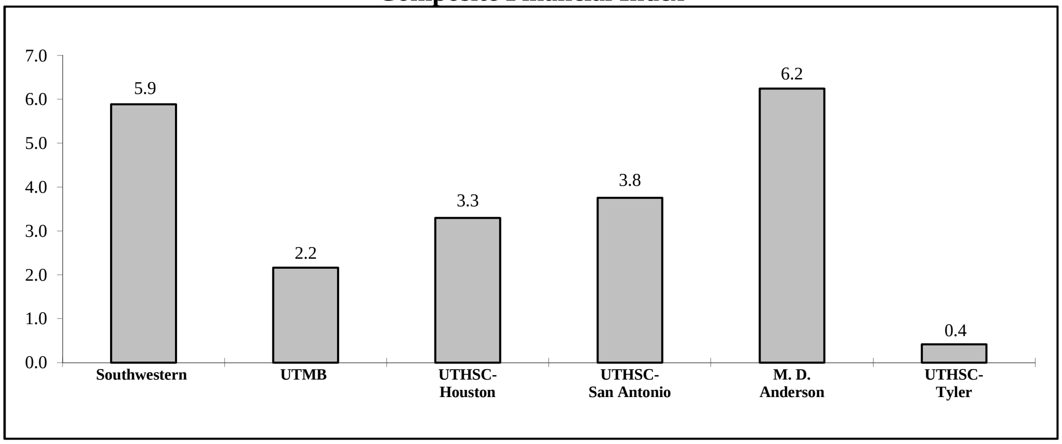


Debt Service Coverage Ratio

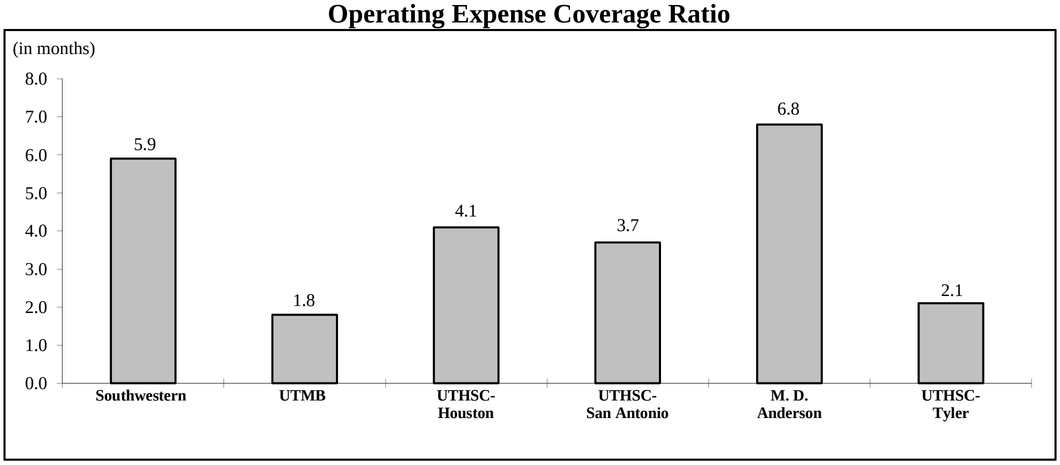


Appendix E - Health Institutions' Evaluation Factors
2013 Analysis of Financial Condition

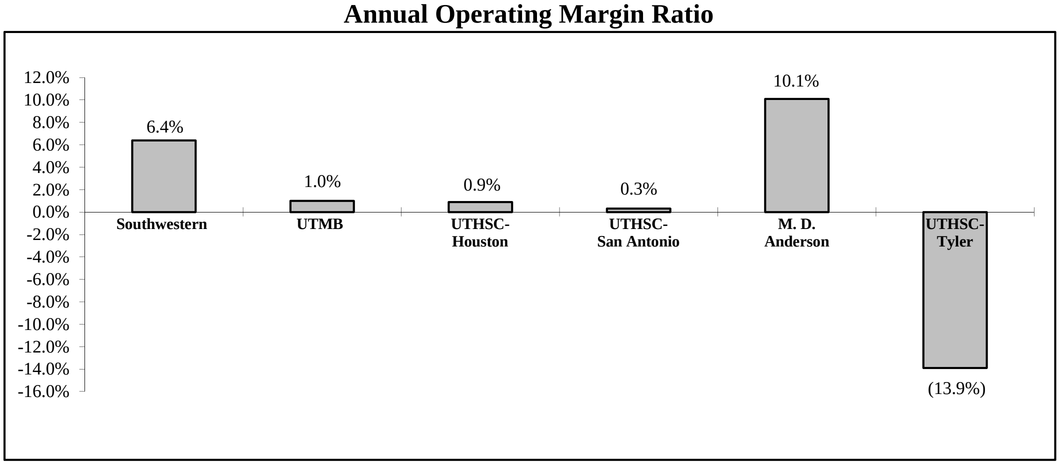
Composite Financial Index



Operating Expense Coverage Ratio

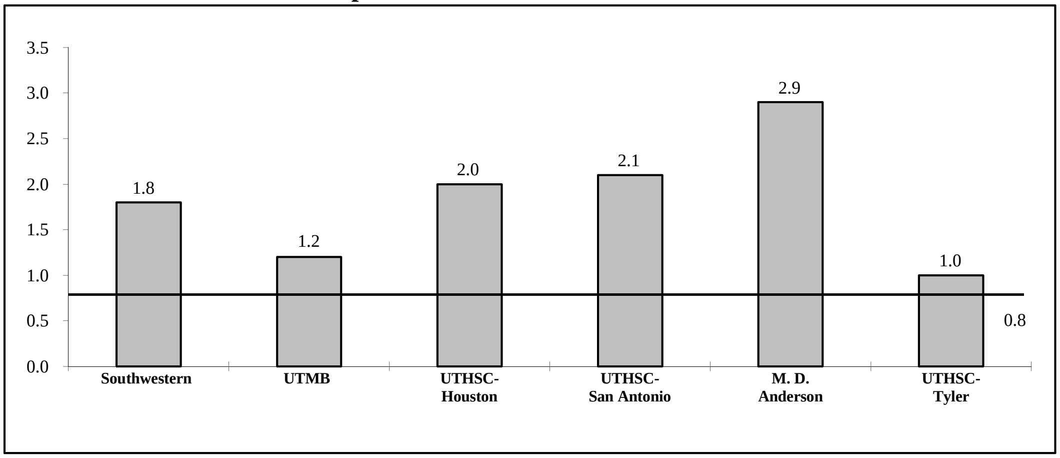


Annual Operating Margin Ratio

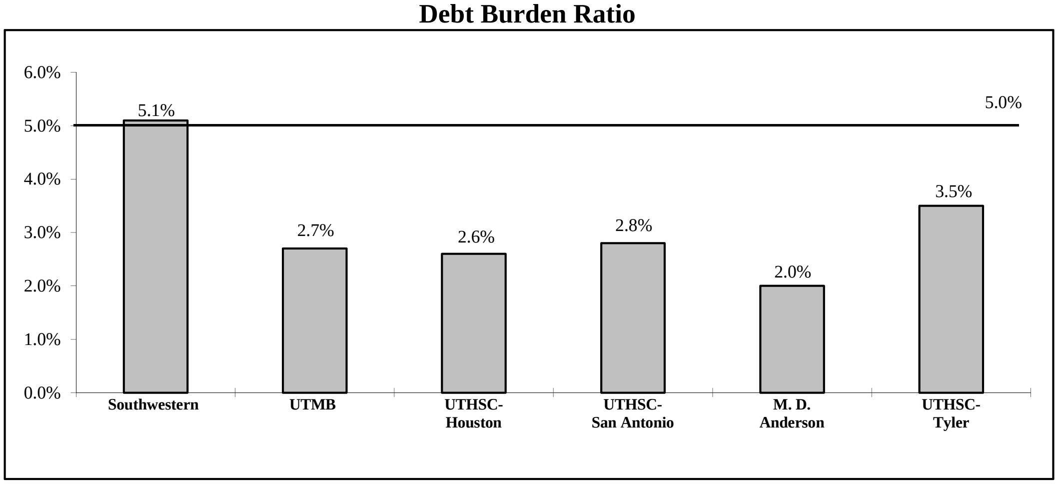


Appendix E - Health Institutions' Evaluation Factors
2013 Analysis of Financial Condition

