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FOR  
FINANCE AND PLANNING COMMITTEE**

**Committee Meeting: 2/26/2018**

**Board Meeting: 2/27/2018**  
Austin, Texas

Jeffery D. Hildebrand, Chairman  
David J. Beck  
Kevin P. Eltife  
Paul L. Foster  
Janiece Longoria  
Rad Weaver

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>A. CONVENE JOINT MEETING WITH AUDIT, COMPLIANCE, AND RISK MANAGEMENT COMMITTEE</b>	3:15 p.m. <i>Chairman Hildebrand</i>		
1. <b>U. T. System: Report on the Fiscal Year 2017 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. Austin, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston financial statements and for funds managed by The University of Texas/Texas A&amp;M Investment Management Company (UTIMCO)</b>	3:15 p.m. <b>Report/Discussion</b> <i>Mr. Wallace</i> <i>Mr. Peppers</i> <i>Mr. Robert Penshorn</i> <i>Ms. Tracey Cooley,</i> <i>Mr. Robert Cowley, and</i> <i>Mr. Blake Rodgers,</i> <i>Deloitte &amp; Touche</i>	Not on Agenda	<b>93</b>
<b>B. ADJOURN JOINT MEETING AND CONVENE FINANCE AND PLANNING COMMITTEE IN OPEN SESSION</b>	3:45 p.m.		
2. <b>U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration</b>	3:45 p.m. <b>Discussion</b>	<b>Action</b>	<b>126</b>
3. <b>U. T. System: Key Financial Indicators Report and Monthly Financial Report</b>	3:50 p.m. <b>Report/Discussion</b> <i>Dr. Kelley</i>	Not on Agenda	<b>127</b>
4. <b>U. T. System: Approval of the Fiscal Year 2019 Budget Preparation Policies and Calendar for budget operations</b>	4:05 p.m. <b>Action</b> <i>Mr. Wallace</i>	<b>Action</b>	<b>160</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
5. <b>U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2017</b>	4:10 p.m. <b>Report/Discussion</b> <i>Mr. Wallace</i>	Not on Agenda	<b>164</b>
6. <b>U. T. System Board of Regents: Update on University Lands</b>	4:15 p.m. <b>Report/Discussion</b> <i>Mr. Houser</i>	Not on Agenda	<b>224</b>
<b>C. ADJOURN</b>	4:30 p.m.		

1. **U. T. System: Report on the Fiscal Year 2017 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. Austin, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston financial statements and for funds managed by The University of Texas/Texas A&M Investment Management Company (UTIMCO)**

## REPORT

Mr. Randy Wallace, Associate Vice Chancellor, Controller, and Chief Budget Officer, will discuss the 2017 Annual Financial Report (AFR) highlights. Mr. Wallace's PowerPoint presentation on [Pages 94 - 104](#) is included for additional detail. The AFR is available at <https://utsystem.edu/sites/default/files/documents/consolidated-annual-financial-report/Consolidated%20Annual%20Financial%20Report%3A%20FY%202017/UT%20System%20Audit%20AFR%202017.pdf>.

The AFR is comprised of the U. T. System Consolidated Financial Statements for the Year Ended August 31, 2017, 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, 2017.

Ms. Tracey Cooley, Mr. Robert Cowley, Mr. Robert Peshorn, and Mr. Blake Rodgers, Deloitte & Touche LLP, will report on the results of the audits of the U. T. System consolidated financial reports of the U. T. Austin, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Medical Branch - Galveston financial statements and of funds managed by The University of Texas/Texas A&M Investment Management Company (UTIMCO) for Fiscal Year 2017. Deloitte's PowerPoint presentation is set forth on [Pages 105 - 125](#).

## BACKGROUND INFORMATION

On February 11, 2016, the Board of Regents authorized Vice Chairman Hildebrand, as Chairman of the Audit, Compliance, and Management Review Committee, and working with the Chancellor and appropriate U. T. System staff and pursuant to the Request for Qualifications, to select an external firm to provide independent auditing services for the U. T. System based on input from the selection committee and appropriate U. T. System staff. A contract was executed as of June 30, 2016, for Fiscal Years 2016 and 2017 with an option to renew for four additional one-year terms pursuant to delegation of authority by the State Auditor's Office.

The AFR 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 8, 2017.

# Annual Financial Report Highlights Fiscal Year 2017

Randy Wallace, Associate Vice Chancellor,  
Controller, and Chief Budget Officer

U. T. System Board of Regents' Meeting  
Joint Meeting of the Finance and Planning Committee and  
Audit, Compliance, and Risk Management Committee  
February 2018



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## Objectives

- Discuss Fiscal Year (FY) 2017 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*
  - *Statement of Revenues, Expenses, and Changes in Net Position*
  - *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*
  - *Statement of Net Position*
  - *Statement of Revenues, Expenses, and Changes in Net Position*
  - *Statement of Cash Flows*
  - *Notes to the Financial Statements*
  - *Required Supplementary Information*



## Financial Position FY 2017

- Statement of net position still strong
  - Assets and deferred outflows over \$72 billion
  - Net position \$45 billion
  - Cash position increased modestly
- U. T. System's financial position for FY 2017 increased:
  - \$3.5 billion due to current year activity, primarily due to more favorable market conditions which increased both investment income and unrealized gains on investments

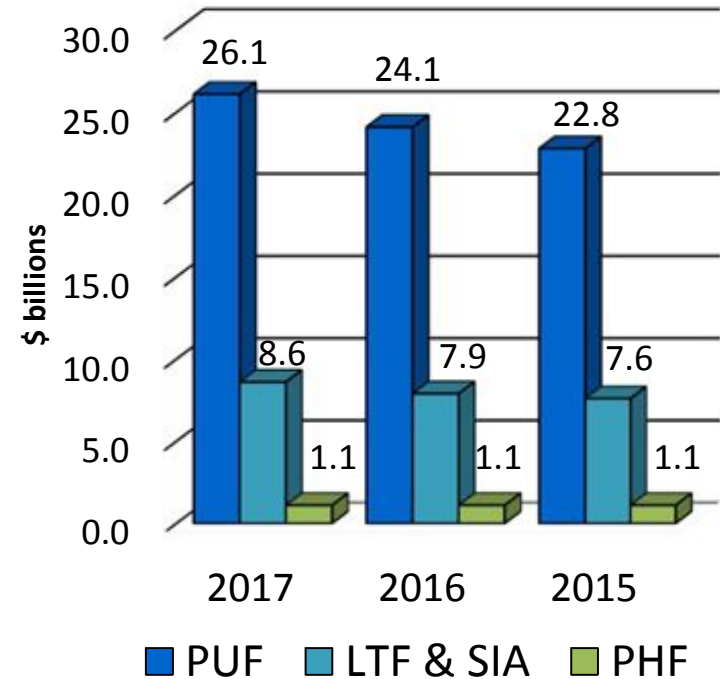


# Statement of Net Position

(\$ in millions)

	2017	2016	2015
<b>Assets and Deferred Outflows:</b>			
Current Assets	\$ 7,827.1	7,227.9	7,280.1
<b>Noncurrent Investments</b>	<b>46,645.9</b>	<b>42,658.4</b>	<b>39,881.3</b>
Capital/Intangible Assets, Net	16,216.4	15,609.7	14,827.0
Other Noncurrent Assets	459.3	439.0	414.0
<b>Total Assets</b>	<b>71,148.7</b>	<b>65,935.0</b>	<b>62,402.4</b>
Deferred Outflows	1,160.9	951.9	740.0
<b>Total Assets and Deferred Outflows</b>	<b>\$ 72,309.6</b>	<b>66,886.9</b>	<b>63,142.4</b>
<b>Liabilities and Deferred Inflows:</b>			
Current Liabilities	\$ 8,022.4	7,712.7	8,493.5
Noncurrent Liabilities	19,051.5	17,487.9	14,257.8
<b>Total Liabilities</b>	<b>27,073.9</b>	<b>25,200.6</b>	<b>22,751.3</b>
Deferred Inflows	440.1	404.2	710.0
<b>Total Liabilities and Deferred Inflows</b>	<b>\$ 27,514.0</b>	<b>25,604.8</b>	<b>23,461.3</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	\$ 6,334.6	6,375.8	6,441.7
Restricted	36,741.7	33,780.6	32,227.2
Unrestricted	1,719.3	1,125.7	1,012.2
<b>Total Net Position</b>	<b>\$ 44,795.6</b>	<b>41,282.1</b>	<b>39,681.1</b>

**Endowment Investments  
FY 2017 - 2015**



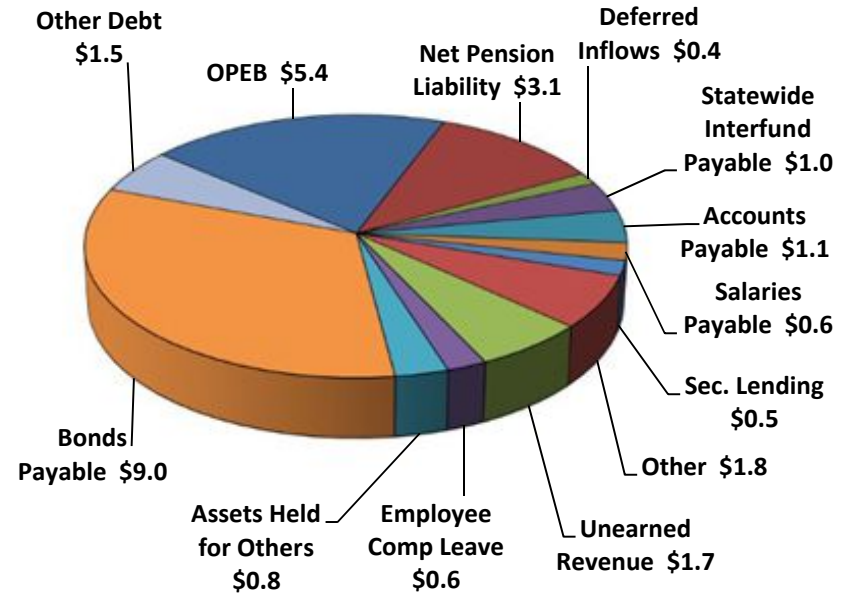


# Statement of Net Position (cont.)

(\$ in millions)

	2017	2016	2015
<b>Assets and Deferred Outflows:</b>			
Current Assets	\$ 7,827.1	7,227.9	7,280.1
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**Liabilities and Deferred Inflows**  
**\$27.5 billion**  
 (in billions)



# Statement of Net Position (cont.)

(\$ in millions)

## Assets and Deferred Outflows:

	2017	2016	2015
Current Assets	\$ 7,827.1	7,227.9	7,280.1
Noncurrent Investments	46,645.9	42,658.4	39,881.3
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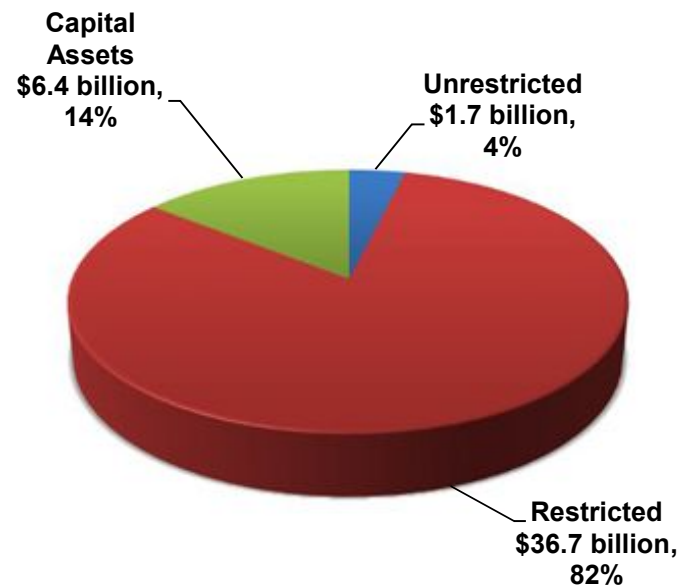
## Liabilities and Deferred Inflows:

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Noncurrent Liabilities	19,051.5	17,487.9	14,257.8
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## Net Position:

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<b>Total Net Position</b>	<b>\$ 44,795.6</b>	<b>41,282.1</b>	<b>39,681.1</b>

## Net Position- \$44.8 billion

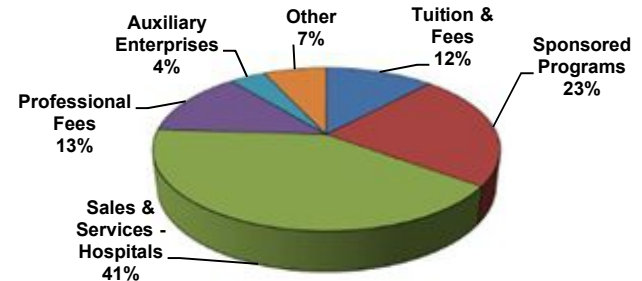


# Statement of Revenues, Expenses, and Changes in Net Position

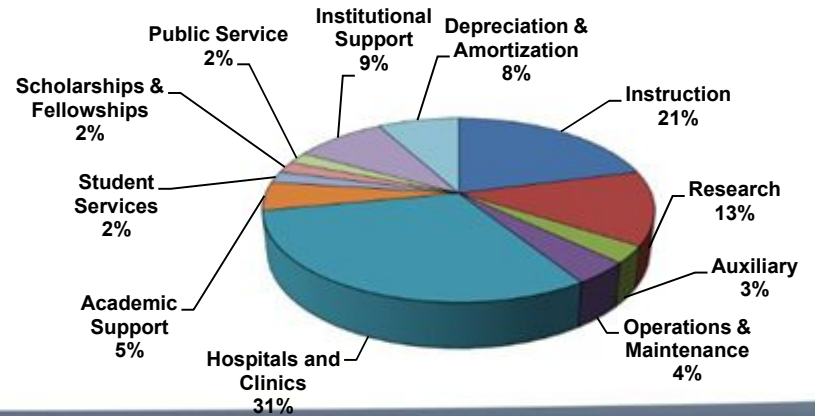
*(\$ in millions)*

	2017	2016	2015
Operating Revenues	\$ 14,035.6	13,282.3	12,635.5
Operating Expenses	(18,200.2)	(17,297.9)	(16,012.0)
<b>Operating Loss</b>	<b>(4,164.6)</b>	<b>(4,015.6)</b>	<b>(3,376.5)</b>
State Appropriations	2,226.3	2,222.0	2,079.1
Gifts & Nonexchange Grants	837.0	899.6	815.2
Net Investment Income	3,179.1	1,820.0	2,808.7
Net Incr./ (Decr.) in Fair Value of Investments	1,513.7	952.2	(4,675.9)
Interest Expense	(262.6)	(277.9)	(249.9)
Net Other Nonop. Rev. (Exp.)	49.3	(2.9)	(30.7)
<b>Income (Loss) Before Other Rev. Exp.</b>	<b>3,378.2</b>	<b>1,597.4</b>	<b>(2,630.0)</b>
<b>Gains/(Losses) &amp; Transfers</b>			
HEAF/Gifts for Endow. & Capital	318.2	261.7	296.9
Transfers and Other	(182.9)	(269.9)	(447.7)
<b>Change in Net Position</b>	<b>3,513.5</b>	<b>1,589.2</b>	<b>(2,780.8)</b>
<b>Net Position, Beginning</b>	<b>41,282.1</b>	<b>39,681.1</b>	<b>45,070.7</b>
Restatement	-	11.8	(2,608.8)
<b>Net Position, Beginning (as restated)</b>	<b>41,282.1</b>	<b>39,692.9</b>	<b>42,461.9</b>
<b>Net Position, Ending</b>	<b>\$ 44,795.6</b>	<b>41,282.1</b>	<b>39,681.1</b>

**Operating Revenues - \$14.0 billion**



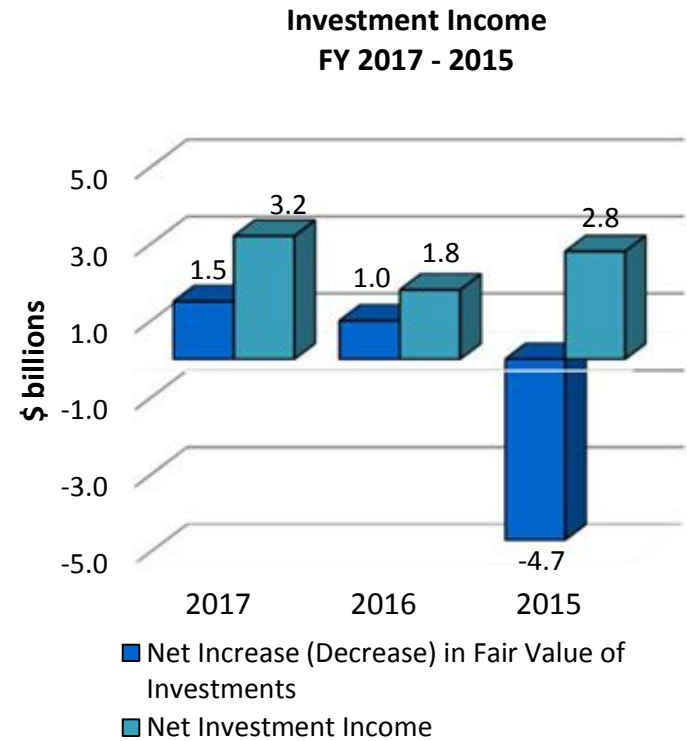
**Operating Expenses - \$18.2 billion**



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

*(\$ in millions)*

	2017	2016	2015
Operating Revenues	\$ 14,035.6	13,282.3	12,635.5
Operating Expenses	(18,200.2)	(17,297.9)	(16,012.0)
<b>Operating Loss</b>	<b>(4,164.6)</b>	<b>(4,015.6)</b>	<b>(3,376.5)</b>
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<b>Net Position, Ending</b>	<b>\$ 44,795.6</b>	<b>41,282.1</b>	<b>39,681.1</b>





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

## Operating Results FY 2017 - 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(\$ in millions)		
Income (loss) before other revenue, expenses, gains/(losses) & transfers	\$ 3,378.2	1,597.4	(2,630.0)
Net (increase)/decrease in fair value of investments	(1,513.7)	(952.2)	4,675.9
Loss on sale of capital assets	32.0	24.0	36.5
Other nonoperating (income)/expense	(81.3)	(21.1)	(5.7)
Realized gains on investments	<u>(1,836.4)</u>	<u>(836.6)</u>	<u>(1,459.9)</u>
<b>Net operating results</b>	<b><u><u>\$ (21.2)</u></u></b>	<b><u><u>(188.5)</u></u></b>	<b><u><u>616.8</u></u></b>



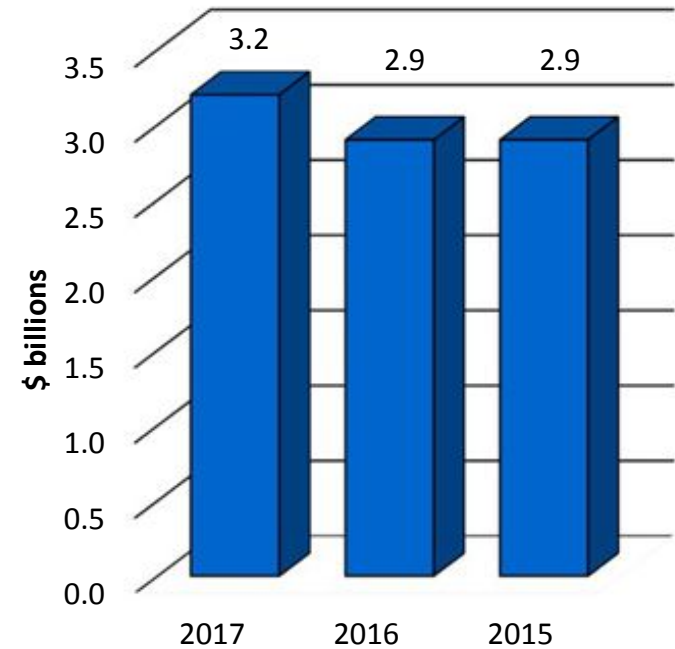
# Cash Flows

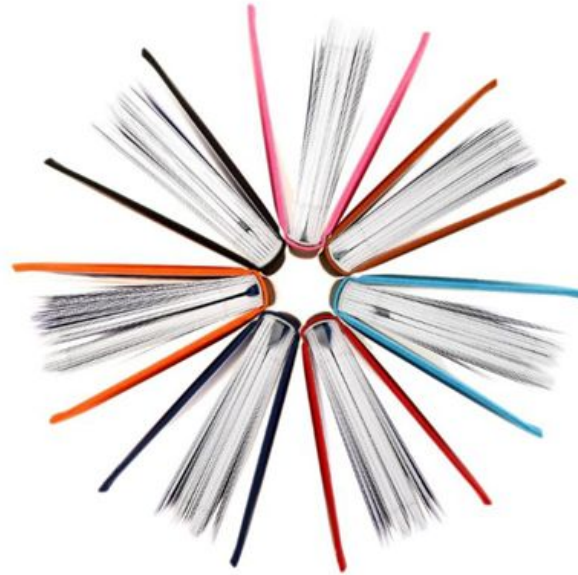
(\$ in millions)

**Cash Flows:**

	2017	2016	2015
Cash received from operations	\$ 14,217.7	13,069.3	12,889.9
Cash expended for operations	(15,992.4)	(15,397.5)	(14,304.2)
<b>Cash used for operating activities</b>	<b>(1,774.7)</b>	<b>(2,328.2)</b>	<b>(1,414.3)</b>
Cash provided by noncapital financing activities	2,691.0	2,759.5	2,203.2
Cash used in capital & related financing activities	(1,509.8)	(875.9)	(1,736.2)
Cash provided by investing activities	906.3	400.7	986.5
<b>Net increase in cash &amp; cash equivalents</b>	<b>312.8</b>	<b>(43.9)</b>	<b>39.2</b>
year	2,876.7	2,920.6	2,881.4
<b>Cash &amp; Cash equivalents, End of the year</b>	<b>\$ 3,189.5</b>	<b>2,876.7</b>	<b>2,920.6</b>

The three-year trend of ending cash and cash equivalents





## **Presentation to The University of Texas System Board of Regents' Joint Meeting of the Audit, Compliance, and Risk Management Committee and the Finance and Planning Committee**

Robert Peshorn, Advisory and Information Technology Partner  
Tracey Cooley, Lead Client Service Managing Director  
Robert Cowley, Partner  
Blake Rodgers, Senior Manager

Deloitte & Touche LLP  
February 2018

## Audit Status

- We have performed an audit of the consolidated financial statements of The University of Texas System (“U. T. System”) for the year ended August 31, 2017 in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- As a part of this audit process we issued our report, dated December 8, 2017, 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, 2017.
- We completed our audits of the Permanent University Fund (“PUF”), the General Endowment Fund (“GEF”), the Long Term Fund (“LTF”), the Intermediate Term Fund (“ITF”), and the Permanent Health Fund (“PHF”) of The University of Texas/Texas A&M Investment Management Company (“UTIMCO”) for the year ended August 31, 2017 and rendered our reports on October 27, 2017.
- We also completed our stand-alone audits for U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch at Galveston, and U. T. Austin for the year ended August 31, 2017.
- 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 U. T. System, UTIMCO, and the U. T. institutions with stand-alone audits are responsible.
- Although not within the scope of this presentation, we also have completed review services at U. T. Dallas and U. T. Health Science Center at San Antonio for the year ended August 31, 2017.



## Audit Opinion

- Deloitte & Touche LLP issued an unmodified opinion and included an emphasis of a matter paragraph to define the reporting entity:
  - The consolidated financial statements of The University of Texas System are intended to present the financial position, the changes in financial position, and cash flows of the State of Texas attributable to U. T. System. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2017 and 2016, the changes in its financial position, or cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Audit Scope

- Our audit scope was outlined in our contract dated June 30, 2016, as amended, 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 dated August 18, 2017; these areas included:
  - Management override of controls
- No significant changes resulted from the execution of the external audit plan.

## Management Judgments and Accounting Estimates

- Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Our assessment of the significant accounting estimates reflected in U. T. System's Fiscal Year ("FY") 2017 consolidated financial statements include the following:
  - Valuation of patient accounts receivable
  - Valuation of PUF oil and gas reserves
  - Net pension liability ("NPL") and related deferred outflows of resources and deferred inflows of resources
  - Liabilities for other postemployment benefits
- There were no material changes in management judgments relating to such estimates in U. T. System's FY 2017 financial statements.
- Detail of management's approach to estimating these balances and our audit procedures are in Appendix A.

## Summary of Uncorrected Misstatements and Passed Disclosures for the Year Ended August 31, 2017 (in millions)

Adjustment	Total Assets and Deferred Outflows	Total Liabilities and Deferred Inflows	Beginning Net Position	Operating Revenues	Operating Expenses	Nonoperating Revenues & Expenses, and Other Changes	Ending Net Position
1. U. T. System Administration - Known understatement of separately invested assets (SIA) land	\$ 2.4	\$ -	\$ -	\$ -	\$ -	\$ 2.4	\$ 2.4
1. U. T. System Administration - Likely understatement of separately invested assets (SIA) land	9.9	-	-	-	-	9.9	9.9
2. U. T. System Administration - Likely understatement of oil & gas royalty revenue	11.5	-	11.5	-	-	-	11.5
3. U. T. System Administration - Impact of prior year misclassification of hedging derivative	-	-	22.4	-	-	(22.4)	-
4. U. T. M. D. Anderson - Reclassification of Physicians Retirement System - deferred compensation plan	-	-	-	-	-	-	-
5. U. T. M. D. Anderson - Impact of correction of grant receivables and unearned revenue	(96.9)	(96.9)	-	-	-	-	-
6. U. T. M. D. Anderson - Impact of prior year misstatements for 3rd party payor patient receivables and revenue	-	-	78.7	(78.7)	-	-	-
7. U. T. M. D. Anderson - Impact of prior year misstatements for contractals and bad debt	-	-	(87.5)	87.5	-	-	-
8. U. T. Austin - Impairment loss on damages to Marine Science Institute in Port Aransas	(12.7)	-	-	-	(12.7)	-	(12.7)
9 & 10. U. T. Austin - Impact of prior year misstatements to donated assets and revenue	-	-	68.8	-	9.3	(78.1)	-
11. U. T. San Antonio - Errors in pension balances resulting from over-contributing to TRS	(12.9)	(36.5)	8.5	-	15.2	-	23.7
12. U. T. Medical Branch - Galveston - Recording of pension amounts for ERS and ERS LECOS participation	3.9	13.0	-	-	(0.1)	-	(9.1)
Total Uncorrected Adjustments- Effect (in \$ millions)	\$ (94.8)	\$ (120.4)	\$ 102.4	\$ 8.8	\$ 11.7	\$ (88.2)	\$ 25.7
Original Total Amounts (in millions)	\$ 72,309.7	\$ 27,514.0	\$ 41,282.1	\$ 14,035.6	\$ (18,200.2)	\$ 7,542.8	\$ 44,795.6
Total Amounts (if corrected; in millions)	\$ 72,214.9	\$ 27,393.6	\$ 41,384.5	\$ 14,044.4	\$ (18,188.5)	\$ 7,454.6	\$ 44,821.3

## Summary of Uncorrected Misstatements and Passed Disclosures

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. There were no material misstatements that were brought to the attention of management as a result of our audit procedures.

All proposed unrecorded audit adjustments were reviewed with management and were determined by management and U. T. System to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### U. T. System Administration

- We noted an understatement of the fair value of land held in the endowment funds. One tract of land was valued using a 2013 analysis; management did not perform additional procedures in the current year or provide current support for the estimate. The other property contained three ground leases, two of which were valued by adjusting the prepaid lease with a Consumer Price Index ("CPI") adjustment and the other by applying the direct capitalization approach. The appropriate technique for valuation of a leased fee asset is the Discounted Cash Flow Method. These properties were estimated to be understated by approximately \$2.4 million. Our projection is that the extrapolated error is approximately \$9.9 million.
- In testing the underlying data of oil and gas production utilized by System Administration's third-party reserve specialist, we noted errors in 2 of 8 items selected for testing. These production data points are self-reported by the producers. Due to the time frame of underlying data utilized for the oil and gas reserve, these items resulted in an understatement error of royalty income for the prior year. The error was approximately \$4 thousand; the extrapolated error was approximately \$11.5 million.

## Summary of Uncorrected Misstatements and Passed Disclosures (cont.)

### U. T. System Administration (cont.)

- There was one derivative that was inappropriately classified as an investment derivative rather than a hedging derivative resulting in \$22.4 million being erroneously recognized as a loss in the prior year instead of a deferred outflow of resources.

### U. T. M. D. Anderson Cancer Center

- We proposed a reclassification of the Physicians Referral Service Supplemental Retirement / Retirement Benefit Deferred Compensation Plan ("PRS") from a long-term asset and liability to short-term asset and liability in the amount of approximately \$53 million. There was a similar passed adjustment in the prior year.
- There was a correction in the stand-alone financial statements for an overstatement of grant receivables and unearned revenue of \$96.9 million; this amount was not recorded in the U. T. System financial statements. Journal entries were not properly recorded related to utilization of unearned revenue whereby unearned revenue was not decreased for revenue earned and recognized.
- The allowance for bad debt for self-pay patients of \$14 million was not included as a disclosure in the financial statements.
- In the current year, we noted that there were adjustments related to the prior year for third-party and patient receivables. (1) Receivables from a third-party payor were not properly estimated and recorded in the prior year. The net impact was an understatement of patient accounts receivable and revenue of approximately \$78.7 million. (2) When performing our lookback analysis for FY 2017 and evaluating the cash collections received in FY 2017 related to 8/31/16 patient accounts receivable, it was noted the 8/31/16 valuation for contractals and bad debt was understated. The net impact was an overstatement of patient accounts receivable and revenue of approximately \$87.5 million.

## Summary of Uncorrected Misstatements and Passed Disclosures (cont.)

### U. T. Southwestern Medical Center

- There was an understatement of the disclosure of the allowance for patient receivable of \$23 million.

### U. T. Austin

- There is an unrecorded estimated impairment loss of \$12.7 million related to damages to U. T. Austin's Marine Sciences Institute in Port Aransas which was caused by Hurricane Harvey. This was unrecorded as the hurricane occurred 3 days prior to year-end. System Administration and U. T. Austin are continuing to assess the damage, the insurance claims and the amounts that will be owed to U. T. Austin through System's self-insurance program.
- In the current year, we noted two adjustments that related to the prior year stand-alone financial statements. (1) A donated photography collection revaluation of \$78 million was recorded in current year as nonoperating revenues but should have been recorded in the prior year when the assets were donated. (2) For a donated dataset, there was a catch-up depreciation charge in the current year of \$9.3 million that should have been recorded in prior years.

### U. T. San Antonio

- There was an error in the calculation of contributions to the Teachers' Retirement System (TRS) that was identified by U. T. San Antonio. TRS uses contributions to determine the pro-rata share of the overall NPL for all participating institutions. This overstatement of contributions paid to TRS caused an over-allocation of the net pension liability to U. T. San Antonio, and therefore, U. T. System. In the current year, the cumulative adjustment would have resulted in an increase in net position of \$23 million, decrease in NPL of \$41 million, and a net decrease in deferred outflows (net of deferred inflows) of \$18 million.

## Summary of Uncorrected Misstatements and Passed Disclosures (cont.)

### Other Items

- The Texas State Comptroller's Office has decided not to allocate the Employee Retirement System of Texas ("ERS") pension to proprietary funds at the State-wide financial statement level due to immateriality. As a result, there is no ERS NPL nor related disclosures reported in U. T. System's financial statements that would have been required by the Governmental Accounting Standards Board ("GASB") Statement No. 68. ERS has estimated that U. T. System's proportionate share of the collective NPL to be approximately \$8.6 million and the effect on net position to be a decrease of approximately \$9.1 million as of August 31, 2017 (using a measurement date of August 31, 2016).



## Significant Accounting Policies

- U. T. System's significant accounting policies, as determined by management, are set forth in Note 4 to U. T. System's FY 2017 financial statements.
- We have evaluated the significant qualitative aspects of U. T. System's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

## Additional Matters

- Generally accepted auditing standards required that certain additional matters be communicated to an entity's audit committee in connection with the performance of an audit:
  - **Auditor's responsibility under generally accepted auditing standards ("GAAS") and Government Auditing Standards ("GAS")** – The objective of a financial statement audit is to express an opinion on the fairness of the presentation of U. T. System's financial statements for the year ended August 31, 2017, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. Our responsibilities under GAAS and GAS include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit, Compliance, and Risk Management Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit, Compliance, and Risk Management Committee of their responsibilities.
  - **An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.** The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to U. T. System's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of U. T. System's internal control over financial reporting. **Accordingly, we do not express an opinion on the effectiveness of U. T. System's internal control over financial reporting.** Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

## Additional Matters (cont.)

Matters to be communicated:

- Disagreements with management – None
- Consultation with other accountants – None
- Significant issues discussed with management prior to our retention – None
- Significant issues discussed with management during the year – None
- Significant difficulties in performing the audit – None
- Management’s representations – We have made specific inquiries of U. T. System’s management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations U. T. System is required to provide to its independent auditors under generally accepted auditing standards.

## Control-Related Matters

- *A deficiency in internal control* over financial reporting 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.
- *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 were identified at the Systemwide level.
- 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. Medical Branch at Galveston, U. T. Austin, or the PUF, GEF, LTF, ITF and PHF of UTIMCO.

# Appendix A: Auditing Management's Estimates

## Accounting Estimates—Patient Accounts Receivable—Valuation

### Management’s Methodology

- During FY 2017 and FY 2016, management at U. T. health institutions applied a consistent approach to estimating the allowance for doubtful accounts and contractual allowances.
- Management develops an estimate of historical and expected net collections, business and economic conditions, and other collection indicators.
- Management performs reviews of historical collections and write-offs. Adverse changes in business office operations, payor mix, and economic conditions could affect the collection of accounts receivable, cash flows, and results of operations.

### Audit Procedures

- Reviewed the adequacy of certain U. T. institutions’ methodologies and procedures used to establish the allowance for doubtful accounts and contractual allowance estimates.
- For institutions with significant receivable balances, we computed an independent estimate of the allowance for contractals and bad debt for each significant financial class of patient receivable after independently testing the collection percentages. Then concluded as to the reasonableness of the allowances.
- Concluded as to the adequacy of doubtful accounts allowances through the review of collections and aging statistics and a look-back analysis.
- Reviewed compliance with GASB guidance on the presentation in the financial statements of allowance for doubtful accounts.
- Except for the adjustments noted in the U. T. M. D. Anderson audit, management’s methodology and resulting amounts were deemed reasonable.

## Accounting Estimates—Fair Value of PUF Lands

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### Management’s Methodology

- Management has a consistent methodology from FY 2016 to FY 2017 as it relates to the reserve analysis. Management engages a third-party specialist to develop the reserves for the three categories of reserves (1) proved; (2) possible and (3) probable. Management and the specialists determine reasonable assumptions related to discount rates/factors, reserve adjustment factors, and overall valuation methodology.
- Management with University Lands compiles data from producers related to production and royalty percentages for submission to the third-party specialist.
- Management ensures the proper disclosures are in the Annual Financial Reports as it relates to the fair value of the PUF lands.

### Audit Procedures

- Reviewed the reserve study with the assistance of Deloitte fair value and oil and gas specialists. We tested various assumptions as it related to discount rates, reserve adjustment factors and valuation techniques.
  - Performed testing on the accuracy and completeness of the data submitted to the third-party specialists.
  - Performed a lookback analysis on current year production estimates used in the reserve methodology.
  - The balances appeared to be reasonably stated in all material respects.
-

# Accounting Estimates—Teachers’ Retirement System Plan

## Management’s Methodology

- The Teacher Retirement System of Texas (“TRS”) pension plan is a state-wide, multi-employer cost sharing plan. Using external actuaries, TRS calculates the total plan liability for the plan. Participating employers record their proportionate share of the NPL, pension expense, and related deferred inflows and outflows of resources.
- The State Auditor’s Office (“SAO”) audits the TRS plan and the proportionate share, and related net pension liability, of each employer. The SAO also audits retiree and active census data.
- U. T. System is responsible for tracking and accurately reporting census data on active participants to TRS and also for contributing the appropriate amounts to TRS.
- Management ensures the proper disclosures are in the Annual Financial Reports as it relates to the plan and the required supplementary information.

## Audit Procedures

- Reviewed the TRS actuarial study with the assistance of Deloitte actuaries.
- Recalculated the proportionate share of U. T. System’s and the stand-alone entities as it relates to net pension liability, deferred inflows, outflows, annual amortization and pension expense.
- Performed testing on the accuracy of census data for active employees.
- Reviewed the disclosures and required supplementary information in the Annual Financial Reports to determine compliance with generally accepted accounting principles.
- Except as noted within the passed adjustments, the balances appeared to be reasonably stated in all material respects.



# Accounting Estimates—Other Postemployment Benefit Plan

## Management’s Methodology

- U. T. System’s other postemployment benefit (“OPEB”) plan is a single-employer plan. Management engages an external actuary to determine the liability related to the OPEB plan. A study was performed as of December 31, 2015 for the FY 2016 Annual Financial Report and was rolled forward for FY 2017 as the GASB permits this to be estimated biennially.
- Management within the Office of Employee Benefits (“OEB”) is responsible for tracking and accurately reporting census data of participants to the actuary. This data is submitted by the individual U. T. institutions to the OEB.
- Management ensures the proper disclosures and required supplementary information for the plan are in the Annual Financial Report.

## Audit Procedures

- Reviewed the actuarial study with the assistance of Deloitte actuaries and tested various assumptions as it related to discount rates, investment returns, and mortality assumptions.
- Reviewed the disclosures and required supplementary information in the Annual Financial Reports to determine compliance with generally accepted accounting principles.
- The balances appeared to be reasonably stated in all material respects.