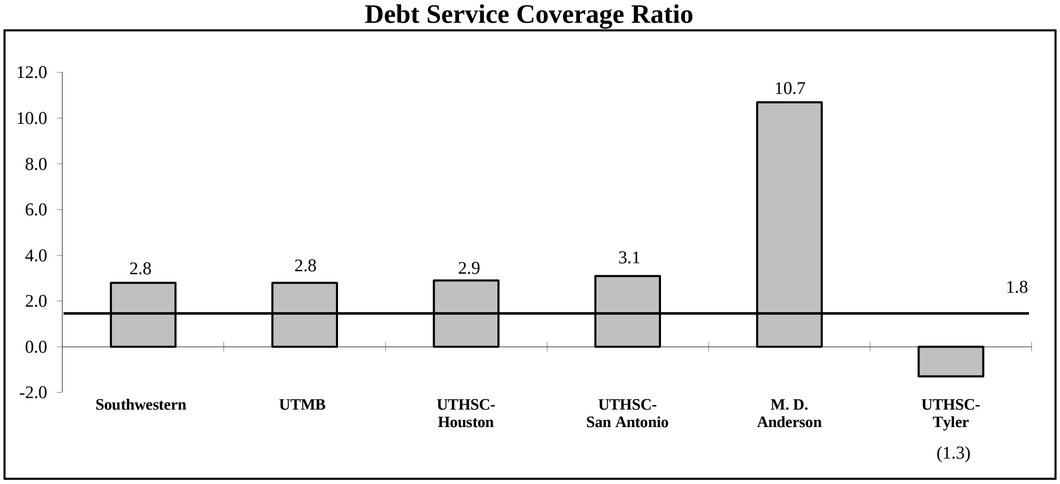
Expendable Resources to Debt Ratio



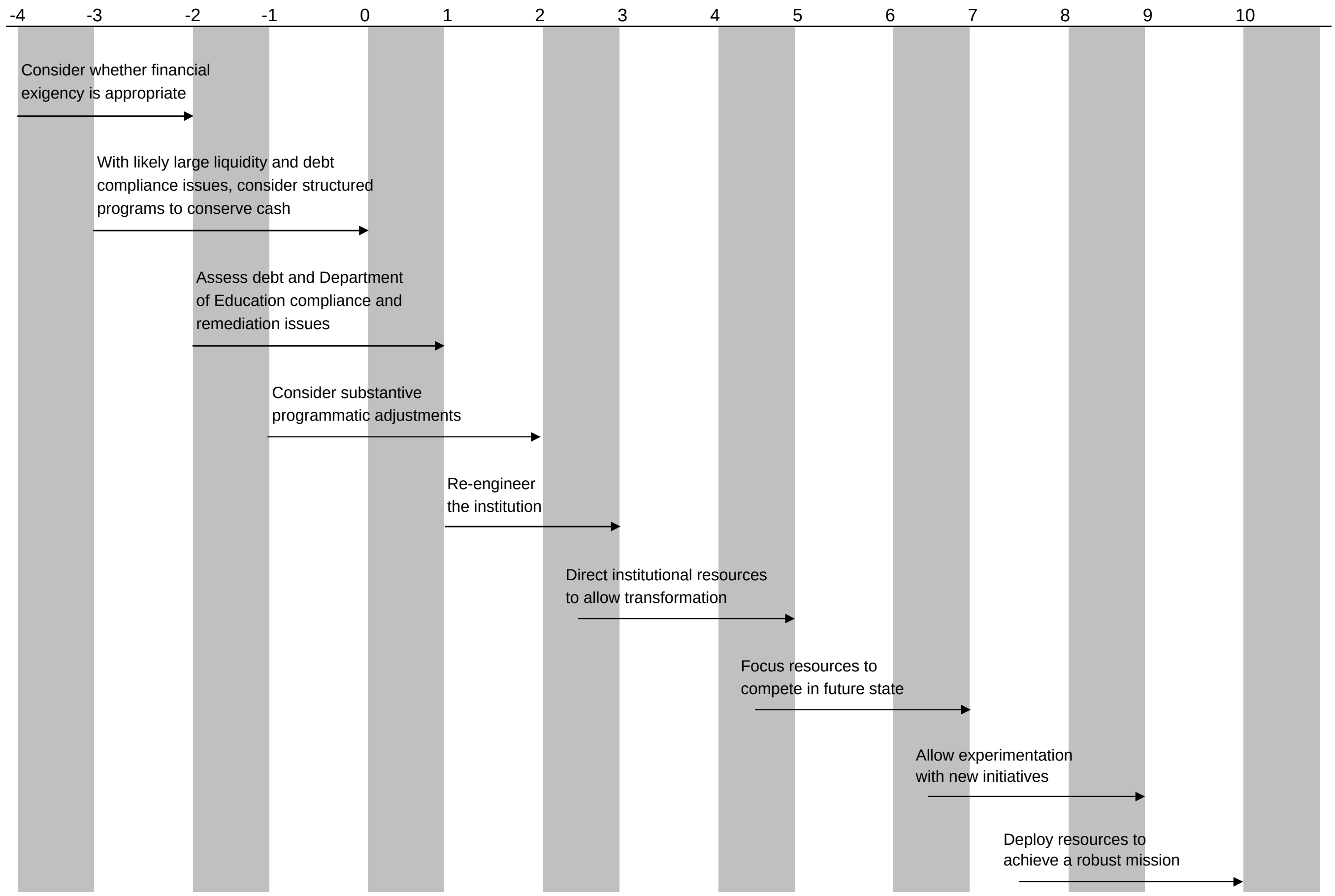
Debt Burden Ratio



Debt Service Coverage Ratio

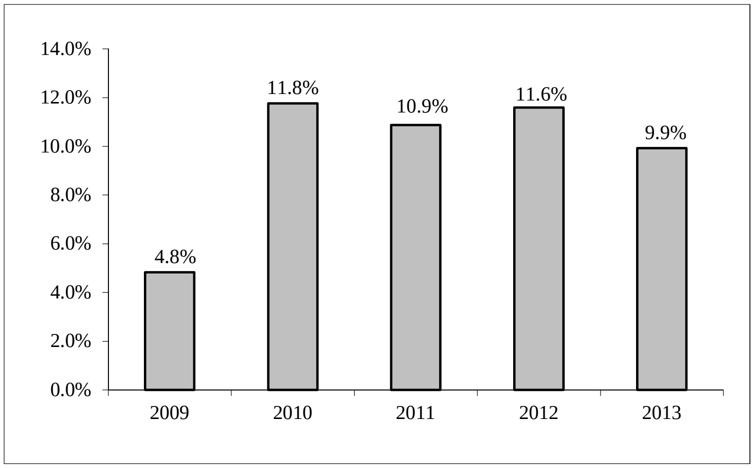


Appendix F - Scale for Charting CFI Performance



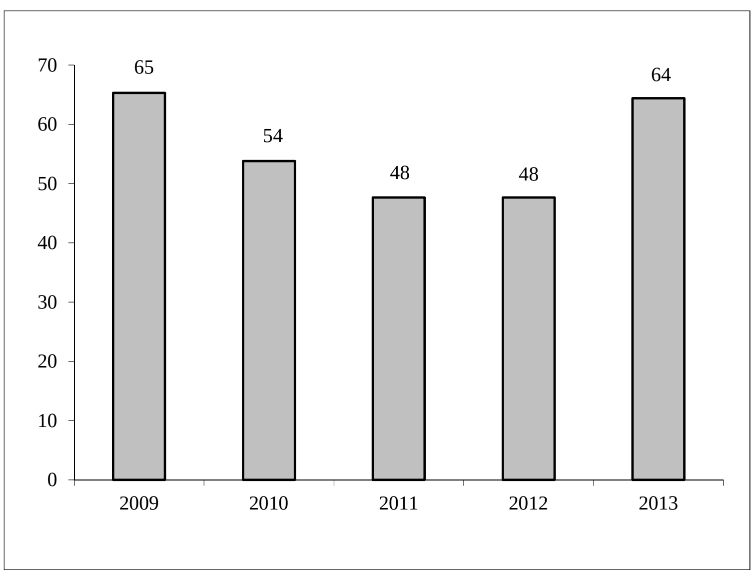
Appendix G - Key Hospital Operating Factors
The University of Texas Southwestern Medical Center

Annual Operating Margin Ratio



The decrease in the annual operating margin ratio from 11.6% for 2012 to 9.9% for 2013 was directly related to the fact that Southwestern was required to reduce the discounts and allowances by $14.0 million in 2012 as a result of the external audit which resulted in higher net revenue and operating margin in 2012. In 2013, net revenues increased as a result of volume and contract rate increases; however, additional personnel and supplies were required to care for the increased volume. In addition, there were increases in overhead expenses and support expenses passed from Southwestern to the hospitals.

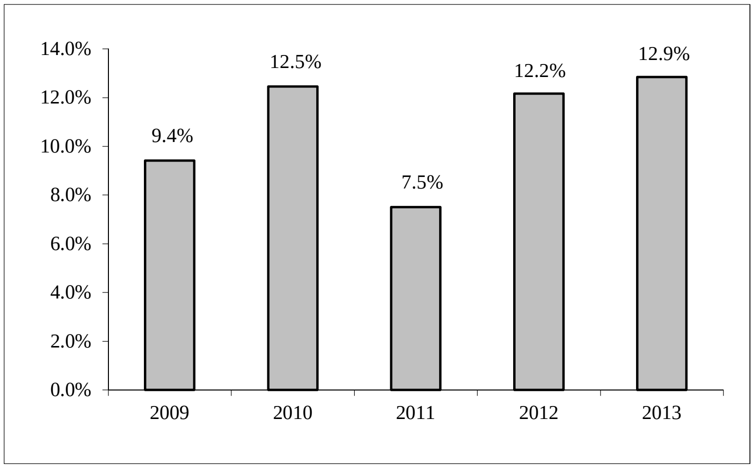
Net Accounts Receivable (in days)



The increase in net accounts receivable days from 48 to 64 was directly related to an increase in net patient revenue as a result of growth in the hospital in 2013. The hospitals generated additional inpatient and outpatient revenue for a total net patient revenue increase of $76.4 million. Due to the timing of the billing and collections cycle, net patient accounts receivable increased and net accounts receivable days increased by 16 days.

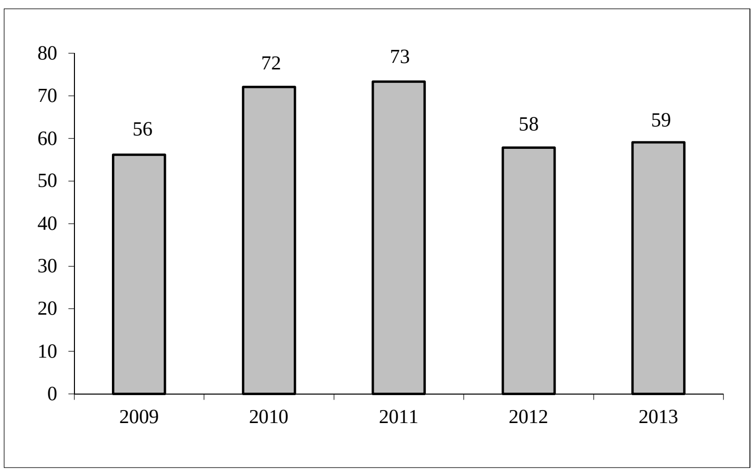
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Southwestern Medical Center

Annual Operating Margin Ratio



The annual operating margin ratio increased from 12.2% for 2012 to 12.9% for 2013 primarily due to increases in contractual income of $17.0 million, the receipt of Delivery System Reform Incentive Payments (DSRIP) of $9.4 million, and receipt of Meaningful Use payments of $10.2 million in 2013. Additionally, Southwestern received a professional liability insurance (PLI) rebate of $3.9 million in 2013 as compared to a rebate of $3.0 million in 2012.

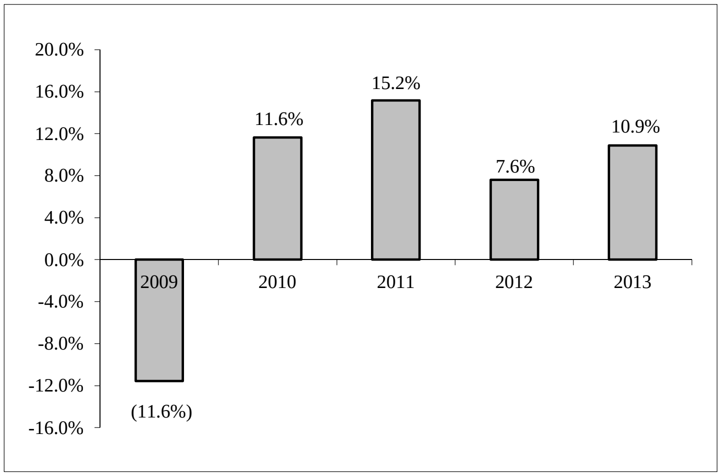
Net Accounts Receivable (in days)



Net accounts receivable (in days) increased by one day due to the increase in net patient revenues in 2013.

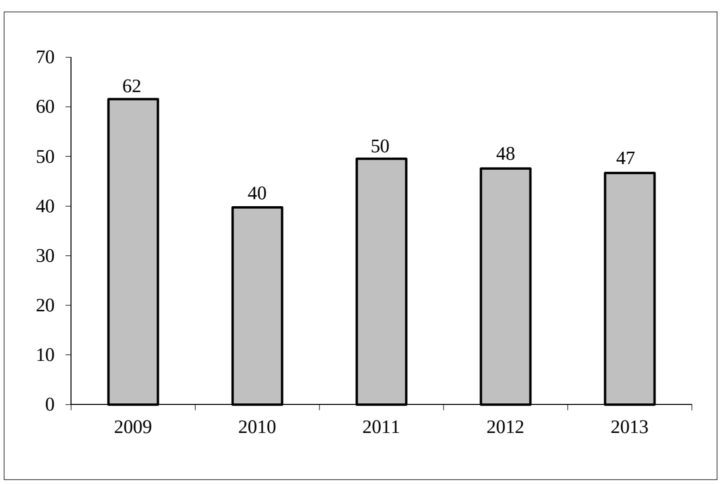
Appendix G - Key Hospital Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



UTMB Hospitals and Clinics' annual operating margin ratio increased from 7.6% for 2012 to 10.9% for 2013. The increase in this ratio was due to increases in net patient care revenue of $49.3 million, other operating revenue of $13.6 million, and general revenue of $9.8 million, offset by increases in total operating expenses of $23.6 million, institutional allocations of $13.8 million, depreciation expense of $4.3 million, and a decrease in grants and contracts of $1.8 million. The $13.6 million increase in other operating revenue was due to $5.5 million of revenue from the Delivery System Reform Incentive Payments (DSRIP) program associated with the Medicaid Section 1115 Demonstration, Meaningful Use payments of $4.2 million and the contract pharmacy program of $4.1 million.

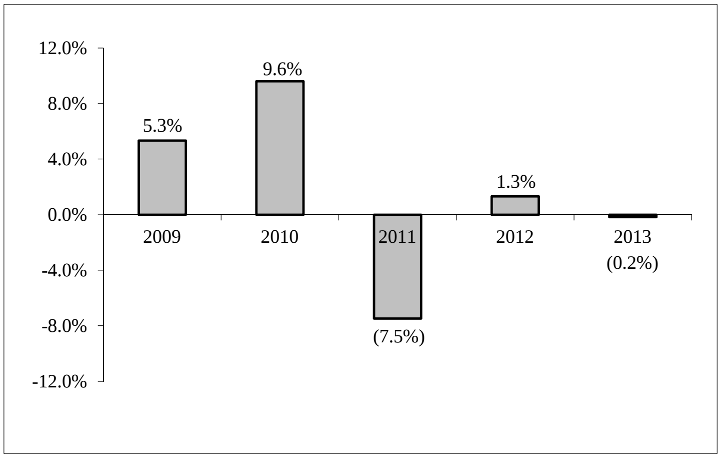
Net Accounts Receivable (in days)



Net accounts receivable in days remained virtually unchanged between 2012 and 2013. UTMB implemented a new billing system (Epic) in April 2013 and was able to restore days in accounts receivable to historical levels by year-end. System conversions such as this frequently result in increases in accounts receivable days for lengthy periods.

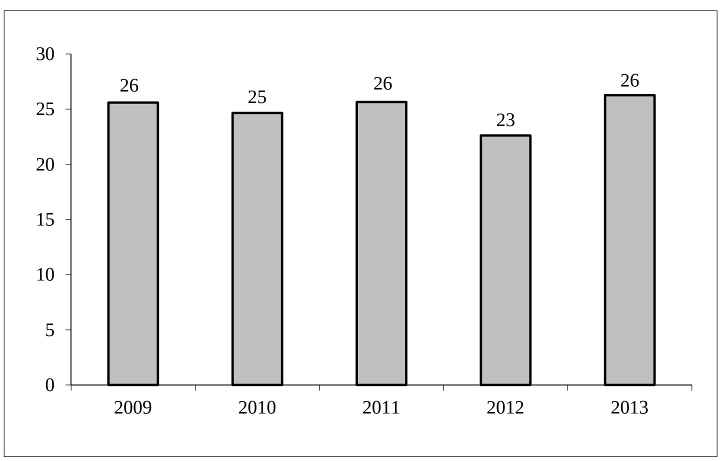
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



The annual operating margin ratio decreased to a deficit of 0.2% in 2013. Although net patient care revenue and grants and contract revenue increased by $4.1 million and $1.3 million, respectively, the majority of the loss was driven by an increase of $8.9 million in total operating expenses, primarily in salaries and wages. Additionally, UTMB received a professional liability insurance (PLI) rebate of $3.2 million in 2013, which was less than the PLI rebate received in 2012 of $3.6 million.

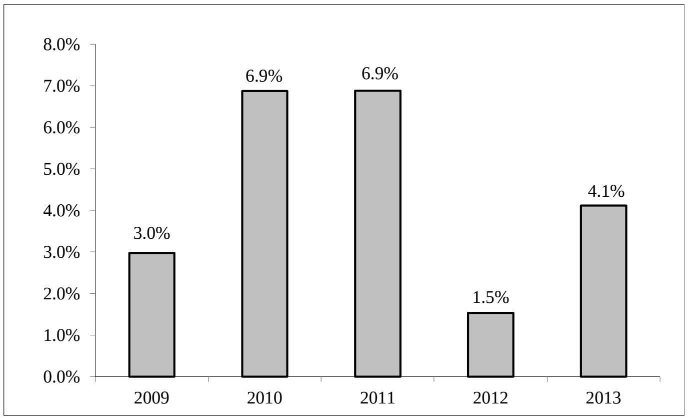
Net Accounts Receivable (in days)



Net accounts receivable (in days) increased slightly as a result of overall increases in rates of 12.0% in 2013.

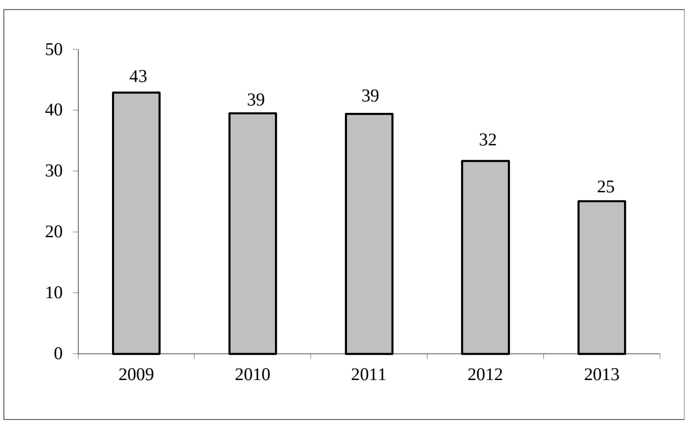
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



The annual operating margin ratio increased from 1.5% for 2012 to 4.1% for 2013. U. T. Health Harris County Psychiatric Center (HCPC) was able to distribute fixed costs over additional beds as a result of increased funding from the State of Texas for acute care beds and contractual revenue to provide a competency restoration program which generated the improvement in the annual operating margin.

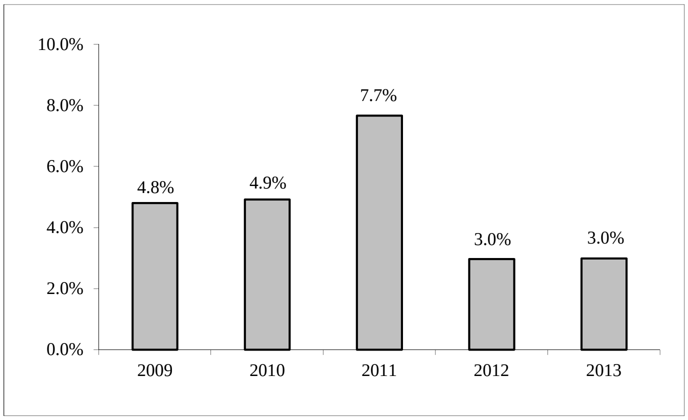
Net Accounts Receivable (in days)



Net accounts receivable days decreased from 32 days in 2012 to 25 days in 2013. This decrease in net accounts receivable days was attributable to HCPC's continued efforts to improve its billing and collections process, including identifying patients who qualify for indigent status and recognizing patient revenue bad debt.

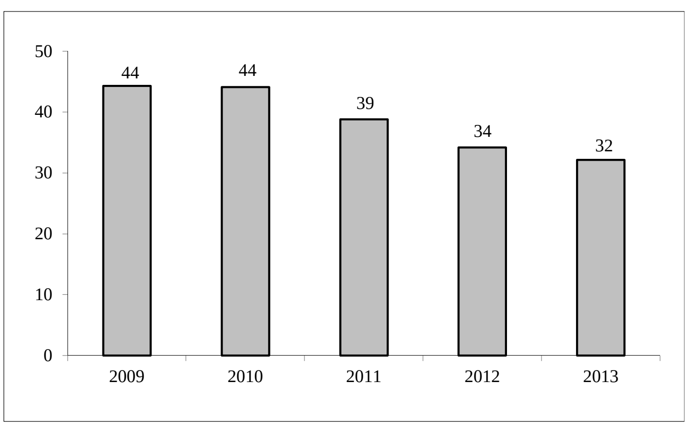
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



The annual operating margin ratio remained unchanged at 3.0% for 2013. Although operating expenses increased dramatically as a result of the current clinical growth, which involves hiring many new faculty and acquiring and opening various new clinics especially in Family Medicine and Orthopaedics, operating revenues also increased. The operating revenues include an increase in professional fees revenue and contractual income especially at Memorial Hermann Hospital and Harris County Hospital District. Operating revenues also include approximately $16.0 million in recognized Delivery System Reform Incentive Payments (DSRIP) revenue related to various projects, some of which have not yet begun operations, as well as $9.8 million in uncompensated care revenue, which was an increase of $3.0 million over the Texas Upper Payment Limit (UPL) payments received in 2012. Both the DSRIP revenue and the uncompensated care revenue are associated with the Medicaid Section 1115 Demonstration. Additionally, UTHSC-Houston received a professional liability insurance (PLI) rebate of $1.3 million in 2013 as compared to a rebate of $1.7 million in 2012.

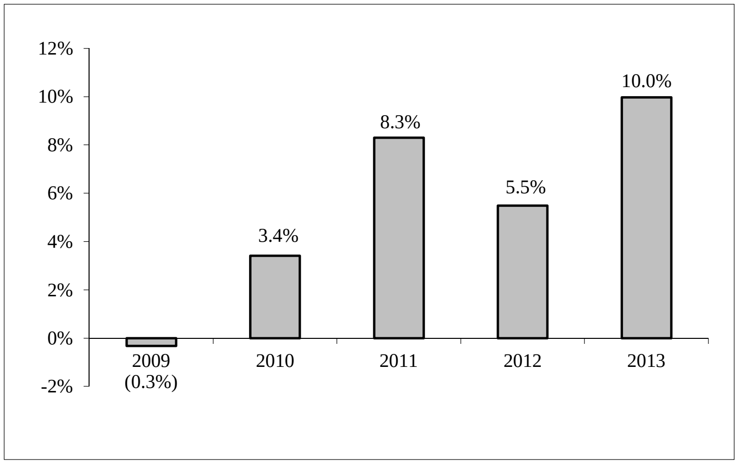
Net Accounts Receivable (in days)



The net accounts receivable (in days) decreased slightly compared to 2012. This was primarily due to the increase in average daily net patient revenue, consistent with the growth in the physician practice plan. In addition, efforts to collect more patient revenue on the front end have resulted in a slight decrease in net accounts receivable.

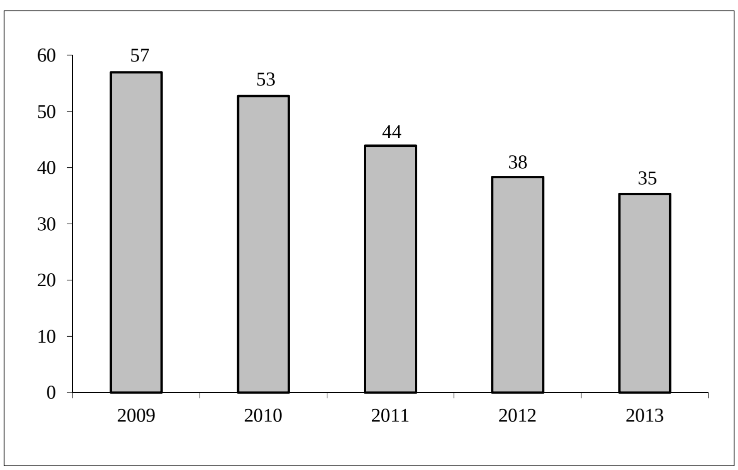
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at San Antonio

Annual Operating Margin Ratio



The annual operating margin comprises all medical clinical operations, including patient activities provided through the Cancer Therapy and Research Center (CTRC). Operations remained relatively flat in 2013 despite considerable challenges UTHSC-San Antonio faced with the transition of its pediatrics program from Christus Santa Rosa to University Hospital System. The increase in the annual operating margin ratio was primarily attributable to the Delivery System Reform Incentive Payment (DSRIP) program associated with the Medicaid Section 1115 Demonstration. Excluding DSRIP revenues, operating revenues remained relatively flat even with significant funding reductions from Christus Santa Rosa associated with the pediatrics program. Operating expenses remained relatively flat as well, yet efforts continue to align faculty salaries with a more productivity-based compensation plan. In addition, UTHSC-San Antonio received a professional liability insurance (PLI) rebate of $3.5 million in 2013 which approximated the rebate from 2012. UTHSC-San Antonio continues to reinvest incremental operating revenues towards recruitment efforts, addressing faculty compensation issues, expanding programs and departments, streamlining billing operations and patient services, as well as developing and implementing an infrastructure necessary to meet the goals and challenges of healthcare reform.

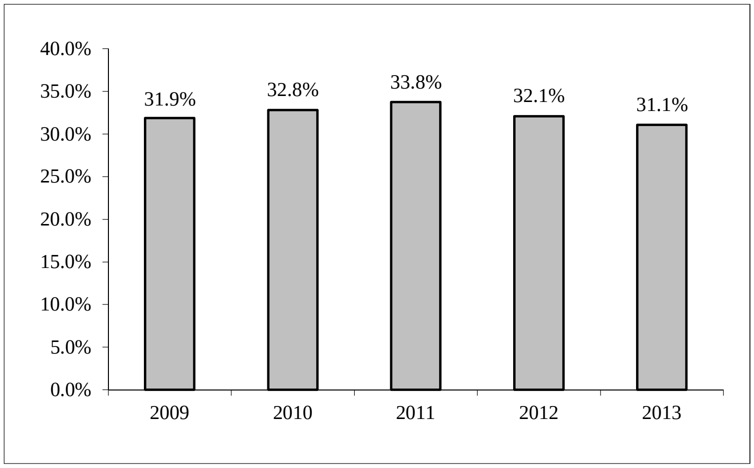
Net Accounts Receivable (in days)



The decrease in days outstanding of net receivables was attributable to the continued approach implemented by U. T. Medicine-San Antonio that aggressively served to accelerate the identification of bad debts during the collection cycle. The renewal of effective collection and pre-collection agency contracts in 2013 allowed for better management of accounts and sustaining a consistent write-off period of accounts to bad debt at 120 days.

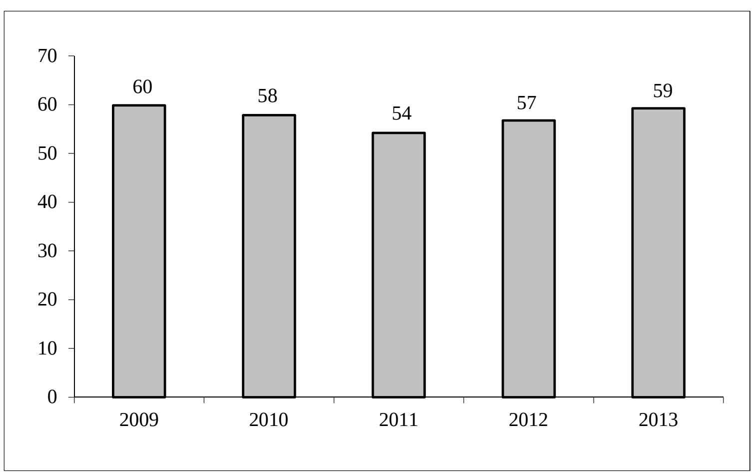
Appendix G - Key Hospital Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The annual operating margin ratio decreased from 32.1% for 2012 to 31.1% for 2013 as a result of operating expenses growing at a slightly higher rate than operating revenues. The increase in operating expenses was primarily attributable to increased personnel-related expenses resulting from employee growth and increased professional services expenses related to software implementation projects.

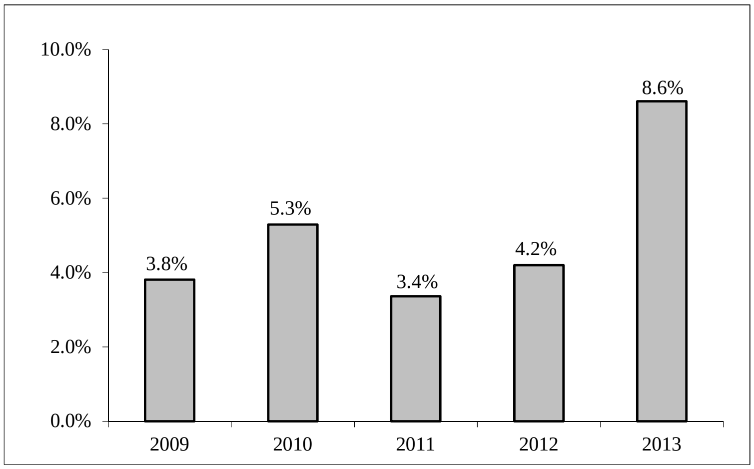
Net Accounts Receivable (in days)



In Fall 2012 all hospitals in Texas transitioned to Novitas Solutions, Inc. as the Medicare Administrative Contractor (MAC) for the Centers for Medicare and Medicaid Services (CMS). M. D. Anderson started experiencing payment delays in Medicare claims due to the following: the molecular pathology fee schedule was not finalized by CMS, increased requirements for Additional Documentation Requests for stem cell transplantation procedures even though the National Coverage Determination guidelines were met, and increased medically unlikely edits. Currently, M. D. Anderson has approximately $15.0 to $20.0 million in claims that are greater than 90 days past due and causing increased aging in the accounts receivable in days calculation.

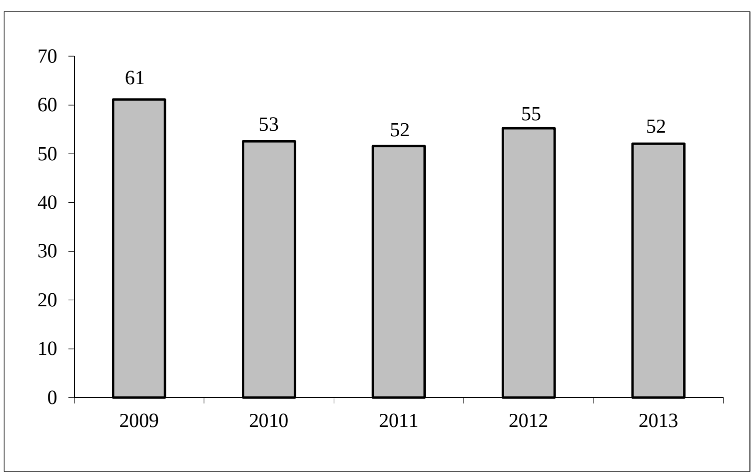
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The annual operating margin ratio increased from 4.2% for 2012 to 8.6% for 2013. The increase in this ratio was attributable to an overall increase in professional fee revenue and activity from 2012, as well as an increase in other revenue coupled with a slower growth rate in expenses. Additionally, in 2013 M. D. Anderson received a professional liability insurance (PLI) rebate of $2.3 million which was slightly higher than the rebate received in 2012 of $1.9 million.