# Questions?

# Deloitte.



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36 USC 220506

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

RECOMMENDATION

The proposed Consent Agenda items assigned to this Committee are Items 6 - 11.

**3. 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 128 - 135](#) and the December Monthly Financial Report on [Pages 136 - 159](#). The reports represent the consolidated and individual operating detail of the U. T. System institutions.

# THE UNIVERSITY OF TEXAS SYSTEM

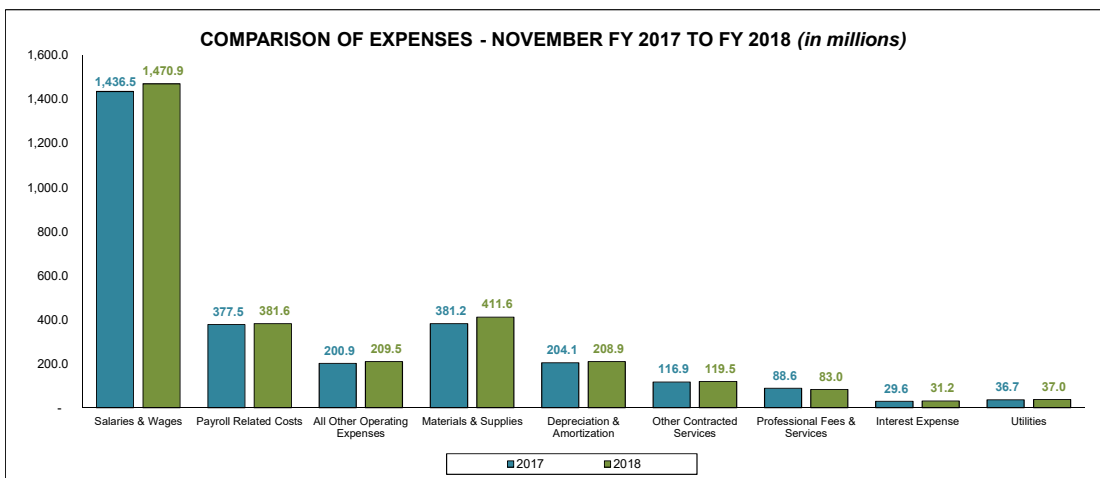
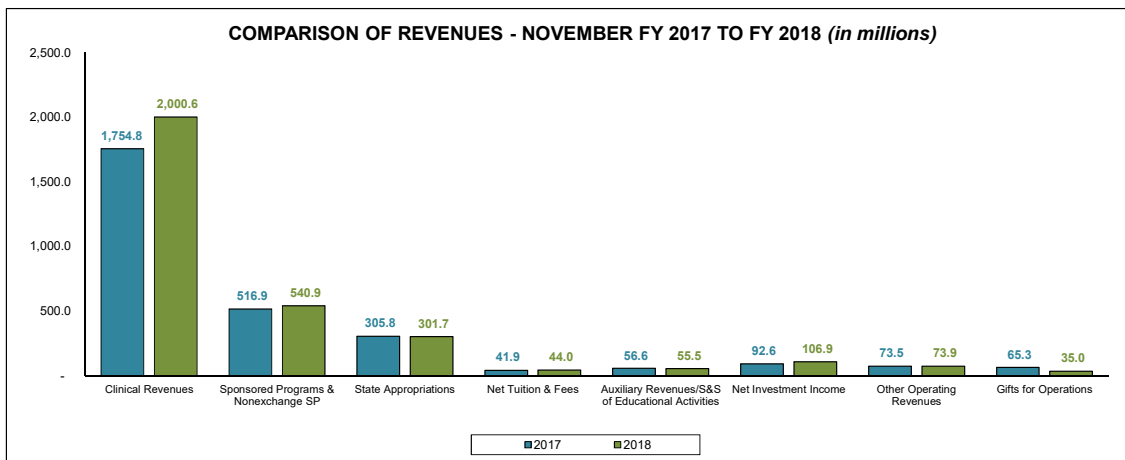


## KEY FINANCIAL INDICATORS REPORT

### U. T. SYSTEM BOARD OF REGENTS' MEETING FINANCE AND PLANNING COMMITTEE FEBRUARY 2018

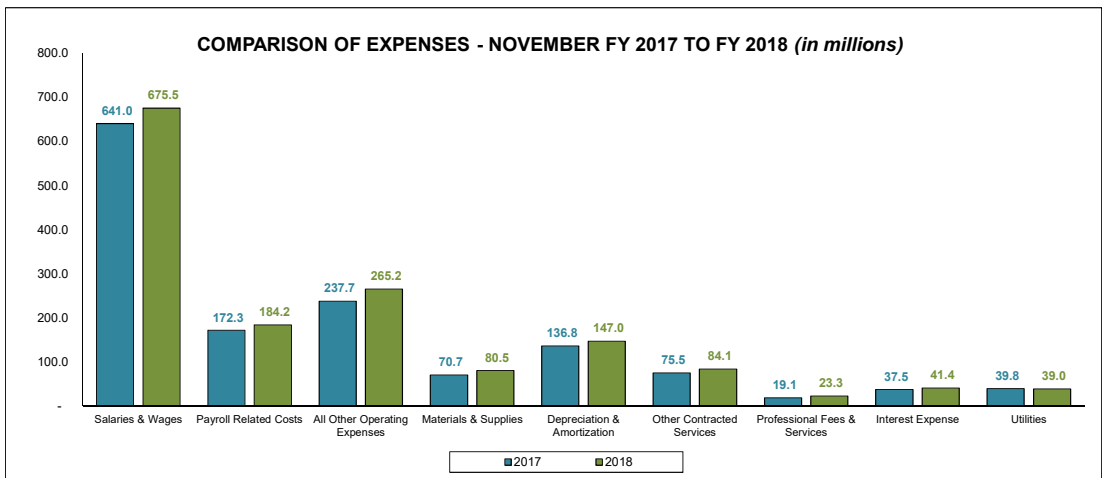
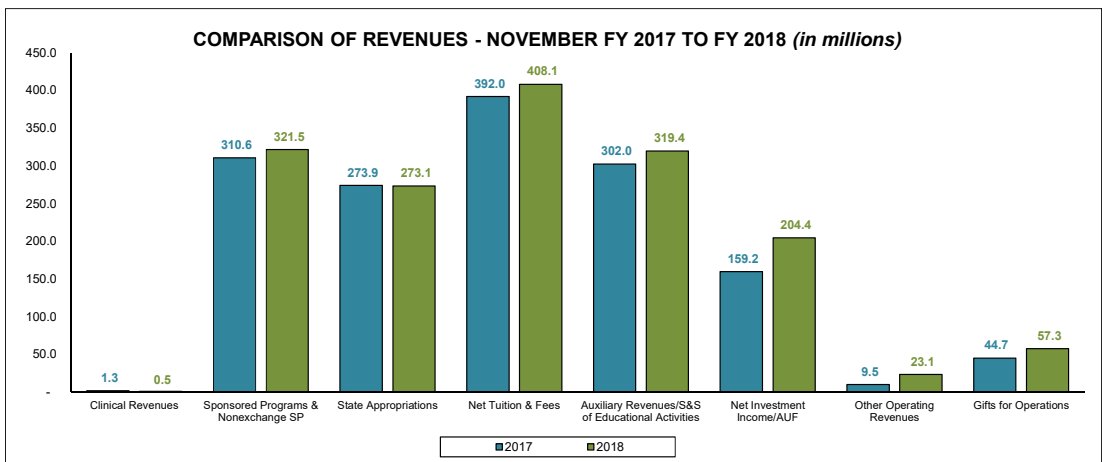
## KEY INDICATORS OF FINANCIAL RESULTS YEAR-TO-DATE 2017 AND 2018 FROM NOVEMBER MONTHLY FINANCIAL REPORT AND PROJECTED 2018 YEAR-END

(in millions)	U. T. Health Institutions		
	November FY 2017	November FY 2018	Projected FY 2018
<b>Clinical Revenues</b>	\$ 1,754.8	2,000.6	8,083.0
Sponsored Programs	516.9	540.9	2,157.0
State Appropriations	305.8	301.7	1,211.4
Net Tuition and Fees	41.9	44.0	166.1
Auxiliary Revenues/Sales & Services of Educational Activities	56.6	55.5	205.4
<b>Net Investment Income</b>	<b>92.6</b>	<b>106.9</b>	388.8
Other Operating Revenues	73.5	73.9	348.4
<b>Gift Contributions for Operations</b>	<b>65.3</b>	<b>35.0</b>	166.4
<b>Total Revenues</b>	<b>2,907.4</b>	<b>3,158.5</b>	<b>12,726.4</b>
Salaries and Wages	1,436.5	1,470.9	5,983.9
Payroll Related Costs	377.5	381.6	1,593.9
All Other Operating Expenses	200.9	209.5	867.5
Materials and Supplies	381.2	411.6	1,665.3
Depreciation and Amortization	204.1	208.9	851.7
Other Contracted Services	116.9	119.5	453.8
Professional Fees and Services	88.6	83.0	375.4
Interest Exp. on Cap. Asset Financing	29.6	31.2	127.9
Utilities	36.7	37.0	150.8
<b>Total Expenses</b>	<b>\$ 2,872.0</b>	<b>2,953.2</b>	<b>12,070.3</b>
<b>Adjusted Income (Loss)</b>	<b>35.4</b>	<b>205.3</b>	<b>656.1</b>



## KEY INDICATORS OF FINANCIAL RESULTS YEAR-TO-DATE 2017 AND 2018 FROM NOVEMBER MONTHLY FINANCIAL REPORT AND PROJECTED 2018 YEAR-END

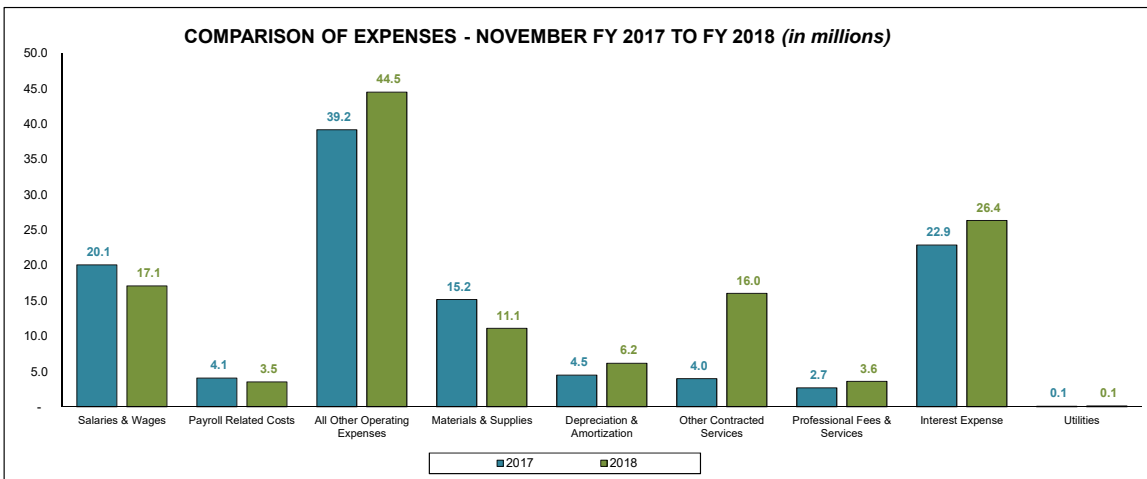
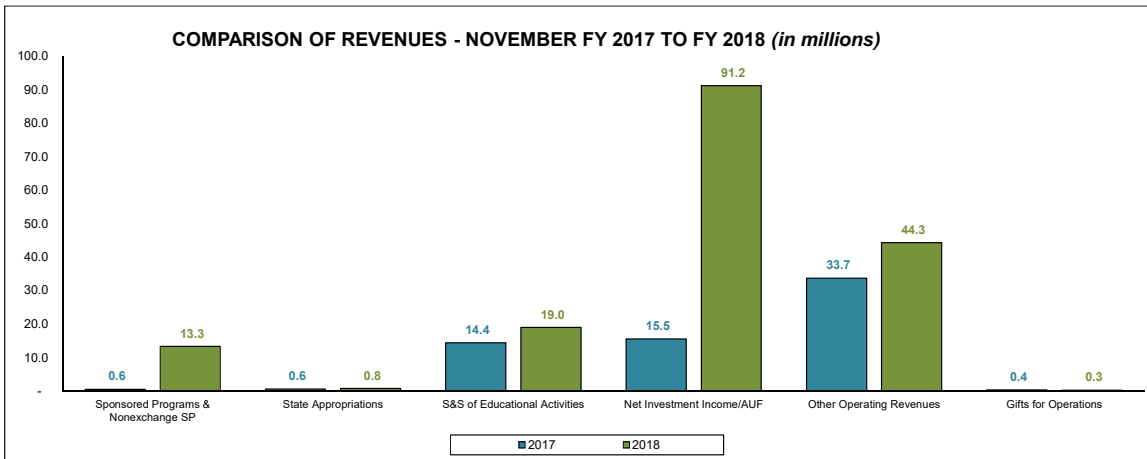
<i>(in millions)</i>	<b>U. T. Academic Institutions</b>		
	<b>November</b>	<b>November</b>	<b>Projected</b>
	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2018</b>
Clinical Revenues	\$ 1.3	0.5	2.1
Sponsored Programs	310.6	321.5	1,444.4
State Appropriations	273.9	273.1	1,085.8
Net Tuition and Fees	392.0	408.1	1,631.3
Auxiliary Revenues/Sales & Services of Educational Activities	302.0	319.4	855.1
<b>Net Investment Income/Available University Fund (AUF)</b>	<b>159.2</b>	<b>204.4</b>	<b>699.5</b>
Other Operating Revenues	9.5	23.1	63.0
Gift Contributions for Operations	44.7	57.3	211.6
<b>Total Revenues</b>	<b>1,493.4</b>	<b>1,607.3</b>	<b>5,992.7</b>
Salaries and Wages	641.0	675.5	2,628.3
Payroll Related Costs	172.3	184.2	733.4
All Other Operating Expenses	237.7	265.2	1,027.9
<b>Materials and Supplies</b>	<b>70.7</b>	<b>80.5</b>	<b>294.1</b>
Depreciation and Amortization	136.8	147.0	592.5
<b>Other Contracted Services</b>	<b>75.5</b>	<b>84.1</b>	<b>324.9</b>
Professional Fees and Services	19.1	23.3	99.7
Interest Exp. on Cap. Asset Financing	37.5	41.4	18.2
Utilities	39.8	39.0	130.5
<b>Total Expenses</b>	<b>\$ 1,430.5</b>	<b>1,540.2</b>	<b>5,849.4</b>
<b>Adjusted Income (Loss)</b>	<b>62.9</b>	<b>67.2</b>	<b>143.3</b>





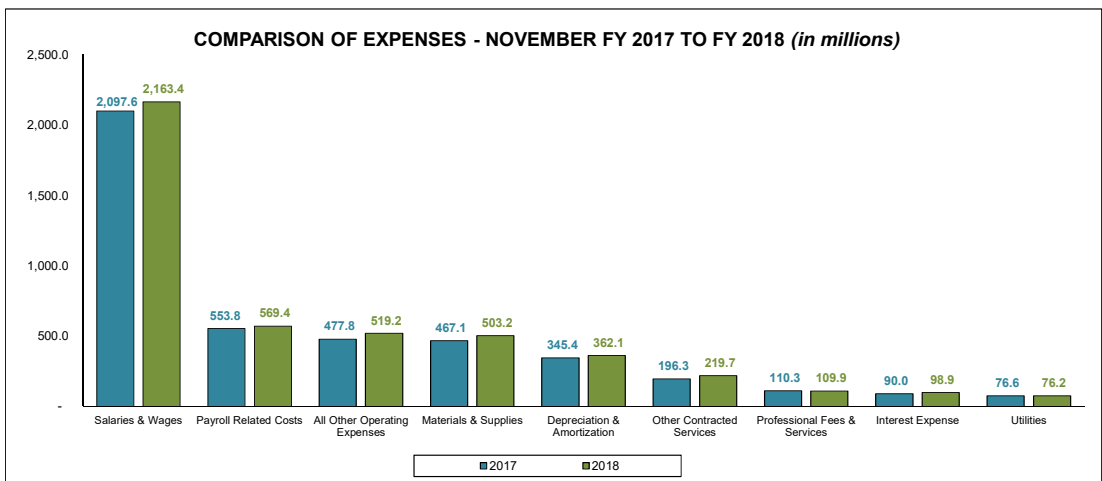
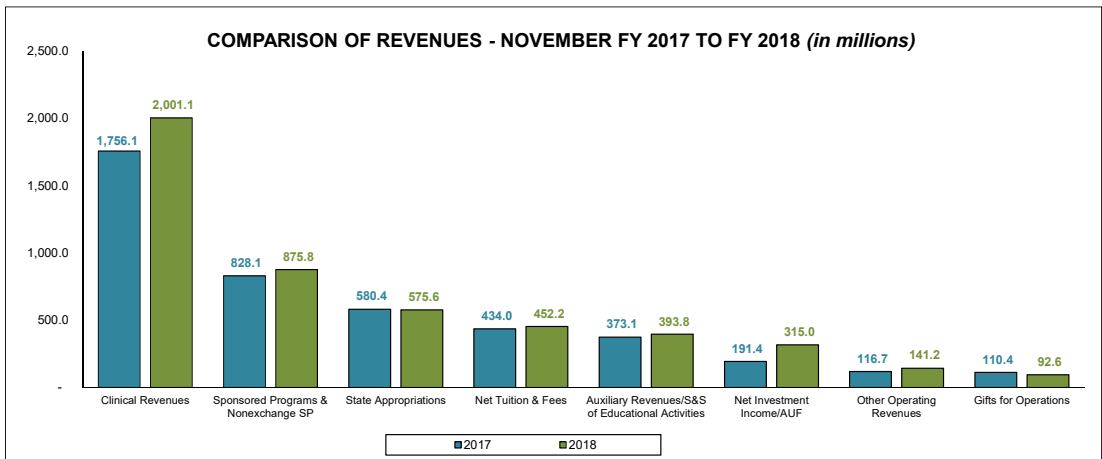
## KEY INDICATORS OF FINANCIAL RESULTS YEAR-TO-DATE 2017 AND 2018 FROM NOVEMBER MONTHLY FINANCIAL REPORT AND PROJECTED 2018 YEAR-END

(in millions)	U. T. System Administration		
	November FY 2017	November FY 2018	Projected FY 2018
Sponsored Programs	\$ 0.6	13.3	49.9
State Appropriations	0.6	0.8	3.3
Sales & Services of Educational Activities	14.4	19.0	76.1
Net Investment Income/AUF	15.5	91.2	166.4
Other Operating Revenues	33.7	44.3	177.1
Gift Contributions for Operations	0.4	0.3	0.3
<b>Total Revenues</b>	<b>65.3</b>	<b>168.9</b>	<b>473.1</b>
Salaries and Wages	20.1	17.1	68.5
Payroll Related Costs	4.1	3.5	14.2
All Other Operating Expenses	39.2	44.5	177.9
Materials and Supplies	15.2	11.1	44.3
Depreciation and Amortization	4.5	6.2	24.7
Other Contracted Services	4.0	16.0	64.2
Professional Fees and Services	2.7	3.6	14.4
Interest Exp. on Cap. Asset Financing	22.9	26.4	105.4
Utilities	0.1	0.1	0.5
<b>Total Expenses</b>	<b>\$ 112.5</b>	<b>128.5</b>	<b>514.1</b>
<b>Adjusted Income (Loss) - Excluding Other Postemployment Benefits (OPEB), Pension Expense, &amp; Elimination of AUF Transfer to U. T. Austin</b>	(47.2)	40.4	(41.0)
Increase in Net OPEB Obligation	176.8	263.0	1,052.0
Pension Expense	62.6	91.9	367.7
Elimination of AUF Transfer to U. T. Austin	75.9	87.5	349.9
<b>Adjusted Income (Loss)</b>	(362.5)	(402.0)	(1,810.7)

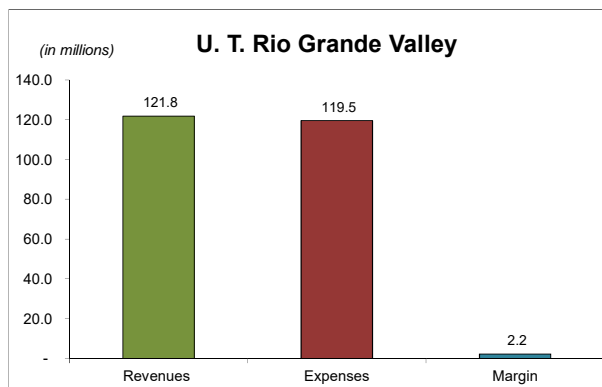
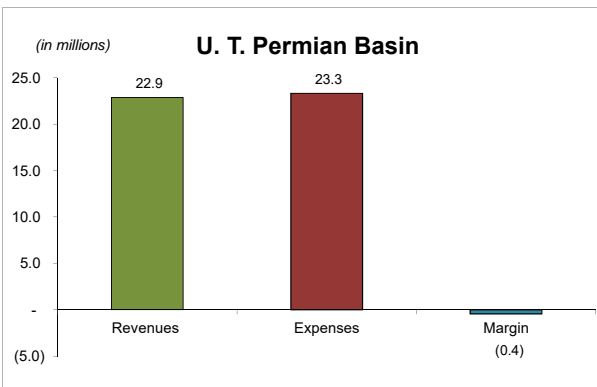
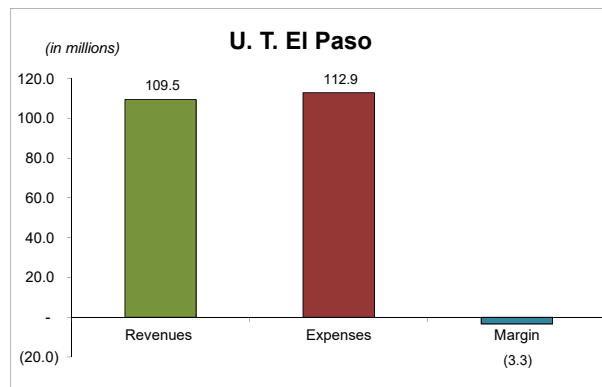
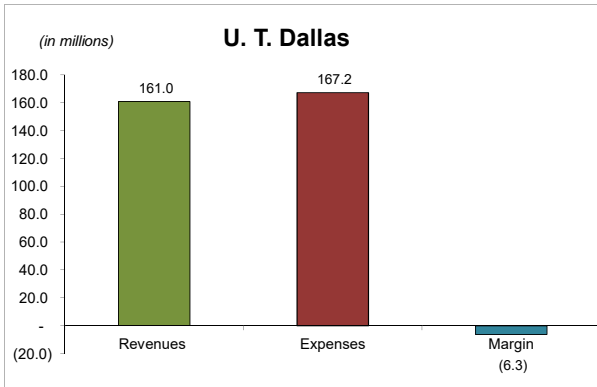
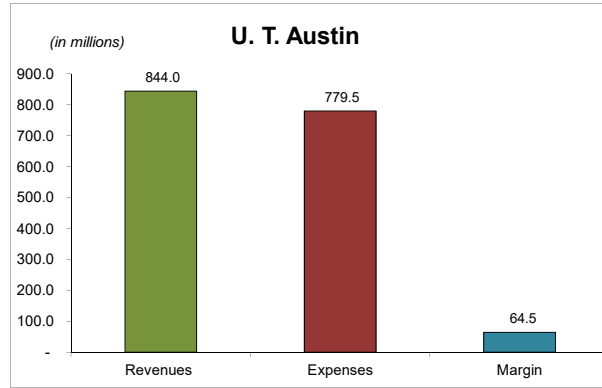
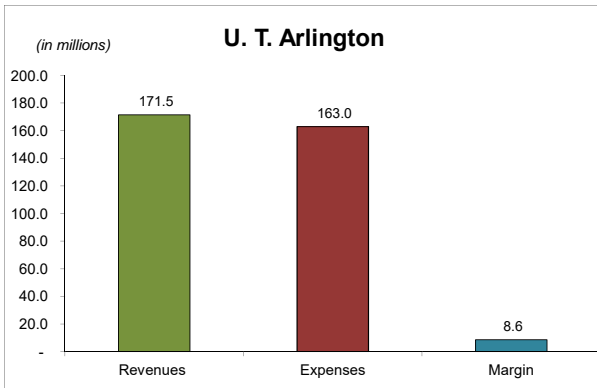
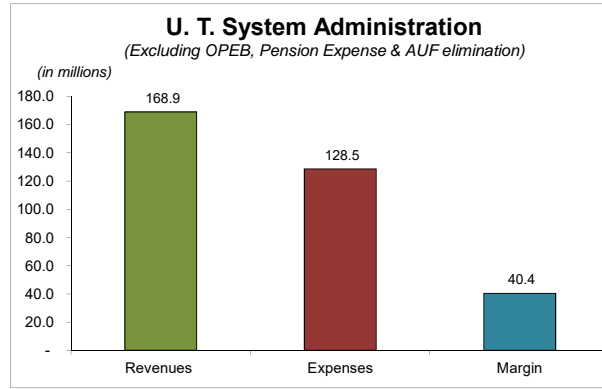
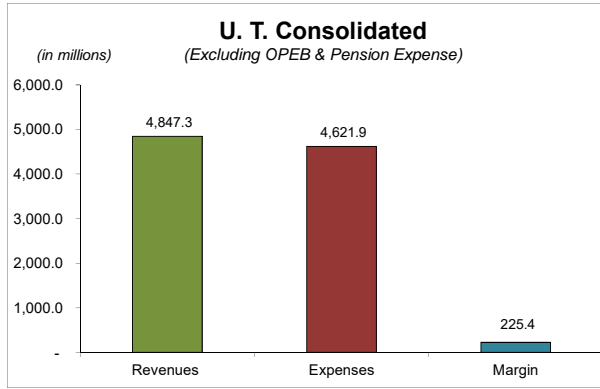


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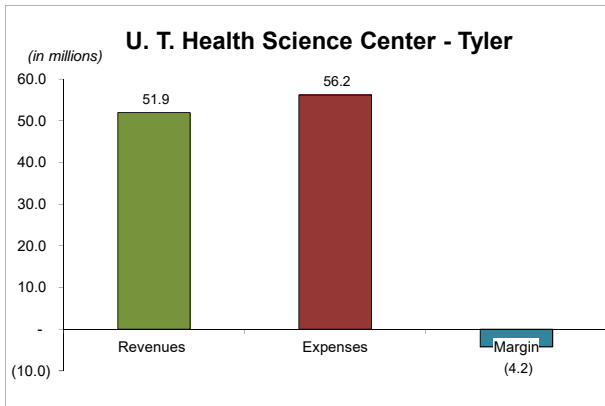
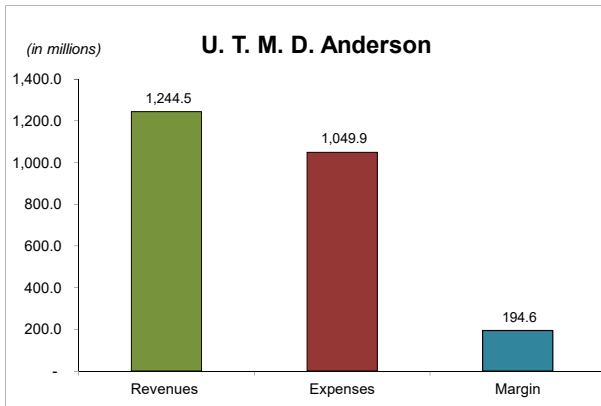
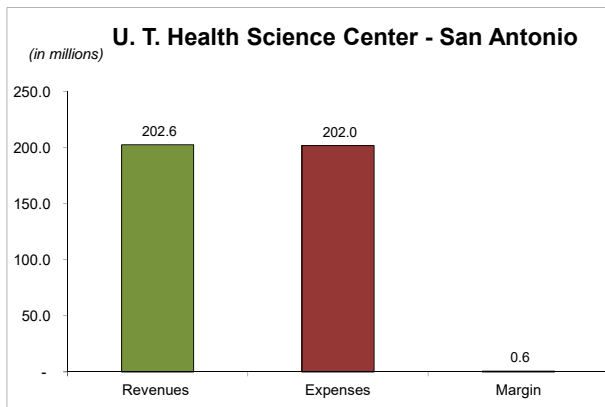
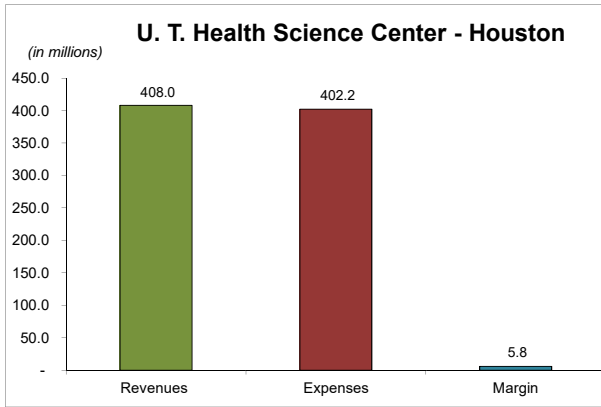
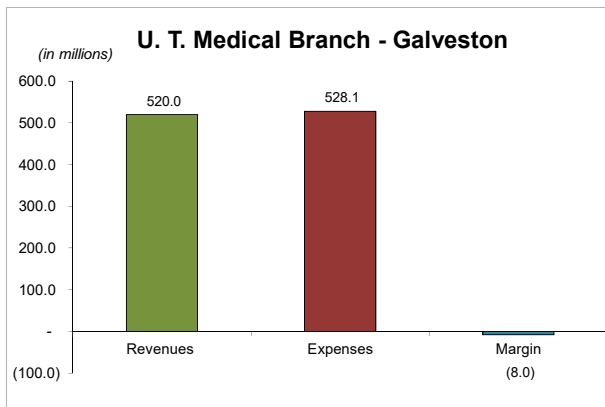
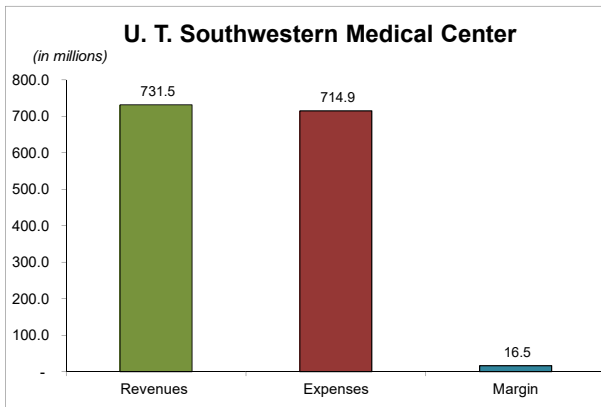
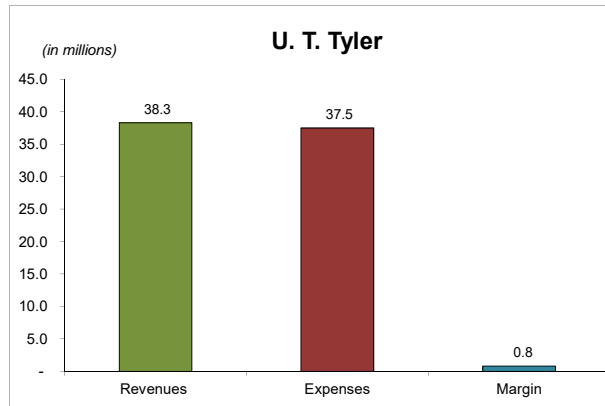
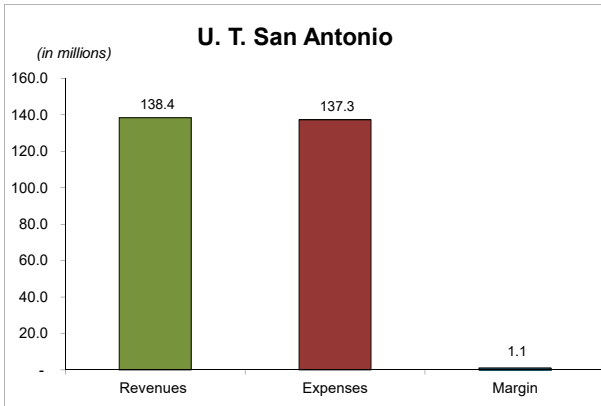
(in millions)	U. T. Consolidated		
	November FY 2017	November FY 2018	Projected FY 2018
<b>Clinical Revenues</b>	\$ 1,756.1	2,001.1	8,085.0
Sponsored Programs	828.1	875.8	3,651.3
State Appropriations	580.4	575.6	2,300.5
Net Tuition and Fees	434.0	452.2	1,797.4
Auxiliary Revenues/Sales & Services of Educational Activities	373.1	393.8	1,136.6
<b>Net Investment Income/AUF</b>	191.4	315.0	904.8
Other Operating Revenues	116.7	141.2	588.5
Gift Contributions for Operations	110.4	92.6	378.2
<b>Total Revenues</b>	4,390.1	4,847.3	18,842.3
Salaries and Wages	2,097.6	2,163.4	8,680.6
Payroll Related Costs	553.8	569.4	2,341.5
All Other Operating Expenses	477.8	519.2	2,073.4
Materials and Supplies	467.1	503.2	2,003.8
Depreciation and Amortization	345.4	362.1	1,468.8
<b>Other Contracted Services</b>	196.3	219.7	842.9
Professional Fees and Services	110.3	109.9	489.5
Interest Exp. on Cap. Asset Financing	90.0	98.9	251.5
Utilities	76.6	76.2	281.9
<b>Total Expenses</b>	\$ 4,415.0	4,621.9	18,433.8
<b>Adjusted Income (Loss) - Excluding OPEB &amp; Pension Exp.</b>	(24.9)	225.4	408.5
Increase in Net OPEB Obligation	176.8	263.0	1,052.0
Pension Expense	62.6	91.9	367.7
<b>Adjusted Income (Loss)</b>	(264.3)	(129.6)	(1,011.2)



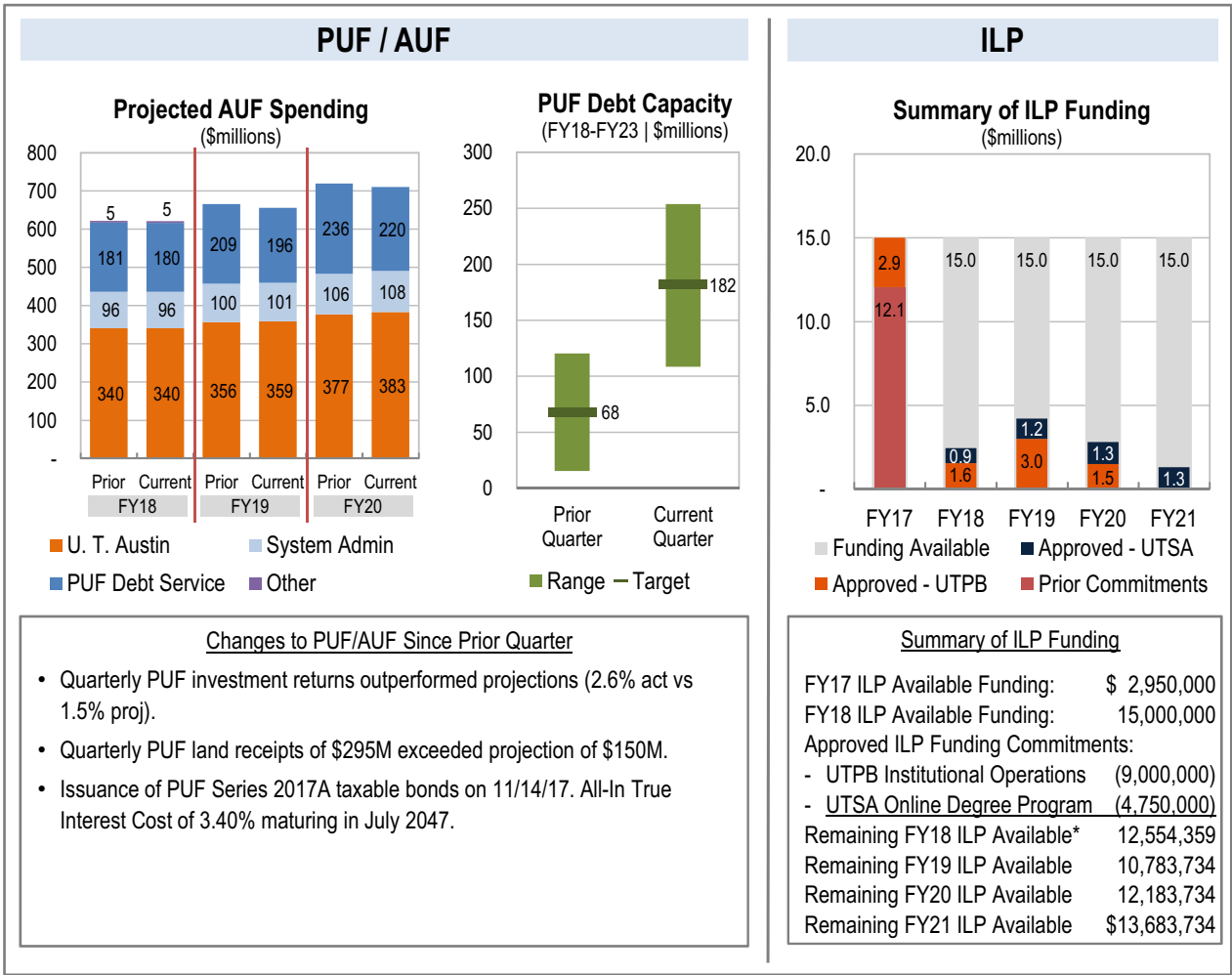
**KEY INDICATORS OF FINANCIAL RESULTS  
YEAR-TO-DATE 2018 FROM NOVEMBER MONTHLY FINANCIAL REPORT**