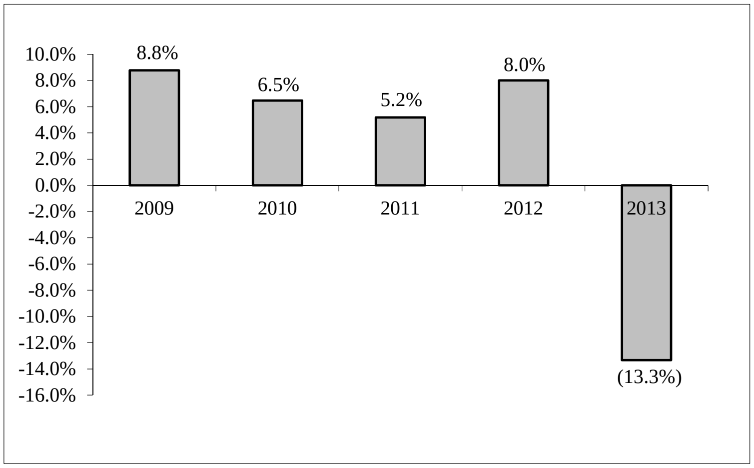
Net Accounts Receivable (in days)



The days in net accounts receivable decreased slightly between 2012 and 2013 from 55 days to 52 days due to the continued improvements in the business office operations and record collections for 2013.

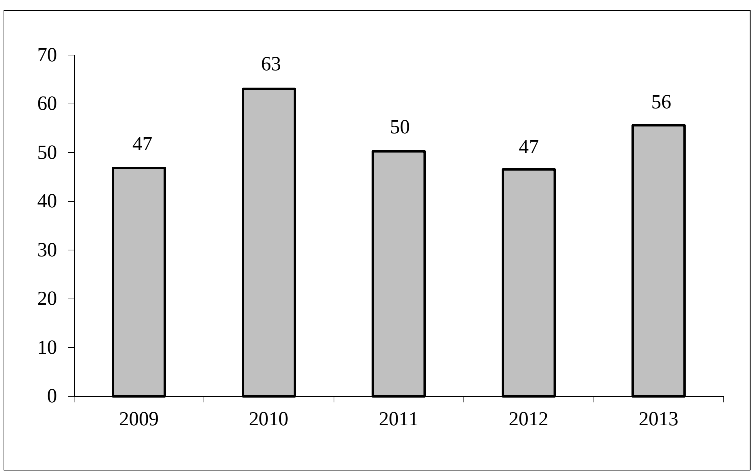
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The annual operating margin ratio declined from 8.0% for 2012 to (13.3%) for 2013. The decrease in this ratio was attributable to both a reduction in revenues and increased operating expenses. State appropriations decreased due to House Bill 4 (HB 4) supplemental funding received and fully recognized in 2012 with no such supplemental funding in 2013, which resulted in UTHSC-Tyler receiving 20% less in state funding in 2013. UTHSC-Tyler also invested in eight new faculty positions, many of whom were higher cost specialists. The total investment increased faculty salaries by 22.0%. The salaries for these new faculty positions are split 50/50 between the hospital and the practice plan. There was a $3.0 million reduction in federal reimbursements as a result of the Medicare Recovery Audit Contractor (RAC) recoupments and the Affordable Care Act (ACA) reform.

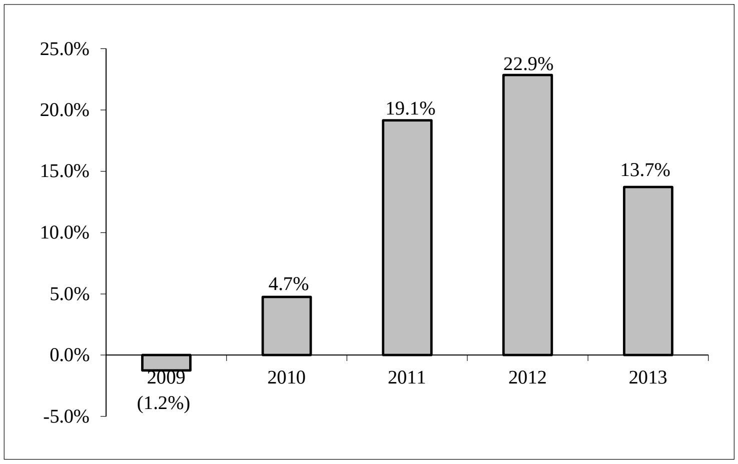
Net Accounts Receivable (in days)



Net accounts receivable in days increased from 47 days in 2012 to 56 days in 2013. Based upon increased gross revenue from the addition of eight new faculty and the continued growth of the cancer center, accounts receivable has grown. The conversion of many traditional Medicare patients into Medicare managed care programs has also delayed the reimbursement time period.

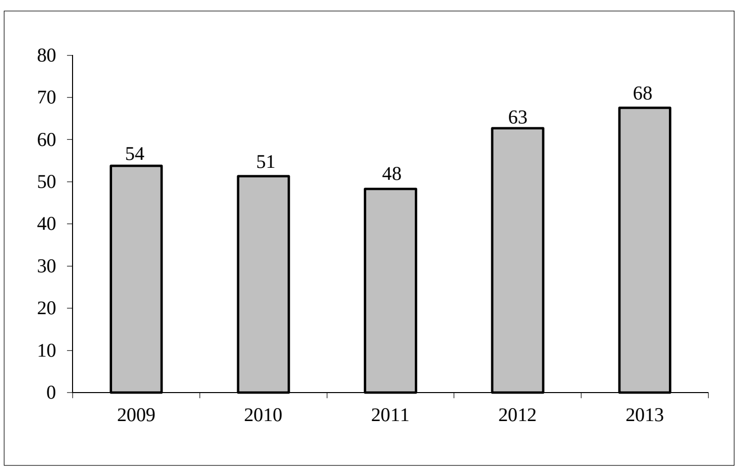
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The annual operating margin ratio decreased from 22.9% for 2012 to 13.7% for 2013. The increase of eight additional faculty reduced the overall operating margin. The new faculty are producing increased revenue, but not enough to offset the additional salary expenses. A two year growth period is required to equalize most new faculty's expense to net revenue. The salaries for these new faculty positions are split 50/50 between the hospital and the practice plan. Additionally, in 2013 UTHSC-Tyler received a professional liability insurance (PLI) rebate of $0.2 million which was comparable to the amount received in 2012.

Net Accounts Receivable (in days)



Net accounts receivable days increased from 63 days in 2012 to 68 days in 2013. Based upon increased gross revenue from the addition of eight new faculty and the continued growth of the cancer center, accounts receivable has grown. The conversion of many traditional Medicare patients into Medicare managed care programs has also delayed the reimbursement time period.

4. **U. T. System: Approval of the Fiscal Year 2015 Budget Preparation Policies and Calendar for budget operations**

RECOMMENDATION

With the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Executive Vice Chancellor for Health Affairs, the Chancellor recommends that the U. T. System Board of Regents approve the Budget Preparation Policies and Calendar on Page 161 for use in preparing the Fiscal Year (FY) 2015 Operating Budget for the U. T. System as set out below:

U. T. System Fiscal Year 2015 Budget Preparation Policies

1. General Guidelines - The regulations and directives included in the General Appropriations Act enacted by the 83rd Texas Legislature serve as the basis for these guidelines and policies. In preparing the draft of the FY 2015 Operating Budget, the president of each institution should adhere to guidelines and policies as detailed below and as included in the General Appropriations Act. The Chancellor will issue detailed instructions regarding the implementation of those regulations and directives into the institutional budget process.

   The president of each institution should examine the resources used at the institution and, where possible, redirect resources toward high priority mission critical activities and strategic competitive investments that are consistent with the goals and objectives included in the institution's Strategic Plan.

   Overall budget totals, including retaining reasonable reserves for potential future financial shortfall, must be limited to the funds available for the year from General Revenue Appropriations, Estimates of Educational and General Income, and limited use of institutional unappropriated balances.

2. Maintenance of Operating Margin and Use of Prior Year Balances - Institutions should make all reasonable efforts to maintain a favorable operating margin within the FY 2015 Operating Budget. Use of prior year balances should be limited to critical items, unique opportunities, or projects funded from prior year income committed for that purpose. Generally, balance usage should be reserved for nonrecurring activities. Balance usage cannot be recommended to the U. T. System Board of Regents for approval without the consent of the Chancellor, the appropriate Executive Vice Chancellor, and the Associate Vice Chancellor, Controller, and Chief Budget Officer.

3. Salary Guidelines - Recommendations regarding salary policy are subject to the following directives:

   A. Salaries Proportional by Fund - Unless otherwise restricted, payment for salaries, wages, and benefits paid from appropriated funds, including local funds and educational and general funds as defined in *Texas Education Code* Section 51.009 (a) and (c), shall be proportional to the source of funds.

B. Merit Increases and Promotions - Merit increases or advances in rank for faculty are to be on the basis of teaching effectiveness, research, and public service.

As defined in *Texas Education Code* Section 51.962, administrative and professional staff and classified staff must have been employed by the institution for at least six consecutive months immediately preceding the effective date of the increase to be eligible for a merit increase, and at least six months must have elapsed since the employee's last merit salary increase.

Merit increases or promotions for administrative and professional staff and classified staff are to be based on evaluation of performance in areas appropriate to work assignments. In accordance with the Regents' *Rules and Regulations*, performance appraisals are required to be conducted annually for all employees of the U. T. System. To verify compliance with this policy, U. T. System presidents and the Executive Vice Chancellor for Business Affairs for U. T. System Administration shall annually certify that all eligible employees (including staff and faculty) have completed performance appraisals. Subject to available resources and resolution of any major salary inequities, institutions should give priority to implementing merit salary increases for faculty and staff.

C. Other Increases - Equity adjustments, competitive offers, and increases to accomplish contractual commitments should also consider merit where appropriate, subject to available resources. Subject to guidance issued by the Chancellor, such increases should be noted and explained in the supplemental data accompanying the budget.

D. New Positions - Subject to available resources, new administrative and professional staff, classified staff, and faculty positions are to be requested only when justified by workloads or to meet needs for developing new programs.

E. Reporting - The Chancellor will issue guidance on reporting of salary changes and amounts. It is expected that required reports will encompass high-ranking staff covered by Regents' *Rules and Regulations*, Rules 20203 and 20204 along with those staff receiving significant changes in compensation.

4. Staff Benefits Guidelines - Recommendations regarding the State contribution for employee staff benefits such as group insurance premiums, teacher retirement, and optional retirement are subject to legislative determination via the General Appropriations Act. The Chancellor will issue instructions regarding the implementation of the benefits into the budget process.

5. Other Employee Benefits - Employer contributions to the self-insured Unemployment Compensation Fund are based on an actuarial study. Workers' Compensation Insurance rates are experience-rated for each institution.

Appropriate instructions will be issued regarding the implementation of Unemployment Compensation Fund and Workers' Compensation Insurance Benefits.

6. Other Operating Expenses Guidelines - Increases in Maintenance, Operation, Equipment, and Travel are to be justified by expanded workloads, for developing new programs, or for correcting past deferrals or deficiencies.

7. Calendar - In the event of unforeseen circumstances, authority is delegated to the Chancellor to modify the Calendar.

BACKGROUND INFORMATION

The U. T. System FY 2015 Budget Preparation Policies are consistent with the regulations and directives included in the General Appropriations Act enacted by the 83rd Texas Legislature and with general law. As written, this policy provides general direction to the U. T. System institutions.

THE UNIVERSITY OF TEXAS SYSTEM
FY 2015 OPERATING BUDGET CALENDAR

January 2014 – August 2014	Performance appraisal focal period
February 6, 2014	U. T. System Board of Regents takes appropriate action on budget preparation policies
April 14 - 25, 2014	Major goals, priorities, and resource allocation hearings with U. T. System Administration
May 12, 2014	Draft budget documents due to U. T. System
May 15 - 20, 2014	Technical budget review with U. T. System
June 2, 2014	Final budget documents due to U. T. System
June 2, 2014	Reports on highly compensated staff covered by Regents' Rules 20203 and 20204, high-ranking staff salaries, and institutional Top Ten salaries due to U. T. System
August 8, 2014	Operating Budget Summaries provided to the U. T. System Board of Regents
August 15, 2014	Salary change report due to U. T. System
August 21, 2014	U. T. System Board of Regents takes appropriate action on Operating Budget and President and Executive Officer compensation

5. U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended November 30, 2013

REPORT

The November 30, 2013 UTIMCO Performance Summary Report is attached on Page 163.

The Investment Reports for the quarter ended November 30, 2013, are set forth on Pages 164 - 167.

Item I on Page 164 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 4.80% versus its composite benchmark return of 5.23%. The PUF's net asset value increased by $772 million since the beginning of the year to $15,625 million. The increase was due to $317 million PUF Lands receipts, plus a net investment return of $709 million, less distributions to the Available University Fund (AUF) of $254 million.

Item II on Page 165 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 4.90% versus its composite benchmark return of 5.23%. The GEF's net asset value increased by $305 million during the fiscal year to $7,701 million.

Item III on Page 166 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was 4.05% versus its composite benchmark return of 4.30%. The net asset value increased during the quarter to $5,945 million due to net investment return of $228 million, plus net contributions of $241 million, less distributions of $44 million.
All exposures were within their asset class and investment type ranges. Liquidity was within policy.

Item IV on Page 167 presents book and market values of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus and Fidelity money market fund, decreased by $99 million to $1,886 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $21 million versus $21 million at the beginning of the period; equities: $80 million versus $66 million at the beginning of the period; and other investments: $.4 million versus $142 million at the beginning of the period.