**KEY INDICATORS OF FINANCIAL RESULTS  
YEAR-TO-DATE 2018 FROM NOVEMBER MONTHLY FINANCIAL REPORT**



## PUF / AUF / ILP Update For Quarter Ending November 30, 2017



\* Remaining FY18 is equal to \$15M plus \$2.95M (FY17 remaining availability) less initial year commitment of \$4.5M (UTPB) less \$895,641 (UTSA)

PUF - Permanent University Fund  
 AUF - Available University Fund  
 ILP - Internal Lending Program

THE UNIVERSITY OF TEXAS SYSTEM  
OFFICE OF THE CONTROLLER

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MONTHLY FINANCIAL REPORT  
*(unaudited)*

DECEMBER 2017



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Austin, Texas 78701  
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**THE UNIVERSITY OF TEXAS SYSTEM  
MONTHLY FINANCIAL REPORT  
(Unaudited)  
FOR THE FOUR MONTHS ENDING  
December 31, 2017**

**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, 2017

	December Year-to-Date FY 2018	December Year-to-Date FY 2017	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	602,477,906.58	580,211,864.61	22,266,041.97	3.8%
Sponsored Programs	1,069,126,659.37	1,015,357,103.30	53,769,556.07	5.3%
Net Sales and Services of Educational Activities	245,814,636.28	216,397,268.33	29,417,367.95	13.6%
Net Sales and Services of Hospitals	2,033,151,715.49	1,755,446,700.45	277,705,015.04	15.8%
Net Professional Fees	620,623,464.49	583,589,332.14	37,034,132.35	6.3%
Net Auxiliary Enterprises	246,431,101.03	248,828,208.64	(2,397,107.61)	-1.0%
Other Operating Revenues	176,040,832.62	132,627,699.77	43,413,132.85	32.7%
<b>Total Operating Revenues</b>	<b>4,993,666,315.86</b>	<b>4,532,458,177.24</b>	<b>461,208,138.62</b>	<b>10.2%</b>
<b>Operating Expenses</b>				
Salaries and Wages	2,898,686,021.07	2,822,459,432.90	76,226,588.17	2.7%
Payroll Related Costs	772,801,259.08	754,780,964.25	18,020,294.83	2.4%
Membership Dues	12,549,894.66	10,073,944.42	2,475,950.24	24.6%
Registration Fees, Meetings, Conferences	20,688,147.63	20,072,319.24	615,828.39	3.1%
Cost of Goods Sold	54,864,580.87	50,494,507.53	4,370,073.34	8.7%
Professional Fees and Services	143,575,854.24	147,878,677.35	(4,302,823.11)	-2.9%
Other Contracted Services	287,658,966.68	270,486,380.25	17,172,586.43	6.3%
Fees and Other Charges	19,635,891.41	21,718,500.63	(2,082,609.22)	-9.6%
Travel	50,269,669.69	49,876,909.25	392,760.44	0.8%
Materials and Supplies	664,152,735.85	615,854,631.81	48,298,104.04	7.8%
Utilities	99,062,668.93	97,470,870.18	1,591,798.75	1.6%
Communications	34,619,324.56	44,279,378.33	(9,660,053.77)	-21.8%
Repairs and Maintenance	119,454,218.49	110,951,088.40	8,503,130.09	7.7%
Rentals and Leases	57,042,007.98	58,615,860.59	(1,573,852.61)	-2.7%
Printing and Reproduction	11,469,145.11	11,938,634.93	(469,489.82)	-3.9%
Royalty Payments	4,868,047.15	4,702,262.19	165,784.96	3.5%
Bad Debt Expense	1,072,162.72	307,450.87	764,711.85	248.7%
Insurance Costs/Premiums	43,336,285.42	34,566,547.65	8,769,737.77	25.4%
Claims and Losses	7,235,408.01	5,796,373.37	1,439,034.64	24.8%
Increase in Net OPEB Obligation	350,666,666.67	235,676,724.67	114,989,942.00	48.8%
Pension Expense	122,578,115.33	83,442,131.00	39,135,984.33	46.9%
Scholarships and Fellowships	120,019,326.25	117,989,440.90	2,029,885.35	1.7%
Depreciation and Amortization	482,780,913.22	460,918,694.12	21,862,219.10	4.7%
Federal Sponsored Program Pass-Through to Other State Agencies	5,760,695.39	6,906,362.86	(1,145,667.47)	-16.6%
State Sponsored Program Pass-Through to Other State Agencies	10,792,437.73	1,779,894.68	9,012,543.05	506.4%
Other Operating Expenses	84,314,266.17	58,088,854.84	26,225,411.33	45.1%
<b>Total Operating Expenses</b>	<b>6,479,954,710.31</b>	<b>6,097,126,837.21</b>	<b>382,827,873.10</b>	<b>6.3%</b>
<b>Operating Loss</b>	<b>(1,486,288,394.45)</b>	<b>(1,564,668,659.97)</b>	<b>78,380,265.52</b>	<b>5.0%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	767,089,294.56	775,032,417.96	(7,943,123.40)	-1.0%
Nonexchange Sponsored Programs	75,733,572.11	74,467,051.71	1,266,520.40	1.7%
Gift Contributions for Operations	155,561,345.30	159,726,019.89	(4,164,674.59)	-2.6%
Net Investment Income	432,662,422.82	289,097,113.61	143,565,309.21	49.7%
Interest Expense on Capital Asset Financings	(129,141,497.26)	(118,182,546.20)	(10,958,951.06)	-9.3%
<b>Net Other Nonoperating Adjustments</b>	<b>1,301,905,137.53</b>	<b>1,180,140,056.97</b>	<b>121,765,080.56</b>	<b>10.3%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(184,383,256.92)</b>	<b>(384,528,603.00)</b>	<b>200,145,346.08</b>	<b>52.0%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-2.9%</b>	<b>-6.6%</b>		
Investment Gain (Losses)	1,265,683,630.47	393,543,082.35	872,140,548.12	221.6%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>1,081,300,373.55</b>	<b>9,014,479.35</b>	<b>1,072,285,894.20</b>	<b>11,895.2%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>14.1%</b>	<b>0.1%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>298,397,656.30</b>	<b>76,390,091.12</b>	<b>222,007,565.18</b>	<b>290.6%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>4.6%</b>	<b>1.3%</b>		

**The University of Texas System  
Comparison of Adjusted Income (Loss)  
For the Four Months Ending December 31, 2017**

	<b>Including Depreciation and Amortization Expense</b>				
	<b>December</b>		<b>December</b>		
	<b>Year-to-Date</b>		<b>Year-to-Date</b>		
	<b>FY 2018</b>		<b>FY 2017</b>	<b>Variance</b>	<b>Fluctuation Percentage</b>
U. T. System Administration	\$ (379,117,455.65)	(1)	\$ (339,756,884.85)	(39,360,570.80)	-11.6%
U. T. Arlington	8,500,065.80		2,536,227.59	5,963,838.21	235.1%
U. T. Austin	43,931,801.32		56,869,060.29	(12,937,258.97)	-22.7%
U. T. Dallas	(8,245,918.52)		(3,810,923.31)	(4,434,995.21)	(3)
U. T. El Paso	(3,568,444.79)		(7,083,549.01)	3,515,104.22	(4)
U. T. Permian Basin	(2,062,948.53)		(882,025.01)	(1,180,923.52)	(5)
U. T. Rio Grande Valley	3,495,380.50		801,410.16	2,693,970.34	(6)
U. T. San Antonio	1,354,270.84		(3,361,753.73)	4,716,024.57	(7)
U. T. Tyler	(1,123,539.28)		(2,595,192.53)	1,471,653.25	(8)
U. T. Southwestern Medical Center	38,376,053.99		32,814,809.12	5,561,244.87	16.9%
U. T. Medical Branch - Galveston	(11,472,488.90)		(1,597,948.35)	(9,874,540.55)	(9)
U. T. Health Science Center - Houston	9,527,175.40		6,259,336.87	3,267,838.53	(10)
U. T. Health Science Center - San Antonio	(800,876.35)		6,065,431.93	(6,866,308.28)	(11)
U. T. M. D. Anderson Cancer Center	238,565,917.13		(23,205,601.58)	261,771,518.71	(12)
U. T. Health Science Center - Tyler	(5,122,070.95)	(13)	(6,293,371.92)	1,171,300.97	18.6%
Elimination of AUF Transfer	(116,620,178.93)		(101,287,628.67)	(15,332,550.26)	-15.1%
Total Adjusted Income (Loss)	(184,383,256.92)		(384,528,603.00)	200,145,346.08	52.0%
Investment Gains (Losses)	1,265,683,630.47		393,543,082.35	872,140,548.12	221.6%
<b>Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization</b>	<b>\$ 1,081,300,373.55</b>		<b>\$ 9,014,479.35</b>	<b>\$ 1,072,285,894.20</b>	<b>11,895.2%</b>

	<b>Excluding Depreciation and Amortization Expense</b>				
	<b>December</b>		<b>December</b>		
	<b>Year-to-Date</b>		<b>Year-to-Date</b>		
	<b>FY 2018</b>		<b>FY 2017</b>	<b>Variance</b>	<b>Fluctuation Percentage</b>
U. T. System Administration	\$ (370,899,198.94)		\$ (333,772,325.90)	(37,126,873.04)	-11.1%
U. T. Arlington	23,358,792.12		19,035,291.59	4,323,500.53	22.7%
U. T. Austin	148,598,467.99		149,202,393.62	(603,925.63)	-0.4%
U. T. Dallas	18,936,249.80		20,692,540.67	(1,756,290.87)	-8.5%
U. T. El Paso	6,666,443.53		3,228,703.62	3,437,739.91	106.5%
U. T. Permian Basin	2,870,384.80		3,774,720.03	(904,335.23)	-24.0%
U. T. Rio Grande Valley	16,376,055.54		13,840,227.13	2,535,828.41	18.3%
U. T. San Antonio	17,661,906.40		12,653,715.20	5,008,191.20	39.6%
U. T. Tyler	4,030,884.72		2,404,807.47	1,626,077.25	67.6%
U. T. Southwestern Medical Center	95,237,984.96		86,983,454.78	8,254,530.18	9.5%
U. T. Medical Branch - Galveston	39,678,299.78		48,488,324.36	(8,810,024.58)	-18.2%
U. T. Health Science Center - Houston	30,593,137.95		26,678,334.52	3,914,803.43	14.7%
U. T. Health Science Center - San Antonio	17,699,123.65		23,398,765.26	(5,699,641.61)	-24.4%
U. T. M. D. Anderson Cancer Center	364,766,557.18		103,464,110.58	261,302,446.60	252.6%
U. T. Health Science Center - Tyler	(557,254.25)		(2,395,343.14)	1,838,088.89	76.7%
Elimination of AUF Transfer	(116,620,178.93)		(101,287,628.67)	(15,332,550.26)	-15.1%
Total Adjusted Income (Loss)	298,397,656.30		76,390,091.12	222,007,565.18	290.6%
<b>Total Adjusted Income (Loss) Excluding Depreciation and Amortization</b>	<b>\$ 298,397,656.30</b>		<b>\$ 76,390,091.12</b>	<b>\$ 222,007,565.18</b>	<b>290.6%</b>

THE UNIVERSITY OF TEXAS SYSTEM  
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT  
For the Four Months Ending December 31, 2017

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 incurred a year-to-date loss of \$379.1 million primarily as a result of an accrual of \$350.7 million for other postemployment benefits (OPEB) expense and an accrual of \$122.6 million for pension expense for the entire *U. T. System* for the first four months of 2018. *U. T. System Administration* anticipates ending the year with a \$1.4 billion loss, -294.6% of projected revenues, which includes a \$1.1 billion accrual for OPEB under GASB 75 effective in 2018 and a \$367.7 million accrual for pension expense.
- (2) U. T. Arlington - The \$6.0 million (235.1%) increase in adjusted income over the same period last year was primarily attributable to an increase in net student tuition and fees as a result of increased enrollment and tuition and fee rates. In addition, nonexchange sponsored programs increased due to an increase in Pell funding. Excluding depreciation and amortization expense, *U. T. Arlington's* adjusted income was \$23.4 million or 10.5% of revenues.
- (3) U. T. Dallas - The \$4.4 million (116.4%) increase in adjusted loss over the same period last year was primarily attributable to the following: an increase in depreciation and amortization expense as a result of the addition of new buildings and infrastructure; a decrease in nonexchange sponsored programs as a result of a reduction in the Texas Research Incentive Program (TRIP) funds received in 2018; and an increase in interest expense on capital asset financings due to debt issued for new buildings and infrastructure. As a result of these factors, *U. T. Dallas* incurred a year-to-date loss of \$8.2 million. Excluding depreciation and amortization expense, *U. T. Dallas'* adjusted income was \$18.9 million or 8.9% of revenues. *U. T. Dallas* anticipates ending the year with a \$24.7 million loss, -3.9% of projected revenues, which includes \$81.5 million of depreciation and amortization expense.
- (4) U. T. El Paso - The \$3.5 million (49.6%) decrease in adjusted loss over the same period last year was largely attributable to an increase in net auxiliary enterprises as a result of higher grossing special events. Net sales and services of educational activities also increased as a result of higher revenues under the Extended University Program and Professional and Continuing Education Programs. These revenues were partially offset by an increase in other contracted services due to increased performer fees. Despite the decrease in adjusted loss, *U. T. El Paso* still incurred a year-to-date loss of \$3.6 million due to the following: an increase in tuition exemption scholarship expense, primarily related to the Hazelwood and Hazelwood Legacy programs; and an increase in depreciation expense over the last five years due to new buildings and enhanced research infrastructure. Excluding depreciation and amortization expense, *U. T. El Paso's* adjusted income was \$6.7 million or 4.8% of revenues. *U. T. El Paso* anticipates ending the year with a \$9.5 million loss, -2.2% of projected revenues, which includes \$33.0 million of depreciation and amortization expense.
- (5) U. T. Permian Basin - The \$1.2 million (133.9%) increase in adjusted loss over the same period last year was primarily attributable to a decrease in nonexchange sponsored programs due to a portion of the 2016 Pell Grant funding not being drawn down until 2017, which resulted in an overstatement of nonexchange sponsored programs in 2017. *U. T. Permian Basin* incurred a year-to-date loss of \$2.1 million primarily attributable to higher salaries and wages and payroll related costs to accommodate increased enrollment and an increase in repairs and maintenance due to hail damage sustained in June 2017. Excluding depreciation and amortization expense, *U. T. Permian Basin's* adjusted income was \$2.9 million or 9.8% of revenues. *U. T. Permian Basin* anticipates ending the year with a \$10.6 million loss, -12.7% of projected revenues, which includes \$15.8 million of depreciation and amortization expense.
- (6) U. T. Rio Grande Valley - The \$2.7 million (336.2%) increase in adjusted income over the same period last year was primarily attributable to an increase in other operating revenues as a result of \$5.3 million from Doctors Hospital at Renaissance (DHR) per the Transition and Settlement agreement for completed tasks in support of the Project Residency Programs, and \$4.5 million in revenue from DHR for the Graduate Medical Education programs. Excluding depreciation and amortization expense, *U. T. Rio Grande Valley's* adjusted income was \$16.4 million or 10.9% of revenues.
- (7) U. T. San Antonio - The \$4.7 million (140.3%) increase in adjusted income over the same period last year was primarily attributable to an increase in nonexchange sponsored programs due to increased TRIP funds and Pell funding. State appropriations also contributed to the increase. Excluding depreciation and amortization expense, *U. T. San Antonio's* adjusted income was \$17.7 million or 9.6% of revenues.
- (8) U. T. Tyler - The \$1.5 million (56.7%) decrease in adjusted loss over the same period last year was primarily due to an increase in net student tuition and fees as a result of increased enrollment and designated tuition rates. Materials and supplies also decreased due to one-time purchases of computer equipment and software in 2017. Despite these factors, *U. T. Tyler* still incurred a year-to-date loss of \$1.1 million as a result of an increase in personnel across the campus and

Pharmacy start-up costs funded with prior year balances. Excluding depreciation and amortization expense, *U. T. Tyler's* adjusted income was \$4.0 million or 8.2% of revenues. *U. T. Tyler* anticipates ending the year with a \$6.3 million adjusted loss, -4.3% of projected revenues, which includes \$15.5 million of depreciation and amortization expense.

- (9) *U. T. Medical Branch - Galveston* - The \$9.9 million (618.0%) increase in adjusted loss over the same period last year was primarily attributable to an increase in salaries and wages and payroll related costs, some of which related to cost-reimbursable Correctional Managed Care. As a result, *UTMB* incurred a year-to-date loss of \$11.5 million. Excluding depreciation and amortization expense, *UTMB's* adjusted income was \$39.7 million or 5.7% of revenues. *UTMB* anticipates ending the year with an \$8.4 million adjusted loss, -0.4% of projected revenues, which includes \$178.2 million of depreciation and amortization expense.
- (10) *U. T. Health Science Center - Houston* - The \$3.3 million (52.2%) increase in adjusted income as compared to the same period last year was primarily attributable to an increase in other operating revenue as a result of increased Delivery System Reform Incentive Program (DSRIP) revenue recognized. This increase in other operating revenue was partially offset by an increase in salaries and wages and payroll related costs due to the addition of numerous positions to accommodate the planned growth of the physician practice plan. Excluding depreciation and amortization expense, *UTHSC-Houston's* adjusted income was \$30.6 million or 5.5% of revenues.
- (11) *U. T. Health Science Center - San Antonio* - The \$6.9 million (113.2%) increase in adjusted loss over the same period last year was primarily due to a decrease in gift contributions for operations as a result of a large gift received in 2017 with no such comparable gift in 2018. *UTHSC-San Antonio* incurred a year-to-date loss of \$0.8 million primarily due to timing differences from accelerated payments made in December 2017, which will be covered by anticipated revenues and will normalize throughout the year. Excluding depreciation and amortization expense, *UTHSC-San Antonio's* adjusted income was \$17.7 million or 6.4% of revenues. *UTHSC-San Antonio* anticipates ending the year with a \$3.0 million positive margin as upcoming DSRIP revenue and expenses, clinical fee-for-service and contract revenues normalize. The projected positive margin of \$3.0 million represents 0.4% of projected revenues and includes \$55.5 million of depreciation and amortization expense.
- (12) *U. T. M. D. Anderson Cancer Center* - The \$261.8 million (1,128.1%) increase in adjusted income over the same period last year was primarily attributable to an increase in net sales and services of hospitals and net professional fees due to an increase in inpatient and outpatient activity. An overall decrease in total operating expenses, including salaries and wages and payroll related costs, also contributed to the favorable variance.

Excluding depreciation and amortization expense, *M. D. Anderson's* adjusted income was \$364.8 million or 22.1% of revenues.

- (13) *U. T. Health Science Center - Tyler* incurred a year-to-date loss of \$5.1 million primarily due to the following: increased salaries and wages and payroll related costs as a result of a larger employee base; an increase in materials and supplies primarily attributable to cancer-related pharmaceuticals; and an increase in depreciation and amortization expense due to significant capital construction projects and system implementations completed over the past year. Excluding depreciation and amortization expense, *UTHSC-Tyler's* adjusted loss was \$0.6 million or -0.8% of revenues. *UTHSC-Tyler* anticipates ending the year with a \$1.2 million loss primarily as a result of continued growth in clinical services with a corresponding increase in net patient revenues, continued sponsored program growth, additional DSRIP revenue recognized once metrics and deliverables are fully achieved, and workforce-related expense reduction initiatives. The projected loss of \$1.2 million represents -0.5% of projected revenues and includes \$13.7 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.

**MEMBERSHIP DUES** - Payments for professional memberships and community organization memberships for employees.

**REGISTRATION FEES/MEETINGS/CONFERENCES** - Payments made for employees to attend professional conferences and meetings.

**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.

**FEES AND OTHER CHARGES** - Payments for various fees such as estate settlements, court costs, document filing fees, 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 software licenses not meeting the definition of capital, 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.

**ROYALTY PAYMENTS** - Payments incurred for copyright and patent royalties.

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

**INSURANCE COSTS/PREMIUMS** - Insurance premiums and fees associated with the various self-insurance programs, including professional medical liability.

**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).

**PENSION EXPENSE** - An estimate of year-end expense which will be allocated from the Texas Comptroller's Office based upon prior year amounts.

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

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

**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.

**OTHER OPERATING EXPENSES** - Other operating expenses not identified in other line items above (e.g., certified non-profit healthcare company expenses, property taxes, credit card fees, hazardous waste disposal expenses, 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, 2017

	December Year-to-Date FY 2018	December Year-to-Date FY 2017	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Sponsored Programs	13,598,592.73	4,449,859.58	9,148,733.15	205.6%
Net Sales and Services of Educational Activities	24,314,305.87	16,672,496.78	7,641,809.09	45.8%
Other Operating Revenues	39,776,685.58	30,479,196.12	9,297,489.46	30.5%
<b>Total Operating Revenues</b>	<b>77,689,584.18</b>	<b>51,601,552.48</b>	<b>26,088,031.70</b>	<b>50.6%</b>
<b>Operating Expenses</b>				
Salaries and Wages	23,573,401.63	26,252,917.43	(2,679,515.80)	-10.2%
Payroll Related Costs	4,944,267.18	5,608,056.47	(663,789.29)	-11.8%
Membership Dues	212,058.01	275,586.96	(63,528.95)	-23.1%
Registration Fees, Meetings, Conferences	102,100.21	152,368.46	(50,268.25)	-33.0%
Professional Fees and Services	4,067,032.60	4,629,102.61	(562,070.01)	-12.1%
Other Contracted Services	17,485,622.78	5,021,061.07	12,464,561.71	248.2%
Fees and Other Charges	28,933.05	38,179.22	(9,246.17)	-24.2%
Travel	570,556.94	548,020.79	22,536.15	4.1%
Materials and Supplies	11,363,630.20	15,550,039.60	(4,186,409.40)	-26.9%
Utilities	190,223.80	111,653.18	78,570.62	70.4%
Communications	4,070,161.47	5,591,198.46	(1,521,036.99)	-27.2%
Repairs and Maintenance	7,523,184.45	6,355,836.68	1,167,347.77	18.4%
Rentals and Leases	1,801,504.71	2,702,359.97	(900,855.26)	-33.3%
Printing and Reproduction	213,963.40	115,899.84	98,063.56	84.6%
Insurance Costs/Premiums	26,035,260.76	18,805,427.57	7,229,833.19	38.4%
Claims and Losses	7,235,408.01	5,796,373.37	1,439,034.64	24.8%
Increase in Net OPEB Obligation	350,666,666.67	235,676,724.67	114,989,942.00	48.8%
Pension Expense	122,578,115.33	83,442,131.00	39,135,984.33	46.9%
Scholarships and Fellowships	245,600.00	277,375.92	(31,775.92)	-11.5%
Depreciation and Amortization	8,218,256.71	5,984,558.95	2,233,697.76	37.3%
State Sponsored Program Pass-Through to Other State Agencies	930,215.52	1,004,593.19	(74,377.67)	-7.4%
Other Operating Expenses	644,692.20	1,429,745.48	(785,053.28)	-54.9%
<b>Total Operating Expenses</b>	<b>592,700,855.63</b>	<b>425,369,210.89</b>	<b>167,331,644.74</b>	<b>39.3%</b>
<b>Operating Loss</b>	<b>(515,011,271.45)</b>	<b>(373,767,658.41)</b>	<b>(141,243,613.04)</b>	<b>-37.8%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	1,103,547.67	848,617.69	254,929.98	30.0%
Nonexchange Sponsored Programs	2,150,184.75	2,143,278.37	6,906.38	0.3%
Gift Contributions for Operations	499,384.21	637,040.82	(137,656.61)	-21.6%
Net Investment Income	131,385,162.31	22,178,644.35	109,206,517.96	492.4%
Interest Expense on Capital Asset Financings	(32,676,129.81)	(28,929,294.67)	(3,746,835.14)	-13.0%
<b>Net Other Nonoperating Adjustments</b>	<b>102,462,149.13</b>	<b>(3,121,713.44)</b>	<b>105,583,862.57</b>	<b>3,382.2%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(412,549,122.32)</b>	<b>(376,889,371.85)</b>	<b>(35,659,750.47)</b>	<b>-9.5%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-193.8%</b>	<b>-486.9%</b>		
Available University Fund Transfer	33,431,666.67	37,132,487.00	(3,700,820.33)	-10.0%
<b>Adjusted Income (Loss) with AUF Transfer</b>	<b>(379,117,455.65)</b>	<b>(339,756,884.85)</b>	<b>(39,360,570.80)</b>	<b>-11.6%</b>
<b>Adjusted Margin % with AUF Transfer</b>	<b>-154.0%</b>	<b>-296.6%</b>		
Investment Gain (Losses)	1,043,086,596.98	466,623,520.72	576,463,076.26	123.5%
<b>Adj. Inc. (Loss) with AUF Transfer &amp; Invest. Gains (Losses)</b>	<b>\$663,969,141.33</b>	<b>\$126,866,635.87</b>	<b>\$537,102,505.46</b>	<b>423.4%</b>
<b>Adj. Margin % with AUF Transfer &amp; Invest. Gains (Losses)</b>	<b>51.5%</b>	<b>21.8%</b>		
<b>Adjusted Income (Loss) with AUF Transfer excluding Depreciation &amp; Amortization</b>	<b>(370,899,198.94)</b>	<b>(333,772,325.90)</b>	<b>(37,126,873.04)</b>	<b>-11.1%</b>
<b>Adjusted Margin % with AUF Transfer excluding Depreciation &amp; Amortization</b>	<b>-150.6%</b>	<b>-291.4%</b>		

## UNAUDITED

The University of Texas at Arlington  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2017

	December Year-to-Date FY 2018	December Year-to-Date FY 2017	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	100,113,699.50	92,011,101.97	8,102,597.53	8.8%
Sponsored Programs	23,990,543.68	21,648,018.32	2,342,525.36	10.8%
Net Sales and Services of Educational Activities	6,338,237.56	6,439,111.91	(100,874.35)	-1.6%
Net Auxiliary Enterprises	14,935,846.09	13,692,206.10	1,243,639.99	9.1%
Other Operating Revenues	5,300,295.87	2,992,774.99	2,307,520.88	77.1%
<b>Total Operating Revenues</b>	<b>150,678,622.70</b>	<b>136,783,213.29</b>	<b>13,895,409.41</b>	<b>10.2%</b>
<b>Operating Expenses</b>				
Salaries and Wages	95,310,816.61	92,971,924.64	2,338,891.97	2.5%
Payroll Related Costs	24,658,000.20	20,907,693.33	3,750,306.87	17.9%
Membership Dues	771,538.46	476,470.83	295,067.63	61.9%
Registration Fees, Meetings, Conferences	515,405.57	460,841.31	54,564.26	11.8%
Cost of Goods Sold	3,105.57	334.71	2,770.86	827.8%
Professional Fees and Services	3,673,913.33	3,471,235.36	202,677.97	5.8%
Other Contracted Services	27,268,809.70	27,360,404.33	(91,594.63)	-0.3%
Fees and Other Charges	276,751.12	354,011.54	(77,260.42)	-21.8%
Travel	3,066,345.58	2,647,343.26	419,002.32	15.8%
Materials and Supplies	9,395,807.71	7,869,277.98	1,526,529.73	19.4%
Utilities	3,333,333.33	3,333,355.00	(21.67)	-
Communications	1,253,819.59	2,498,630.82	(1,244,811.23)	-49.8%
Repairs and Maintenance	2,975,425.77	2,916,151.50	59,274.27	2.0%
Rentals and Leases	1,194,754.52	1,138,317.20	56,437.32	5.0%
Printing and Reproduction	761,107.76	897,299.46	(136,191.70)	-15.2%
Royalty Payments	85,382.62	88,470.10	(3,087.48)	-3.5%
Bad Debt Expense	500,000.00	66,521.95	433,478.05	651.6%
Insurance Costs/Premiums	352,593.21	159,684.53	192,908.68	120.8%
Scholarships and Fellowships	14,701,852.64	11,875,057.20	2,826,795.44	23.8%
Depreciation and Amortization	14,858,726.32	16,499,064.00	(1,640,337.68)	-9.9%
Federal Sponsored Program Pass-Through to Other State Agencies	397,224.18	1,545,641.92	(1,148,417.74)	-74.3%
State Sponsored Program Pass-Through to Other State Agencies	-	44,273.48	(44,273.48)	-100.0%
Other Operating Expenses	4,760,474.29	3,278,821.49	1,481,652.80	45.2%
<b>Total Operating Expenses</b>	<b>210,115,188.08</b>	<b>200,860,825.94</b>	<b>9,254,362.14</b>	<b>4.6%</b>
<b>Operating Loss</b>	<b>(59,436,565.38)</b>	<b>(64,077,612.65)</b>	<b>4,641,047.27</b>	<b>7.2%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	43,850,638.00	46,249,853.67	(2,399,215.67)	-5.2%
Nonexchange Sponsored Programs	21,177,474.20	18,346,094.68	2,831,379.52	15.4%
Gift Contributions for Operations	1,111,578.62	1,887,761.86	(776,183.24)	-41.1%
Net Investment Income	6,472,920.65	4,662,782.99	1,810,137.66	38.8%
Interest Expense on Capital Asset Financings	(4,675,980.29)	(4,532,652.96)	(143,327.33)	-3.2%
<b>Net Other Nonoperating Adjustments</b>	<b>67,936,631.18</b>	<b>66,613,840.24</b>	<b>1,322,790.94</b>	<b>2.0%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>8,500,065.80</b>	<b>2,536,227.59</b>	<b>5,963,838.21</b>	<b>235.1%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>3.8%</b>	<b>1.2%</b>		
Investment Gain (Losses)	4,303,754.88	(7,785,413.98)	12,089,168.86	155.3%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>12,803,820.68</b>	<b>(5,249,186.39)</b>	<b>18,053,007.07</b>	<b>343.9%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>5.6%</b>	<b>-2.6%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>23,358,792.12</b>	<b>19,035,291.59</b>	<b>4,323,500.53</b>	<b>22.7%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>10.5%</b>	<b>9.2%</b>		



## UNAUDITED

The University of Texas at Austin  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2017

	December Year-to-Date FY 2018	December Year-to-Date FY 2017	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	161,666,666.67	163,333,333.33	(1,666,666.66)	-1.0%
Sponsored Programs	186,992,613.38	177,559,609.29	9,433,004.09	5.3%
Net Sales and Services of Educational Activities	161,594,900.44	140,847,503.38	20,747,397.06	14.7%
Net Auxiliary Enterprises	140,353,975.93	145,811,155.82	(5,457,179.89)	-3.7%
Other Operating Revenues	3,042,734.48	5,110,341.23	(2,067,606.75)	-40.5%
<b>Total Operating Revenues</b>	<b>653,650,890.90</b>	<b>632,661,943.05</b>	<b>20,988,947.85</b>	<b>3.3%</b>
<b>Operating Expenses</b>				
Salaries and Wages	439,433,640.93	410,154,705.81	29,278,935.12	7.1%
Payroll Related Costs	122,438,576.72	118,203,261.57	4,235,315.15	3.6%
Membership Dues	1,249,067.72	1,243,174.95	5,892.77	0.5%
Registration Fees, Meetings, Conferences	10,581,862.79	9,747,111.33	834,751.46	8.6%
Cost of Goods Sold	9,049,444.38	8,445,172.43	604,271.95	7.2%
Professional Fees and Services	11,221,725.63	10,337,321.15	884,404.48	8.6%
Other Contracted Services	56,856,840.65	59,256,456.36	(2,399,615.71)	-4.0%
Fees and Other Charges	5,828,587.92	5,170,632.21	657,955.71	12.7%
Travel	15,147,046.84	15,059,852.60	87,194.24	0.6%
Materials and Supplies	53,814,054.27	46,596,812.81	7,217,241.46	15.5%
Utilities	32,160,477.45	30,867,493.45	1,292,984.00	4.2%
Communications	13,933,069.22	12,741,636.68	1,191,432.54	9.4%
Repairs and Maintenance	23,955,789.10	21,287,883.53	2,667,905.57	12.5%
Rentals and Leases	8,731,895.48	8,500,928.15	230,967.33	2.7%
Printing and Reproduction	2,911,920.50	2,824,189.67	87,730.83	3.1%
Royalty Payments	1,193,057.18	1,840,990.16	(647,932.98)	-35.2%
Bad Debt Expense	100,358.18	136,153.63	(35,795.45)	-26.3%
Insurance Costs/Premiums	448,884.65	404,382.53	44,502.12	11.0%
Scholarships and Fellowships	46,666,666.67	46,666,666.67	-	-
Depreciation and Amortization	104,666,666.67	92,333,333.33	12,333,333.34	13.4%
Federal Sponsored Program Pass-Through to Other State Agencies	1,253,893.25	947,199.07	306,694.18	32.4%
State Sponsored Program Pass-Through to Other State Agencies	9,377,821.06	136,301.40	9,241,519.66	6,780.2%
Other Operating Expenses	23,609,218.00	21,473,599.56	2,135,618.44	9.9%
<b>Total Operating Expenses</b>	<b>994,630,565.26</b>	<b>924,375,259.05</b>	<b>70,255,306.21</b>	<b>7.6%</b>
<b>Operating Loss</b>	<b>(340,979,674.36)</b>	<b>(291,713,316.00)</b>	<b>(49,266,358.36)</b>	<b>-16.9%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	120,202,481.00	116,777,225.33	3,425,255.67	2.9%
Nonexchange Sponsored Programs	14,333,333.33	14,335,577.43	(2,244.10)	-
Gift Contributions for Operations	67,241,586.10	58,283,306.77	8,958,279.33	15.4%
Net Investment Income	90,486,001.32	76,691,631.33	13,794,369.99	18.0%
Interest Expense on Capital Asset Financings	(23,972,105.00)	(18,792,993.24)	(5,179,111.76)	-27.6%
<b>Net Other Nonoperating Adjustments</b>	<b>268,291,296.75</b>	<b>247,294,747.62</b>	<b>20,996,549.13</b>	<b>8.5%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(72,688,377.61)</b>	<b>(44,418,568.38)</b>	<b>(28,269,809.23)</b>	<b>-63.6%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-7.7%</b>	<b>-4.9%</b>		
Available University Fund Transfer	116,620,178.93	101,287,628.67	15,332,550.26	15.1%
<b>Adjusted Income (Loss) with AUF Transfer</b>	<b>43,931,801.32</b>	<b>56,869,060.29</b>	<b>(12,937,258.97)</b>	<b>-22.7%</b>
<b>Adjusted Margin % with AUF Transfer</b>	<b>4.1%</b>	<b>5.7%</b>		
Investment Gain (Losses)	82,654,233.43	(11,210,387.92)	93,864,621.35	837.3%
<b>Adj. Inc. (Loss) with AUF Transfer &amp; Invest. Gains (Losses)</b>	<b>\$126,586,034.75</b>	<b>\$45,658,672.37</b>	<b>\$80,927,362.38</b>	<b>177.2%</b>
<b>Adj. Margin % with AUF Transfer &amp; Invest. Gains (Losses)</b>	<b>11.1%</b>	<b>4.6%</b>		
<b>Adjusted Income (Loss) with AUF Transfer excluding Depreciation &amp; Amortization</b>	<b>148,598,467.99</b>	<b>149,202,393.62</b>	<b>(603,925.63)</b>	<b>-0.4%</b>
<b>Adjusted Margin % with AUF Transfer excluding Depreciation &amp; Amortization</b>	<b>14.0%</b>	<b>14.9%</b>		

## UNAUDITED

The University of Texas at Dallas  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2017

	December Year-to-Date FY 2018	December Year-to-Date FY 2017	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	106,231,993.90	101,453,152.79	4,778,841.11	4.7%
Sponsored Programs	20,454,093.26	20,680,977.10	(226,883.84)	-1.1%
Net Sales and Services of Educational Activities	7,000,103.04	6,524,204.09	475,898.95	7.3%
Net Auxiliary Enterprises	12,539,764.17	11,491,849.41	1,047,914.76	9.1%
Other Operating Revenues	1,606,479.20	1,396,347.70	210,131.50	15.0%
<b>Total Operating Revenues</b>	<b>147,832,433.57</b>	<b>141,546,531.09</b>	<b>6,285,902.48</b>	<b>4.4%</b>
<b>Operating Expenses</b>				
Salaries and Wages	106,128,950.84	99,378,859.35	6,750,091.49	6.8%
Payroll Related Costs	24,747,378.63	23,637,987.09	1,109,391.54	4.7%
Membership Dues	326,390.89	252,647.96	73,742.93	29.2%
Registration Fees, Meetings, Conferences	1,074,617.25	912,399.31	162,217.94	17.8%
Professional Fees and Services	3,255,061.58	2,881,059.79	374,001.79	13.0%
Other Contracted Services	5,502,390.71	5,389,225.94	113,164.77	2.1%
Fees and Other Charges	407,915.23	435,484.08	(27,568.85)	-6.3%
Travel	2,506,394.48	2,379,868.17	126,526.31	5.3%
Materials and Supplies	10,371,302.42	10,553,452.90	(182,150.48)	-1.7%
Utilities	3,569,646.94	3,487,011.00	82,635.94	2.4%
Communications	560,549.57	500,816.27	59,733.30	11.9%
Repairs and Maintenance	2,665,628.84	3,011,672.23	(346,043.39)	-11.5%
Rentals and Leases	2,134,250.94	2,352,707.62	(218,456.68)	-9.3%
Printing and Reproduction	535,362.74	650,083.81	(114,721.07)	-17.6%
Royalty Payments	484,749.91	288,303.37	196,446.54	68.1%
Bad Debt Expense	21,280.00	21,280.00	-	-
Insurance Costs/Premiums	3,812,851.98	3,721,187.32	91,664.66	2.5%
Scholarships and Fellowships	14,571,989.98	13,973,389.06	598,600.92	4.3%
Depreciation and Amortization	27,182,168.32	24,503,463.98	2,678,704.34	10.9%
Federal Sponsored Program Pass-Through to Other State Agencies	40,185.35	33,532.71	6,652.64	19.8%
State Sponsored Program Pass-Through to Other State Agencies	39,627.24	42,361.19	(2,733.95)	-6.5%
Other Operating Expenses	2,225,508.06	1,931,348.74	294,159.32	15.2%
<b>Total Operating Expenses</b>	<b>212,164,201.90</b>	<b>200,338,141.89</b>	<b>11,826,060.01</b>	<b>5.9%</b>
<b>Operating Loss</b>	<b>(64,331,768.33)</b>	<b>(58,791,610.80)</b>	<b>(5,540,157.53)</b>	<b>-9.4%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	41,982,756.67	39,672,936.33	2,309,820.34	5.8%
Nonexchange Sponsored Programs	8,556,228.00	10,168,051.84	(1,611,823.84)	-15.9%
Gift Contributions for Operations	5,466,666.67	5,000,000.00	466,666.67	9.3%
Net Investment Income	9,623,602.62	8,506,574.65	1,117,027.97	13.1%
Interest Expense on Capital Asset Financings	(9,543,404.15)	(8,366,875.33)	(1,176,528.82)	-14.1%
<b>Net Other Nonoperating Adjustments</b>	<b>56,085,849.81</b>	<b>54,980,687.49</b>	<b>1,105,162.32</b>	<b>2.0%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(8,245,918.52)</b>	<b>(3,810,923.31)</b>	<b>(4,434,995.21)</b>	<b>-116.4%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-3.9%</b>	<b>-1.9%</b>		
Investment Gain (Losses)	2,299,295.74	(574,321.53)	2,873,617.27	500.3%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>(5,946,622.78)</b>	<b>(4,385,244.84)</b>	<b>(1,561,377.94)</b>	<b>-35.6%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-2.8%</b>	<b>-2.1%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>18,936,249.80</b>	<b>20,692,540.67</b>	<b>(1,756,290.87)</b>	<b>-8.5%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>8.9%</b>	<b>10.1%</b>		

## UNAUDITED

The University of Texas at El Paso  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2017

	December Year-to-Date FY 2018	December Year-to-Date FY 2017	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	44,667,208.00	42,805,196.00	1,862,012.00	4.3%
Sponsored Programs	28,866,979.73	28,467,468.20	399,511.53	1.4%
Net Sales and Services of Educational Activities	2,435,275.38	1,618,717.10	816,558.28	50.4%
Net Auxiliary Enterprises	15,338,682.08	11,469,996.10	3,868,685.98	33.7%
Other Operating Revenues	10,983.90	17,470.83	(6,486.93)	-37.1%
<b>Total Operating Revenues</b>	<b>91,319,129.09</b>	<b>84,378,848.23</b>	<b>6,940,280.86</b>	<b>8.2%</b>
<b>Operating Expenses</b>				
Salaries and Wages	67,907,344.03	67,524,326.37	383,017.66	0.6%
Payroll Related Costs	19,134,345.61	19,146,580.79	(12,235.18)	-0.1%
Membership Dues	523,025.51	478,420.12	44,605.39	9.3%
Registration Fees, Meetings, Conferences	261,106.90	272,499.41	(11,392.51)	-4.2%
Professional Fees and Services	3,651,147.40	3,362,840.86	288,306.54	8.6%
Other Contracted Services	6,733,889.33	3,968,344.72	2,765,544.61	69.7%
Fees and Other Charges	1,210,754.58	1,573,610.53	(362,855.95)	-23.1%
Travel	2,849,698.74	3,076,369.47	(226,670.73)	-7.4%
Materials and Supplies	5,875,406.35	7,032,918.59	(1,157,512.24)	-16.5%
Utilities	3,249,565.61	3,060,753.65	188,811.96	6.2%
Communications	464,994.94	402,072.30	62,922.64	15.6%
Repairs and Maintenance	4,181,147.37	3,050,845.79	1,130,301.58	37.0%
Rentals and Leases	383,365.59	860,798.71	(477,433.12)	-55.5%
Printing and Reproduction	416,269.03	409,805.18	6,463.85	1.6%
Royalty Payments	203.57	-	203.57	100.0%
Insurance Costs/Premiums	563,829.94	661,568.65	(97,738.71)	-14.8%
Scholarships and Fellowships	6,630,182.43	8,148,131.02	(1,517,948.59)	-18.6%
Depreciation and Amortization	10,234,888.32	10,312,252.63	(77,364.31)	-0.8%
Federal Sponsored Program Pass-Through to Other State Agencies	23,317.60	239,629.53	(216,311.93)	-90.3%
Other Operating Expenses	3,589,582.38	3,094,497.93	495,084.45	16.0%
<b>Total Operating Expenses</b>	<b>137,884,065.23</b>	<b>136,676,266.25</b>	<b>1,207,798.98</b>	<b>0.9%</b>
<b>Operating Loss</b>	<b>(46,564,936.14)</b>	<b>(52,297,418.02)</b>	<b>5,732,481.88</b>	<b>11.0%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	36,988,760.00	40,392,316.00	(3,403,556.00)	-8.4%
Nonexchange Sponsored Programs	2,955,015.77	2,795,325.75	159,690.02	5.7%
Gift Contributions for Operations	1,995,483.48	1,763,840.04	231,643.44	13.1%
Net Investment Income	4,847,090.14	4,297,282.90	549,807.24	12.8%
Interest Expense on Capital Asset Financings	(3,789,858.04)	(4,034,895.68)	245,037.64	6.1%
<b>Net Other Nonoperating Adjustments</b>	<b>42,996,491.35</b>	<b>45,213,869.01</b>	<b>(2,217,377.66)</b>	<b>-4.9%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(3,568,444.79)</b>	<b>(7,083,549.01)</b>	<b>3,515,104.22</b>	<b>49.6%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-2.6%</b>	<b>-5.3%</b>		
Investment Gain (Losses)	4,761,916.33	(260,188.78)	5,022,105.11	1,930.2%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>1,193,471.54</b>	<b>(7,343,737.79)</b>	<b>8,537,209.33</b>	<b>116.3%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>0.8%</b>	<b>-5.5%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>6,666,443.53</b>	<b>3,228,703.62</b>	<b>3,437,739.91</b>	<b>106.5%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>4.8%</b>	<b>2.4%</b>		

## UNAUDITED

The University of Texas of the Permian Basin  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2017

	December Year-to-Date FY 2018	December Year-to-Date FY 2017	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	7,796,553.15	5,601,882.76	2,194,670.39	39.2%
Sponsored Programs	2,482,933.41	2,021,167.41	461,766.00	22.8%
Net Sales and Services of Educational Activities	332,224.11	189,714.14	142,509.97	75.1%
Net Auxiliary Enterprises	2,888,788.33	3,924,249.79	(1,035,461.46)	-26.4%
Other Operating Revenues	653,535.00	113,108.99	540,426.01	477.8%
<b>Total Operating Revenues</b>	<b>14,154,034.00</b>	<b>11,850,123.09</b>	<b>2,303,910.91</b>	<b>19.4%</b>
<b>Operating Expenses</b>				
Salaries and Wages	11,372,700.81	11,976,084.76	(603,383.95)	-5.0%
Payroll Related Costs	3,111,153.00	3,152,045.94	(40,892.94)	-1.3%
Membership Dues	169,705.05	118,327.51	51,377.54	43.4%
Registration Fees, Meetings, Conferences	47,134.55	59,289.94	(12,155.39)	-20.5%
Cost of Goods Sold	730.61	-	730.61	100.0%
Professional Fees and Services	1,332,802.20	1,006,889.02	325,913.18	32.4%
Other Contracted Services	1,392,768.14	1,570,125.75	(177,357.61)	-11.3%
Fees and Other Charges	29,767.28	13,147.68	16,619.60	126.4%
Travel	810,518.96	619,023.05	191,495.91	30.9%
Materials and Supplies	1,543,253.63	2,686,480.90	(1,143,227.27)	-42.6%
Utilities	564,586.33	722,795.75	(158,209.42)	-21.9%
Communications	296,630.04	153,996.94	142,633.10	92.6%
Repairs and Maintenance	1,020,699.60	286,826.69	733,872.91	255.9%
Rentals and Leases	185,208.87	240,476.40	(55,267.53)	-23.0%
Printing and Reproduction	23,237.74	53,150.51	(29,912.77)	-56.3%
Royalty Payments	6.00	600.00	(594.00)	-99.0%
Bad Debt Expense	-	1,898.85	(1,898.85)	-100.0%
Insurance Costs/Premiums	63,775.46	162,971.98	(99,196.52)	-60.9%
Scholarships and Fellowships	1,530,365.32	1,592,113.17	(61,747.85)	-3.9%
Depreciation and Amortization	4,933,333.33	4,656,745.04	276,588.29	5.9%
Federal Sponsored Program Pass-Through to Other State Agencies	-	(45,152.53)	45,152.53	100.0%
Other Operating Expenses	167,080.81	(59,631.52)	226,712.33	380.2%
<b>Total Operating Expenses</b>	<b>28,595,457.73</b>	<b>28,968,205.83</b>	<b>(372,748.10)</b>	<b>-1.3%</b>
<b>Operating Loss</b>	<b>(14,441,423.73)</b>	<b>(17,118,082.74)</b>	<b>2,676,659.01</b>	<b>15.6%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	12,217,512.67	14,004,884.00	(1,787,371.33)	-12.8%
Nonexchange Sponsored Programs	1,194,186.93	3,310,175.92	(2,115,988.99)	-63.9%
Gift Contributions for Operations	833,670.46	917,420.61	(83,750.15)	-9.1%
Net Investment Income	945,989.66	770,428.60	175,561.06	22.8%
Interest Expense on Capital Asset Financings	(2,812,884.52)	(2,766,851.40)	(46,033.12)	-1.7%
<b>Net Other Nonoperating Adjustments</b>	<b>12,378,475.20</b>	<b>16,236,057.73</b>	<b>(3,857,582.53)</b>	<b>-23.8%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(2,062,948.53)</b>	<b>(882,025.01)</b>	<b>(1,180,923.52)</b>	<b>-133.9%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-7.0%</b>	<b>-2.9%</b>		
Investment Gain (Losses)	1,019,120.76	82,158.26	936,962.50	1,140.4%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>(1,043,827.77)</b>	<b>(799,866.75)</b>	<b>(243,961.02)</b>	<b>-30.5%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-3.4%</b>	<b>-2.6%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>2,870,384.80</b>	<b>3,774,720.03</b>	<b>(904,335.23)</b>	<b>-24.0%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>9.8%</b>	<b>12.2%</b>		

## UNAUDITED

The University of Texas Rio Grande Valley  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2017

	December Year-to-Date FY 2018	December Year-to-Date FY 2017	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	38,290,610.14	38,876,181.35	(585,571.21)	-1.5%
Sponsored Programs	34,945,397.38	30,546,125.63	4,399,271.75	14.4%
Net Sales and Services of Educational Activities	1,700,394.38	2,394,049.39	(693,655.01)	-29.0%
Net Professional Fees	1,317,954.17	1,727,669.43	(409,715.26)	-23.7%
Net Auxiliary Enterprises	3,626,185.14	4,402,260.44	(776,075.30)	-17.6%
Other Operating Revenues	12,950,600.82	4,604,781.65	8,345,819.17	181.2%
<b>Total Operating Revenues</b>	<b>92,831,142.03</b>	<b>82,551,067.89</b>	<b>10,280,074.14</b>	<b>12.5%</b>
<b>Operating Expenses</b>				
Salaries and Wages	74,644,181.96	71,850,260.44	2,793,921.52	3.9%
Payroll Related Costs	21,620,887.31	20,690,828.50	930,058.81	4.5%
Membership Dues	346,370.67	503,207.23	(156,836.56)	-31.2%
Registration Fees, Meetings, Conferences	415,626.90	224,558.80	191,068.10	85.1%
Cost of Goods Sold	134,801.00	97,288.53	37,512.47	38.6%
Professional Fees and Services	833,620.89	435,131.32	398,489.57	91.6%
Other Contracted Services	7,103,328.85	6,466,799.90	636,528.95	9.8%
Fees and Other Charges	1,873,630.66	865,078.32	1,008,552.34	116.6%
Travel	2,541,215.97	2,067,408.46	473,807.51	22.9%
Materials and Supplies	7,269,287.86	6,249,068.74	1,020,219.12	16.3%
Utilities	2,548,065.83	2,571,401.36	(23,335.53)	-0.9%
Communications	488,555.66	224,099.65	264,456.01	118.0%
Repairs and Maintenance	3,684,402.41	2,970,329.09	714,073.32	24.0%
Rentals and Leases	1,805,309.48	1,808,963.98	(3,654.50)	-0.2%
Printing and Reproduction	196,203.32	203,725.64	(7,522.32)	-3.7%
Royalty Payments	1,500.00	-	1,500.00	100.0%
Bad Debt Expense	390,015.54	14,593.34	375,422.20	2,572.6%
Insurance Costs/Premiums	410,537.78	160,749.33	249,788.45	155.4%
Scholarships and Fellowships	3,597,798.53	5,530,757.18	(1,932,958.65)	-34.9%
Depreciation and Amortization	12,880,675.04	13,038,816.97	(158,141.93)	-1.2%
Federal Sponsored Program Pass-Through to Other State Agencies	2,689.22	214,576.20	(211,886.98)	-98.7%
Other Operating Expenses	1,330,180.14	1,737,231.31	(407,051.17)	-23.4%
<b>Total Operating Expenses</b>	<b>144,118,885.02</b>	<b>137,924,874.29</b>	<b>6,194,010.73</b>	<b>4.5%</b>
<b>Operating Loss</b>	<b>(51,287,742.99)</b>	<b>(55,373,806.40)</b>	<b>4,086,063.41</b>	<b>7.4%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	48,923,799.33	52,549,146.67	(3,625,347.34)	-6.9%
Nonexchange Sponsored Programs	1,736,817.84	1,329,711.96	407,105.88	30.6%
Gift Contributions for Operations	3,142,260.47	2,796,636.24	345,624.23	12.4%
Net Investment Income	3,764,370.05	2,540,901.25	1,223,468.80	48.2%
Interest Expense on Capital Asset Financings	(2,784,124.20)	(3,041,179.56)	257,055.36	8.5%
<b>Net Other Nonoperating Adjustments</b>	<b>54,783,123.49</b>	<b>56,175,216.56</b>	<b>(1,392,093.07)</b>	<b>-2.5%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>3,495,380.50</b>	<b>801,410.16</b>	<b>2,693,970.34</b>	<b>336.2%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>2.3%</b>	<b>0.6%</b>		
Investment Gain (Losses)	1,462,169.76	(1,426,891.66)	2,889,061.42	202.5%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>4,957,550.26</b>	<b>(625,481.50)</b>	<b>5,583,031.76</b>	<b>892.6%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>3.3%</b>	<b>-0.4%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>16,376,055.54</b>	<b>13,840,227.13</b>	<b>2,535,828.41</b>	<b>18.3%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>10.9%</b>	<b>9.8%</b>		

## UNAUDITED

The University of Texas at San Antonio  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2017

	December Year-to-Date FY 2018	December Year-to-Date FY 2017	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	68,210,274.25	64,627,445.07	3,582,829.18	5.5%
Sponsored Programs	23,050,995.79	24,287,711.66	(1,236,715.87)	-5.1%
Net Sales and Services of Educational Activities	6,702,191.45	3,681,939.95	3,020,251.50	82.0%
Net Auxiliary Enterprises	14,271,333.33	14,672,299.83	(400,966.50)	-2.7%
Other Operating Revenues	1,118,368.28	1,789,355.67	(670,987.39)	-37.5%
<b>Total Operating Revenues</b>	<b>113,353,163.10</b>	<b>109,058,752.18</b>	<b>4,294,410.92</b>	<b>3.9%</b>
<b>Operating Expenses</b>				
Salaries and Wages	81,963,172.85	83,449,080.01	(1,485,907.16)	-1.8%
Payroll Related Costs	21,966,130.32	21,863,658.96	102,471.36	0.5%
Membership Dues	506,750.72	357,752.18	148,998.54	41.6%
Registration Fees, Meetings, Conferences	314,062.99	353,953.42	(39,890.43)	-11.3%
Cost of Goods Sold	133,333.33	133,333.33	-	-
Professional Fees and Services	3,713,681.52	2,203,985.51	1,509,696.01	68.5%
Other Contracted Services	4,865,712.02	4,542,127.01	323,585.01	7.1%
Fees and Other Charges	294,181.05	369,660.79	(75,479.74)	-20.4%
Travel	3,897,629.75	3,696,727.94	200,901.81	5.4%
Materials and Supplies	8,081,429.73	8,486,191.04	(404,761.31)	-4.8%
Utilities	4,800,266.67	4,200,695.33	599,571.34	14.3%
Communications	1,029,606.58	1,108,275.60	(78,669.02)	-7.1%
Repairs and Maintenance	3,411,461.77	3,126,214.77	285,247.00	9.1%
Rentals and Leases	538,515.48	678,331.48	(139,816.00)	-20.6%
Printing and Reproduction	537,264.45	452,879.20	84,385.25	18.6%
Royalty Payments	1,666.67	3,333.33	(1,666.66)	-50.0%
Bad Debt Expense	60,509.00	67,003.10	(6,494.10)	-9.7%
Insurance Costs/Premiums	127,839.24	91,924.06	35,915.18	39.1%
Scholarships and Fellowships	18,564,485.75	16,593,474.20	1,971,011.55	11.9%
Depreciation and Amortization	16,307,635.56	16,015,468.93	292,166.63	1.8%
Federal Sponsored Program Pass-Through to Other State Agencies	585,666.67	460,729.80	124,936.87	27.1%
Other Operating Expenses	5,633,092.58	3,727,190.29	1,905,902.29	51.1%
<b>Total Operating Expenses</b>	<b>177,334,094.70</b>	<b>171,981,990.28</b>	<b>5,352,104.42</b>	<b>3.1%</b>
<b>Operating Loss</b>	<b>(63,980,931.60)</b>	<b>(62,923,238.10)</b>	<b>(1,057,693.50)</b>	<b>-1.7%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	43,947,563.67	41,658,029.33	2,289,534.34	5.5%
Nonexchange Sponsored Programs	18,408,531.74	16,324,500.00	2,084,031.74	12.8%
Gift Contributions for Operations	2,666,666.67	2,666,666.67	-	-
Net Investment Income	5,639,730.88	4,662,190.09	977,540.79	21.0%
Interest Expense on Capital Asset Financings	(5,327,290.52)	(5,749,901.72)	422,611.20	7.3%
<b>Net Other Nonoperating Adjustments</b>	<b>65,335,202.44</b>	<b>59,561,484.37</b>	<b>5,773,718.07</b>	<b>9.7%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>1,354,270.84</b>	<b>(3,361,753.73)</b>	<b>4,716,024.57</b>	<b>140.3%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>0.7%</b>	<b>-1.9%</b>		
Investment Gain (Losses)	5,826,020.41	9,085,255.39	(3,259,234.98)	-35.9%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>7,180,291.25</b>	<b>5,723,501.66</b>	<b>1,456,789.59</b>	<b>25.5%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>3.8%</b>	<b>3.1%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>17,661,906.40</b>	<b>12,653,715.20</b>	<b>5,008,191.20</b>	<b>39.6%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>9.6%</b>	<b>7.3%</b>		

## UNAUDITED

The University of Texas at Tyler  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2017

	December Year-to-Date FY 2018	December Year-to-Date FY 2017	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	17,137,241.00	15,551,600.00	1,585,641.00	10.2%
Sponsored Programs	3,859,818.14	3,455,765.54	404,052.60	11.7%
Net Sales and Services of Educational Activities	3,969,200.29	5,307,289.99	(1,338,089.70)	-25.2%
Net Auxiliary Enterprises	3,175,560.00	2,971,332.00	204,228.00	6.9%
Other Operating Revenues	138,012.78	59,548.77	78,464.01	131.8%
<b>Total Operating Revenues</b>	<b>28,279,832.21</b>	<b>27,345,536.30</b>	<b>934,295.91</b>	<b>3.4%</b>
<b>Operating Expenses</b>				
Salaries and Wages	24,541,096.64	23,862,253.23	678,843.41	2.8%
Payroll Related Costs	6,422,667.29	6,245,473.63	177,193.66	2.8%
Membership Dues	102,327.92	109,570.97	(7,243.05)	-6.6%
Registration Fees, Meetings, Conferences	96,367.75	112,476.79	(16,109.04)	-14.3%
Cost of Goods Sold	7,464.48	5,545.43	1,919.05	34.6%
Professional Fees and Services	1,584,691.04	1,014,226.41	570,464.63	56.2%
Other Contracted Services	2,449,757.85	2,443,089.07	6,668.78	0.3%
Fees and Other Charges	79,585.31	101,667.73	(22,082.42)	-21.7%
Travel	590,344.44	648,289.95	(57,945.51)	-8.9%
Materials and Supplies	2,022,214.33	3,036,106.16	(1,013,891.83)	-33.4%
Utilities	586,802.54	804,060.19	(217,257.65)	-27.0%
Communications	331,394.25	239,207.43	92,186.82	38.5%
Repairs and Maintenance	771,820.36	972,171.25	(200,350.89)	-20.6%
Rentals and Leases	241,808.15	171,676.21	70,131.94	40.9%
Printing and Reproduction	257,356.11	384,017.64	(126,661.53)	-33.0%
Insurance Costs/Premiums	36,409.00	51,341.92	(14,932.92)	-29.1%
Scholarships and Fellowships	2,463,468.00	2,099,408.00	364,060.00	17.3%
Depreciation and Amortization	5,154,424.00	5,000,000.00	154,424.00	3.1%
Federal Sponsored Program Pass-Through to Other State Agencies	(47,477.07)	-	(47,477.07)	100.0%
Other Operating Expenses	643,700.20	845,486.83	(201,786.63)	-23.9%
<b>Total Operating Expenses</b>	<b>48,336,222.59</b>	<b>48,146,068.84</b>	<b>190,153.75</b>	<b>0.4%</b>
<b>Operating Loss</b>	<b>(20,056,390.38)</b>	<b>(20,800,532.54)</b>	<b>744,142.16</b>	<b>3.6%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	14,654,220.00	14,834,888.00	(180,668.00)	-1.2%
Nonexchange Sponsored Programs	4,004,632.00	3,711,760.00	292,872.00	7.9%
Gift Contributions for Operations	685,206.23	607,339.16	77,867.07	12.8%
Net Investment Income	1,783,905.11	1,460,772.57	323,132.54	22.1%
Interest Expense on Capital Asset Financings	(2,195,112.24)	(2,409,419.72)	214,307.48	8.9%
<b>Net Other Nonoperating Adjustments</b>	<b>18,932,851.10</b>	<b>18,205,340.01</b>	<b>727,511.09</b>	<b>4.0%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(1,123,539.28)</b>	<b>(2,595,192.53)</b>	<b>1,471,653.25</b>	<b>56.7%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-2.3%</b>	<b>-5.4%</b>		
Investment Gain (Losses)	2,019,399.57	(395,850.03)	2,415,249.60	610.1%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>895,860.29</b>	<b>(2,991,042.56)</b>	<b>3,886,902.85</b>	<b>130.0%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>1.7%</b>	<b>-6.3%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>4,030,884.72</b>	<b>2,404,807.47</b>	<b>1,626,077.25</b>	<b>67.6%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>8.2%</b>	<b>5.0%</b>		

## UNAUDITED

The University of Texas Southwestern Medical Center  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2017

	December Year-to-Date FY 2018	December Year-to-Date FY 2017	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	8,273,254.58	7,865,897.20	407,357.38	5.2%
Sponsored Programs	190,647,633.69	191,646,749.52	(999,115.83)	-0.5%
Net Sales and Services of Educational Activities	3,425,558.61	4,227,973.15	(802,414.54)	-19.0%
Net Sales and Services of Hospitals	419,282,536.09	361,079,448.26	58,203,087.83	16.1%
Net Professional Fees	222,616,547.86	204,601,890.21	18,014,657.65	8.8%
Net Auxiliary Enterprises	9,547,917.21	10,362,037.00	(814,119.79)	-7.9%
Other Operating Revenues	26,448,378.03	21,046,011.18	5,402,366.85	25.7%
<b>Total Operating Revenues</b>	<b>880,241,826.07</b>	<b>800,830,006.52</b>	<b>79,411,819.55</b>	<b>9.9%</b>
<b>Operating Expenses</b>				
Salaries and Wages	486,409,097.78	460,274,969.33	26,134,128.45	5.7%
Payroll Related Costs	126,060,444.19	121,282,255.49	4,778,188.70	3.9%
Membership Dues	3,760,367.72	1,404,067.36	2,356,300.36	167.8%
Registration Fees, Meetings, Conferences	1,544,295.72	1,897,517.82	(353,222.10)	-18.6%
Cost of Goods Sold	2,454,572.79	2,538,022.33	(83,449.54)	-3.3%
Professional Fees and Services	23,507,785.11	19,494,107.05	4,013,678.06	20.6%
Other Contracted Services	49,912,371.31	39,983,474.57	9,928,896.74	24.8%
Fees and Other Charges	567,338.67	2,267,673.96	(1,700,335.29)	-75.0%
Travel	4,456,918.93	4,127,940.03	328,978.90	8.0%
Materials and Supplies	150,355,458.61	137,734,358.33	12,621,100.28	9.2%
Utilities	7,950,822.68	7,781,935.74	168,886.94	2.2%
Communications	1,526,626.45	4,708,736.48	(3,182,110.03)	-67.6%
Repairs and Maintenance	6,986,510.62	5,606,490.70	1,380,019.92	24.6%
Rentals and Leases	3,439,294.97	3,033,112.53	406,182.44	13.4%
Printing and Reproduction	852,706.52	732,961.89	119,744.63	16.3%
Royalty Payments	860,442.52	796,466.40	63,976.12	8.0%
Insurance Costs/Premiums	612,053.59	764,384.88	(152,331.29)	-19.9%
Scholarships and Fellowships	557,379.36	616,810.08	(59,430.72)	-9.6%
Depreciation and Amortization	56,861,930.97	54,168,645.66	2,693,285.31	5.0%
Federal Sponsored Program Pass-Through to Other State Agencies	956,774.62	563,347.12	393,427.50	69.8%
Other Operating Expenses	19,729,309.66	(2,111,430.57)	21,840,740.23	1,034.4%
<b>Total Operating Expenses</b>	<b>949,362,502.79</b>	<b>867,665,847.18</b>	<b>81,696,655.61</b>	<b>9.4%</b>
<b>Operating Loss</b>	<b>(69,120,676.72)</b>	<b>(66,835,840.66)</b>	<b>(2,284,836.06)</b>	<b>-3.4%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	64,436,110.00	64,510,631.00	(74,521.00)	-0.1%
Gift Contributions for Operations	10,491,581.93	947,903.77	9,543,678.16	1,006.8%
Net Investment Income	45,422,477.22	45,395,535.53	26,941.69	0.1%
Interest Expense on Capital Asset Financings	(12,853,438.44)	(11,203,420.52)	(1,650,017.92)	-14.7%
<b>Net Other Nonoperating Adjustments</b>	<b>107,496,730.71</b>	<b>99,650,649.78</b>	<b>7,846,080.93</b>	<b>7.9%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>38,376,053.99</b>	<b>32,814,809.12</b>	<b>5,561,244.87</b>	<b>16.9%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>3.8%</b>	<b>3.6%</b>		
Investment Gain (Losses)	38,580,867.51	(20,542,423.42)	59,123,290.93	287.8%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>76,956,921.50</b>	<b>12,272,385.70</b>	<b>64,684,535.80</b>	<b>527.1%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>7.4%</b>	<b>1.4%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>95,237,984.96</b>	<b>86,983,454.78</b>	<b>8,254,530.18</b>	<b>9.5%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>9.5%</b>	<b>9.5%</b>		



## UNAUDITED

The University of Texas Medical Branch at Galveston  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2017

	December Year-to-Date FY 2018	December Year-to-Date FY 2017	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	14,073,554.39	13,207,868.23	865,686.16	6.6%
Sponsored Programs	63,703,549.52	61,054,855.24	2,648,694.28	4.3%
Net Sales and Services of Educational Activities	5,210,018.50	7,265,446.81	(2,055,428.31)	-28.3%
Net Sales and Services of Hospitals	376,342,864.00	364,930,316.31	11,412,547.69	3.1%
Net Professional Fees	65,345,319.19	64,235,716.14	1,109,603.05	1.7%
Net Auxiliary Enterprises	4,201,962.35	3,986,596.31	215,366.04	5.4%
Other Operating Revenues	22,987,031.80	23,223,305.21	(236,273.41)	-1.0%
<b>Total Operating Revenues</b>	<b>551,864,299.75</b>	<b>537,904,104.25</b>	<b>13,960,195.50</b>	<b>2.6%</b>
<b>Operating Expenses</b>				
Salaries and Wages	354,360,863.20	342,783,185.66	11,577,677.54	3.4%
Payroll Related Costs	94,786,328.15	92,167,235.60	2,619,092.55	2.8%
Membership Dues	701,713.79	707,403.94	(5,690.15)	-0.8%
Registration Fees, Meetings, Conferences	833,123.57	951,740.00	(118,616.43)	-12.5%
Cost of Goods Sold	35,146,316.48	31,737,218.29	3,409,098.19	10.7%
Professional Fees and Services	10,197,049.79	12,247,054.40	(2,050,004.61)	-16.7%
Other Contracted Services	41,076,898.09	38,129,588.81	2,947,309.28	7.7%
Fees and Other Charges	381,053.81	412,436.99	(31,383.18)	-7.6%
Travel	2,341,942.36	2,664,601.79	(322,659.43)	-12.1%
Materials and Supplies	53,750,344.49	50,975,546.51	2,774,797.98	5.4%
Utilities	11,136,486.13	12,250,052.52	(1,113,566.39)	-9.1%
Communications	3,223,950.39	3,398,965.13	(175,014.74)	-5.1%
Repairs and Maintenance	15,119,012.12	15,240,527.47	(121,515.35)	-0.8%
Rentals and Leases	8,627,864.11	8,736,113.24	(108,249.13)	-1.2%
Printing and Reproduction	498,704.22	475,603.71	23,100.51	4.9%
Royalty Payments	680,008.09	800,199.91	(120,191.82)	-15.0%
Insurance Costs/Premiums	3,474,590.55	3,586,540.09	(111,949.54)	-3.1%
Scholarships and Fellowships	3,729,322.88	4,129,844.08	(400,521.20)	-9.7%
Depreciation and Amortization	51,150,788.68	50,086,272.71	1,064,515.97	2.1%
Federal Sponsored Program Pass-Through to Other State Agencies	291,115.85	136,889.07	154,226.78	112.7%
Other Operating Expenses	6,562,570.60	4,653,024.73	1,909,545.87	41.0%
<b>Total Operating Expenses</b>	<b>698,070,047.35</b>	<b>676,270,044.65</b>	<b>21,800,002.70</b>	<b>3.2%</b>
<b>Operating Loss</b>	<b>(146,205,747.60)</b>	<b>(138,365,940.40)</b>	<b>(7,839,807.20)</b>	<b>-5.7%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	123,317,270.79	125,023,748.17	(1,706,477.38)	-1.4%
Nonexchange Sponsored Programs	332,461.00	339,761.00	(7,300.00)	-2.1%
Gift Contributions for Operations	2,931,606.68	3,286,909.08	(355,302.40)	-10.8%
Net Investment Income	15,643,158.64	15,342,353.48	300,805.16	2.0%
Interest Expense on Capital Asset Financings	(7,491,238.41)	(7,224,779.68)	(266,458.73)	-3.7%
<b>Net Other Nonoperating Adjustments</b>	<b>134,733,258.70</b>	<b>136,767,992.05</b>	<b>(2,034,733.35)</b>	<b>-1.5%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(11,472,488.90)</b>	<b>(1,597,948.35)</b>	<b>(9,874,540.55)</b>	<b>-618.0%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-1.7%</b>	<b>-0.2%</b>		
Investment Gain (Losses)	11,115,077.18	(3,699,721.15)	14,814,798.33	400.4%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>(357,411.72)</b>	<b>(5,297,669.50)</b>	<b>4,940,257.78</b>	<b>93.3%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-0.1%</b>	<b>-0.8%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>39,678,299.78</b>	<b>48,488,324.36</b>	<b>(8,810,024.58)</b>	<b>-18.2%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>5.7%</b>	<b>7.1%</b>		

## 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, 2017

	December Year-to-Date FY 2018	December Year-to-Date FY 2017	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	21,074,530.48	19,954,212.83	1,120,317.65	5.6%
Sponsored Programs	257,372,166.95	239,669,958.34	17,702,208.61	7.4%
Net Sales and Services of Educational Activities	11,954,612.73	11,114,707.13	839,905.60	7.6%
Net Sales and Services of Hospitals	23,519,645.99	23,373,170.32	146,475.67	0.6%
Net Professional Fees	115,077,597.51	116,680,455.79	(1,602,858.28)	-1.4%
Net Auxiliary Enterprises	10,162,610.85	9,437,165.24	725,445.61	7.7%
Other Operating Revenues	18,895,475.76	5,410,339.52	13,485,136.24	249.2%
<b>Total Operating Revenues</b>	<b>458,056,640.27</b>	<b>425,640,009.17</b>	<b>32,416,631.10</b>	<b>7.6%</b>
<b>Operating Expenses</b>				
Salaries and Wages	323,222,896.05	303,128,891.10	20,094,004.95	6.6%
Payroll Related Costs	67,234,594.83	62,209,702.68	5,024,892.15	8.1%
Membership Dues	587,616.22	496,985.00	90,631.22	18.2%
Registration Fees, Meetings, Conferences	934,127.52	940,641.00	(6,513.48)	-0.7%
Cost of Goods Sold	6,952,885.26	6,807,058.12	145,827.14	2.1%
Professional Fees and Services	18,597,205.87	21,351,111.66	(2,753,905.79)	-12.9%
Other Contracted Services	23,940,617.80	26,101,845.25	(2,161,227.45)	-8.3%
Fees and Other Charges	3,976,386.13	4,090,053.00	(113,666.87)	-2.8%
Travel	3,529,123.46	3,814,459.99	(285,336.53)	-7.5%
Materials and Supplies	23,730,901.99	18,872,245.64	4,858,656.35	25.7%
Utilities	5,807,245.29	5,809,670.72	(2,425.43)	-
Communications	1,778,195.58	2,180,730.51	(402,534.93)	-18.5%
Repairs and Maintenance	7,629,589.93	4,883,210.83	2,746,379.10	56.2%
Rentals and Leases	12,608,058.38	11,560,559.45	1,047,498.93	9.1%
Printing and Reproduction	1,771,534.81	2,163,284.81	(391,750.00)	-18.1%
Royalty Payments	1,303,793.10	622,222.00	681,571.10	109.5%
Insurance Costs/Premiums	4,151,374.50	2,801,875.00	1,349,499.50	48.2%
Scholarships and Fellowships	1,905,614.67	1,515,624.21	389,990.46	25.7%
Depreciation and Amortization	21,065,962.55	20,418,997.65	646,964.90	3.2%
Federal Sponsored Program Pass-Through to Other State Agencies	1,445,926.00	2,076,560.76	(630,634.76)	-30.4%
Other Operating Expenses	6,297,887.73	5,985,968.10	311,919.63	5.2%
<b>Total Operating Expenses</b>	<b>538,471,537.67</b>	<b>507,831,697.48</b>	<b>30,639,840.19</b>	<b>6.0%</b>
<b>Operating Loss</b>	<b>(80,414,897.40)</b>	<b>(82,191,688.31)</b>	<b>1,776,790.91</b>	<b>2.2%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	71,296,539.94	72,277,060.33	(980,520.39)	-1.4%
Nonexchange Sponsored Programs	447,240.00	34,648.21	412,591.79	1,190.8%
Gift Contributions for Operations	7,819,092.19	9,161,387.22	(1,342,295.03)	-14.7%
Net Investment Income	14,736,587.67	11,730,597.66	3,005,990.01	25.6%
Interest Expense on Capital Asset Financings	(4,357,387.00)	(4,752,668.24)	395,281.24	8.3%
<b>Net Other Nonoperating Adjustments</b>	<b>89,942,072.80</b>	<b>88,451,025.18</b>	<b>1,491,047.62</b>	<b>1.7%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>9,527,175.40</b>	<b>6,259,336.87</b>	<b>3,267,838.53</b>	<b>52.2%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>1.7%</b>	<b>1.2%</b>		
Investment Gain (Losses)	11,229,568.19	(4,759,208.14)	15,988,776.33	336.0%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>20,756,743.59</b>	<b>1,500,128.73</b>	<b>19,256,614.86</b>	<b>1,283.7%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>3.7%</b>	<b>0.3%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>30,593,137.95</b>	<b>26,678,334.52</b>	<b>3,914,803.43</b>	<b>14.7%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>5.5%</b>	<b>5.1%</b>		