UTIMCO Performance Summary

November 30, 2013

	Net Asset Value 11/30/2013 (in Millions)	Periods Ended November 30, 2013 (Returns for Periods Longer Than One Year are Annualized)							
		Short Term		Year to Date		Historic Returns			
ENDOWMENT FUNDS		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs
Permanent University Fund	$ 15,625	1.21%	4.80%	4.80%	9.91%	11.13%	8.09%	11.40%	7.71%
General Endowment Fund		1.25	4.90	4.90	10.13	11.39	8.24	11.47	7.78
Permanent Health Fund	1,052	1.20	4.85	4.85	10.03	11.23	8.15	11.36	7.69
Long Term Fund	6,649	1.20	4.84	4.84	10.02	11.23	8.16	11.36	7.70
Separately Invested Funds	146	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	23,472								
OPERATING FUNDS									
Intermediate Term Fund	5,945	0.45	4.05	4.05	6.09	7.19	5.86	10.54	N/A
Debt Proceeds Fund	267	0.01	0.02	0.02	0.10	0.12	N/A	N/A	N/A
Short Term Fund	1,575	0.01	0.02	0.02	0.08	0.09	0.14	0.26	1.90
Total Operating Funds	7,787								
Total Investments	$ 31,259								
VALUE ADDED (1) (Percent)									
Permanent University Fund		0.70%	(0.43%)	(0.43%)	0.67%	0.17%	0.81%	1.86%	1.62%
General Endowment Fund		0.74	(0.33)	(0.33)	0.89	0.43	0.96	1.93	1.69
Intermediate Term Fund		0.47	(0.25)	(0.25)	1.84	1.88	1.78	2.28	N/A
Debt Proceeds Fund		-	0.01	0.01	0.04	0.04	N/A	N/A	N/A
Short Term Fund		-	0.01	0.01	0.02	0.01	0.04	0.14	0.22
VALUE ADDED (1) ($ IN MILLIONS)									
Permanent University Fund		$ 108	$ (64)	$ (64)	$ 92	$ 24	$ 340	$ 1,193	$ 2,116
General Endowment Fund		57	(24)	(24)	66	32	220	692	1,221
Intermediate Term Fund		28	(14)	(14)	97	98	270	526	N/A
Total Value Added		$ 193	$ (102)	$ (102)	$ 255	$ 154	$ 830	$ 2,411	$ 3,337

Footnote available upon request.

UTIMCO 12/30/2013

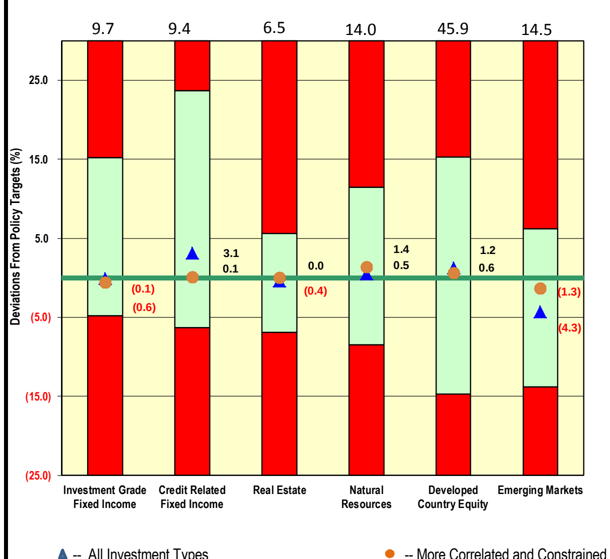
I. PERMANENT UNIVERSITY FUND
Investment Reports for Periods Ended November 30, 2013
Prepared in accordance with *Texas Education Code* Sec. 51.0032

Summary of Capital Flows

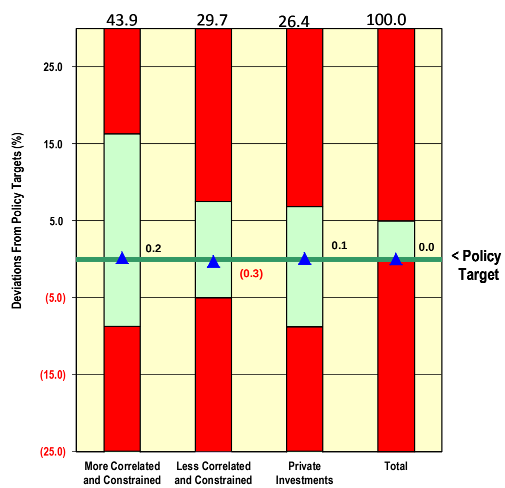
($ millions)	Fiscal Year Ended August 31, 2013	Quarter Ended November 30, 2013	Fiscal Year to Date August 31, 2014
Beginning Net Assets	$ 13,470	$ 14,853	$ 14,853
PUF Lands Receipts	857	317	317
Investment Return (Net of Expenses)	1,170	709	709
Distributions to AUF	(644)	(254)	(254)
Ending Net Assets	$ 14,853	$ 15,625	$ 15,625

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	0.56%	2.22%	-0.04%	-0.13%	-0.17%
Credit-Related	3.86%	4.69%	0.00%	0.00%	0.00%
Real Estate	5.32%	4.87%	0.00%	0.01%	0.01%
Natural Resources	-4.08%	0.61%	-0.18%	-0.37%	-0.55%
Developed Country	10.79%	11.05%	-0.01%	-0.02%	-0.03%
Emerging Markets	10.50%	10.04%	-0.17%	0.05%	-0.12%
Total More Correlated and Constrained	**5.16%**	**7.13%**	**-0.40%**	**-0.46%**	**-0.86%**
Less Correlated and Constrained	**5.39%**	**3.91%**	**0.02%**	**0.43%**	**0.45%**
Private Investments	**3.57%**	**3.51%**	**0.00%**	**-0.02%**	**-0.02%**
Total	**4.80%**	**5.23%**	**-0.38%**	**-0.05%**	**-0.43%**

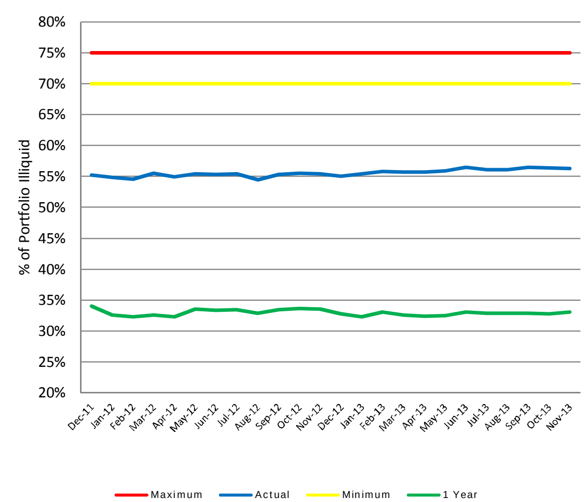
Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for PUF



Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for PUF



Permanent University Fund
Actual Illiquidity vs. Trigger Zones



II. GENERAL ENDOWMENT FUND

Investment Reports for Periods Ended November 30, 2013

Prepared in accordance with *Texas Education Code* Sec. 51.0032

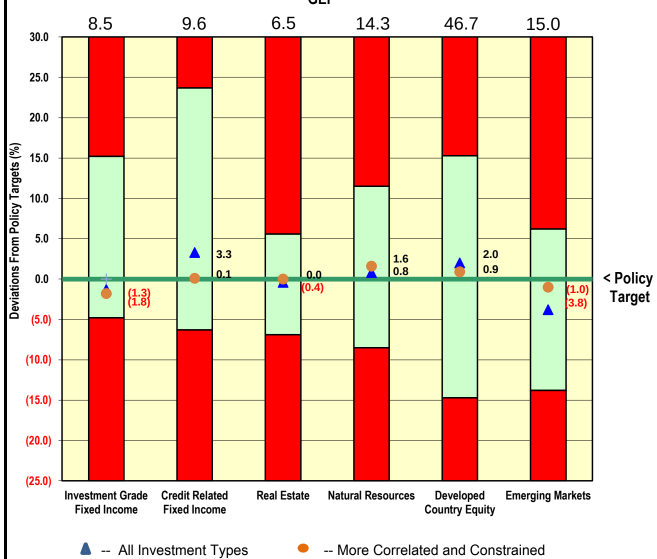
Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2013	Quarter Ended November 30, 2013	Fiscal Year to Date August 31, 2014
Beginning Net Assets	$ 7,105	$ 7,396	$ 7,396
Contributions	166	35	35
Withdrawals	(152)	(1)	(1)
Distributions	(360)	(91)	(91)
Investment Return (Net of Expenses)	637	362	362
Ending Net Assets	$ 7,396	$ 7,701	$ 7,701

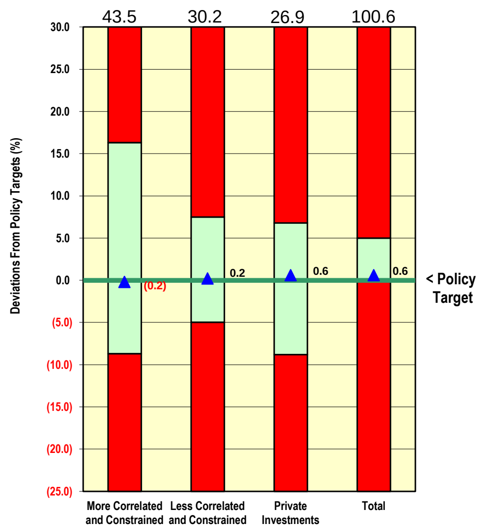
Fiscal Year to Date

	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	0.76%	2.22%	-0.01%	-0.12%	-0.13%
Credit-Related	3.86%	4.69%	0.00%	0.00%	0.00%
Real Estate	5.34%	4.87%	0.00%	0.01%	0.01%
Natural Resources	-4.04%	0.61%	-0.20%	-0.37%	-0.57%
Developed Country	10.81%	11.05%	0.01%	-0.02%	-0.01%
Emerging Markets	11.14%	10.04%	-0.19%	0.11%	-0.08%
Total More Correlated and Constrained	**5.39%**	**7.13%**	**-0.39%**	**-0.39%**	**-0.78%**
Less Correlated and Constrained	**5.39%**	**3.91%**	**0.03%**	**0.42%**	**0.45%**
Private Investments	**3.57%**	**3.51%**	**0.00%**	**0.00%**	**0.00%**
Total	**4.90%**	**5.23%**	**-0.36%**	**0.03%**	**-0.33%**

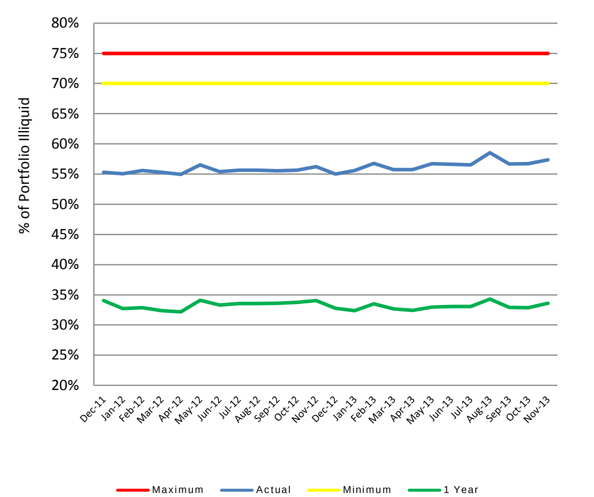
Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for GEF



Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for GEF



General Endowment Fund
Actual Illiquidity vs. Trigger Zones



III. INTERMEDIATE TERM FUND

Investment Reports for Periods Ended November 30, 2013

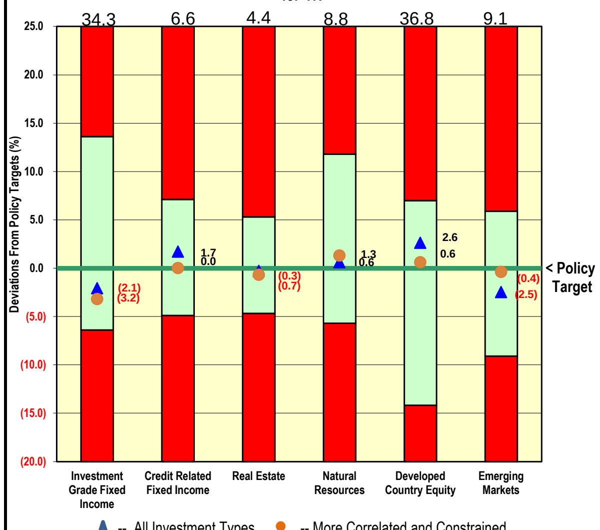
Prepared in accordance with *Texas Education Code* Sec. 51.0032

Summary of Capital Flows

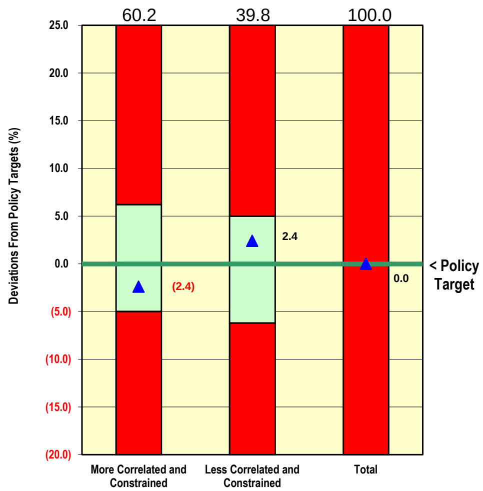
($ millions)	Fiscal Year Ended August 31, 2013	Quarter Ended November 30, 2013	Fiscal Year to Date August 31, 2013
Beginning Net Assets	$ 4,893	$ 5,520	$ 5,520
Contributions	694	264	264
Withdrawals	(158)	(23)	(23)
Distributions	(158)	(44)	(44)
Investment Return (Net of Expenses)	249	228	228
Ending Net Assets	$ 5,520	$ 5,945	$ 5,945

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	1.41%	2.22%	0.07%	-0.27%	-0.20%
Credit-Related	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	5.36%	4.87%	-0.04%	0.01%	-0.03%
Natural Resources	-3.90%	0.61%	-0.14%	-0.34%	-0.48%
Developed Country	10.80%	11.05%	0.01%	-0.01%	0.00%
Emerging Markets	9.77%	10.04%	-0.05%	-0.03%	-0.08%
Total More Correlated and Constrained	**3.19%**	**4.49%**	**-0.15%**	**-0.64%**	**-0.79%**
Less Correlated and Constrained	**5.39%**	**3.91%**	**0.03%**	**0.51%**	**0.54%**
Private Investments	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total	**4.05%**	**4.30%**	**-0.12%**	**-0.13%**	**-0.25%**