## 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, 2017

	December Year-to-Date FY 2018	December Year-to-Date FY 2017	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	14,612,627.00	13,474,659.33	1,137,967.67	8.4%
Sponsored Programs	98,699,146.13	96,759,252.64	1,939,893.49	2.0%
Net Sales and Services of Educational Activities	8,725,837.58	8,064,462.46	661,375.12	8.2%
Net Professional Fees	68,404,130.30	59,939,329.72	8,464,800.58	14.1%
Net Auxiliary Enterprises	1,393,394.90	1,762,105.97	(368,711.07)	-20.9%
Other Operating Revenues	5,514,819.18	3,369,666.23	2,145,152.95	63.7%
<b>Total Operating Revenues</b>	<b>197,349,955.09</b>	<b>183,369,476.35</b>	<b>13,980,478.74</b>	<b>7.6%</b>
<b>Operating Expenses</b>				
Salaries and Wages	152,221,821.46	146,572,752.29	5,649,069.17	3.9%
Payroll Related Costs	40,173,608.69	38,567,694.58	1,605,914.11	4.2%
Membership Dues	1,232,698.06	1,465,074.75	(232,376.69)	-15.9%
Registration Fees, Meetings, Conferences	2,578,494.63	2,498,122.45	80,372.18	3.2%
Professional Fees and Services	7,218,912.07	7,676,595.82	(457,683.75)	-6.0%
Other Contracted Services	3,302,277.12	4,769,899.17	(1,467,622.05)	-30.8%
Fees and Other Charges	875,408.98	711,977.87	163,431.11	23.0%
Travel	1,700,297.19	1,598,736.82	101,560.37	6.4%
Materials and Supplies	20,065,964.38	14,464,951.88	5,601,012.50	38.7%
Utilities	5,883,333.33	6,192,230.00	(308,896.67)	-5.0%
Communications	2,257,673.92	5,446,534.57	(3,188,860.65)	-58.5%
Repairs and Maintenance	4,914,660.87	2,409,385.87	2,505,275.00	104.0%
Rentals and Leases	1,515,672.36	1,503,166.72	12,505.64	0.8%
Printing and Reproduction	594,799.13	722,418.20	(127,619.07)	-17.7%
Royalty Payments	6,272.32	15,562.01	(9,289.69)	-59.7%
Insurance Costs/Premiums	425,270.58	319,145.56	106,125.02	33.3%
Scholarships and Fellowships	5,223,527.69	3,574,133.99	1,649,393.70	46.1%
Depreciation and Amortization	18,500,000.00	17,333,333.33	1,166,666.67	6.7%
Federal Sponsored Program Pass-Through to Other State Agencies	583,333.33	583,333.33	-	-
Other Operating Expenses	5,973,031.47	7,587,144.70	(1,614,113.23)	-21.3%
<b>Total Operating Expenses</b>	<b>275,247,057.58</b>	<b>264,012,193.91</b>	<b>11,234,863.67</b>	<b>4.3%</b>
<b>Operating Loss</b>	<b>(77,897,102.49)</b>	<b>(80,642,717.56)</b>	<b>2,745,615.07</b>	<b>3.4%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	57,561,330.00	57,865,588.00	(304,258.00)	-0.5%
Nonexchange Sponsored Programs	416,666.67	416,666.67	-	-
Gift Contributions for Operations	7,535,108.03	19,242,620.68	(11,707,512.65)	-60.8%
Net Investment Income	15,423,208.20	13,064,438.70	2,358,769.50	18.1%
Interest Expense on Capital Asset Financings	(3,840,086.76)	(3,881,164.56)	41,077.80	1.1%
<b>Net Other Nonoperating Adjustments</b>	<b>77,096,226.14</b>	<b>86,708,149.49</b>	<b>(9,611,923.35)</b>	<b>-11.1%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(800,876.35)</b>	<b>6,065,431.93</b>	<b>(6,866,308.28)</b>	<b>-113.2%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-0.3%</b>	<b>2.2%</b>		
Investment Gain (Losses)	16,680,931.48	(3,227,808.59)	19,908,740.07	616.8%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>15,880,055.13</b>	<b>2,837,623.34</b>	<b>13,042,431.79</b>	<b>459.6%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>5.4%</b>	<b>1.0%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>17,699,123.65</b>	<b>23,398,765.26</b>	<b>(5,699,641.61)</b>	<b>-24.4%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>6.4%</b>	<b>8.5%</b>		

## 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, 2017

	December Year-to-Date FY 2018	December Year-to-Date FY 2017	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	242,764.24	1,417,317.43	(1,174,553.19)	-82.9%
Sponsored Programs	109,746,153.41	103,548,583.25	6,197,570.16	6.0%
Net Sales and Services of Educational Activities	970,910.07	960,131.97	10,778.10	1.1%
Net Sales and Services of Hospitals	1,191,724,847.20	985,867,313.38	205,857,533.82	20.9%
Net Professional Fees	142,096,772.71	130,002,848.13	12,093,924.58	9.3%
Net Auxiliary Enterprises	13,934,396.35	14,773,469.91	(839,073.56)	-5.7%
Other Operating Revenues	27,547,477.38	27,049,860.91	497,616.47	1.8%
<b>Total Operating Revenues</b>	<b>1,486,263,321.36</b>	<b>1,263,619,524.98</b>	<b>222,643,796.38</b>	<b>17.6%</b>
<b>Operating Expenses</b>				
Salaries and Wages	621,960,080.56	649,149,956.95	(27,189,876.39)	-4.2%
Payroll Related Costs	184,498,765.07	190,536,829.50	(6,038,064.43)	-3.2%
Membership Dues	1,977,883.77	2,088,231.25	(110,347.48)	-5.3%
Registration Fees, Meetings, Conferences	1,331,612.79	1,364,390.29	(32,777.50)	-2.4%
Cost of Goods Sold	938,581.25	690,398.62	248,182.63	35.9%
Professional Fees and Services	46,900,779.65	53,210,160.48	(6,309,380.83)	-11.9%
Other Contracted Services	36,079,954.82	41,874,808.67	(5,794,853.85)	-13.8%
Fees and Other Charges	3,446,748.17	5,000,792.79	(1,554,044.62)	-31.1%
Travel	5,991,477.78	6,651,319.32	(659,841.54)	-9.9%
Materials and Supplies	296,722,476.87	278,016,604.77	18,705,872.10	6.7%
Utilities	16,577,956.78	15,524,653.33	1,053,303.45	6.8%
Communications	3,185,816.35	4,712,550.84	(1,526,734.49)	-32.4%
Repairs and Maintenance	32,674,705.29	36,662,335.77	(3,987,630.48)	-10.9%
Rentals and Leases	13,440,900.04	14,742,069.65	(1,301,169.61)	-8.8%
Printing and Reproduction	1,868,625.73	1,826,523.43	42,102.30	2.3%
Royalty Payments	250,965.17	246,114.91	4,850.26	2.0%
Insurance Costs/Premiums	2,741,689.52	2,814,331.90	(72,642.38)	-2.6%
Scholarships and Fellowships	(396,262.07)	1,363,079.80	(1,759,341.87)	-129.1%
Depreciation and Amortization	126,200,640.05	126,669,712.16	(469,072.11)	-0.4%
Federal Sponsored Program Pass-Through to Other State Agencies	120,258.57	19,329.52	100,929.05	522.1%
State Sponsored Program Pass-Through to Other State Agencies	444,773.91	552,365.42	(107,591.51)	-19.5%
Other Operating Expenses	2,641,523.98	3,728,525.68	(1,087,001.70)	-29.2%
<b>Total Operating Expenses</b>	<b>1,399,599,954.05</b>	<b>1,437,445,085.05</b>	<b>(37,845,131.00)</b>	<b>-2.6%</b>
<b>Operating Loss</b>	<b>86,663,367.31</b>	<b>(173,825,560.07)</b>	<b>260,488,927.38</b>	<b>149.9%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	69,572,520.06	69,765,964.43	(193,444.37)	-0.3%
Nonexchange Sponsored Programs	20,799.88	1,211,499.88	(1,190,700.00)	-98.3%
Gift Contributions for Operations	43,072,740.11	52,235,534.23	(9,162,794.12)	-17.5%
Net Investment Income	51,368,888.45	39,288,804.75	12,080,083.70	30.7%
Interest Expense on Capital Asset Financings	(12,132,398.68)	(11,881,844.80)	(250,553.88)	-2.1%
<b>Net Other Nonoperating Adjustments</b>	<b>151,902,549.82</b>	<b>150,619,958.49</b>	<b>1,282,591.33</b>	<b>0.9%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>238,565,917.13</b>	<b>(23,205,601.58)</b>	<b>261,771,518.71</b>	<b>1,128.1%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>14.5%</b>	<b>-1.6%</b>		
Investment Gain (Losses)	39,254,221.65	(28,344,428.01)	67,598,649.66	238.5%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>277,820,138.78</b>	<b>(51,550,029.59)</b>	<b>329,370,168.37</b>	<b>638.9%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>16.4%</b>	<b>-3.7%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>364,766,557.18</b>	<b>103,464,110.58</b>	<b>261,302,446.60</b>	<b>252.6%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>22.1%</b>	<b>7.3%</b>		

## 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, 2017

	December Year-to-Date FY 2018	December Year-to-Date FY 2017	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	86,929.28	32,016.32	54,912.96	171.5%
Sponsored Programs	10,716,042.17	9,561,001.58	1,155,040.59	12.1%
Net Sales and Services of Educational Activities	1,140,866.27	1,089,520.08	51,346.19	4.7%
Net Sales and Services of Hospitals	22,281,822.21	20,196,452.18	2,085,370.03	10.3%
Net Professional Fees	5,765,142.75	6,401,422.72	(636,279.97)	-9.9%
Net Auxiliary Enterprises	60,684.30	71,484.72	(10,800.42)	-15.1%
Other Operating Revenues	10,049,954.56	5,965,590.77	4,084,363.79	68.5%
<b>Total Operating Revenues</b>	<b>50,101,441.54</b>	<b>43,317,488.37</b>	<b>6,783,953.17</b>	<b>15.7%</b>
<b>Operating Expenses</b>				
Salaries and Wages	35,635,955.72	33,129,265.53	2,506,690.19	7.6%
Payroll Related Costs	11,004,111.89	10,561,660.12	442,451.77	4.2%
Membership Dues	82,380.15	97,023.41	(14,643.26)	-15.1%
Registration Fees, Meetings, Conferences	58,208.49	124,408.91	(66,200.42)	-53.2%
Cost of Goods Sold	43,345.72	40,135.74	3,209.98	8.0%
Professional Fees and Services	3,820,445.56	4,557,855.91	(737,410.35)	-16.2%
Other Contracted Services	3,687,727.51	3,609,129.63	78,597.88	2.2%
Fees and Other Charges	358,849.45	314,093.92	44,755.53	14.2%
Travel	270,158.27	276,947.61	(6,789.34)	-2.5%
Materials and Supplies	9,791,203.01	7,730,575.96	2,060,627.05	26.7%
Utilities	703,856.22	753,108.96	(49,252.74)	-6.5%
Communications	218,280.55	371,926.65	(153,646.10)	-41.3%
Repairs and Maintenance	1,940,179.99	2,171,206.23	(231,026.24)	-10.6%
Rentals and Leases	393,604.90	586,279.28	(192,674.38)	-32.9%
Printing and Reproduction	30,089.65	26,791.94	3,297.71	12.3%
Insurance Costs/Premiums	79,324.66	61,032.33	18,292.33	30.0%
Scholarships and Fellowships	27,334.40	33,576.32	(6,241.92)	-18.6%
Depreciation and Amortization	4,564,816.70	3,898,028.78	666,787.92	17.1%
Federal Sponsored Program Pass-Through to Other State Agencies	107,787.82	130,746.36	(22,958.54)	-17.6%
Other Operating Expenses	506,414.07	787,332.09	(280,918.02)	-35.7%
<b>Total Operating Expenses</b>	<b>73,324,074.73</b>	<b>69,261,125.68</b>	<b>4,062,949.05</b>	<b>5.9%</b>
<b>Operating Loss</b>	<b>(23,222,633.19)</b>	<b>(25,943,637.31)</b>	<b>2,721,004.12</b>	<b>10.5%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	17,034,244.76	18,601,529.01	(1,567,284.25)	-8.4%
Gift Contributions for Operations	68,713.45	291,652.74	(222,939.29)	-76.4%
Net Investment Income	1,687,663.23	1,371,687.76	315,975.47	23.0%
Interest Expense on Capital Asset Financings	(690,059.20)	(614,604.12)	(75,455.08)	-12.3%
<b>Net Other Nonoperating Adjustments</b>	<b>18,100,562.24</b>	<b>19,650,265.39</b>	<b>(1,549,703.15)</b>	<b>-7.9%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(5,122,070.95)</b>	<b>(6,293,371.92)</b>	<b>1,171,300.97</b>	<b>18.6%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-7.4%</b>	<b>-9.9%</b>		
Investment Gain (Losses)	1,390,456.60	(21,208.81)	1,411,665.41	6,656.0%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>(3,731,614.35)</b>	<b>(6,314,580.73)</b>	<b>2,582,966.38</b>	<b>40.9%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-5.3%</b>	<b>-9.9%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>(557,254.25)</b>	<b>(2,395,343.14)</b>	<b>1,838,088.89</b>	<b>76.7%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>-0.8%</b>	<b>-3.8%</b>		

**4. U. T. System: Approval of the Fiscal Year 2019 Budget Preparation Policies and Calendar for budget operations**

RECOMMENDATION

With the concurrence of the Deputy Chancellor, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic 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 below and the Calendar on [Page 163](#) for use in preparing the Fiscal Year (FY) 2019 Operating Budget for the U. T. System as set out below:

U. T. System Fiscal Year 2019 Budget Preparation Policies

1. General Guidelines - The regulations and directives included in the *General Appropriations Act* enacted by the 85th Texas Legislature serve as the basis for these guidelines and policies. In preparing the draft of the FY 2019 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 Chief Budget Officer 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 2019 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 Deputy Chancellor, the appropriate Executive Vice Chancellor, and the 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 - Institutions should consider available resources and resolution of any major salary inequities when implementing merit salary increases for faculty and staff.

As defined in *Texas Education Code* Section 51.962, an employee must have been employed by the institution for the six 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. These limitations also apply to one-time merit payments.

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

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 to be conducted annually for all employees of the U. T. System. To verify compliance with this rule, U. T. System presidents and the Deputy Chancellor for U. T. System Administration shall annually certify that all eligible employees (including staff and faculty) have completed performance appraisals.

- 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 Chief Budget Officer, 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 Chief Budget Officer will issue guidance on reporting of compensation changes and amounts. It is expected that required reports will encompass highly compensated and high-ranking personnel covered by Regents' *Rules and Regulations*, Rules 20203 and 20204 along with those individuals 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*. Payments for benefits, including for retirees, should comply with the provisions of Accounting Policy Statements No. 11, "Benefits Proportional by Fund" and the *General Appropriations Act*. The Chief Budget Officer 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 Chief Budget Officer to modify the Calendar.

### BACKGROUND INFORMATION

The U. T. System FY 2019 Budget Preparation Policies are consistent with the regulations and directives included in the *General Appropriations Act* enacted by the 85th 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 2019 OPERATING BUDGET CALENDAR**

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January 2017 – August 2018	Performance appraisal focal period
February 27, 2018	U. T. System Board of Regents takes appropriate action on budget preparation policies
April 2 – 13, 2018	Major goals, priorities, and resource allocation hearings with U. T. System Administration
April 9, 2018	Request for Library, Equipment, Repair and Rehabilitation new project instructions and information on balances subject to lapse are sent to institutions
April 16, 2018	Budget instructions issues
May 21, 2018	Draft budget documents due to U. T. System
May 24 – 28, 2018	Technical budget review with U. T. System
June 1, 2018	New Library, Equipment, Repair and Rehabilitation project requests are due to U. T. System
June 8, 2018	Final budget documents due to U. T. System
July 13, 2018	Reports on highly compensated staff covered by Regents' Rules 20203 and 20204, institutional Top Ten salaries and high-ranking staff salaries due to U. T. System
July 20, 2018	Operating Budget Summaries provided to the U. T. System Board of Regents
August 10, 2018	U. T. System Board of Regents takes appropriate action on Operating Budget and President and Executive Officer compensation
August 14, 2018	Salary change report due to U. T. System

**5. U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2017**

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: Moody's Overall Scorecard Rating, Operating Expense Coverage, Annual Operating Margin, Cash on Hand, Spendable Cash and Investments to Total Debt, Debt Service to Operations, 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 2013 through Fiscal Year 2017.

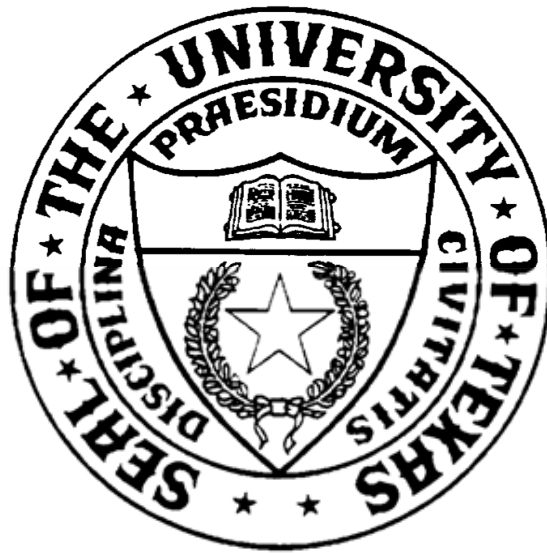
REPORT

The 2017 Analysis of Financial Condition, which is set forth on the following pages, is a broad annual financial evaluation that rates U. T. System institutions based on factors analyzed as either "Satisfactory," "Watch," or "Unsatisfactory."

An Executive Summary of the report may be found on [Pages 165 - 223](#). U. T. Health Science Center - Tyler's rating was downgraded from "Satisfactory" to "Watch" as a result of a downward trend in its financial condition over the past several years. U. T. El Paso and U. T. Permian Basin's ratings were maintained as "Watch" for Fiscal Year 2017. With the exception of those institutions, all other U. T. institutions' ratings were "Satisfactory" for Fiscal Year 2017.

# 2017 Analysis of Financial Condition

## February 2018



## The University of Texas System 2017 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. A number of changes were made to the AFC for 2017. The Composite Financial Index (CFI) was replaced with Moody's Overall Scorecard Rating, which is based upon four broad factors important to Moody's in their assessment of university ratings. Those four broad categories are as follows:

- Market Profile
- Operating Performance
- Wealth and Liquidity, and
- Leverage

There are nine sub-factor calculations under these four broad factors and each sub-factor is assigned a weight and a value. After calculating each sub-factor, the results are mapped to a Moody's rating category. The sub-factor ratings are then converted to alpha numeric values, which are multiplied by the assigned weights and summed to produce an aggregate weighted score. That aggregate score is then mapped to the appropriate Moody's rating.

In addition to replacing the CFI, the following changes were made to the 2017 AFC:

- Cash on Hand Ratio – A cash on hand ratio was added which measures the number of months an institution could continue to pay operating expenses from existing unrestricted cash and investments in the absence of additional revenue.
- Spendable Cash and Investments to Total Debt Ratio – The expendable resources to debt ratio was replaced with spendable cash and investments to total debt ratio. This ratio examines the ability of an institution to repay bondholders from wealth that can be accessed over time or for a specific purpose. Debt capacity thresholds are provided by the Office of Finance. The minimum spendable cash and investments to total debt ratio is 0.9 times.
- Debt Service to Operations Ratio – The debt burden ratio was renamed debt service to operations ratio but is calculated the same as in past years.
- Debt Service Coverage Ratio – This ratio was removed from the AFC.

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 System Offices of Business, Academic and/or Health Affairs, as appropriate.

U. T. El Paso's rating was maintained as "Watch" for 2017 as a result of a continued downward trend in the financial condition. U. T. El Paso incurred operating deficits during the past five years, and the operating expense coverage ratio fell below the System's benchmark of 2.0 months for the past three years. The operating expense coverage ratio of 1.3 months was the lowest of all the U. T. institutions in 2017. Additionally, U. T. El Paso's cash on hand was 3.1 months and the second lowest of all the academic institutions.

U. T. Permian Basin's rating was maintained as "Watch" for 2017. U. T. Permian Basin incurred operating deficits during four of the past five years. Although the operating expense coverage ratio increased by 1.1 months to the System's benchmark of 2.0 months, it was still the third lowest operating expense coverage ratio of all the U. T. institutions. Additionally, U. T. Permian Basin's cash on hand was only 2.2 months, which was the lowest of all the academic institutions.

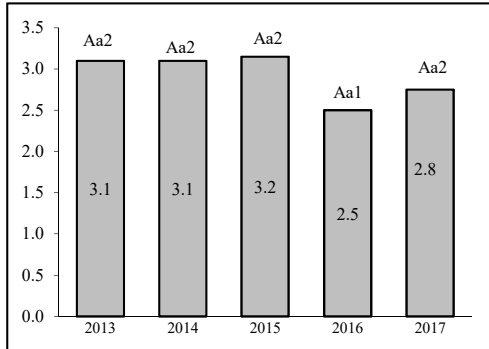
UTHSC-Tyler's rating was downgraded from "Satisfactory" to "Watch" for 2017. UTHSC-Tyler incurred an annual operating deficit in 2017 of (\$10.5) million or (5.2%), which includes net Delivery System Reform Incentive Payments (DSRIP) revenue of \$12.0 million. If the net DSRIP revenue had not been recognized in 2017, UTHSC-Tyler's annual operating deficit would have been (\$22.5) million or (12.5%). The operating expense coverage ratio decreased by 0.7 months to 1.8 months, which was below System's benchmark of 2.0 months and was the second lowest of all the U. T. institutions in 2017. Additionally, UTHSC-Tyler's cash on hand was only 0.5 months which was the lowest of all U. T. institutions.

With the exception of U. T. El Paso, U. T. Permian Basin, and UTHSC-Tyler, all of the other U. T. institutions were rated "Satisfactory" for 2017. The operating expense coverage ratios for the institutions rated "Satisfactory" were above the System's benchmark of 2.0 months. The majority of the institutions rated as "Satisfactory" also reported positive operating margins or had balances to sustain temporary losses. Additionally, cash on hand ratios for the institutions rated "Satisfactory" were above 3 months or reflected an increase.

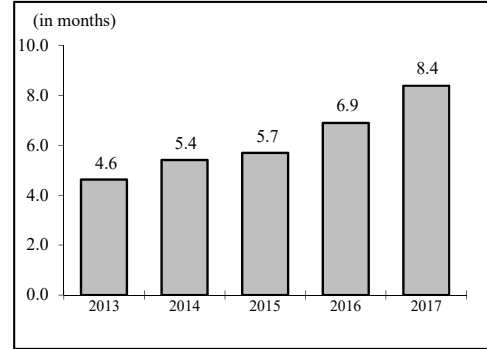
**The University of Texas at Arlington  
2017 Summary of Financial Condition**

Financial Condition: **Satisfactory**

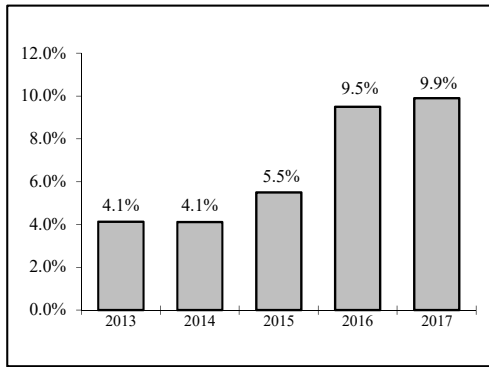
**Moody's Overall Scorecard Rating**



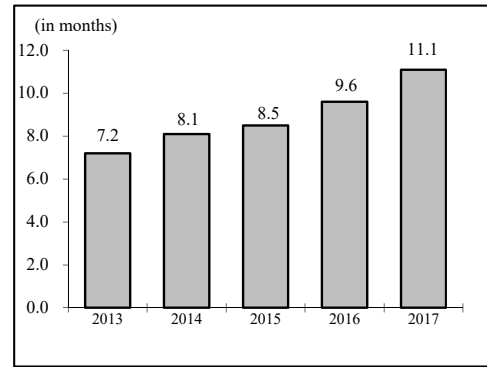
**Operating Expense Coverage**



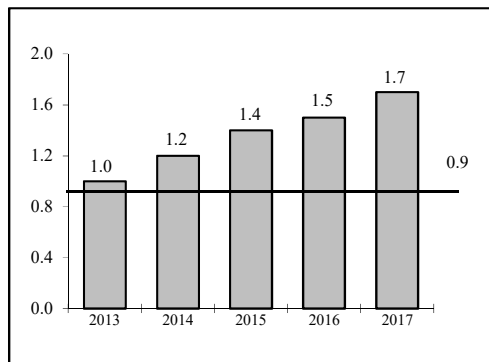
**Annual Operating Margin**



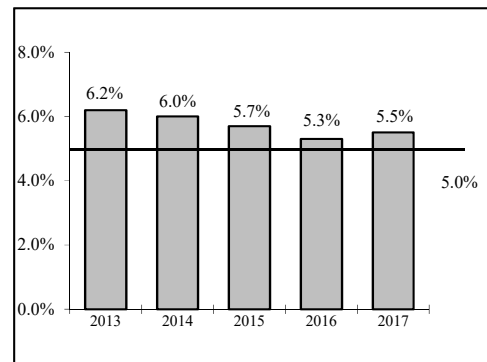
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**

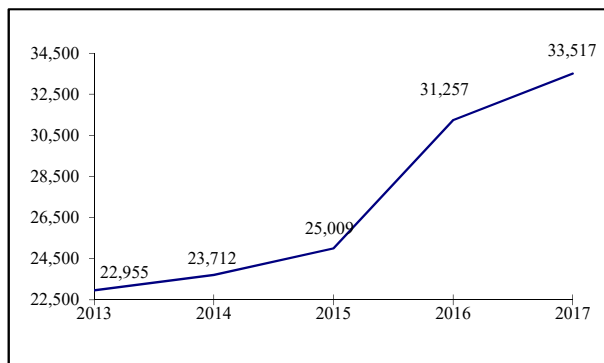


**Debt Service to Operations**



**The University of Texas at Arlington  
2017 Summary of Financial Condition**

**Full-time Equivalent  
Student Enrollment - Fall**



*Operating Expense Coverage Ratio* - U. T. Arlington's operating expense coverage ratio increased from 6.9 months in 2016 to 8.4 months in 2017 due to the growth in total unrestricted net position of \$93.2 million. The increase in total unrestricted net position was primarily attributable to the increase in operating activity in designated funds, which was partially driven by increased enrollments on-campus and in online programs, as well as tuition increases approved by the U. T. System Board of Regents; and an increase in operating activity in auxiliary enterprises resulting from the high demand for campus housing which generated increases in revenue from housing, parking and dining services. Additionally, the increase in the fair value of investments allocated to designated funds (\$16.7 million in 2017 as compared to \$3.5 million in 2016) and auxiliary enterprises (\$1.1 million in 2017 as compared to \$0.2 million in 2016) also contributed to the increase in unrestricted net position.

*Annual Operating Margin Ratio* - U. T. Arlington's annual operating margin ratio increased from 9.5% for 2016 to 9.9% for 2017 as the growth in total operating revenues, inclusive of state appropriations and net investment income (excluding gains and losses), of \$36.8 million continued to outpace the growth in total operating expenses (including interest expense) of \$30.4 million. The increase in total operating revenues was primarily due to the following: a \$23.6 million increase in net tuition and fees as a result of increased enrollments and U. T. System Board of Regents approved tuition rate increases, as mentioned above; a \$2.0 million increase in sponsored programs revenue (including nonexchange sponsored programs) primarily due to increases in contracts with the Department of Defense, Department of Health and Human Services and the Department of Commerce; a \$1.6 million increase in other operating revenues resulting from an increase in sponsored program related income; and a \$0.6 million increase in auxiliary enterprises revenue resulting from higher demand for housing, parking and dining services. In addition, a \$6.1 million increase in state appropriations, largely attributable to additional tuition revenue bond funding, and a \$2.2 million increase in net investment income (excluding gains and losses) also contributed to the increase in total operating revenues and annual operating margin. Total operating expenses increased primarily due to the following: a \$15.6 million increase in expenses required to provide instruction and services related to increased enrollments for online programs, which are offset by tuition and fee increases as noted previously; a \$10.4 million increase in salaries and wages and payroll related costs attributable to merit increases and market based salary adjustments; a \$2.0 million increase in expenses for consulting services and other expenses related to the implementation of a data warehouse, business intelligence and analytics initiative; and a \$1.4 million increase in repairs and maintenance expense due to the purchase of non-capitalizable maintenance equipment, as well as increased maintenance for buildings, the Engineering Lab electrical upgrade and deferred maintenance.

*Cash on Hand Ratio* - U. T. Arlington's cash on hand ratio increased from 9.6 months in 2016 to 11.1 months in 2017. The increase in this ratio was primarily attributable to an increase in unrestricted cash and cash equivalents of \$75.6 million largely as a result of operating proceeds for tuition and fees, sponsored programs and auxiliary enterprises, and investment proceeds. Approximately \$60.0 million of the cash on hand is central reserves being held for the following: debt service on the College Park Center; reserve for the Science and Engineering Innovation and Research Building in the event that anticipated gifts for the project are not collected; start-up funds for U. T. Arlington's Fort Worth initiative; Information Technology (IT) infrastructure project being funded locally due to anticipated Library, Equipment, Repair and Rehabilitation (LERR) funding not received; several IT software acquisitions and projects, including Web Modernization, Customer Relationship Management, and Timekeeping System; and funding for U. T. Arlington's west campus auxiliary construction.

*Spendable Cash & Investments to Total Debt Ratio* - U. T. Arlington's spendable cash and investments to total debt ratio increased from 1.5 times in 2016 to 1.7 times in 2017 as a result of an increase in total cash and cash equivalents and investments (net of total nonexpendable net position) of \$80.8 million as a result of the increase in cash and cash equivalents, as discussed above, combined with an increase in the investments in the Intermediate Term Fund due to normal appreciation on those funds, and an increase in the expendable portion of endowment funds. This ratio exceeded the minimum threshold as provided by the Office of Finance of 0.9 times.

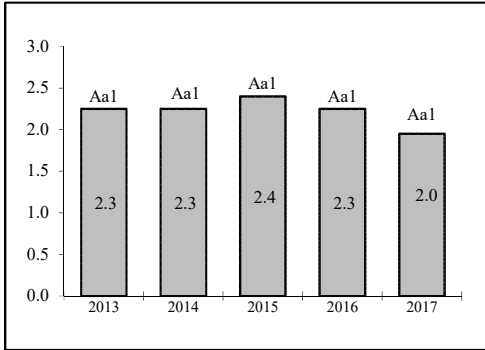
*Debt Service to Operations Ratio* - U. T. Arlington's debt service to operations ratio increased from 5.3% in 2016 to 5.5% in 2017, which exceeded the maximum threshold provided by the Office of Finance of 5.0%. The increase in this ratio was a result of an increase in debt service payments.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Arlington's FTE student enrollment increased due to a 7.3% increase in enrollment.

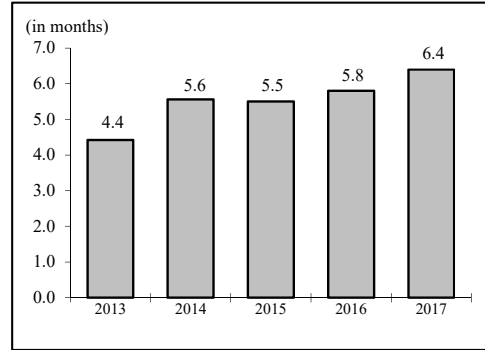
**The University of Texas at Austin  
2017 Summary of Financial Condition**

Financial Condition: **Satisfactory**

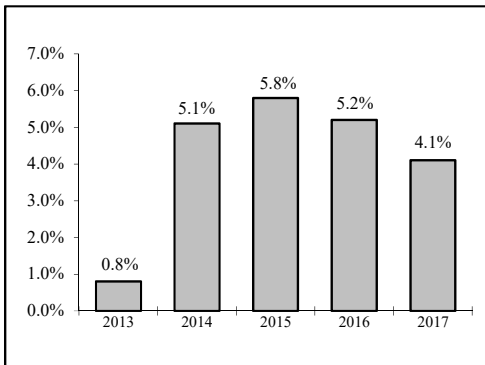
**Moody's Overall Scorecard Rating**



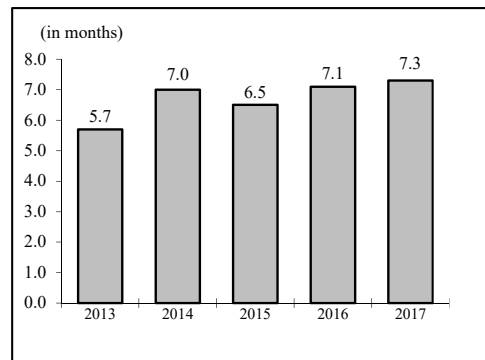
**Operating Expense Coverage**



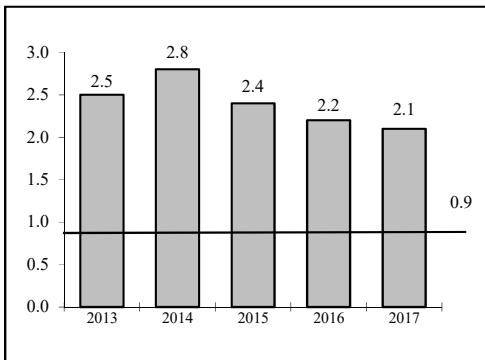
**Annual Operating Margin**



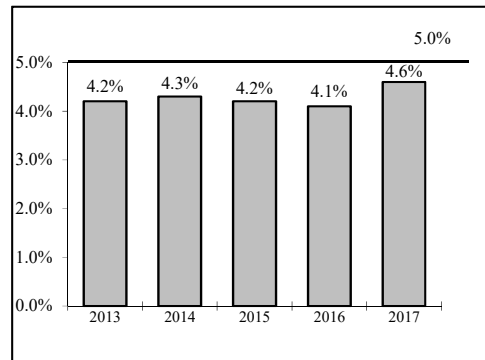
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



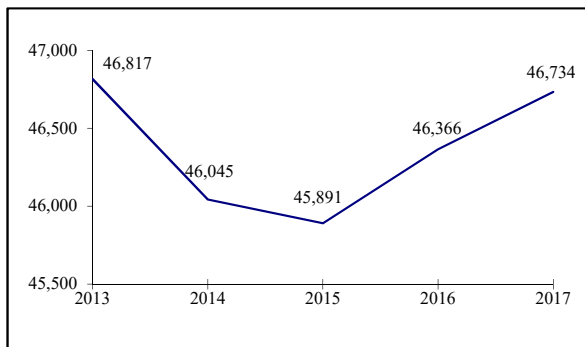
**Debt Service to Operations**





**The University of Texas at Austin  
2017 Summary of Financial Condition**

**Full-time Equivalent  
Student Enrollment - Fall**



*Operating Expense Coverage Ratio* - U. T. Austin's operating expense coverage ratio increased from 5.8 months in 2016 to 6.4 months in 2017 due to an increase of \$202.9 million in total unrestricted net position, which was partially offset by an increase of \$135.0 million in total operating expenses (including interest expense). The growth in total unrestricted net position was primarily driven by activity in educational and general funds and designated funds, including an increase in the transfer from the Available University Fund (AUF) for operations and increases in the fair value of investments allocated to these funds groups, combined with an increase in unrestricted funding intended for capital projects. The increase in total operating expenses was primarily attributable to the following: a \$75.4 million increase in salaries and wages and payroll related costs as a result of an average 2% strategic merit-based salary increase to attract and retain faculty and staff; a \$29.3 million increase in depreciation and amortization expense largely driven by the new Dell Medical School and the Engineering Education and Research Center buildings, which were placed into service in 2017; a \$16.3 million increase in materials and supplies mainly due to noncapitalizable furniture and equipment purchases for the Dell Medical School and the Engineering Education and Research Center buildings, as well as an \$8.8 million payment for an online database subscription that was classified as library books in prior years; and a \$12.4 million increase in other contracted services as a result of an increase in the number of performances at the Frank Erwin Center compared to the prior year, and an increase in expenses related to federal grants.

*Annual Operating Margin Ratio* - U. T. Austin's annual operating margin ratio decreased from 5.2% for 2016 to 4.1% for 2017 as a result of the growth in total operating expenses of \$135.0 million exceeding the growth in total operating revenues of \$109.4 million. The increase in total operating expenses is discussed above. Total operating revenues increased primarily due to the following: a \$42.1 million increase in the transfer from the AUF; a \$37.6 million increase in sponsored programs revenue (including nonexchange sponsored programs) attributable to an increase in funding from the National Science Foundation in support of the Texas Advanced Computing Center; a \$25.9 million increase in net auxiliary enterprises revenue generated by increased ticket sale revenue at the Frank Erwin Center and the recognition of \$1.3 million of the Nike contract, as well as overall increases in athletic ticket sales, housing and food income, and parking and transportation receipts; and a \$10.7 million increase in net investment income (excluding realized gains and losses).

*Cash on Hand Ratio* - U. T. Austin's cash on hand ratio increased from 7.1 months in 2016 to 7.3 months in 2017. The increase in this ratio was primarily attributable to a \$67.2 million increase in Intermediate Term Fund unrestricted pooled operating funds resulting from market appreciation on these funds.

*Spendable Cash & Investments to Total Debt Ratio* - U. T. Austin's spendable cash and investments to total debt ratio decreased from 2.2 times in 2016 to 2.1 times in 2017; however, this ratio still remained above the minimum threshold provided by the Office of Finance of 0.9 times. The slight decrease in this ratio was due to the increase of \$234.8 million in the amount of debt outstanding related to the Dell Medical School, Rowling Hall, the Engineering Education and Research Center, and the East Campus Parking Garage.