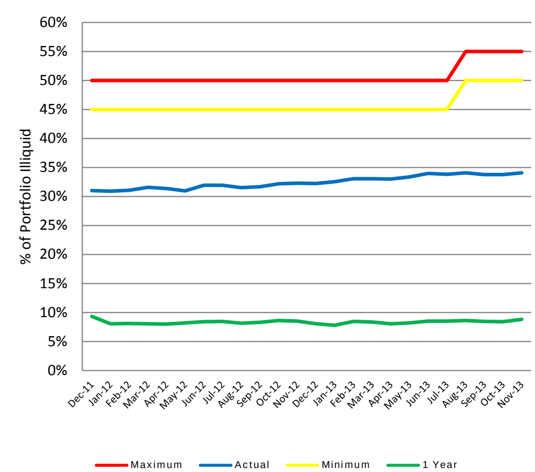
Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for ITF



Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for ITF



Intermediate Term Fund
Actual Illiquidity vs. Trigger Zones



IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at November 30, 2013

Report prepared in accordance with *Texas Education Code* Sec. 51.0032

($ thousands)

FUND TYPE

	CURRENT PURPOSE DESIGNATED		CURRENT PURPOSE RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS	
ASSET TYPES								
Cash & Equivalents:	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Beginning value 08/31/13	-	-	1,722	1,722	46,491	46,491	2,562	2,562
Increase/(Decrease)	-	-	1,972	1,972	(9,769)	(9,769)	(326)	(326)
Ending value 11/30/13	-	-	3,694	3,694	36,722	36,722	2,236	2,236
Debt Securities:								
Beginning value 08/31/13	-	-	58	57	12,230	12,603	8,767	8,778
Increase/(Decrease)	-	-	2	3	(446)	(417)	(28)	136
Ending value 11/30/13	-	-	60	60	11,784	12,186	8,739	8,914
Equity Securities:								
Beginning value 08/31/13	1,161	5,249	1,496	1,867	40,261	44,709	12,534	13,685
Increase/(Decrease)	(1)	12,891	(1,223)	(1,598)	(896)	2,098	-	1,030
Ending value 11/30/13	1,160	18,140	273	269	39,365	46,807	12,534	14,715
Other:								
Beginning value 08/31/13	-	-	5,247	5,247	6	6	493	133
Increase/(Decrease)	-	-	(4,975)	(4,975)	-	-	11	(1)
Ending value 11/30/13	-	-	272	272	6	6	504	132
Total Assets:								
Beginning value 08/31/13	1,161	5,249	8,523	8,893	98,988	103,809	24,356	25,158
Increase/(Decrease)	(1)	12,891	(4,224)	(4,598)	(11,111)	(8,088)	(343)	839
Ending value 11/30/13	1,160	18,140	4,299	4,295	87,877	95,721	24,013	25,997

	AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		OPERATING FUNDS (DEBT PROCEEDS AND (SHORT TERM FUND)		TOTAL	
ASSET TYPES								
Cash & Equivalents:	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Beginning value 08/31/13	675	675	51,450	51,450	1,933,413	1,933,413	1,984,863	1,984,863
Increase/(Decrease)	862	862	(7,261)	(7,261)	(92,066)	(92,066)	(99,327)	(99,327)
Ending value 11/30/13	1,537	1,537	44,189	44,189	1,841,347	1,841,347	1,885,536	1,885,536
Debt Securities:								
Beginning value 08/31/13	-	-	21,055	21,438	-	-	21,055	21,438
Increase/(Decrease)	-	-	(472)	(278)	-	-	(472)	(278)
Ending value 11/30/13	-	-	20,583	21,160	-	-	20,583	21,160
Equity Securities:								
Beginning value 08/31/13	-	-	55,452	65,510	-	-	55,452	65,510
Increase/(Decrease)	-	-	(2,120)	14,421	-	-	(2,120)	14,421
Ending value 11/30/13	-	-	53,332	79,931	-	-	53,332	79,931
Other:								
Beginning value 08/31/13	137,046	137,046	142,792	142,432	-	-	142,792	142,432
Increase/(Decrease)	(137,046)	(137,046)	(142,010)	(142,022)	-	-	(142,010)	(142,022)
Ending value 11/30/13	-	-	782	410	-	-	782	410
Total Assets:								
Beginning value 08/31/13	137,721	137,721	270,749	280,830	1,933,413	1,933,413	2,204,162	2,214,243
Increase/(Decrease)	(136,184)	(136,184)	(151,863)	(135,140)	(92,066)	(92,066)	(243,929)	(227,206)
Ending value 11/30/13	1,537	1,537	118,886	145,690	1,841,347	1,841,347	1,960,233	1,987,037

Details of individual assets by account furnished upon request.

6. U. T. System Board of Regents: Adoption of Resolution amending the Permanent University Fund Commercial Paper Note Program and repealing the Permanent University Fund Flexible Rate Note Program and authorization for officers of U. T. System to complete all transactions related thereto

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents adopt the resolution set forth on Pages 170 - 172:

a. amending the Resolution adopted by the Board of Regents on August 14, 2008, authorizing the issuance, sale, and delivery of the Board of Regents of The University of Texas System Permanent University Fund Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B, to increase the aggregate principal amount of such Commercial Paper Notes that may be outstanding at any time from $500 million to $750 million;

b. repealing the Amended and Restated Resolution adopted by the Board of Regents on November 13, 2002, authorizing the issuance, sale, and delivery of the Board of Regents of The University of Texas System Permanent University Fund Flexible Rate Notes, Series A; and

c. authorizing appropriate officers and employees of the U. T. System as set forth in the Resolution to take any and all actions necessary or desirable in order to carry out the terms and provisions of the Resolution, the Commercial Paper Notes and the agreements relating to the Commercial Paper Notes and the Flexible Rate Notes.

BACKGROUND INFORMATION

The U. T. System's Permanent University Fund (PUF) Flexible Rate Notes, Series A program was originally established in 1985 and was utilized to provide interim financing on projects approved by the Board of Regents until 2008.

On August 14, 2008, the Board of Regents approved a resolution authorizing the PUF Commercial Paper Note Program not to exceed $500 million outstanding at any one time. Because it is a more efficient borrowing mechanism, the U. T. System has utilized the PUF Commercial Paper Note Program in lieu of utilizing the PUF Flexible Rate Note Program since 2008.

Adoption of this resolution would repeal the resolution authorizing the $400 million PUF Flexible Rate Note Program and increase the maximum authorization of the PUF Commercial Paper Note Program from $500 million to $750 million. The increase in the PUF Commercial Paper Note Program is needed to facilitate the financing of capital projects reflected in the FY 2014-2019 CIP, including PUF allocations made by the U. T. System Board of Regents at the meeting on November 12, 2013. Increased PUF interim financing capacity will permit the U. T. System to continue to provide efficient interim financing and additional timing flexibility in accessing the long-term capital markets.

Liquidity for the Commercial Paper Note Program will continue to be provided by the U. T. System through the existing arrangement with The University of Texas Investment Management Company (UTIMCO).

The proposed Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

RESOLUTION REPEALING THAT CERTAIN AMENDED AND RESTATED RESOLUTION ADOPTED BY THE BOARD OF REGENTS ON NOVEMBER 13, 2002 AUTHORIZING THE ISSUANCE FROM TIME TO TIME OF THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND FLEXIBLE RATE NOTES, SERIES A; AMENDING THAT CERTAIN RESOLUTION ADOPTED BY THE BOARD OF REGENTS ON AUGUST 14, 2008 AUTHORIZING THE ISSUANCE FROM TIME TO TIME OF THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND COMMERCIAL PAPER NOTES, SERIES A AND TAXABLE COMMERCIAL PAPER NOTES, SERIES B; AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

WHEREAS, Section 18 of Article VII of the Constitution of the State of Texas, as amended (the "Constitutional Provision"), authorizes the Board of Regents (the "Board") of The University of Texas System (the "System") to issue bonds and notes not to exceed a total amount of 20% of the cost value of investments and other assets of the Permanent University Fund, exclusive of real estate, at the time of issuance thereof and to pledge all or any part of its two-thirds interest in the Available University Fund to secure the payment of the principal of and interest on those bonds and notes, for the purpose of acquiring land, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under the Constitutional Provision or prior law, at or for the System administration and component institutions of the System as listed in the Constitutional Provision; and

WHEREAS, on November 13, 2002, the Board adopted an amended and restated resolution (the "Flexible Rate Notes Resolution") authorizing the issuance, pursuant to the Constitutional Provision, of its Permanent University Fund Flexible Rate Notes, Series A (the "Flexible Rate Notes"), in an aggregate principal amount outstanding at any time not to exceed $400,000,000, which are secured by a pledge of the Interest of the System in the Available University Fund; and

WHEREAS, on August 14, 2008, the Board adopted a resolution (the "Commercial Paper Notes Resolution") authorizing the issuance, pursuant to the Constitutional Provision, of its Permanent University Fund Commercial Paper Notes, Series A and its Permanent University Fund Taxable Commercial Paper Notes, Series B (collectively, the "Commercial Paper Notes"), in an aggregate principal amount outstanding at any time not to exceed $500,000,000, which are secured by a pledge of the Interest of the System in the Available University Fund; and

WHEREAS, capitalized terms used in this resolution (this "Resolution") and not otherwise defined shall have the meaning given to such terms in the Commercial Paper Notes Resolution; and

WHEREAS, prior to the adoption of the Commercial Paper Notes Resolution, the Board issued Flexible Rate Notes from time to time for its interim financing needs for eligible projects under the Constitutional Provision; and

WHEREAS, following the adoption of the Commercial Paper Notes Resolution, the Board began issuing Commercial Paper Notes for its interim financing needs for eligible projects under the Constitutional Provision; and

WHEREAS, the Board has not issued Flexible Rate Notes since its adoption of the Commercial Paper Notes Resolution, and there are no Flexible Rate Notes currently outstanding; and

WHEREAS, the Board desires to repeal the Flexible Rate Notes Resolution; and

WHEREAS, the Board desires to amend the Commercial Paper Notes Resolution for the purpose of increasing the aggregate principal amount of Commercial Paper Notes that may be outstanding at any time from $500,000,000 to $750,000,000; and

WHEREAS, pursuant to its terms, the Commercial Paper Notes Resolution may be amended at any time without notice to or the consent of any Holders of the Commercial Paper Notes for the purpose, among others, of increasing the amount of Commercial Paper Notes which may be outstanding thereunder.

NOW, THEREFORE BE IT RESOLVED, that the Flexible Rate Notes Resolution is hereby repealed and shall be of no further force or effect; and

BE IT FURTHER RESOLVED, that the Commercial Paper Notes Resolution is hereby amended to increase the aggregate principal amount of Commercial Paper Notes that may be outstanding thereunder at any time from $500,000,000 to $750,000,000, and, therefore, all references in the Commercial Paper Notes Resolution to $500,000,000 are hereby deleted and replaced with $750,000,000; and

BE IT FURTHER RESOLVED, that the Chairman of the Board, the General Counsel to the Board, each Authorized Representative and all other officers, employees, and agents of the Board, and each of them, shall be and they are hereby expressly severally authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver, in the name and under the seal and on behalf of the Board, all such agreements, documents and instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Commercial Paper Notes, each Dealer Agreement, the Issuing and Paying Agent Agreement, the Trust Agreement, the Offering Memorandum, the Master Notes and any other agreement, document or instrument relating to the Commercial Paper Notes and the Flexible Rate Notes; and

BE IT FURTHER RESOLVED, that each Authorized Representative is hereby severally authorized to approve, subsequent to the date of the adoption of this Resolution, any technical amendments to this Resolution as may be required by any rating agency as a condition to the granting of a rating on the Commercial Paper Notes and as may be required by the office of the Attorney General of the State of Texas as a condition to the approval of this Resolution and any other agreements and proceedings as required in connection therewith; and

BE IT FURTHER RESOLVED, the Board hereby reaffirms the Commercial Paper Notes Resolution, and the Commercial Paper Notes Resolution shall remain in full force and effect, as amended by this Resolution; and

BE IT FURTHER RESOLVED, that this Resolution is effective immediately upon its adoption; provided that, the amendments made hereby to the Commercial Paper Notes Resolution shall become effective upon the approval of this Resolution, and any other agreements and proceedings as may be required in connection therewith, by the Attorney General of the State of Texas.

ADOPTED AND APPROVED this the ___ day of February, 2014.

____
Chairman
Board of Regents of
The University of Texas System

Attest:

____
General Counsel to the
Board of Regents of
The University of Texas System

[SEAL]

7. U. T. System: Report on the Fiscal Year 2013 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)

REPORT

Mr. Randy Wallace, Associate Vice Chancellor, Controller, and Chief Budget Officer, will discuss the 2013 Annual Financial Report (AFR) highlights. A PowerPoint presentation on Pages 174 - 187 is included for additional detail. The AFR is available at http://www.utsystem.edu/cont/Reports_Publications/CONAFR/AuditedAFR13.pdf.

The AFR is comprised of the U. T. System Consolidated Financial Statements for the Year Ended August 31, 2013, including the Management's Discussion and Analysis that provides an overview of the financial position and activities of the U. T. System for the year ended August 31, 2013.

Ms. Tracey Guidry Cooley, Deloitte & Touche LLP, will report on the results of the audits of the U. T. System, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, U. T. Health Science Center - Tyler, and funds managed by The University of Texas Investment Management Company (UTIMCO) for Fiscal Year 2013. The PowerPoint presentation is set forth on Pages 188 - 205. The letter of required communications from Deloitte & Touche LLP to the U. T. System Board of Regents was provided to the Regents prior to the meeting.

BACKGROUND INFORMATION

On February 9, 2012, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche LLP to audit the U. T. System, U. T. M. D. Anderson Cancer Center, and funds managed by UTIMCO for the fiscal years ending August 31, 2012 and 2013. On May 3, 2012, the Board of Regents also authorized the same approval for stand-alone audits of U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler.