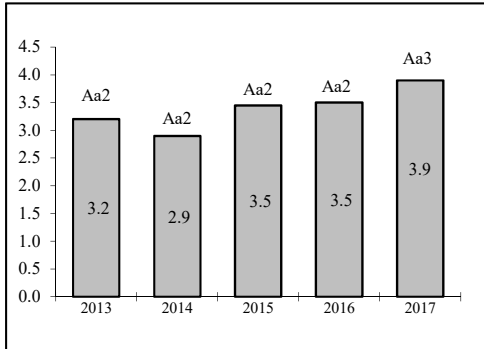
*Debt Service to Operations Ratio* - U. T. Austin's debt service to operations ratio increased from 4.1% in 2016 to 4.6% in 2017 due to an increase of \$18.9 million in debt service payments. Despite the increase in this ratio, it still fell below the maximum threshold provided by the Office of Finance of 5.0%.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Austin's FTE student enrollment experienced an overall increase due to an increase in Fall 2017 undergraduate enrollment of 324 over Fall 2016.

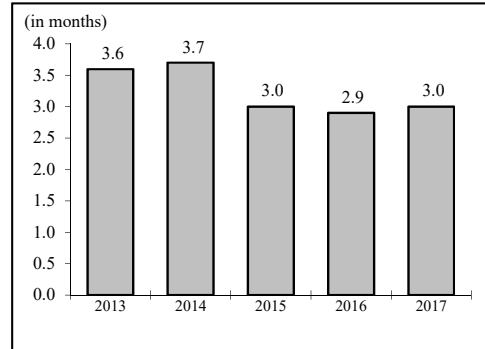
**The University of Texas at Dallas  
2017 Summary of Financial Condition**

Financial Condition: **Satisfactory**

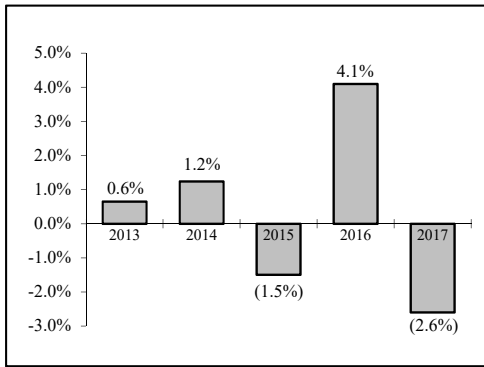
**Moody's Overall Scorecard Rating**



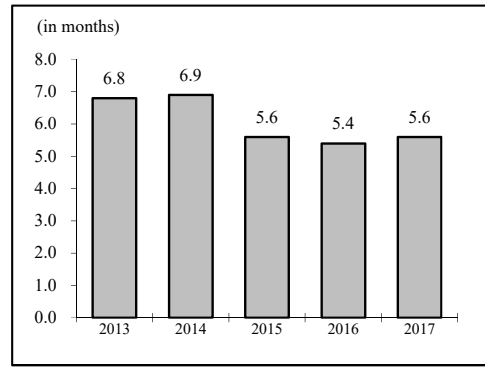
**Operating Expense Coverage**



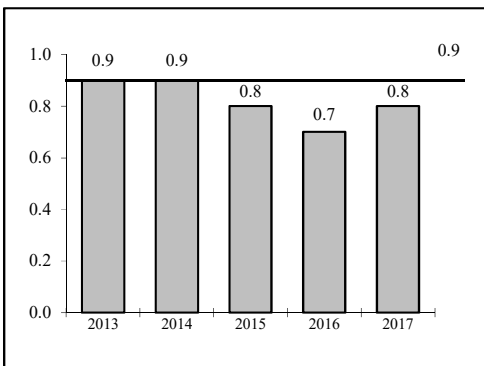
**Annual Operating Margin**



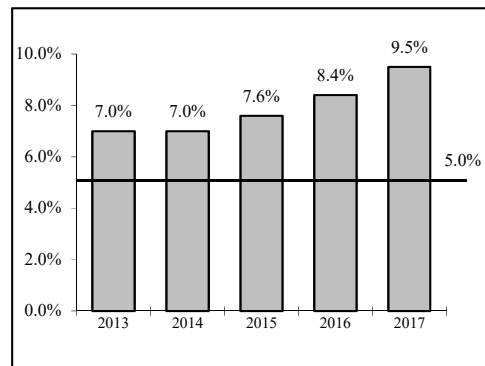
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**

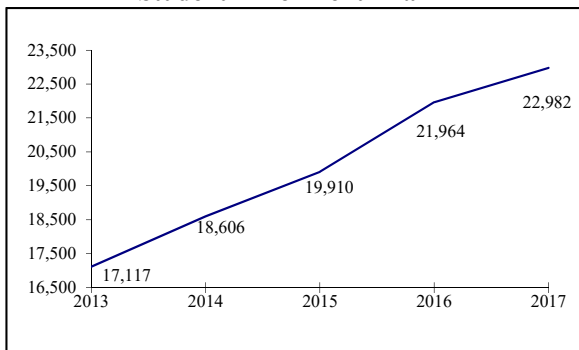


**Debt Service to Operations**



**The University of Texas at Dallas  
2017 Summary of Financial Condition**

**Full-time Equivalent  
Student Enrollment - Fall**



*Operating Expense Coverage Ratio* - U. T. Dallas' operating expense coverage ratio increased slightly from 2.9 months in 2016 to 3.0 months in 2017 primarily due to an increase in total unrestricted net position of \$15.9 million. The growth in total unrestricted net position was largely attributable to an increase in the amount of unrestricted funds functioning as endowments.

*Annual Operating Margin Ratio* - U. T. Dallas' annual operating margin ratio decreased from 4.1% for 2016 to (2.6%) for 2017 as the growth in total operating expenses (including interest expense) of \$46.2 million far outpaced the growth in total operating revenues of \$4.6 million. The increase in total operating expenses was primarily attributable to the following: a \$28.4 million increase in salaries and wages and payroll related costs as a result of merit increases, new faculty hires to accommodate the growth in student enrollment and increased benefits costs; an \$8.2 million increase in depreciation and amortization expense due to a full year of depreciation expense recognized on the Bioengineering & Sciences Building, the Callier Richardson expansion, the Parking Structure IV and Landscape Enhancement II, as well as the Student Service building addition, the Student Housing Living/Learning Center VI and VII, the Davidson Gundy Alumni Center and the Brain Performance Institute, which were placed into service in 2017; and a \$5.4 million increase in interest expense related to the new buildings. Total operating revenues increased largely due to the following: a \$26.1 million increase in net tuition and fees driven by an increase in rates and enrollment growth; a \$7.2 million increase in state appropriations (including tuition revenue bond supplemental funding); a \$4.4 million increase in net auxiliary enterprises revenue resulting from an increase in revenue from housing due to the addition of the Student Housing Living/Learning Center VI and VII, and additional parking revenue generated from the new parking garage; and a \$2.2 million increase in net investment income (excluding realized gains and losses). These increases in operating revenue were offset by a \$22.1 million decrease in sponsored programs revenue (including nonexchange sponsored programs) primarily due to a reduction in Texas Research Incentive Program (TRIP) funding in 2017, and a \$13.8 million decrease in gifts for operations as a result of several large gifts received in 2016 with no such comparable gifts in 2017.

*Cash on Hand Ratio* - U. T. Dallas' cash on hand ratio increased from 5.4 months in 2016 to 5.6 months in 2017. The increase in this ratio was attributable to a \$27.9 million increase in unrestricted cash and cash equivalents resulting from the timing of the collection of Pell in 2017.

*Spendable Cash & Investments to Total Debt Ratio* - U. T. Dallas' spendable cash and investments to total debt ratio increased from 0.7 times in 2016 to 0.8 times in 2017 and remained below the minimum threshold provided by Office of Finance of 0.9 times. The increase in this ratio was a result of an increase in unrestricted cash and cash equivalents, as discussed above, and an increase in restricted investments driven by the appreciation on endowment funds and endowment gifts received in 2017.

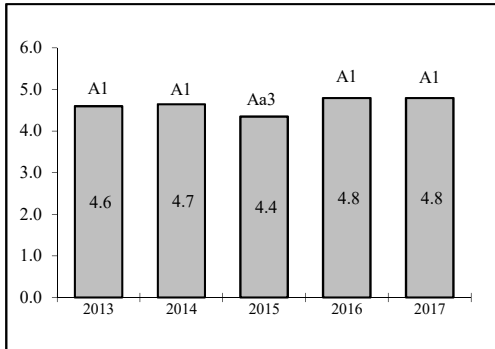
*Debt Service to Operations Ratio* - U. T. Dallas' debt service to operations ratio increased from 8.4% in 2016 to 9.5% in 2017 due to a \$9.8 million increase in debt service payments related to the new buildings discussed above. This ratio exceeded the maximum threshold of 5.0% provided by the Office of Finance.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Dallas' FTE student enrollment increased by 4.6% from 2016 to 2017. The upward trend in FTE student enrollment relative to gross enrollment reflects the effects of the U. T. Dallas' 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 2017, undergraduate FTEs rose 6.8% over the fall of 2016 while doctoral student FTEs increased by 15.6% and masters student FTEs decreased by 3.4%.

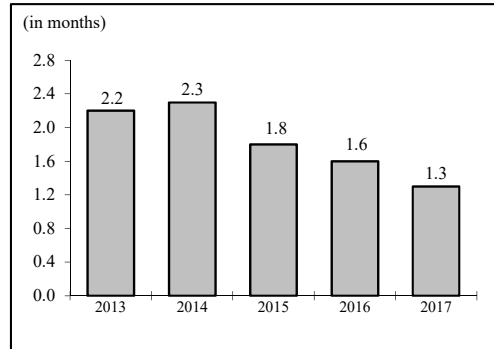
**The University of Texas at El Paso  
2017 Summary of Financial Condition**

Financial Condition: **Watch**

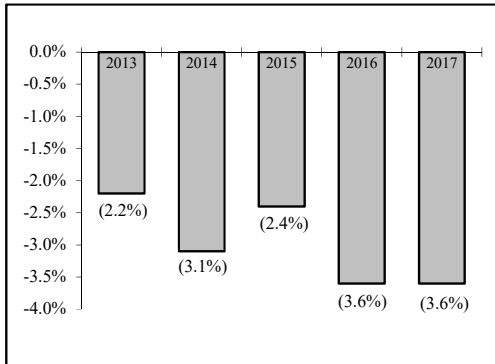
**Moody's Overall Scorecard Rating**



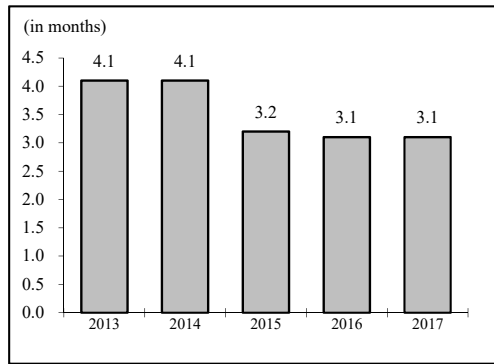
**Operating Expense Coverage**



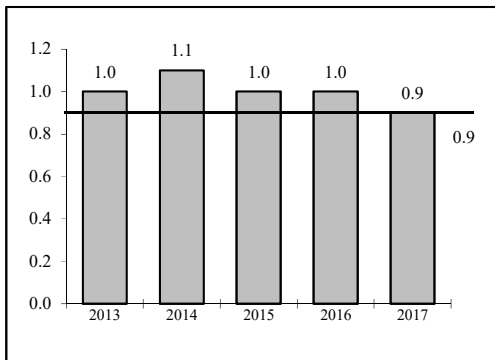
**Annual Operating Margin**



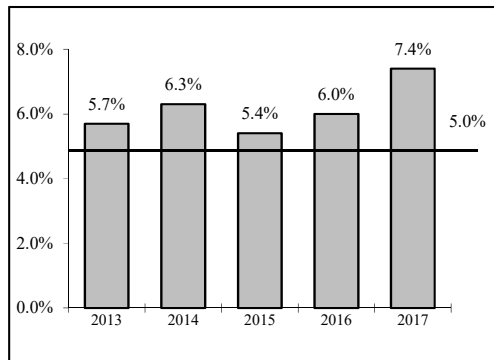
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**

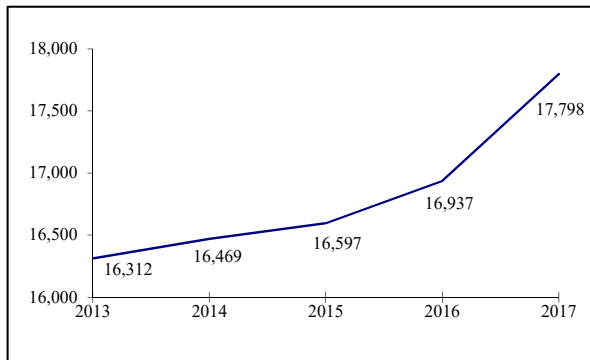


**Debt Service to Operations**



**The University of Texas at El Paso  
2017 Summary of Financial Condition**

**Full-time Equivalent  
Student Enrollment - Fall**



*Operating Expense Coverage Ratio* - U. T. El Paso's operating expense coverage ratio decreased from 1.6 months in 2016 to 1.3 months in 2017 due to a decrease in total unrestricted net position of \$10.1 million combined with an increase in total operating expenses (including interest expense) of \$5.4 million. The decline in total unrestricted net position was largely caused by a decrease in operating results in designated funds and auxiliary enterprises funds. The increase in total operating expenses was primarily driven by an \$8.5 million increase in salaries and wages and payroll related costs resulting from a 2.0% merit pool for faculty and staff and increases in academic and research full-time equivalents, as well as a corresponding increase in benefits. This increase in expenses was partially offset by decreases in the following: a \$1.5 million decrease in professional fees and services due to legal fees related to cancellation of the Pearson Agreement and consultant fees for PeopleSoft corrections in 2016; a \$0.7 million decrease in scholarships and fellowships as a result of tuition discounting; a \$0.5 million decrease in materials and supplies caused by cost containment measures implemented in 2017; and a \$0.5 million decrease in rentals and leases attributable to a one-time reclassification of \$0.2 million to professional fees and other contracted services and \$0.1 million related to the termination of the shuttle services contract.

*Annual Operating Margin Ratio* - U. T. El Paso's annual operating margin ratio remained unchanged at (3.6%) for 2017 as a result of offsetting growth in total operating revenues of \$5.5 million compared with total operating expenses of \$5.4 million. The increase in total operating revenues was primarily due to the following: a \$3.0 million increase in sponsored programs revenue (including nonexchange sponsored programs) largely due to an increase in Pell Grants in 2017; a \$2.4 million increase in state appropriations (including tuition revenue bond supplemental funding); a \$1.8 million increase in net tuition and fees due to an approved tuition increase and modest enrollment growth of 1.5%; a \$0.5 million increase in net investment income (excluding realized gains and losses); and a \$0.5 million increase in net sales and services of educational activities resulting from increases in state sponsored programs revenue from agencies outside of Texas. These increases in revenues were partially offset by the following: a \$1.6 million decrease in net auxiliary enterprises revenues caused by a decrease in athletic conference income of \$1.2 million and a decrease in bookstore contract income of \$0.4 million; and a \$0.7 million decrease in other operating revenues primarily due to funds received from U. T. System Administration in 2016 to offset expenses for Surge efforts related to PeopleSoft. The increase in total operating expenses is discussed above in the operating expense coverage ratio.

*Cash on Hand Ratio* - U. T. El Paso's cash on hand ratio remained unchanged at 3.1 months in 2017. The ratio remained unchanged due to the growth in total unrestricted cash and cash equivalents of \$2.2 million and Intermediate Term Fund (ITF) unrestricted pooled operating funds of \$1.2 million offsetting the growth in total operating expenses. Total unrestricted cash and cash equivalents increased due to normal annual fluctuations in cash and the increase in tuition and fees discussed above. The increase in the ITF funds was attributable to market appreciation on these funds.

*Spendable Cash & Investments to Total Debt Ratio* - U. T. El Paso's spendable cash and investments to total debt ratio decreased slightly from 1.0 times in 2016 to 0.9 times in 2017 and equaled the minimum threshold provided by the Office of Finance. The decrease in this ratio was attributable to an increase of \$43.2 million in the amount of debt outstanding related to the Interdisciplinary Research Facility.

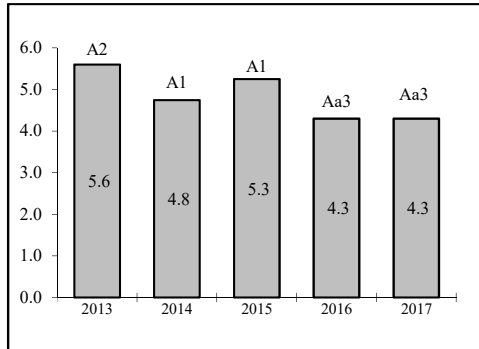
*Debt Service to Operations Ratio* - U. T. El Paso's debt service to operations ratio increased from 6.0% in 2016 to 7.4% in 2017 as a result of an increase in debt service payments of \$5.9 million. The maximum threshold for this ratio as provided by the Office of Finance is 5.0%.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. El Paso's FTE student enrollment increased 5.1% primarily due to increases in undergraduate enrollment.

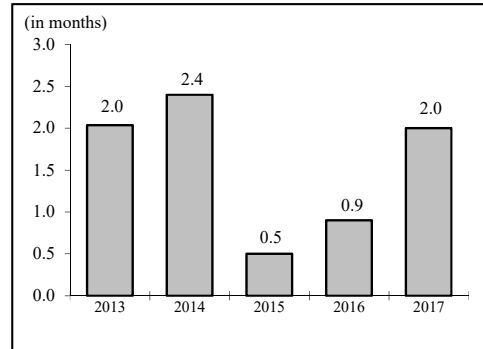
**The University of Texas of the Permian Basin  
2017 Summary of Financial Condition**

Financial Condition: **Watch**

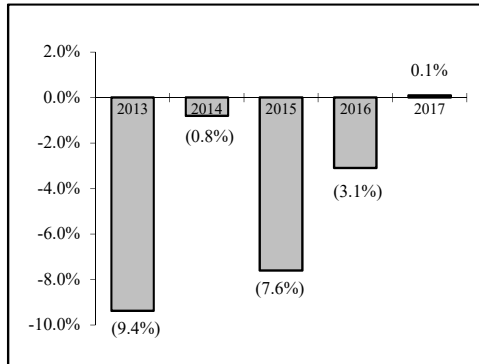
**Moody's Overall Scorecard Rating**



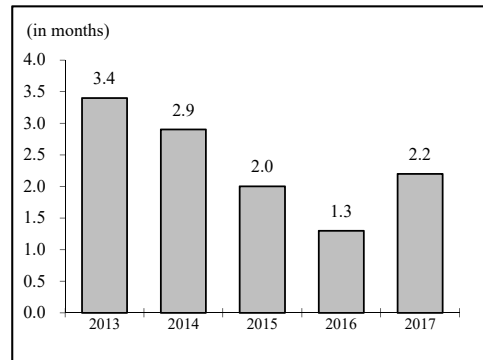
**Operating Expense Coverage**



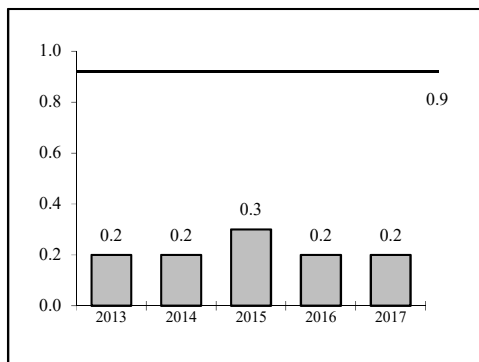
**Annual Operating Margin**



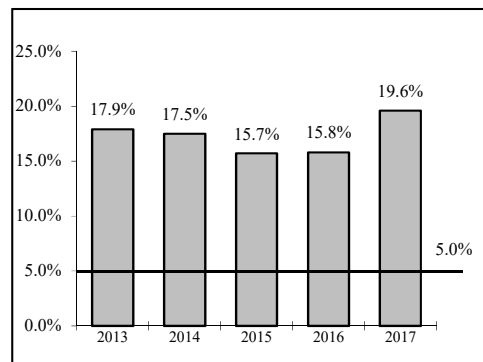
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**

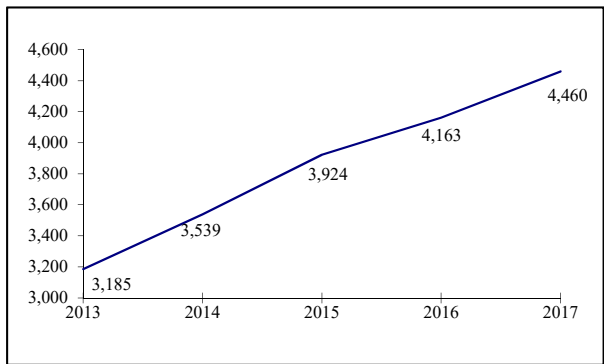


**Debt Service to Operations**



**The University of Texas of the Permian Basin  
2017 Summary of Financial Condition**

**Full-time Equivalent  
Student Enrollment - Fall**



*Operating Expense Coverage Ratio* - U. T. Permian Basin's operating expense coverage ratio increased from 0.9 months in 2016 to 2.0 months in 2017 due to the growth in total unrestricted net position of \$9.5 million. The increase in total unrestricted net position was primarily driven by an increase in activity in designated funds, including \$2.5 million of insurance proceeds received as a result of damage sustained from a hailstorm in 2017, and an increase in unrestricted funding intended for capital projects.

*Annual Operating Margin Ratio* - U. T. Permian Basin's annual operating margin ratio increased from (3.1%) for 2016 to 0.1% for 2017 as a result of the growth in total operating revenues of \$12.9 million exceeding the growth in total operating expenses (including interest expense) of \$10.3 million. The increase in total operating revenues was primarily attributable to the following: a \$5.5 million increase in sponsored programs revenue (including nonexchange sponsored programs) largely due to an increase in the STEM Charter School Academy and due to a portion of the prior year Pell Grant funding not being drawn down until 2017; a \$3.8 million increase in state appropriations (including tuition revenue bond supplemental funding); a \$2.2 million increase in net sales and services of educational activities resulting from an increase in rental income from the STEM Charter School Academy and sponsored reclassifications; a \$1.7 million increase in auxiliary enterprises revenue generated by increased revenue from parking and meal plans; and a \$1.3 million increase in gifts for operations for the football program, First 5, and Aeronautical Engineering. These increases in revenue were slightly offset by a decrease in net tuition and fees of \$1.9 million as a result of an increase in discounts and allowances related to institutional funded awards for new admissions and scholarship renewals. Total operating expenses increased primarily due to the following: a \$2.8 million increase in salaries and wages and payroll related costs driven by a 2.0% merit increase for faculty and staff; a \$1.9 million increase in depreciation and amortization expense due to the recognition of a full year of depreciation expense on the Residence Hall, which was placed into service in 2016; a \$1.3 million increase in interest expense; a \$1.3 million increase in repairs and maintenance as a result of the hail damage sustained in 2017; a \$1.0 million increase in other contracted services related to increased services provided by Touchnet; a \$0.8 million increase in professional fees and services attributable to a timing difference in the payment for the Academic Partnership; and a \$0.7 million increase in scholarships and fellowships attributable to timing differences associated with Pell.

*Cash on Hand Ratio* - U. T. Permian Basin's cash on hand ratio increased from 1.3 months in 2016 to 2.2 months in 2017. The increase in this ratio was attributable to an increase in the amount of funds invested in the Intermediate Term Fund and market appreciation on these investments.

*Spendable Cash & Investments to Debt Ratio* - U. T. Permian Basin's spendable cash and investments to debt ratio remained unchanged at 0.2 times in 2017, which was well below the minimum threshold of 0.9 times as provided by the Office of Finance. The stability of this ratio was due to the increase in total cash and cash equivalents and investments (excluding nonexpendable net position) of \$10.8 million offset by the increase in the amount of debt outstanding of \$37.6 million related to the School of Engineering Building and the Residence and Dining Hall.

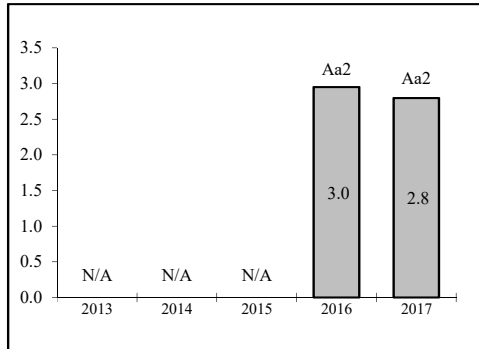
*Debt Service to Operations Ratio* - U. T. Permian Basin's debt service to operations ratio increased from 15.8% in 2016 to 19.6% in 2017, which far exceeded the maximum threshold provided by the Office of Finance of 5.0%. The increase in this ratio was attributable to an increase in debt service payments of \$5.0 million.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Permian Basin's FTE student enrollment increased due to the continued growth in dual credit enrollment, growth in transfer students and increased retention.

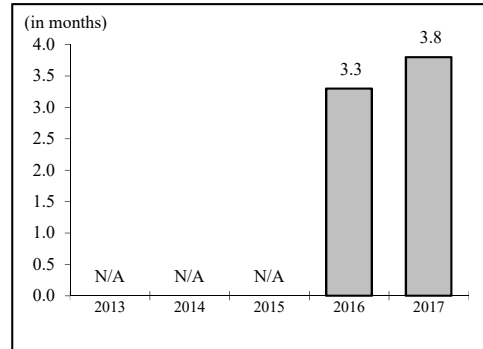
**The University of Texas Rio Grande Valley  
2017 Summary of Financial Condition**

Financial Condition: **Satisfactory**

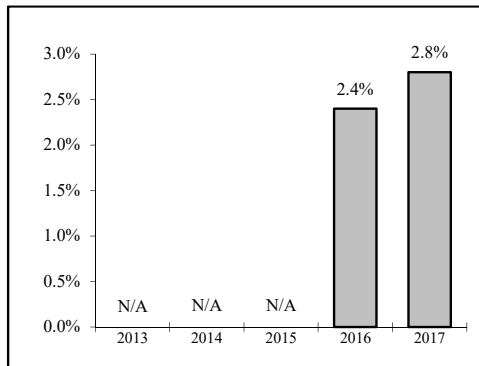
**Moody's Overall Scorecard Rating**



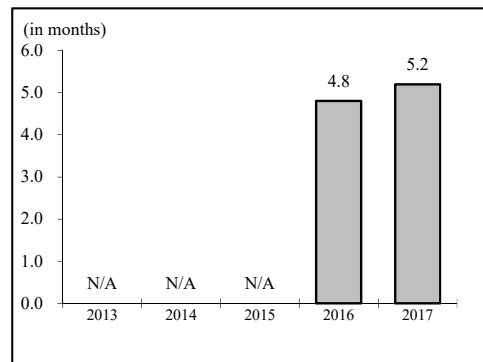
**Operating Expense Coverage**



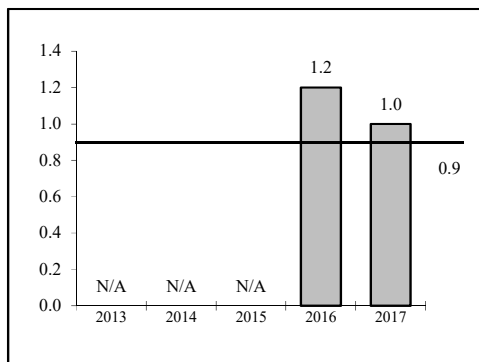
**Annual Operating Margin**



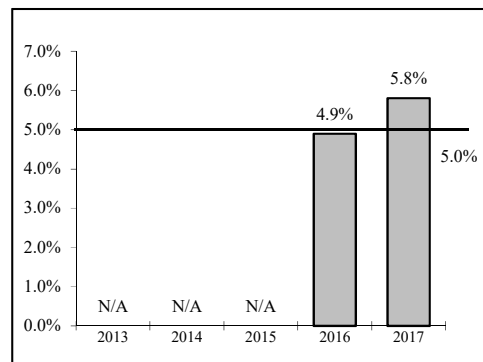
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



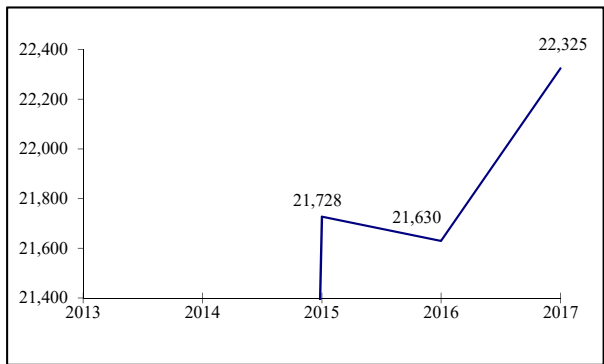
**Debt Service to Operations**





**The University of Texas Rio Grande Valley  
2017 Summary of Financial Condition**

**Full-time Equivalent  
Student Enrollment - Fall**



*Operating Expense Coverage Ratio* - U. T. Rio Grande Valley's operating expense coverage ratio increased from 3.3 months in 2016 to 3.8 months in 2017 due to the growth in total unrestricted net position of \$31.6 million. The increase in total unrestricted net position was primarily attributable to the activity in designated funds including \$5.1 million of net revenue from the Delivery System Reform Incentive Payments (DSRIP) associated with the Medicaid Section 1115 Demonstration and \$21.5 million for the Graduate Medical Education (GME) programs at Doctors Hospital at Renaissance (DHR) and Valley Baptist Medical Center (VBMC). An increase in unrestricted funding intended for capital projects also contributed to the growth of total unrestricted net position.

*Annual Operating Margin Ratio* - U. T. Rio Grande Valley's annual operating margin ratio increased from 2.4% for 2016 to 2.8% for 2017 as the growth in total operating revenues of \$37.4 million exceeded the growth in total operating expenses (including interest expense) of \$34.8 million. The increase in total operating revenues was primarily attributable to the following: a \$17.0 million increase in other operating revenues resulting from the DSRIP and GME programs associated with the School of Medicine, a \$5.8 million DHR settlement received in 2017, and the recovery of prior year write-offs of Federal Perkins and Emergency loans; a \$6.2 million increase in state appropriations (including tuition revenue bond supplemental funding); a \$5.1 million increase in net tuition and fees related to an increase in enrollment as 2017 was only the second year of operations for U. T. Rio Grande Valley and a slight tuition increase which applied only to new students; a \$4.2 million increase in gifts for operations as a result of an increase in contributions from private and local funding agencies; a \$2.0 million increase in sponsored programs revenue (including nonexchange sponsored programs) largely due to the College of Sciences programs and Pell Grants; and a \$1.4 million increase in net sales and services of educational activities driven by increases in sales from the Lower Rio Grande Valley Storm Water Task Force, Graduate Continuing Education and the Physics Cooperative Doctoral Program. The increase in total operating expenses was primarily due to the following: a \$17.2 million increase in salaries and wages and payroll related costs resulting from merit increases, salary adjustments and additional faculty positions; a \$12.2 million increase in other contracted services related to increased expenses associated with the School of Medicine residency program for DHR and Price Waterhouse Cooper, the sub-award for the Headstart Program, shuttle services and athletics; a \$2.4 million increase in bad debt expense as a result of the write-off of a \$3.0 million pledge from the City of McAllen; a \$1.5 million increase in depreciation and amortization expense attributable to various buildings and improvements that were placed into service in 2017; and a \$1.1 million increase in materials and supplies related to research, operations and maintenance of plant, and the School of Medicine.

*Cash on Hand Ratio* - U. T. Rio Grande Valley's cash on hand ratio increased from 4.8 months in 2016 to 5.2 months in 2017. The increase in this ratio was attributable to an increase in unrestricted cash and cash equivalents, as well as an increase in the amount of funds invested in the Intermediate Term Fund and market appreciation on these funds.

*Spendable Cash & Investments to Debt Ratio* - U. T. Rio Grande Valley's spendable cash and investments to debt ratio decreased from 1.2 times in 2016 to 1.0 times in 2017, which still exceeded the minimum threshold of 0.9 times provided by the Office of Finance. The decrease in this ratio was driven by an increase of \$48.8 million in the amount of debt outstanding related to the Multi-purpose Academic Building and the Interdisciplinary Engineering Academic Studies Building.

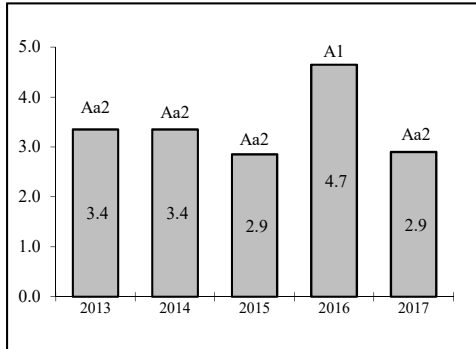
*Debt Service to Operations Ratio* - U. T. Rio Grande Valley's debt service to operations ratio increased from 4.9% in 2016 to 5.8% in 2017 as a result of a \$5.8 million increase in debt service payments. The maximum threshold for this ratio as provided by the Office of Finance is 5.0%.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Rio Grande Valley's FTE student enrollment increased from 21,630 in 2016 to 22,325 in 2017 as a result of several student success initiatives that were put in place to assist with retention efforts.

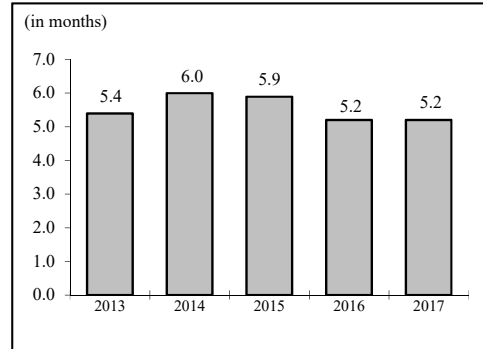
**The University of Texas at San Antonio  
2017 Summary of Financial Condition**

Financial Condition: **Satisfactory**

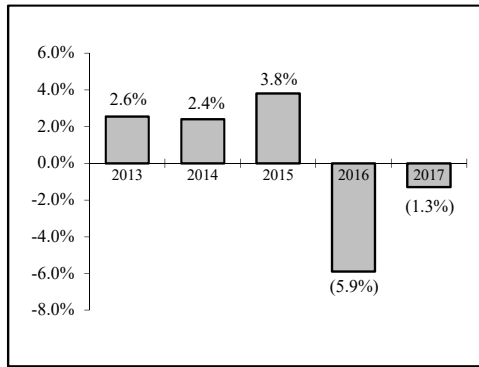
**Moody's Overall Scorecard Rating**



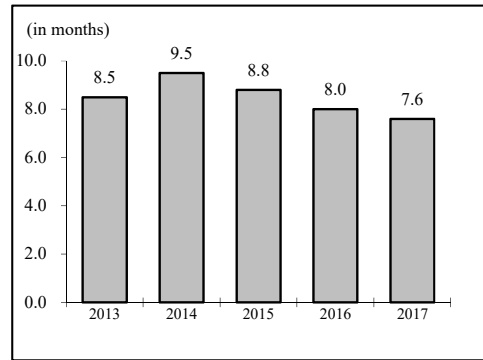
**Operating Expense Coverage**



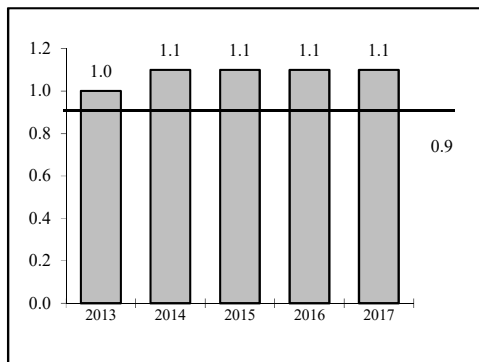
**Annual Operating Margin**



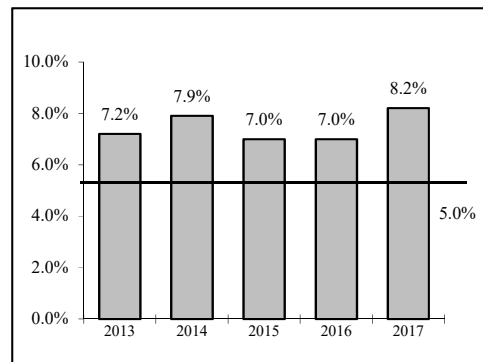
**Cash on Hand**



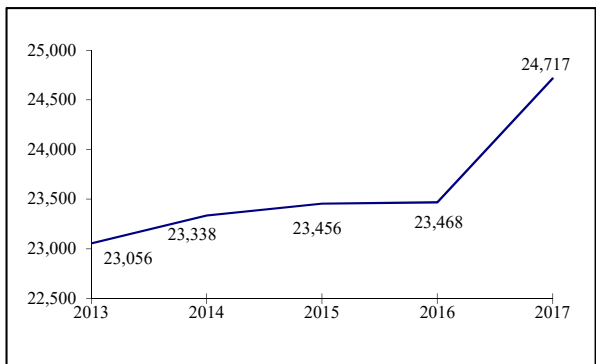
**Spendable Cash & Investments  
to Total Debt**



**Debt Service to Operations**



**The University of Texas at San Antonio  
2017 Summary of Financial Condition  
Full-time Equivalent  
Student Enrollment - Fall**



*Operating Expense Coverage Ratio* - U. T. San Antonio's operating expense coverage ratio remained unchanged at 5.2 months in 2017. The stability of this ratio was attributable to minimal growth in both total unrestricted net assets and total operating expenses (including interest expense).

*Annual Operating Margin Ratio* - U. T. San Antonio's annual operating margin ratio improved from (5.9%) for 2016 to (1.3%) for 2017 as the growth in total operating revenues of \$32.2 million outpaced the growth in total operating expenses of only \$9.3 million. The increase in total operating revenues was primarily due to the following: a \$10.5 million increase in sponsored programs revenue (including nonexchange sponsored programs) largely driven by increased funding from the TEXAS Grant program and other federal sponsored programs, an increase in Pell Grants and increased funding from several small private grants; a \$9.7 million increase in state appropriations (including tuition revenue bond supplemental funding); a \$6.7 million increase in gifts for operations due to an overall increase in gifts in 2017 combined with the write-off in 2016 of a \$3.9 million pledge for an endowment that was erroneously recorded as an operating gift; and a \$5.2 million increase in net tuition and fees as a result of a 2,474 increase in total semester credit hour enrollment as well as a one-day increase in the number of fall semester class days that occurred before the end of the fiscal year. Total operating expenses increased largely due to the following: a \$6.5 million increase in salaries and wages and payroll related costs resulting from recruitment and retention efforts associated with the GoldStar Initiative to recruit top-tier researchers, equity increases and increased benefits costs; a \$2.9 million increase in repairs and maintenance as a result of maintenance on various classrooms, grounds and vehicles; and a \$1.2 million increase in travel due to the football team's travel incurred for the bowl game, most of which was reimbursed by the NCAA/Conference USA.

*Cash on Hand Ratio* - U. T. San Antonio's cash on hand ratio decreased from 8.0 months in 2016 to 7.6 months in 2017. The decrease in this ratio was attributable to a \$22.8 million decrease in unrestricted cash and cash equivalents as more cash was used for capital and debt service payments combined with normal fluctuations in cash.

*Spendable Cash & Investments to Total Debt Ratio* - U. T. San Antonio's spendable cash and investments to total debt ratio remained unchanged at 1.1 times in 2017 and exceeded the minimum threshold of 0.9 times as provided by the Office of Finance. The stability of this ratio was due to the growth in total cash and cash equivalents and investments (net of nonexpendable net position) of \$9.5 million offset with an increase in the amount of debt outstanding of \$34.8 million. The increase in the debt outstanding was related to debt issued for the Science and Engineering Building.

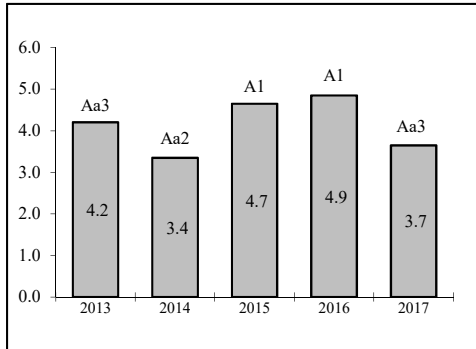
*Debt Service to Operations Ratio* - U. T. San Antonio's debt service to operations ratio increased from 7.0% in 2016 to 8.2% in 2017 due to an increase of \$7.2 million in debt service payments. This ratio exceeded the maximum threshold of 5.0% as provided by the Office of Finance.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. San Antonio's FTE student enrollment increased from 23,468 to 24,717 due to an increase in undergraduate FTEs of 1,141 as well as small increases in graduate and doctoral programs.

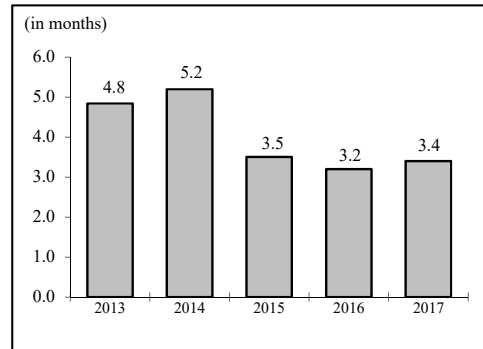
**The University of Texas at Tyler  
2017 Summary of Financial Condition**

Financial Condition: **Satisfactory**

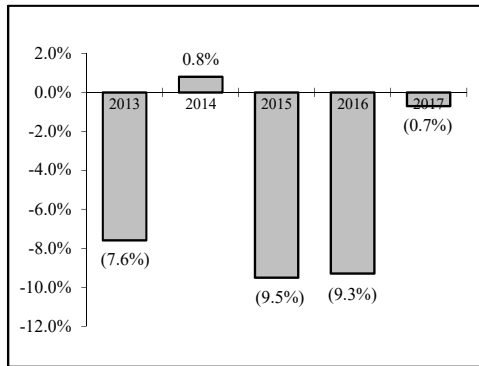
**Moody's Overall Scorecard Rating**



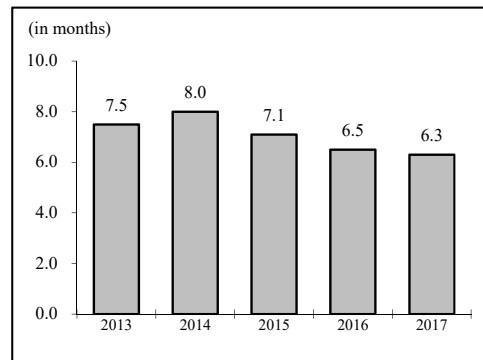
**Operating Expense Coverage**



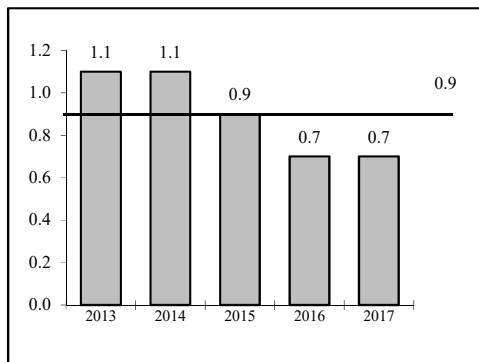
**Annual Operating Margin**



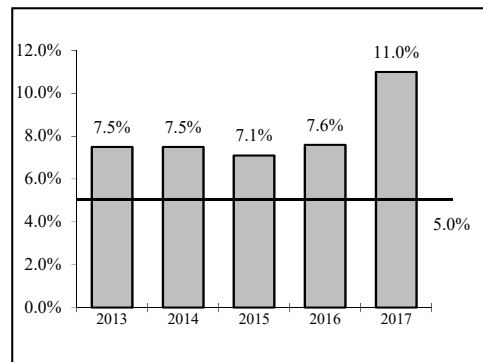
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**

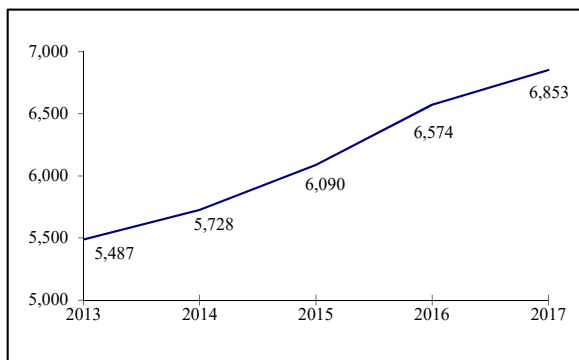


**Debt Service to Operations**



**The University of Texas at Tyler  
2017 Summary of Financial Condition**

**Full-time Equivalent  
Student Enrollment - Fall**



*Operating Expense Coverage Ratio* - U. T. Tyler's operating expense coverage ratio increased from 3.2 months in 2016 to 3.4 months in 2017 due to the growth in total unrestricted net position of \$3.1 million. The increase in total unrestricted net position was primarily attributable to the activity in educational and general funds and auxiliary enterprises funds.

*Annual Operating Margin Ratio* - U. T. Tyler's annual operating margin ratio improved from (9.3%) for 2016 to (0.7%) for 2017 as the growth in total operating revenues of \$15.9 million outpaced the growth in total operating expenses (including interest expense) of \$5.1 million. The increase in total operating revenues was largely due to the following: a \$5.1 million increase in net sales and services of educational activities as a result of the pharmacy revenue now including the second year student cohort; a \$4.7 million increase in state appropriations (including tuition revenue bond supplemental funding); a \$4.5 million increase in net tuition and fees driven by increased enrollment and designated tuition rates; and a \$1.2 million increase in auxiliary enterprises revenue due to increased revenue generated from performing arts and housing. The increase in total operating expenses was primarily attributable to the following: a \$4.4 million increase in salaries and wages and payroll related costs as a result of merit increases and an increase in the number of full-time equivalents; a \$1.6 million increase in interest expense due to the debt issued for the new STEM Business Building; and a \$1.5 million increase in scholarships and fellowships due to increased set-aside and institutionally funded scholarships to accommodate the enrollment growth. These increases in expenses were partially offset by a \$2.0 million decrease in material and supplies resulting from one-time expenses incurred in 2016.

*Cash on Hand Ratio* - U. T. Tyler's cash on hand ratio decreased from 6.5 months in 2016 to 6.3 months in 2017. The decrease in this ratio was due to the growth in total operating expenses, as discussed above, combined with almost no growth in unrestricted cash and cash equivalents and investments.

*Spendable Cash & Investments to Total Debt Ratio* - U. T. Tyler's spendable cash and investments to total debt ratio remained unchanged at 0.7 times in 2017, which was below the minimum threshold of 0.9 times provided by the Office of Finance. The stability of this ratio was attributable to a decrease in total cash and cash equivalents and investments (excluding nonexpendable net position) of \$1.1 million combined with a decrease of \$8.8 million in the amount of debt outstanding.

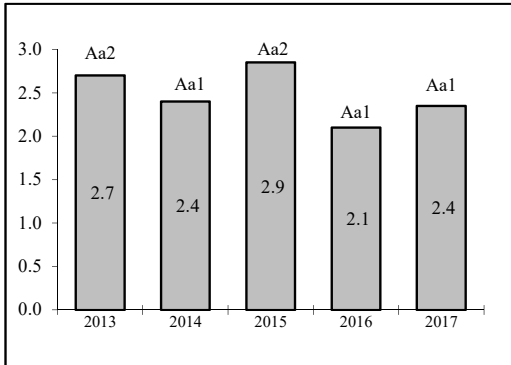
*Debt Service to Operations Ratio* - U. T. Tyler's debt service to operations ratio increased from 7.6% in 2016 to 11.0% in 2017 due to a \$5.0 million increase in debt service payments. The maximum threshold for this ratio provided by the Office of Finance is 5.0%.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Tyler's FTE student enrollment increased by 279 or 4.2% from 2016. This increase was due to continued student recruitment and retention efforts.

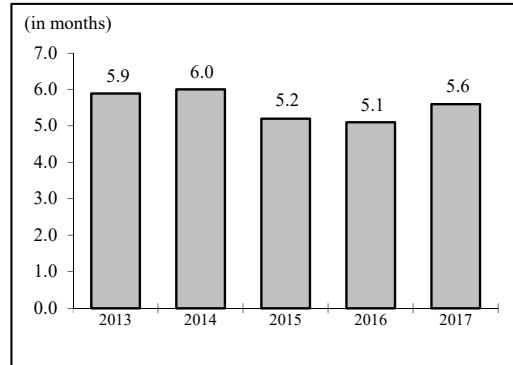
**The University of Texas Southwestern Medical Center  
2017 Summary of Financial Condition**

Financial Condition: **Satisfactory**

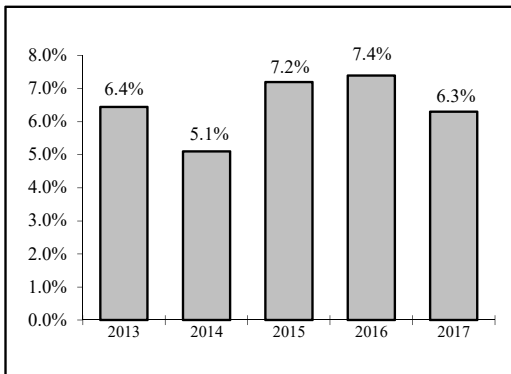
**Moody's Overall Scorecard Rating**



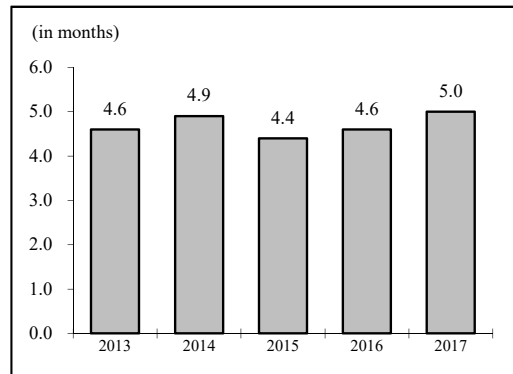
**Operating Expense Coverage**



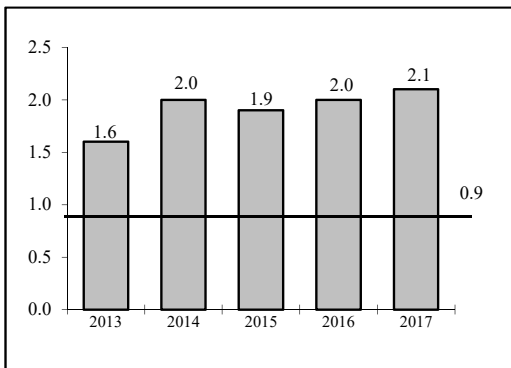
**Annual Operating Margin**



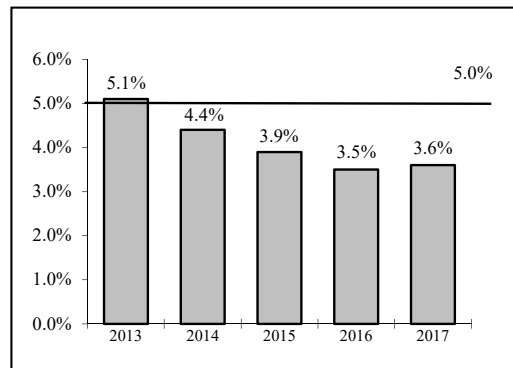
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



**Debt Service to Operations**



**The University of Texas Southwestern Medical Center**  
**2017 Summary of Financial Condition**

*Operating Expense Coverage Ratio* - U. T. Southwestern Medical Center's (Southwestern) operating expense coverage ratio increased from 5.1 months in 2016 to 5.6 months in 2017 due to the growth in total unrestricted net position of \$180.6 million. The increase in total unrestricted net position was primarily attributable to operating margin generated from University Hospitals and the faculty practice plan operations, and an increase in investment earnings.

*Annual Operating Margin Ratio* - Southwestern's annual operating margin ratio decreased from 7.4% for 2016 to 6.3% for 2017, as the growth in total operating expenses (including interest expense) of \$192.9 million exceeded the growth in total operating revenues of \$174.7 million. The increase in total operating expenses was primarily due to the following: a \$131.2 million increase in salaries and wages and payroll related costs as a result of 3% merit increases for faculty and staff and operational growth; a \$48.6 million increase in materials and supplies mostly driven by increased drug costs due to growth in patient care volumes and the partial expiration of participation in the 340B drug discount program; a \$19.8 million increase in other contracted services mainly due to increased computer and software service agreements, equipment and furniture service agreements, and temporary employees; a \$5.1 million increase in depreciation and amortization expense due to various buildings and equipment placed into service in 2017. These increases in expenses were partially offset by a decrease of \$18.9 million in professional fees and services resulting from decreases in contract medical services. Those contract employees have since been replaced with permanent employees. Total operating revenues increased largely due to the following: a \$105.1 million increase in net sales and services of hospitals generated by increased outpatient and inpatient services; a \$73.0 million increase in net professional fees primarily as a result of increased patient volumes and rate adjustments; a \$29.2 million increase in net investment income (excluding realized gains and losses); and a \$17.3 million increase in other operating revenues mainly driven by the Southwestern Health Resources joint venture. These increases in revenues were partially offset by a \$50.9 million decrease in gifts contributions for operations.

*Cash on Hand Ratio* - Southwestern's cash on hand ratio increased from 4.6 months in 2016 to 5.0 months in 2017. The increase in this ratio was primarily due to the increase in the balance in the Intermediate Term Fund as a result of growth in operations.

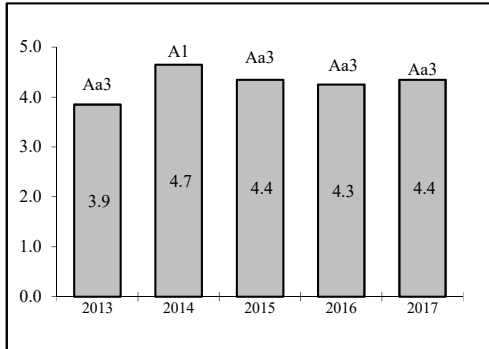
*Spendable Cash & Investments to Total Debt Ratio* - Southwestern's spendable cash and investments to total debt ratio increased slightly from 2.0 times to 2.1 times as a result of the growth in total cash and cash equivalents and investments (excluding nonexpendable net position) of \$194.8 million. The increase in total cash and cash equivalents and investments was primarily due to higher revenues as a result of operational growth and favorable investment activities. This ratio exceeded the minimum threshold of 0.9 times as provided by the Office of Finance.

*Debt Service to Operations Ratio* - Southwestern's debt service to operations ratio increased from 3.5% in 2016 to 3.6% in 2017. The small increase in this ratio was due to an increase of \$9.2 million in debt service payments. This ratio remained well below the maximum threshold of 5.0% as provided by the Office of Finance.

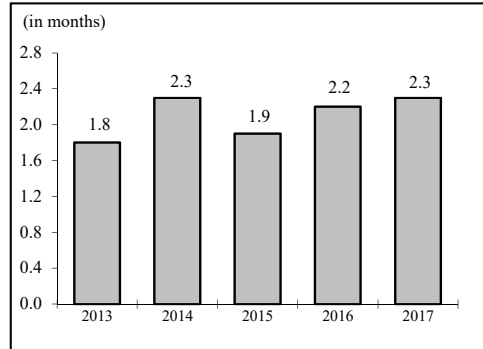
**The University of Texas Medical Branch at Galveston  
2017 Summary of Financial Condition**

Financial Condition: **Satisfactory**

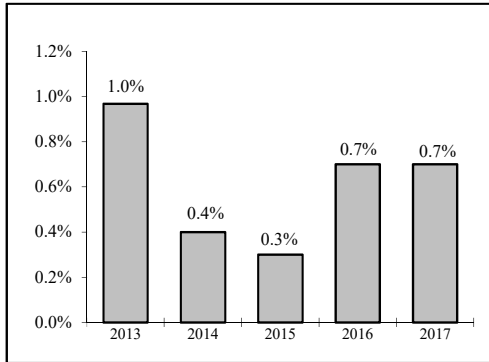
**Moody's Overall Scorecard Rating**



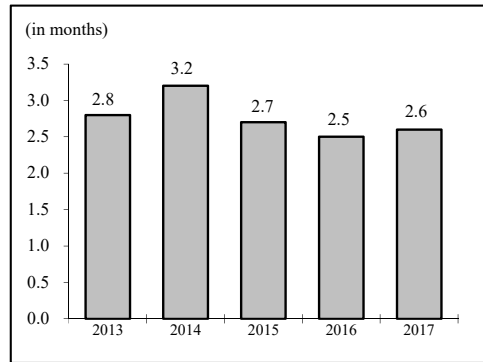
**Operating Expense Coverage**



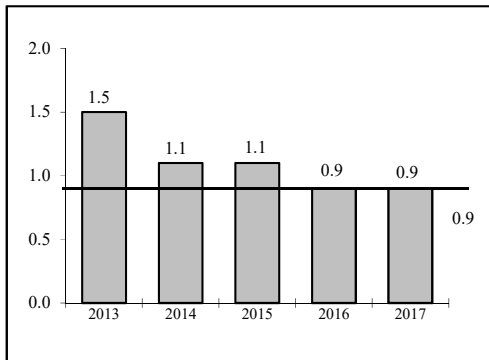
**Annual Operating Margin**



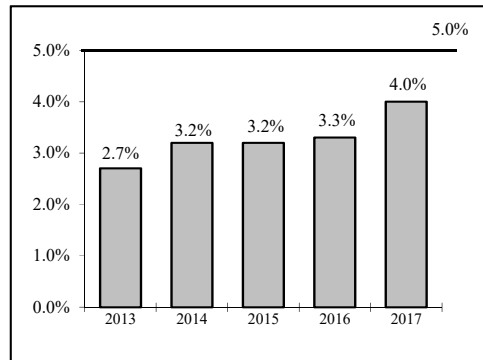
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



**Debt Service to Operations**





**The University of Texas Medical Branch at Galveston  
2017 Summary of Financial Condition**

*Operating Expense Coverage Ratio* - U. T. Medical Branch - Galveston's (UTMB) operating expense coverage ratio increased slightly from 2.2 months in 2016 to 2.3 months in 2017 due to the growth in total unrestricted net position of \$41.8 million. The increase in total unrestricted net position was primarily driven by the hospital operations in educational and general funds and the activity of the physician practice plan in designated funds.

UTMB's operating expenses include those expenses incurred in the delivery of care to the offender population through a contract with Texas Department of Criminal Justice (TDCJ). This contract is a cost reimbursement contract and as such is not expected to generate a net position. Reviewing UTMB's operating expense coverage ratio excluding the TDCJ contract expenses of \$532.2 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 would equal 3.1 months as compared to 2.3 months when included.

*Annual Operating Margin Ratio* - Although UTMB's annual operating margin ratio remained unchanged at 0.7% for 2017, the amount of the annual operating margin increased by \$0.5 million as the growth in total operating revenues of \$127.7 million slightly exceeded the growth in total operating expenses (including interest expense) of \$127.2 million. Total operating revenues increased primarily due to the following: a \$100.5 million increase in net sales and services of hospitals generated by an increase in outpatient encounters and discharges, as well as an increase associated with the Correctional Managed Care (CMC) contracts; a \$15.9 million increase in net professional fees attributable to an increase of 6.0% in work Relative Value Units in the physician practice plan; and a \$9.8 million increase in state appropriations (including the tuition revenue bond supplemental funding). Total operating expenses increased primarily due to the following: an \$85.3 million increase in salaries and wages and payroll related costs as a result of growth in staffing associated with the opening of the Jennie Sealy Hospital, League City Campus Hospital, and faculty recruitment, as well as planned merit increases and incentive-based compensation programs to promote and reward outstanding performance; a \$20.0 million increase in depreciation and amortization expense largely due to a full year of depreciation expense recognized on the Jennie Sealy Hospital, League City Campus Hospital, and the Utility Distribution System, which were all placed into service in 2016, as well as a full year of depreciation expense recognized on capital assets related to the two new hospitals; a \$9.8 million increase in cost of goods sold as a result of increased pharmacy costs for chemotherapeutic agents and increased utilization of non-formulary pharmaceuticals, combined with increased utilization resulting from an increase in discharges, drug shortages, and the opening of the League City Campus Retail Pharmacy in June of 2016; and a \$9.1 million increase in interest expense.

In 2015, UTMB received \$8.2 million in House Bill 2 supplemental funding to construct a biocontainment critical care facility. None of the supplemental funding was spent in 2015. Therefore, in order to more appropriately match revenues with expenses, the entire \$8.2 million was removed from 2015 revenues. For the 2016 and 2017 Analysis of Financial Condition (AFC) \$4.1 million of the \$8.2 million was added back to revenues in each year of the two years. UTMB began construction on the biocontainment facility in 2016.

*Cash on Hand Ratio* - UTMB's cash on hand ratio increased from 2.5 months in 2016 to 2.6 months in 2017 due to the growth in both total unrestricted cash and cash equivalents of \$22.9 million and the Intermediate Term Fund (ITF) unrestricted balances of \$21.5 million. The increase in unrestricted cash and cash equivalents was related to additional funds received in November 2016 from TDCJ for CMC loss reimbursements for the third and fourth quarters of 2016, and the increase in the ITF was attributable to market appreciation on those funds.

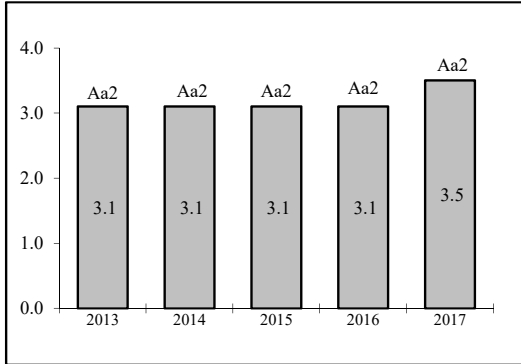
*Spendable Cash & Investments to Total Debt Ratio* - UTMB's spendable cash and investments to total debt ratio remained unchanged at 0.9 times in 2017, which equaled the minimum threshold as provided by the Office of Finance. The stability of this ratio was due to the growth in total cash and cash equivalents and investments (net of nonexpendable net position) of \$86.9 million offset by an increase of \$59.6 million in the amount of debt outstanding. The increase in the debt outstanding was related to debt for the Health Education Center and the League City Building expansion.

*Debt Service to Operations Ratio* - UTMB's debt service to operations ratio increased from 3.3% in 2016 to 4.0% in 2017 as a result of an increase in debt service payments of \$18.7 million. Despite the increase this ratio still remained below the maximum threshold of 5.0% as provided by the Office of Finance.

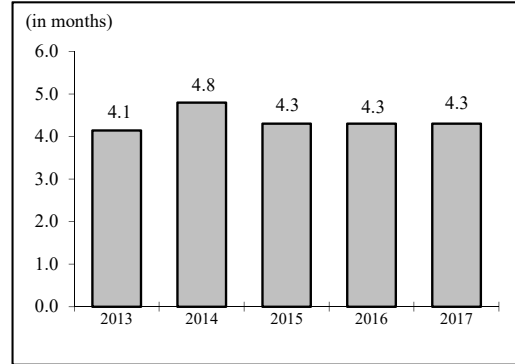
**The University of Texas Health Science Center at Houston  
2017 Summary of Financial Condition**

Financial Condition: **Satisfactory**

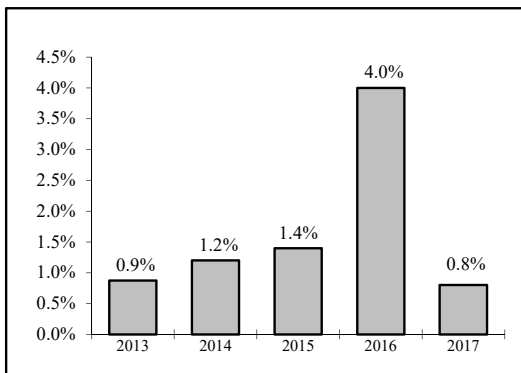
**Moody's Overall Scorecard Rating**



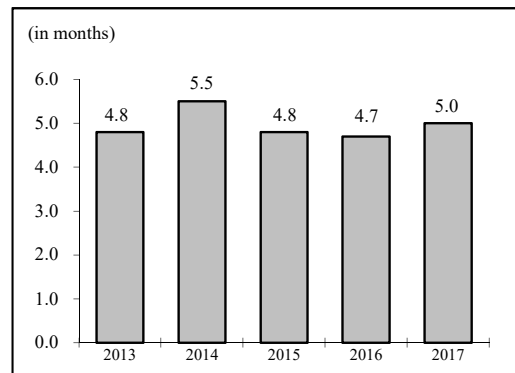
**Operating Expense Coverage**



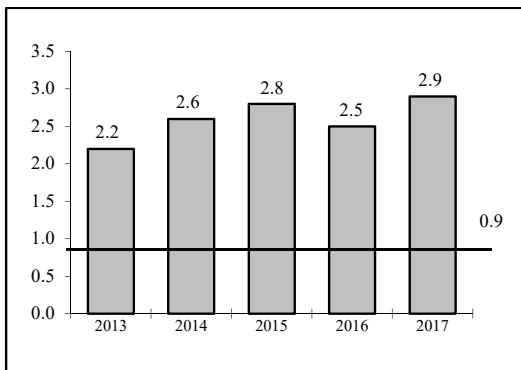
**Annual Operating Margin**



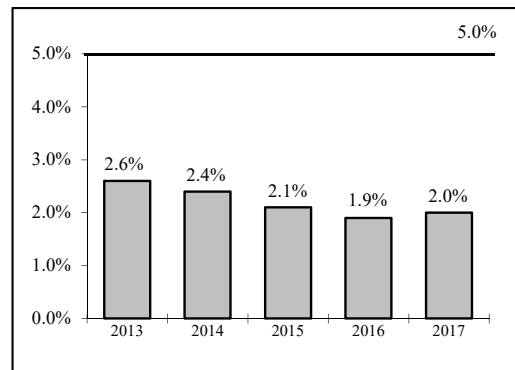
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



**Debt Service to Operations**



**The University of Texas Health Science Center at Houston  
2017 Summary of Financial Condition**

*Operating Expense Coverage Ratio* - UTHSC-Houston's operating expense coverage ratio remained unchanged at 4.3 months in 2017. The stability of this ratio was attributable to the growth in total unrestricted net position of \$42.3 million offset by the growth in total operating expenses (including interest expense) of \$92.5 million. The increase in total unrestricted net position was primarily due to the activity in designated funds and auxiliary enterprises funds. Total operating expenses increased largely due to a \$99.0 million increase in salaries and wages and payroll related costs as a result of additional full-time equivalents hired to accommodate the continued growth of the physician practice plan and the increased benefits costs associated with the increase in workforce.

*Annual Operating Margin Ratio* - UTHSC-Houston's annual operating margin ratio decreased from 4.0% for 2016 to 0.8% for 2017 as the growth in total operating expenses of \$92.5 million, discussed above, far exceeded the growth in total operating revenues of \$43.1 million. The increase in total operating revenues was primarily due to the following: a \$27.8 million increase in sponsored programs revenue (including nonexchange sponsored programs) largely attributable to expanded contracted services with teaching partners Memorial Hermann Healthcare System and Harris County Hospital District, as well as additional awards from the Cancer Prevention and Research Institute of Texas and the Texas Higher Education Coordinating Board; a \$10.4 million increase in net professional fees due to increased volumes resulting from the growth in the physician practice plan; and a \$9.8 million increase in state appropriations (including the tuition revenue bond supplemental funding).

*Cash on Hand Ratio* - UTHSC-Houston's cash on hand ratio increased from 4.7 months in 2016 to 5.0 months in 2017 due to growth in both total unrestricted cash and cash equivalents of \$49.3 million and unrestricted balances in the Intermediate Term Fund (ITF) of \$25.2 million. The increase in unrestricted cash and cash equivalents was primarily attributable to a larger than normal professional fee collection month combined with a delay in payments due to the disruption of normal business activity caused by Hurricane *Harvey* during the last week of the fiscal year. The increase in the ITF was a result of normal appreciation on those funds combined with an increase in funds invested in the ITF.

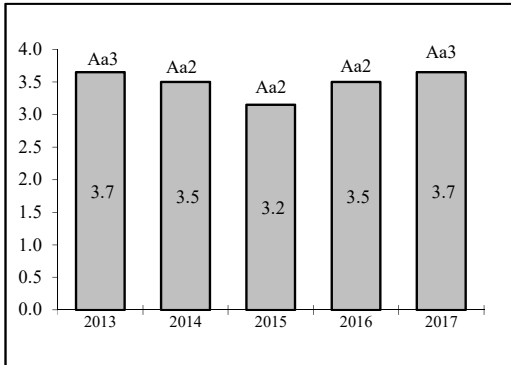
*Spendable Cash & Investments to Total Debt Ratio* - UTHSC-Houston's spendable cash and investments to total debt ratio increased from 2.5 times in 2016 to 2.9 times in 2017, which exceeded the minimum threshold of 0.9 times as provided by the Office of Finance. The increase in this ratio was a result of the growth in total cash and cash equivalents and investments (excluding nonexpendable net position) of \$109.5 million.

*Debt Service to Operations Ratio* - UTHSC-Houston's debt service to operations ratio increased slightly from 1.9% in 2016 to 2.0% in 2017 due to an increase in debt service payments of \$3.2 million which was largely offset by the increase in operating expenses as discussed above. UTHSC-Houston's debt service to operations ratio still remained below the maximum threshold of 5.0% as provided by the Office of Finance.

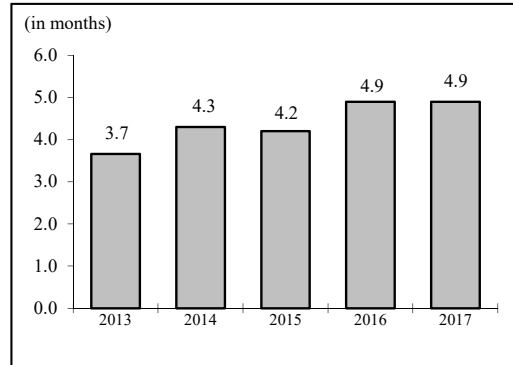
**The University of Texas Health Science Center at San Antonio  
2017 Summary of Financial Condition**

Financial Condition: **Satisfactory**

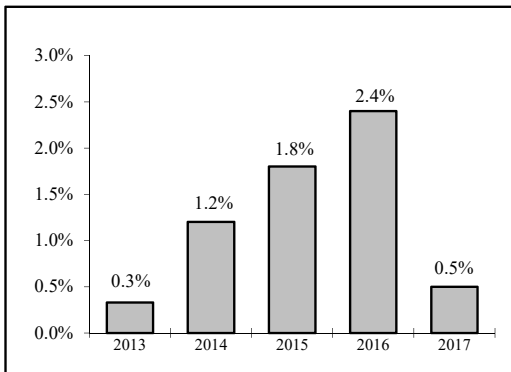
**Moody's Overall Scorecard Rating**



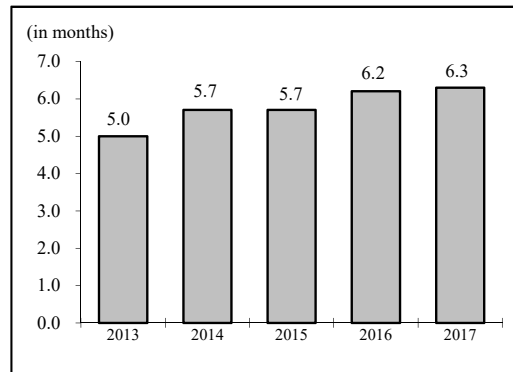
**Operating Expense Coverage**



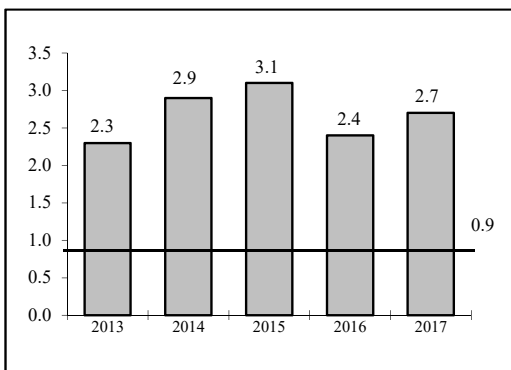
**Annual Operating Margin**



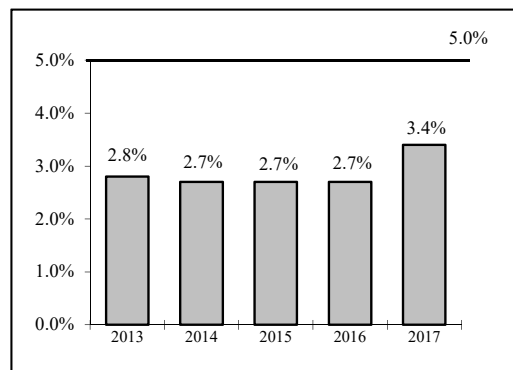
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



**Debt Service to Operations**



**The University of Texas Health Science Center at San Antonio  
2017 Summary of Financial Condition**

*Operating Expense Coverage Ratio* - UTHSC-San Antonio's operating expense coverage ratio remained unchanged at 4.9 months in 2017 due to the growth in total unrestricted net position of \$12.6 million which was offset by the growth in total operating expenses (including interest expense) of \$26.0 million. The increase in total unrestricted net position was primarily attributable to investment income increases in designated funds related to the increase in fair value of investments and new patent royalty payments, which were offset by decreases in practice plan funds to support new facilities and Delivery System Reform Incentive Payment (DSRIP) activities in South Texas as part of the Medicaid Section 1115 Demonstration Waiver. The increase in total operating expenses, discussed in detail below, was largely due to clinical expansion efforts at the Medical Arts and Research Center (MARC) and University Hospital Systems (UHS), combined with the opening of the new UT Health Physicians Hill Country facility.

*Annual Operating Margin Ratio* - UTHSC-San Antonio's annual operating margin ratio decreased from 2.4% for 2016 to 0.5% for 2017 as the growth in total operating expenses of \$26.0 million surpassed the growth in total operating revenues of \$10.5 million. The increase in total operating revenues was primarily attributable to the following: a \$14.9 million increase in gift contributions for operations largely due to a \$16.9 million gift received from the San Antonio Cancer Foundation (formerly Cancer Therapy Research Center) in support of the cancer partnership between UTHSC-San Antonio and M. D. Anderson; a \$7.9 million increase in state appropriations, of which \$6.2 million represents tuition revenue bond supplemental funding in support of the Facilities Renewal and Modernization project; and a \$6.1 million increase in net investment income (excluding realized gains and losses), of which \$4.5 million represents new patent royalty payments. These increases in revenue were partially offset by a decrease of \$16.5 million in sponsored programs revenue (including nonexchange sponsored programs) resulting from decreased contract revenues of \$21.9 million from Doctors Hospital at Renaissance (DHR) associated with South Texas DSRIP activities. UTHSC-San Antonio negotiated a service contract with U. T. Rio Grande Valley to assist with the start-up of their School of Medicine, and U. T. Rio Grande Valley was authorized to transfer state appropriations to UTHSC-San Antonio to pay for these contracted services. A transfer of \$1.4 million from U. T. Rio Grande Valley to UTHSC-San Antonio is included in operating revenues for purposes of this analysis. The increase in total operating expenses was largely due to a \$24.8 million increase in salaries and wages and payroll related costs related to the clinical expansion efforts discussed above, targeted recruitment efforts, and a 2.0% merit increase for all non-faculty employees.