The Annual Financial Report is prepared in compliance with Governmental Accounting Standards Board pronouncements and State Comptroller of Public Accounts directives and filed with the oversight agencies on November 20 of each year as required by *Texas Government Code* Section 2101.011. Deloitte & Touche LLP issued an unqualified opinion on the U. T. System Consolidated Financial Statements on December 20, 2013.

Annual Financial Report Highlights Fiscal Year 2013

Randy Wallace, Associate Vice Chancellor
Controller and Chief Budget Officer

U. T. System Board of Regents'
Joint Meeting of the Finance and Planning and
Audit, Compliance, and Management Review Committee
February 2014

The University of Texas System
Nine Universities. Six Health Institutions. Unlimited Possibilities.
www.utsystem.edu

Objectives

- Discuss Fiscal Year 2013 financial highlights of U. T. System's Annual Financial Report (AFR) by examining a three-year trend of changes in line items on:
  - *Statement of Net Position (SNP)*
  - *Statement of Revenues, Expenses, and Changes in Net Position (SRECNP)*
  - *Statement of Cash Flows*
- Identify factors that contributed to these changes

Required in Annual Financial Report

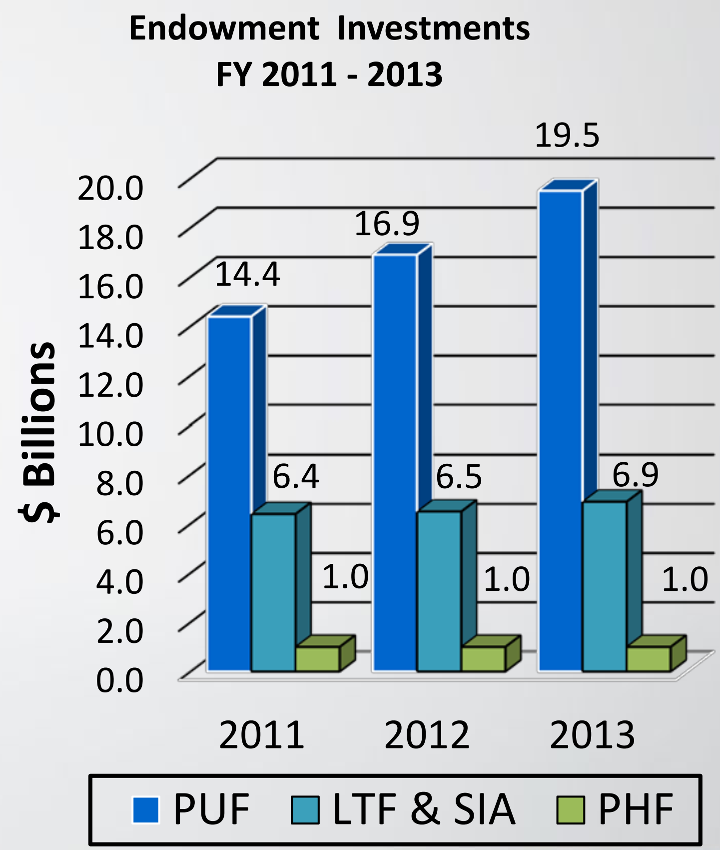
- Required supplemental information and financial statements include:
  - *Management's Discussion and Analysis (MD&A)*
  - *Statement of Net Position*
  - *SRECNP*
  - *Statement of Cash Flows*
  - *Notes to the Financial Statements*
  - *Required Supplementary Information*

Financial Position FY 2013

- Statement of net position still strong
  - Assets and Deferred Outflows over $54 billion
  - Net Position $37 billion
  - Operating results decreased
  - Cash position increased slightly
- U. T. System's financial position for FY 2013 increased as a result of current year operations primarily due to:
  - Net investment income, including unrealized gains
    - Continued strong mineral income from the Permanent University Fund (PUF) lands
    - $1.2 billion increase in the fair value of the PUF lands
    - More favorable market conditions

Statement of Net Position

($ in millions)		*Restated 2011	*Restated 2012	2013
Assets and Deferred Outflows:				
Current Assets	$	5,546.0	6,181.3	6,585.8
Noncurrent Investments		27,833.1	30,646.4	34,003.1
Capital/Intangible Assets, Net		11,785.4	12,422.5	13,144.6
Other Noncurrent Assets		511.1	274.7	379.2
Total Assets		45,675.6	49,524.9	54,112.7
Deferred Outflows		265.8	392.3	184.1
Total Assets and Deferred Outflows	$	45,941.4	49,917.2	54,296.8
Liabilities and Deferred Inflows:				
Current Liabilities	$	6,271.5	6,546.3	7,203.9
Noncurrent Liabilities		9,238.6	10,001.0	10,104.6
Total Liabilities		15,510.1	16,547.3	17,308.5
Deferred Inflows		10.2	9.2	8.2
Total Liabilities and Deferred Inflows	$	15,520.3	16,556.5	17,316.7
Net Position:				
Net Investment in Capital Assets	$	5,029.2	5,243.5	5,552.4
Restricted		22,016.1	24,633.5	27,841.2
Unrestricted		3,375.8	3,483.7	3,586.5
Total Net Position	$	30,421.1	33,360.7	36,980.1



Statement of Net Position (cont.)

($ in millions)		*Restated 2011	*Restated 2012	2013
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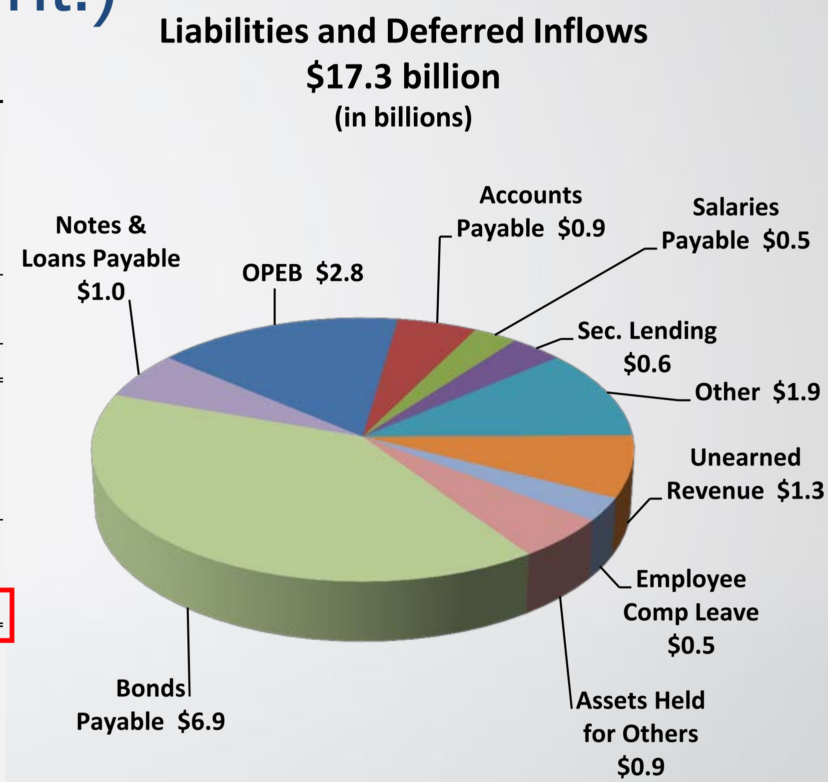

Statement of Net Position (cont.)

($ in millions)		*Restated 2011	*Restated 2012	2013
Assets and Deferred Outflows:				
Current Assets	$	5,546.0	6,181.3	6,585.8
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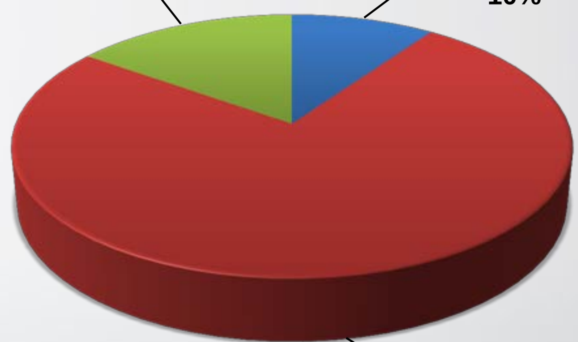
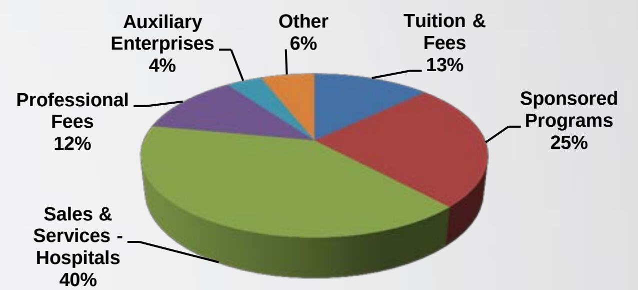
Net Position- $37.0 billion



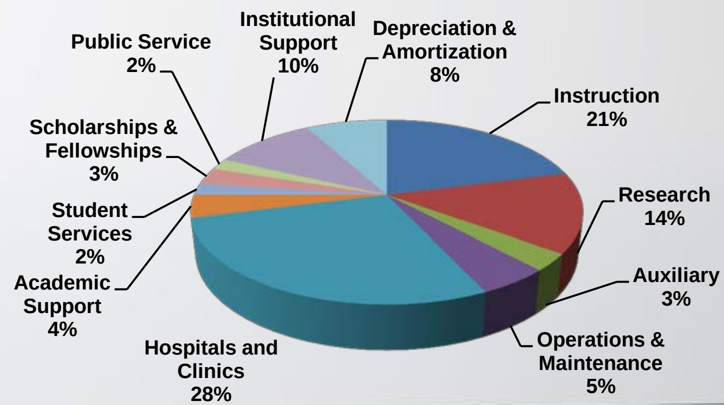
Statement of Revenues, Expenses, and Changes in Net Position

($ in millions)		2011	*Restated 2012	2013
Operating Revenues	$	10,059.3	10,454.3	11,041.7
Operating Expenses		(12,921.4)	(13,422.9)	(14,391.3)
Operating Loss		(2,862.1)	(2,968.6)	(3,349.6)
State Appropriations		1,857.3	1,919.0	1,829.4
Gifts & Nonexchange Grants		720.4	675.4	925.2
Net Investment Income		2,246.3	1,948.3	2,128.4
Net Incr./(Decr.) in Fair Value of Investments		1,896.9	1,619.1	2,135.1
Interest Expense		(262.7)	(267.4)	(270.6)
Net Other Nonop. Rev. (Exp.)		(32.8)	(48.9)	(47.8)
Income (Loss) Before Other Rev. Exp. Gains/(Losses) & Transfers		3,563.3	2,876.9	3,350.1
HEAF/Gifts for Endow.& Capital		370.4	397.3	491.4
Transfers and Other		(219.6)	(334.6)	(222.1)
Change in Net Position		3,714.1	2,939.6	3,619.4
Net Position, Beginning		26,707.0	30,421.1	33,360.7
Net Position, Ending	$	30,421.1	33,360.7	36,980.1

Operating Revenues - $11.0 billion



Operating Expenses - $14.4 billion



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

($ in millions)		2011	*Restated 2012	2013
Operating Revenues	$	10,059.3	10,454.3	11,041.7
Operating Expenses		(12,921.4)	(13,422.9)	(14,391.3)
Operating Loss		(2,862.1)	(2,968.6)	(3,349.6)
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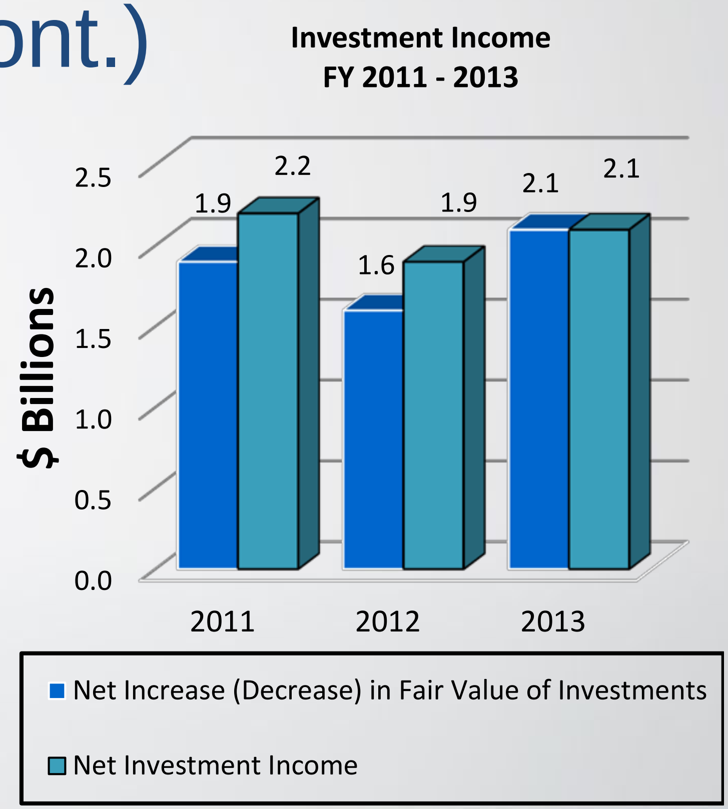
Transfers and Other		(219.6)	(334.6)	(222.1)
Change in Net Position		3,714.1	2,939.6	3,619.4
Net Position, Beginning		26,707.0	30,421.1	33,360.7
Net Position, Ending	$	30,421.1	33,360.7	36,980.1



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

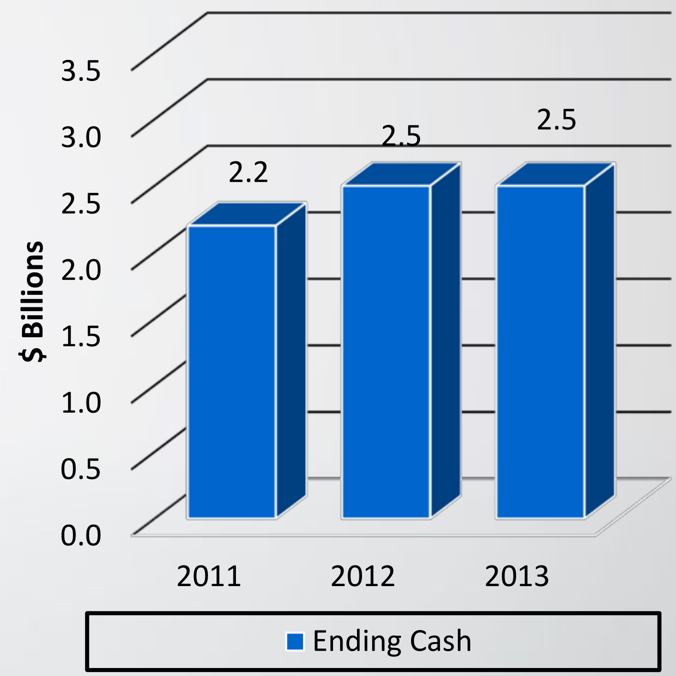
Operating Results
FY 2011 - 2013

		2011	*Restated 2012	2013
			($ in millions)	
Income before other revenue, expenses, gains/(losses) & transfers	$	3,563.3	2,876.9	3,350.1
Remove nonoperating items:				
Net increase in fair value of investments		(1,896.9)	(1,619.1)	(2,135.1)
Loss on sale of capital assets		41.6	14.7	21.5
Other nonoperating (income)/expense		(8.7)	34.2	26.4
Realized gains on investments		(980.2)	(657.4)	(864.6)
Net operating results	$	719.1	649.3	398.3

Cash Flows

($ in millions)		2011	2012	2013
Cash Flows:				
Cash received from operations	$	10,059.1	10,546.0	10,870.8
Cash expended for operations		(11,516.2)	(12,123.7)	(12,626.4)
Cash used for operating activities		(1,457.1)	(1,577.7)	(1,755.6)
Cash provided by noncapital financing activities		1,859.7	2,466.9	2,682.0
Cash used in capital & related financing activities		(1,160.0)	(1,473.1)	(1,797.9)
Cash provided by investing activities		371.1	867.4	939.1
Net increase (decrease) in cash & cash equivalents		(386.3)	283.5	67.6
Cash & cash equivalents, Beginning of the year		2,562.6	2,176.3	2,459.8
Cash & Cash equivalents, End of the year	$	2,176.3	2,459.8	2,527.4

The three-year trend of ending cash and cash equivalents



Permanent University Fund (PUF) Lands

PUF lands are considered an investment by U. T. System

- Fair Value (FV) of PUF lands is based on
  - Third party reserve study of proved reserves, and
  - Percentage of probable and possible reserves (starting in FY 2013)
- PUF lands' surface interests reported at estimated appraised value using American Society of Farm Managers and Rural Appraisers' trends issued by Texas A&M University
- Other real estate holdings are reported by:
  - Latest available appraised amount by State certified or licensed appraiser, or
  - Any other generally accepted industry standard

Looking Forward to FY 2014

- U. T. System appropriations for the 2014-15 biennium increased $249 million or 8% compared to the original appropriations for the 2012-13 biennium to offset some of the reductions made in the previous biennium
- OPEB will continue to reduce net position
- The Affordable Care Act of 2010 health care reform will affect the medical centers and our self insurance plan
  - Legislation increased the annual cost of providing health benefits to System's employees and retirees
- The Dell Medical School at U. T. Austin is scheduled to accept its first class in the fall of 2016
- South Texas medical school to be created, merging U. T. Brownsville and U. T. Pan American
  - Eligible for support from the PUF
  - Expected to enroll its first class in Fall 2016
  - 7,000 to 10,000 new jobs estimated in the Rio Grande Valley over the next several years
- PeopleSoft conversion preparation and testing continues

Upcoming Accounting Pronouncements

- GASB Statement No. 66, *Technical Corrections - 2012*, effective 2014
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective 2015
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective 2015
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective 2014
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* effective 2015

Deloitte.

Presentation to the U. T. System Board of Regents' Joint Meeting of the Audit, Compliance and Management Review Committee and the Finance and Planning Committee

George Scott, Lead Client Service Partner
Tracey Cooley, Director
Reem Samra, Director
Clancy Fossum, Senior Manager

Deloitte & Touche LLP
February 2014

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Audit Status

- We have performed an audit of the consolidated financial statements of **The University of Texas System** ("the System") for the year ended August 31, 2013, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. We issued our report containing an unqualified opinion on December 20, 2013. This report contained an emphasis of a matter paragraph which relates to the implementation of Government Accounting Standards Board ("GASB") Statements No. 63 and No. 65.
- As a part of this audit process we also issued our report, dated December 20, 2013, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* for the year ended August 31, 2013.
- We completed our audits of the **PUF, GEF, LTF, ITF and PHF funds of UTIMCO** for the year ended August 31, 2013, and issued our reports containing unqualified opinions on October 31, 2013.
- We completed our audit of the **U. T. Medical Branch at Galveston, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Health Science Center at Tyler** for the year ended August 31, 2013, and issued our report containing an unqualified opinion on December 20, 2013.
- We have prepared the following comments to provide information about the external audit process in the context of your obligation to oversee the financial reporting and disclosure process for which management of the System, UTIMCO, and the U. T. System institutions with stand-alone audits are responsible.

Audit Scope

- Our audit scope was outlined in our External Audit Plan letter dated August 2013 and was not restricted in any manner.
- No significant changes resulted from the execution of the External Audit Plan
- Our auditing procedures addressed the areas of focus identified in our External Audit Plan; these areas included:
  - Valuation of Patient Accounts Receivable
  - Due To/From Third Party Settlements
  - Oil & Gas Reserve valuation and disclosure
  - Management Override of Controls

Audit Adjustments and Uncorrected Misstatements

- Our audit of the consolidated financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud.
- All proposed audit adjustments (whether recorded or not recorded) were reviewed with management and were determined, individually and in the aggregate, not to have a significant effect on the financial reporting process.

Uncorrected Misstatements – U. T. System

- There was one passed reclassification adjustment between “nonexpendable” and “expendable” restricted net position of $272 million identified during our audit of System Administration. This has no impact to total net position. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

Uncorrected Misstatements – U. T. Southwestern

- There was one passed adjustment identified during our audit related to a reclassification in the amount of $144 million at U. T. Southwestern of Contribution Accounts Receivable from "current" to "noncurrent" classifications on the balance sheet. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
- There was one passed adjustment at U. T. Southwestern related to Patient Accounts Receivable ("A/R") Credits that would decrease accounts payable and increase reserve for contractual for $17.5 million. U. T. Southwestern had reclassified all "credits" to A/R as "refunds," whereas not all the credits are truly refunds. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
- There was one passed disclosure identified at U. T. Southwestern in which footnote disclosures did not include a disclosure related to note payable by the Moncrief Foundation for $19 million. Management of the System has concluded that this proposed disclosure is immaterial to the financial statements taken as a whole.
- There was one passed adjustment identified at U. T. Southwestern in which the institution did not appropriately record accruals for invoices received after year end related to purchases (expenses and depreciable property) before year end, in the amount of $7 million. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

Uncorrected Misstatements – U. T. M. D. Anderson Cancer Center

- There was one passed reclassification adjustment related to cash at U. T. M. D. Anderson, discovered by U. T. M. D. Anderson personnel, in the amount of $24 million, which related to an overstatement of both the cash and liability accounts of the balance sheet. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
- There was one passed adjustment at U. T. M. D. Anderson to reclassify the current portion of the MDA PRS deferred compensation plan from long-term account to short-term account, in the amount of $34 million. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

Uncorrected Misstatements – U. T. Austin

- There was one passed adjustment related to Accounts Payable at U. T. Austin, in the amount of $12 million, which related to an under-accrual of accounts payable at fiscal year-end. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

Uncorrected Misstatements – Multiple U. T. System Institutions

- There were a few passed adjustments related to Pell Grants at U. T. Austin ($22 million), U. T. Dallas ($7 million), U. T. El Paso, U. T. Arlington, and U. T. San Antonio (combined entry of $52 million), which relate to the deferral of revenue within the Tuition Discount and Allowances calculation for the fiscal year. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

- There was one passed adjustment related to capital assets across the U. T. System institutions, in the aggregated amount of approximately $9 million, which related to missing assets. U. T. System (per Texas Comptroller directions) labels certain missing capital assets as “missing” for a period of two years before these assets are written off of the books. However, generally accepted accounting principles require the entity to write off these assets as soon as they are missing – the total amount of these missing assets across the institutions is $9 million. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

- There was one passed adjustment related to prior year (FY12) disclosure amounts on the Annual Financial Report, which relates to the GASB 63 and 65 implementation. The “net position” change due to a change in accounting principle prior to FY12 was adjusted on the Statement of Revenues, Expenses, and Changes in Net Position for FY12, instead of a direct adjustment to FY12 beginning net position, in the amount of $21 million. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

Summary of Uncorrected Misstatements

Impact of Uncorrected Misstatements on FY13 Financial Statements (in $ millions)

Adjustment	Assets	Liabilities	Net Position	Revenues	Expenditures & Other
System-Wide FY12 GASB 65 Implementation Adjustment	-	-	-	-	-
System-Wide Reclassification between "Nonexpendable" and "Expendable" Restricted Net Position	-	-	$ 272.1	-	-
	-	-	(272.1)	-	-
System-Wide Missing Capital Assets	$ (9.0)	-		-	$ 9.0
UT-Austin Under-Accrual of AP	-	$ (11.6)		-	11.6
U.T. Southwestern Accounts Receivable Contribution Reclassification	144.2	-	-	-	-
	(144.2)	-	-	-	-
U.T. Southwestern Patient Accounts Receivable Credits - Reclassification	(17.5)	17.5	-	-	-
U.T. Southwestern Moncrief Foundation Notes Payable Disclosure	-	-	-	-	-
U.T. Southwestern Accounts Payable Accrual	4.7	(6.6)			1.9
MD Anderson Cash/Liability Classification Adjustment	(24.4)	24.4	-	-	-
MD Anderson - to reclassify the current portion of the MDA PRS deferred compensation plan from long-term account to short-term account.	33.7	33.7	-	-	-
	(33.7)	(33.7)			
UT Dallas Pell Grant Adjustment	-	-	-	$ 6.8	-
	-	-	-	(6.8)	-
UT El Paso, UT-San Antonio, & UT-Arlington Pell Grant Adjustment	-	-	-	51.9	-
	-	-	-	(51.9)	-
UT Austin Pell Grant Adjustment	-	-	-	21.7	-
	-	-	-	(21.7)	-
TOTAL Uncorrected Adjustments- Effect (in $ millions)	(46.2)	23.7	22.5	-	22.5
Original Total Amounts (in $ millions)	54,296.8	(17,316.7)	(36,980.1)	(11,041.7)	7,422.3
Total Amounts (if corrected; in $ millions)	54,250.6	(17,293.0)	(36,957.6)	(11,041.7)	7,444.8

Audit Adjustments and Uncorrected Misstatements – UTIMCO

- We did not identify any recorded audit adjustments or uncorrected misstatements during our audits of the PUF, GEF, LTF, ITF and PHF funds of UTIMCO.

Control-related Matters

- A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
- A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
- A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

- No material weaknesses identified at the Systemwide level

Control-related Matters – U. T. System

Other deficiencies identified

- *Net Position Misclassification* – Within Systemwide Net Position testing, an endowment selected was not properly classified in terms of the appropriate restriction (i.e. permanent endowment, quasi-endowment, etc.). Even though there are controls in place to ensure the appropriate classification of the endowments added in the current year, there is no comprehensive control in place to ensure historical endowments are classified appropriately. We noted that there was a process to "clean up" the classifications of endowments in the current year due to a similar finding in the prior year's audit; however, we still noted endowments that are not classified appropriately.
- *Other Post-Employment Benefits (OPEB) – Census Data Provided to Actuarial Specialists* – Certain data within the census data file that was submitted to the OPEB actuaries from the U. T. System Office of Employee Benefits (OEB) department did not agree to the actual personnel files maintained by U. T. System institutions or eligibility files at U. T. System OEB. These data differences are evidence of a control deficiency in the collection and review of the census data obtained from institutions. There are inadequate controls in place to verify the accuracy of the data included within the file (i.e., correct gender, eligibility status, etc.), or to determine that census data is provided as of the correct date from the U. T. System institutions. The errors appeared to have originated from the institutions, but U. T. System OEB has control over the data that is sent to the actuaries. There was a similar comment in the prior year.

Control-related Matters – U. T. System Institutions

Other deficiencies identified

- *Cash Reconciliation Processes* – At U. T. M. D. Anderson there were issues with the cash reconciliation process, from a timeliness perspective.
- *Patient Accounts Receivable Credits* – There is an issue at U. T. Southwestern, per the adjustment above, related to Patient Accounts Receivable Credits, in which the institution reclassified all “credits” to A/R as “refunds,” whereas not all the credits are truly refunds.
- *U. T. Permian Basin Controls* – There were certain controls that were not properly designed and implemented at U. T. Permian Basin at the time of audit testing. These areas include:
  - Controls related to monthly cash reconciliations (timeliness)
  - Recording of capital assets related to the proper approval of purchase orders during the procurement process as well as the annual asset inventory process
  - Approval of journal entries, in which the same person prepared and reviewed a particular entry tested by Deloitte
  - Lack of compliance monitoring of high-risk areas, as determined within the institutional risk assessment

Control-related Matters – Other Stand-alone Audits

- We did not identify any material weaknesses in our audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Health Science Center at Tyler, U. T. Medical Branch at Galveston, or the PUF, GEF, LTF, ITF and PHF funds of UTIMCO.

Additional Considerations: Benefits from the Audits

- The stand-alone audits of the System, the UTIMCO funds, and the selected health institutions allow for a more detailed look at the financial reporting processes than if the entities were only a part of the State's audit
- These more detailed procedures allow for identification of control areas for improvement without commissioning a special internal controls study
- Provides a public acknowledgement of the importance of transparent financial reporting
- Demonstrates the U. T. System Board of Regents' commitment to good governance