*Cash on Hand Ratio* - UTHSC-San Antonio's cash on hand ratio increased slightly from 6.2 months in 2016 to 6.3 months in 2017 due to an increase in funds invested in the Intermediate Term Fund (ITF) and market appreciation on those funds.

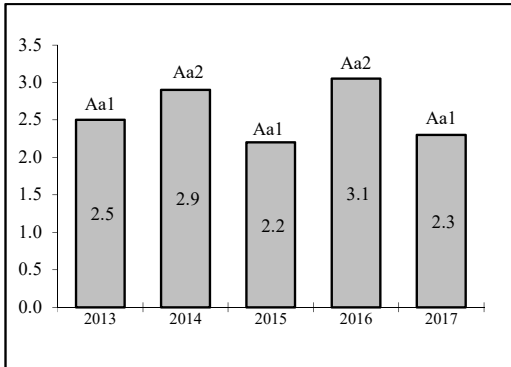
*Spendable Cash & Investments to Total Debt Ratio* - UTHSC-San Antonio's spendable cash and investments to total debt ratio increased from 2.4 times in 2016 to 2.7 times in 2017, which exceeded the minimum threshold of 0.9 times as provided by the Office of Finance. The increase in this ratio was due to the growth in total cash and cash equivalents and investments (excluding nonexpendable net position) of \$68.1 million. The primary driver behind the increase in investments was an increase in endowment gifts received in 2017 and the appreciation on the endowment funds, combined with an increase in the investment in the ITF as mentioned above.

*Debt Service to Operations Ratio* - UTHSC-San Antonio's debt service to operations ratio increased from 2.7% in 2016 to 3.4% in 2017 but still fell below the maximum threshold of 5.0% as provided by the Office of Finance. The increase in this ratio was attributable to an increase of \$6.7 million in debt service payments related to \$80.0 million in TRB authorization from the 84th Texas Legislature for the Facilities Renewal and Modernization project, as well as Revenue Financing System debt incurred to acquire the Professional Administrative Resource Center (PARC) and to construct a new ambulatory facility (UT Health Physicians Hill Country).

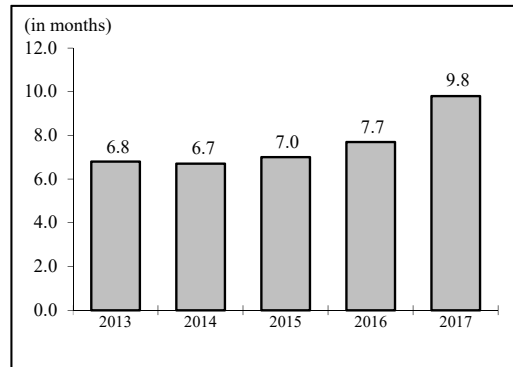
**The University of Texas M. D. Anderson Cancer Center  
2017 Summary of Financial Condition**

Financial Condition: **Satisfactory**

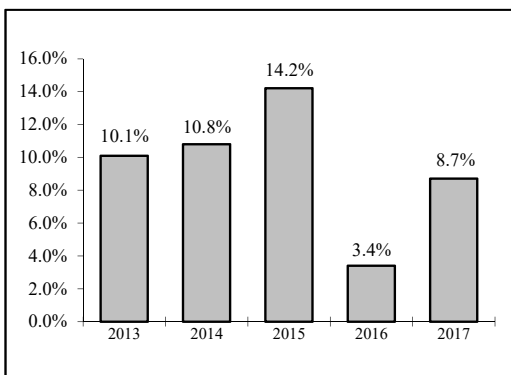
**Moody's Overall Scorecard Rating**



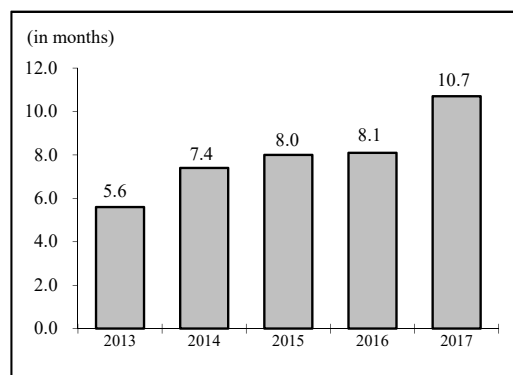
**Operating Expense Coverage**



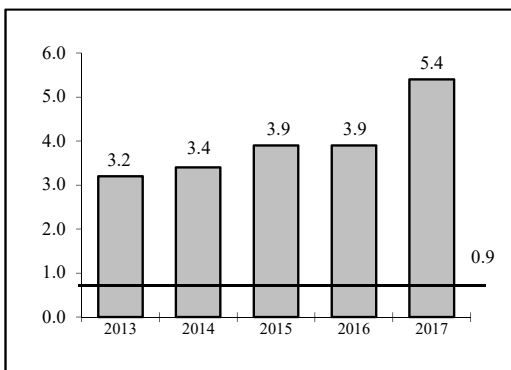
**Annual Operating Margin**



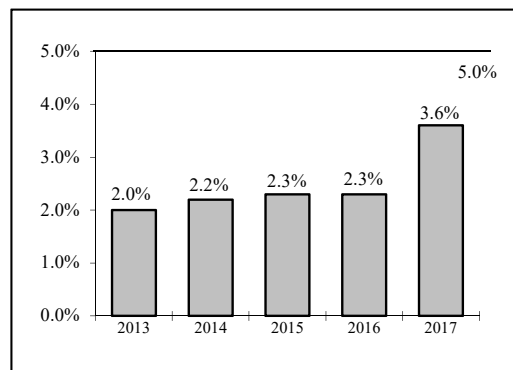
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



**Debt Service to Operations**



**The University of Texas M. D. Anderson Cancer Center  
2017 Summary of Financial Condition**

*Operating Expense Coverage Ratio* - M. D. Anderson's operating expense coverage ratio increased from 7.7 months in 2016 to 9.8 months in 2017 due to the growth in total unrestricted net position of \$763.8 million. The increase in total unrestricted net position was primarily attributable to increases in patient care support, net sales and services of hospitals and net professional fees, combined with an increase in unrestricted funding intended for capital projects and the investment activity in educational and general funds and designated funds.

*Annual Operating Margin Ratio* - M. D. Anderson's annual operating margin ratio increased from 3.4% for 2016 to 8.7% for 2017 as the growth in total operating revenues of \$287.5 million far outpaced the growth in total operating expenses (including interest expense) of \$26.8 million. The increase in total operating revenues was primarily due to the following: a \$215.0 million increase in net sales and services of hospitals driven by increased inpatient and outpatient volumes; a \$34.6 million increase in sponsored programs revenue (including nonexchange sponsored programs) largely as a result of increased funding and awards received from the Cancer Prevention and Research Institute of Texas, as well as additional funding from the National Institute of Health with an increase of 5% in awards in 2017 and an increase in Strategic Industry Ventures contracts; a \$26.5 million increase in net investment income (excluding realized gains and losses); and a \$12.6 million increase in net professional fees due to increased patient volumes. The increase in total operating expenses was largely a result of the impairment of capital assets of \$26.5 million incurred by M. D. Anderson in 2017 as a result of the write-off of a portion of the Oncology Expert Advisor Project which resided in construction in progress.

*Cash on Hand Ratio* - M. D. Anderson's cash on hand ratio increased from 8.1 months in 2016 to 10.7 months in 2017 due to the growth of unrestricted investments in the Intermediate Term Fund (ITF) of \$1.2 billion as a result of additional funds invested in the ITF combined with market appreciation on those funds.

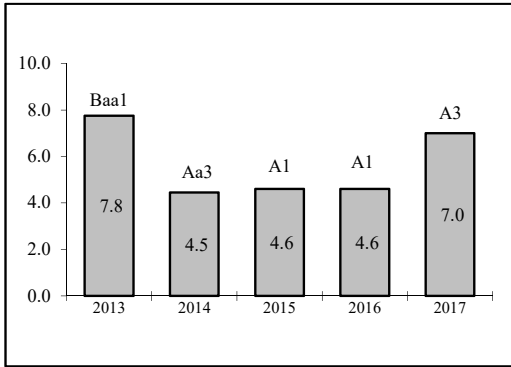
*Spendable Cash & Investments to Total Debt Ratio* - M. D. Anderson's spendable cash and investments to total debt ratio was 5.4 times in 2017, which was an increase from the 2016 ratio of 3.9 times and was greater than the minimum threshold of 0.9 times as provided by the Office of Finance. The increase in this ratio was attributable to the increase in the ITF investments combined with a decrease of \$72.1 million in the amount of debt outstanding.

*Debt Service to Operations Ratio* - M. D. Anderson's debt service to operations ratio increased from 2.3% in 2016 to 3.6% in 2017, which was still below the maximum threshold of 5.0% as provided by the Office of Finance. The increase in this ratio was driven by an increase in debt service payments of \$57.7 million.

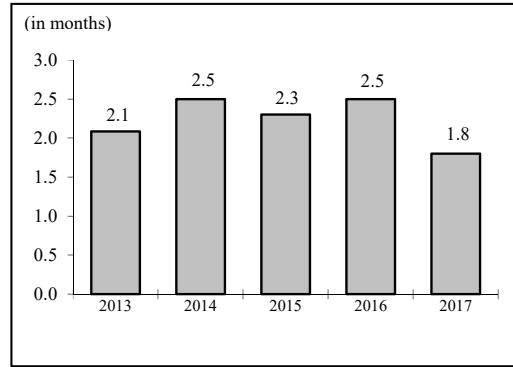
**The University of Texas Health Science Center at Tyler  
2017 Summary of Financial Condition**

Financial Condition: **Watch**

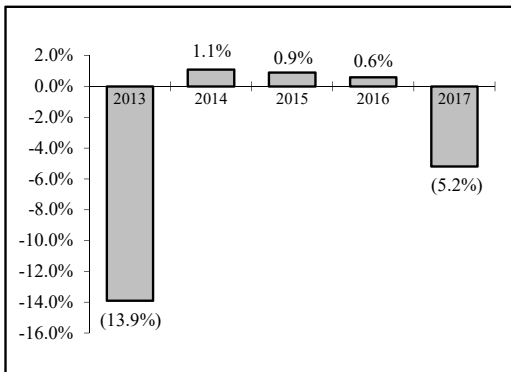
**Moody's Overall Scorecard Rating**



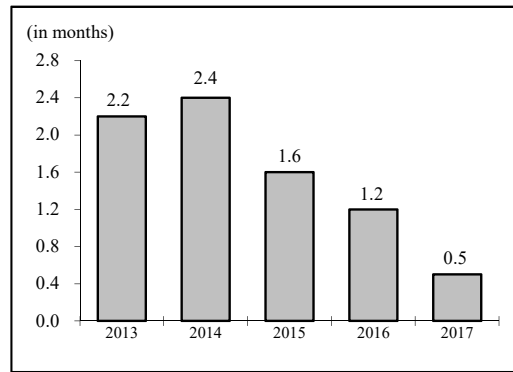
**Operating Expense Coverage**



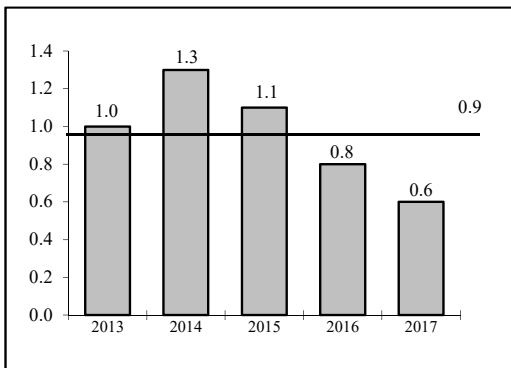
**Annual Operating Margin**



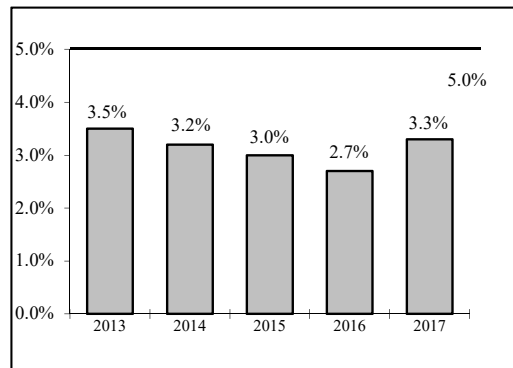
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



**Debt Service to Operations**





## The University of Texas Health Science Center at Tyler 2017 Summary of Financial Condition

*Operating Expense Coverage Ratio* - UTHSC-Tyler's operating expense coverage ratio decreased from 2.5 months in 2016 to 1.8 months in 2017 primarily due to a reduction in total unrestricted net position of \$9.1 million. The decrease in total unrestricted net position was largely attributable to a decline in operating performance in designated funds.

*Annual Operating Margin Ratio* - UTHSC-Tyler's annual operating margin ratio decreased from 0.6% for 2016 to (5.2%) for 2017 as the growth in total operating expenses (including interest expense) of \$13.6 million far exceeded the growth in total operating revenues of \$1.9 million. The increase in total operating expenses was primarily due to the following: a \$9.0 million increase in salaries and wages and payroll related costs resulting from a larger employee base, accompanied by increased compensable absence expenses and premium sharing costs; a \$1.5 million increase in depreciation and amortization expense related to various projects placed into service in 2017, as well as new capitalized equipment purchases; a \$1.5 million increase in materials and supplies driven by medical supplies expense, especially in the area of pharmaceuticals and nuclear medicine drugs associated with investment in the oncology service line; and a \$1.3 million increase in professional fees and services due to higher usage levels of contracted physician services, new contractual expenses related to the Northeast Texas Consortium (NETNet) community college subcontract and increased expenses for maintenance of NETNet operations, as well as consulting services related to software implementation. Total operating revenues increased largely due to the following: a \$7.1 million increase in sponsored programs revenue generated by an increase in community health projects, an Affordable Care Act pass-through grant received from the Department of Family and Protective Services, and increased funding received from the Cancer Prevention and Research Institute of Texas and the Texas Higher Education Coordinating Board; a \$2.1 million increase in net sales and services of hospitals as a result of growth in outpatient services, including gastroenterology, radiology, and oncology treatments and procedures; and a \$2.0 million increase in net professional fees due to increased volumes particularly in the areas of family medicine, gastroenterology, radiology, surgery and behavioral health. These increases in revenue were mostly offset by a decrease in other operating revenues of \$9.1 million as a result of a decline of \$8.7 million in revenue received from the Delivery System Reform Incentive Payments (DSRIP) in 2017. Further impacting UTHSC-Tyler's annual operating margin in 2017 was a one-time charge of \$1.3 million recorded in 2017 to account for a current year recoupment attributed to a 2011 Medicare claims outlier review, as well as \$1.0 million in critical, unbudgeted expenses to maintain NETNet operations in 2017.

It is important to note the sizeable impact net DSRIP had on UTHSC-Tyler's operating results. UTHSC-Tyler recognized \$12.0 million of net DSRIP revenue in 2017 as compared to \$19.2 million in 2016. If the net DSRIP revenue had not been recognized in 2017, then UTHSC-Tyler's annual operating margin would have been (\$22.5) million or (12.5%).

*Cash on Hand Ratio* - UTHSC-Tyler's cash on hand ratio declined from 1.2 months in 2016 to 0.5 months in 2017. The decrease in this ratio was attributable to decreases in both total unrestricted cash and cash equivalents of \$7.4 million and unrestricted balances in the Intermediate Term Fund (ITF) of \$2.6 million, combined with the \$13.6 million increase in total operating expenses, as discussed above. The reduction in unrestricted cash and cash equivalents was driven by the operating deficit, one-time cash outflows for obligations related to prior years such as Upper Payment Limit repayments and the Medicare claims outlier review, and capital equipment purchases made late in the fiscal year that will not be financed until early in 2018. The decrease in the unrestricted ITF balance was a result of a change in the allocation between restricted and unrestricted balances.

*Spendable Cash & Investments to Total Debt Ratio* - UTHSC-Tyler's spendable cash and investments to total debt ratio decreased from 0.8 times in 2016 to 0.6 times in 2017 and fell below the minimum threshold of 0.9 times as provided by the Office of Finance. The decrease in this ratio was primarily due to the decrease in cash and cash equivalents.

*Debt Service to Operations Ratio* - UTHSC-Tyler's debt service to operations ratio increased from 2.7% in 2016 to 3.3% in 2017 as a result of an increase in debt service payments of \$1.7 million. UTHSC-Tyler's ratio was still below the maximum threshold of 5.0% as provided by the Office of Finance.

### Appendix A - Definitions of Evaluation Factors

1. **Moody’s Overall Scorecard Rating** – The Moody’s Overall Scorecard Rating has four broad factors important to Moody’s in their assessment of university ratings:

- Market Profile
- Operating Performance
- Wealth and Liquidity, and
- Leverage

There are nine sub-factor calculations under these four broad factors and each sub-factor is assigned a weight and a value. After calculating each sub-factor, the results are mapped to a Moody’s rating category. Then, the sub-factor ratings are converted to alpha numeric values, which are multiplied by the assigned weights and summed to produce an aggregate weighted score. That aggregate score is then mapped to the appropriate Moody’s rating. See Appendix B for each institution’s calculation.

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.

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

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

$$\frac{\text{Op Rev} + \text{GR} + \text{Op Gifts} + \text{NonexchSP} + \text{Inv Inc} + \text{RAHC\&AUF Trans} + \text{NSERB Appr} + \text{TRB Supp} + \text{Hazelwood Trans} - \text{Op Exp} \& \text{Int Exp}}{\text{Op Rev} + \text{GR} + \text{Op Gifts} + \text{NonexchSP} + \text{Inv Inc} + \text{RAHC\&AUF Trans} + \text{NSERB Approp} + \text{TRB Supp} + \text{Hazelwood Trans}}$$

4. **Cash on Hand** – This measures the number of months an institution could continue to pay operating expenses from existing unrestricted cash and investments in the absence of additional revenue.

$$\frac{\text{Unrestricted Cash and Investments that can be liquidated within one month}}{\text{Operating Expenses} - \text{Depreciation Expense}} * 12$$

5. **Spendable Cash & Investment to Total Debt Ratio** – This ratio examines the ability of an institution to repay bondholders from wealth that can be accessed over time or for a specific purpose. Debt capacity thresholds are provided by the Office of Finance. The minimum spendable cash and investments to total debt ratio is 0.9 times.

$$\frac{\text{Cash and Investments less permanently Restricted Net Position}}{\text{Debt not on Institution’s Books}}$$

6. **Debt Service to Operations 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. The maximum debt service to operations ratio is 5.0%.

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

7. **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 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. A benchmark has not been established for cash on hand although it should be stable or improving. A standard for the Moody's overall scorecard rating has not yet been established. The Office of Finance uses the Moody's overall scorecard rating, spendable cash and investments to total debt ratio, and debt service to operations ratio which are the same ratios the bond rating agencies calculate for the 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 spendable cash and investments to total debt should exceed the Office of Finance's standard of 0.9 times, while the debt service to operations 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 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. Cash on hand could be decreasing. Trends in the Moody's overall scorecard rating, spendable cash and investments to total debt ratio, and debt service to operations 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 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. Cash on hand could be decreasing to extremely low levels. Trends in the Moody's overall scorecard rating, spendable cash and investments to total debt ratio, and debt service to operations 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 System Offices of Business, Academic, and/or Health Affairs, as appropriate.

**Appendix B - Calculation of Moody's Scorecard Rating  
Academic Institutions  
As of August 31, 2017**

<b>U. T. Arlington</b>	<b>Weight</b>	<b>Value</b>	<b>Rating</b>	<b>Weighted Scale</b>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	650.53	Aa	0.45
Annual Change in Operating Revenues	5%	5.51%	A	0.30
<i>Total Weighted Market Profile</i>				0.75
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	20.43%	Aaa	0.20
Max. Single Revenue Contribution	10%	53.31%	A	0.60
<i>Total Weighted Operating Performance</i>				0.80
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	653.76	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.98	Aa	0.30
Monthly Days Cash on Hand (in days)	5%	344.43	Aaa	0.05
<i>Total Weighted Wealth &amp; Liquidity</i>				0.80
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	1.72	Aa	0.30
Total Debt to Cash Flow	10%	2.47	Aaa	0.10
<i>Total Weighted Leverage</i>				0.40
<b>U. T. Arlington - Overall Rating &amp; Numeric Score</b>			<b>Aa2</b>	<b>2.8</b>
<b>U. T. Austin</b>	<b>Weight</b>	<b>Value</b>	<b>Rating</b>	<b>Weighted Scale</b>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	2,727.13	Aaa	0.15
Annual Change in Operating Revenues	5%	4.42%	A	0.30
<i>Total Weighted Market Profile</i>				0.45
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	16.72%	Aa	0.60
Max. Single Revenue Contribution	10%	28.14%	Aaa	0.10
<i>Total Weighted Operating Performance</i>				0.70
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	5,599.41	Aaa	0.15
Spendable Cash & Inv. to Operating Exp.	10%	1.41	Aaa	0.10
Monthly Days Cash on Hand (in days)	5%	225.12	Aa	0.15
<i>Total Weighted Wealth &amp; Liquidity</i>				0.40
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	2.13	Aa	0.30
Total Debt to Cash Flow	10%	3.76	Aaa	0.10
<i>Total Weighted Leverage</i>				0.40
<b>U. T. Austin - Overall Rating &amp; Numeric Score</b>			<b>Aa1</b>	<b>2.0</b>

**Appendix B - Calculation of Moody's Scorecard Rating  
Academic Institutions  
As of August 31, 2017**

<b>U. T. Dallas</b>	<b>Weight</b>	<b>Value</b>	<b>Rating</b>	<b>Weighted Scale</b>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	590.84	Aa	0.45
Annual Change in Operating Revenues	5%	-0.24%	B	0.75
<i>Total Weighted Market Profile</i>				1.20
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	14.95%	Aa	0.60
Max. Single Revenue Contribution	10%	57.99%	A	0.60
<i>Total Weighted Operating Performance</i>				1.20
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	776.77	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.85	Aa	0.30
Monthly Days Cash on Hand (in days)	5%	176.98	Aa	0.15
<i>Total Weighted Wealth &amp; Liquidity</i>				0.90
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	0.75	Aa	0.30
Total Debt to Cash Flow	10%	7.68	Aa	0.30
<i>Total Weighted Leverage</i>				0.60
<b>U. T. Dallas - Overall Rating &amp; Numeric Score</b>			<b>Aa3</b>	<b>3.9</b>
<b>U. T. El Paso</b>	<b>Weight</b>	<b>Value</b>	<b>Rating</b>	<b>Weighted Scale</b>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	374.11	A	0.90
Annual Change in Operating Revenues	5%	1.82%	Ba	0.60
<i>Total Weighted Market Profile</i>				1.50
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	7.86%	A	1.20
Max. Single Revenue Contribution	10%	38.17%	Aa	0.30
<i>Total Weighted Operating Performance</i>				1.50
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	378.20	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.65	Aa	0.30
Monthly Days Cash on Hand (in days)	5%	99.06	Baa	0.45
<i>Total Weighted Wealth &amp; Liquidity</i>				1.20
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	0.94	Aa	0.30
Total Debt to Cash Flow	10%	9.10	Aa	0.30
<i>Total Weighted Leverage</i>				0.60
<b>U. T. El Paso - Overall Rating &amp; Numeric Score</b>			<b>A1</b>	<b>4.8</b>

**Appendix B - Calculation of Moody's Scorecard Rating  
Academic Institutions  
As of August 31, 2017**

<b>U. T. Permian Basin</b>	<b>Weight</b>	<b>Value</b>	<b>Rating</b>	<b>Weighted Scale</b>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	91.79	A	0.90
Annual Change in Operating Revenues	5%	15.47%	Aaa	0.05
<i>Total Weighted Market Profile</i>				<u>0.95</u>
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	25.15%	Aaa	0.20
Max. Single Revenue Contribution	10%	37.42%	Aa	0.30
<i>Total Weighted Operating Performance</i>				<u>0.50</u>
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	74.68	A	0.90
Spendable Cash & Inv. to Operating Exp.	10%	0.44	A	0.60
Monthly Days Cash on Hand (in days)	5%	73.81	Baa	0.45
<i>Total Weighted Wealth &amp; Liquidity</i>				<u>1.95</u>
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	0.22	A	0.60
Total Debt to Cash Flow	10%	7.81	Aa	0.30
<i>Total Weighted Leverage</i>				<u>0.90</u>
<b>U. T. Permian Basin - Overall Rating &amp; Numeric Score</b>			<b>Aa3</b>	<b>4.3</b>
<b>U. T. Rio Grande Valley</b>	<b>Weight</b>	<b>Value</b>	<b>Rating</b>	<b>Weighted Scale</b>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	444.49	Aa	0.45
Annual Change in Operating Revenues	5%	9.74%	Aaa	0.05
<i>Total Weighted Market Profile</i>				<u>0.50</u>
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	13.87%	Aa	0.60
Max. Single Revenue Contribution	10%	34.43%	Aaa	0.10
<i>Total Weighted Operating Performance</i>				<u>0.70</u>
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	203.49	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.42	A	0.60
Monthly Days Cash on Hand (in days)	5%	159.11	Aa	0.15
<i>Total Weighted Wealth &amp; Liquidity</i>				<u>1.20</u>
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	1.02	Aa	0.30
Total Debt to Cash Flow	10%	2.84	Aaa	0.10
<i>Total Weighted Leverage</i>				<u>0.40</u>
<b>U. T. Rio Grande Valley - Overall Rating &amp; Numeric Score</b>			<b>Aa2</b>	<b>2.8</b>

**Appendix B - Calculation of Moody's Scorecard Rating  
Academic Institutions  
As of August 31, 2017**

<b>U. T. San Antonio</b>	<b>Weight</b>	<b>Value</b>	<b>Rating</b>	<b>Weighted Scale</b>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	496.53	Aa	0.45
Annual Change in Operating Revenues	5%	8.61%	Aaa	0.05
<i>Total Weighted Market Profile</i>				0.50
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	12.82%	Aa	0.60
Max. Single Revenue Contribution	10%	46.99%	Aa	0.30
<i>Total Weighted Operating Performance</i>				0.90
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	480.56	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.75	Aa	0.30
Monthly Days Cash on Hand (in days)	5%	239.81	Aa	0.15
<i>Total Weighted Wealth &amp; Liquidity</i>				0.90
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	1.06	Aa	0.30
Total Debt to Cash Flow	10%	5.52	Aa	0.30
<i>Total Weighted Leverage</i>				0.60
<b>U. T. San Antonio - Overall Rating &amp; Numeric Score</b>			<b>Aa2</b>	<b>2.9</b>
<b>U. T. Tyler</b>	<b>Weight</b>	<b>Value</b>	<b>Rating</b>	<b>Weighted Scale</b>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	139.12	A	0.90
Annual Change in Operating Revenues	5%	11.81%	Aaa	0.05
<i>Total Weighted Market Profile</i>				0.95
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	14.20%	Aa	0.60
Max. Single Revenue Contribution	10%	40.87%	Aa	0.30
<i>Total Weighted Operating Performance</i>				0.90
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	139.80	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.71	Aa	0.30
Monthly Days Cash on Hand (in days)	5%	198.28	Aa	0.15
<i>Total Weighted Wealth &amp; Liquidity</i>				0.90
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	0.71	A	0.60
Total Debt to Cash Flow	10%	7.03	Aa	0.30
<i>Total Weighted Leverage</i>				0.90
<b>U. T. Tyler - Overall Rating &amp; Numeric Score</b>			<b>Aa3</b>	<b>3.7</b>

**Appendix B - Calculation of Moody's Scorecard Rating  
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<u>Southwestern</u>	<u>Weight</u>	<u>Value</u>	<u>Rating</u>	<u>Weighted Scale</u>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	2,940.67	Aaa	0.15
Annual Change in Operating Revenues	5%	5.41%	A	0.30
<i>Total Weighted Market Profile</i>				0.45
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	12.63%	Aa	0.60
Max. Single Revenue Contribution	10%	39.75%	Aa	0.30
<i>Total Weighted Operating Performance</i>				0.90
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	2,818.44	Aaa	0.15
Spendable Cash & Inv. to Operating Exp.	10%	0.79	Aa	0.30
Monthly Days Cash on Hand (in days)	5%	155.16	Aa	0.15
<i>Total Weighted Wealth &amp; Liquidity</i>				0.60
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	2.08	Aa	0.30
Total Debt to Cash Flow	10%	2.82	Aaa	0.10
<i>Total Weighted Leverage</i>				0.40
<b>Southwestern - Overall Rating &amp; Numeric Score</b>			<b>Aa1</b>	<b>2.4</b>
<u>UTMB</u>	<u>Weight</u>	<u>Value</u>	<u>Rating</u>	<u>Weighted Scale</u>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	2,091.78	Aa	0.45
Annual Change in Operating Revenues	5%	6.63%	Aa	0.15
<i>Total Weighted Market Profile</i>				0.60
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	8.99%	A	1.20
Max. Single Revenue Contribution	10%	54.87%	A	0.60
<i>Total Weighted Operating Performance</i>				1.80
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	1,039.93	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.35	A	0.60
Monthly Days Cash on Hand (in days)	5%	81.57	A	0.30
<i>Total Weighted Wealth &amp; Liquidity</i>				1.35
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	0.95	Aa	0.30
Total Debt to Cash Flow	10%	4.04	Aa	0.30
<i>Total Weighted Leverage</i>				0.60
<b>UTMB - Overall Rating &amp; Numeric Score</b>			<b>Aa3</b>	<b>4.4</b>



**Appendix B - Calculation of Moody's Scorecard Rating  
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<u>UTHSC-Houston</u>	<u>Weight</u>	<u>Value</u>	<u>Rating</u>	<u>Weighted Scale</u>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	1,598.77	Aa	0.45
Annual Change in Operating Revenues	5%	2.72%	Baa	0.45
<i>Total Weighted Market Profile</i>				<u>0.90</u>
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	5.68%	A	1.20
Max. Single Revenue Contribution	10%	25.63%	Aaa	0.10
<i>Total Weighted Operating Performance</i>				<u>1.30</u>
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	1,097.87	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.56	Aa	0.30
Monthly Days Cash on Hand (in days)	5%	153.15	Aa	0.15
<i>Total Weighted Wealth &amp; Liquidity</i>				<u>0.90</u>
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	2.95	Aa	0.30
Total Debt to Cash Flow	10%	3.29	Aaa	0.10
<i>Total Weighted Leverage</i>				<u>0.40</u>
<b>UTHSC-Houston - Overall Rating &amp; Numeric Score</b>			<b>Aa2</b>	<b>3.5</b>
<u>UTHSC-San Antonio</u>	<u>Weight</u>	<u>Value</u>	<u>Rating</u>	<u>Weighted Scale</u>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	843.89	Aa	0.45
Annual Change in Operating Revenues	5%	0.86%	Ba	0.60
<i>Total Weighted Market Profile</i>				<u>1.05</u>
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	8.42%	A	1.20
Max. Single Revenue Contribution	10%	22.71%	Aaa	0.10
<i>Total Weighted Operating Performance</i>				<u>1.30</u>
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	1,075.55	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.83	Aa	0.30
Monthly Days Cash on Hand (in days)	5%	194.01	Aa	0.15
<i>Total Weighted Wealth &amp; Liquidity</i>				<u>0.90</u>
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	2.75	Aa	0.30
Total Debt to Cash Flow	10%	3.57	Aaa	0.10
<i>Total Weighted Leverage</i>				<u>0.40</u>
<b>UTHSC-San Antonio - Overall Rating &amp; Numeric Score</b>			<b>Aa3</b>	<b>3.7</b>

**Appendix B - Calculation of Moody's Scorecard Rating  
Health Institutions  
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<u>M. D. Anderson</u>	<u>Weight</u>	<u>Value</u>	<u>Rating</u>	<u>Weighted Scale</u>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	4,831.71	Aaa	0.15
Annual Change in Operating Revenues	5%	6.25%	Aa	0.15
<i>Total Weighted Market Profile</i>				<u>0.30</u>
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	18.86%	Aa	0.60
Max. Single Revenue Contribution	10%	69.10%	Baa	0.90
<i>Total Weighted Operating Performance</i>				<u>1.50</u>
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	5,742.56	Aaa	0.15
Spendable Cash & Inv. to Operating Exp.	10%	1.11	Aaa	0.10
Monthly Days Cash on Hand (in days)	5%	328.74	Aaa	0.05
<i>Total Weighted Wealth &amp; Liquidity</i>				<u>0.30</u>
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	5.37	Aaa	0.10
Total Debt to Cash Flow	10%	0.98	Aaa	0.10
<i>Total Weighted Leverage</i>				<u>0.20</u>
<b>M. D. Anderson - Overall Rating &amp; Numeric Score</b>			<b>Aa1</b>	<b>2.3</b>
<u>UTHSC-Tyler</u>	<u>Weight</u>	<u>Value</u>	<u>Rating</u>	<u>Weighted Scale</u>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	200.08	A	0.90
Annual Change in Operating Revenues	5%	0.89%	Ba	0.60
<i>Total Weighted Market Profile</i>				<u>1.50</u>
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	1.57%	Baa	1.80
Max. Single Revenue Contribution	10%	30.83%	Aaa	0.10
<i>Total Weighted Operating Performance</i>				<u>1.90</u>
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	66.44	A	0.90
Spendable Cash & Inv. to Operating Exp.	10%	0.16	A	0.60
Monthly Days Cash on Hand (in days)	5%	16.83	Ba	0.60
<i>Total Weighted Wealth &amp; Liquidity</i>				<u>2.10</u>
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	0.63	A	0.60
Total Debt to Cash Flow	10%	16.51	Baa	0.90
<i>Total Weighted Leverage</i>				<u>1.50</u>
<b>UTHSC-Tyler - Overall Rating &amp; Numeric Score</b>			<b>A3</b>	<b>7.0</b>

**Appendix C - Moody's Scorecard Outcome Scale**

Scorecard Outcome	Aggregate Weighted Factor Score		
Aaa		x ≤ 1.5	
Aa1	1.5	< x ≤ 2.5	
Aa2	2.5	< x ≤ 3.5	
Aa3	3.5	< x ≤ 4.5	
A1	4.5	< x ≤ 5.5	
A2	5.5	< x ≤ 6.5	
A3	6.5	< x ≤ 7.5	
Baa1	7.5	< x ≤ 8.5	
Baa2	8.5	< x ≤ 9.5	Investment Grade
Baa3	9.5	< x ≤ 10.5	Investment Grade
Ba1	10.5	< x ≤ 11.5	Speculative Grade
Ba2	11.5	< x ≤ 12.5	Speculative Grade
Ba3	12.5	< x ≤ 13.5	Speculative Grade
B1	13.5	< x ≤ 14.5	Speculative Grade
B2	14.5	< x ≤ 15.5	Speculative Grade
B3	15.5	< x ≤ 16.5	Speculative Grade
Caa1	16.5	< x ≤ 17.5	Speculative Grade
Caa2	17.5	< x ≤ 18.5	Speculative Grade
Caa3	18.5	< x ≤ 19.5	Speculative Grade
Ca		x > 19.5	Speculative Grade

**Appendix D - Calculation of Annual Operating Margin  
Academic Institutions  
As of August 31, 2017  
(In Millions)**

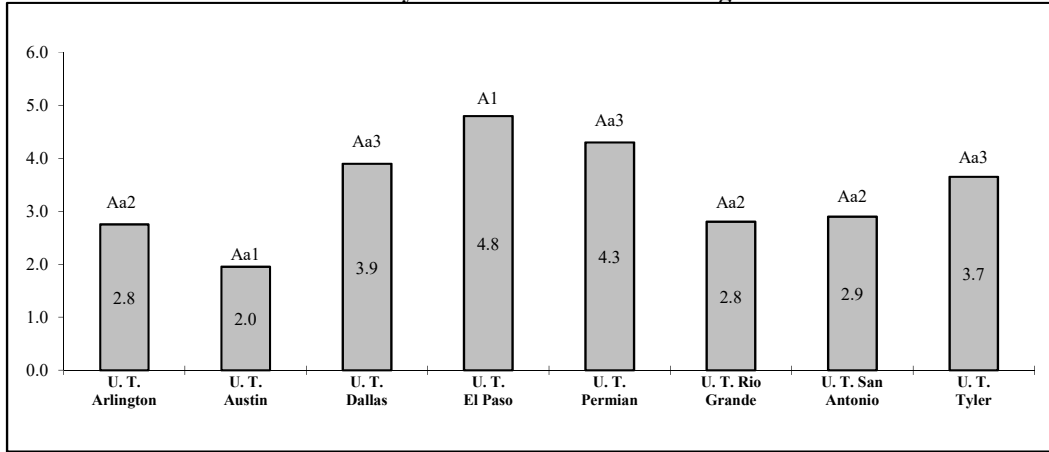
Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Less: Nonoperating Items				Margin From SRECNA	Other Adjustments					Annual Operating Margin
		Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.		Minus:	Plus:	Plus:	Plus:	Plus:	
							Realized Gains/ (Losses)	AUF, RAHC NSERB & TRB Supp.	GEF Transfer	Hazelwood Transfers	Interest Expense	
U. T. Arlington	\$ 98.8	0.3	(0.1)	(1.3)	27.7	72.2	-	5.4	-	0.7	(11.6)	66.8
U. T. Austin	166.7	90.5	(1.6)	(15.1)	276.6	(183.6)	-	345.6	-	1.6	(48.2)	115.5
U. T. Dallas	36.4	0.5	(0.5)	-	35.8	1.0	6.0	12.0	-	0.4	(23.5)	(16.1)
U. T. El Paso	8.1	-	-	(1.1)	20.6	(11.0)	0.3	5.4	-	0.4	(9.6)	(15.1)
U. T. Permian Basin	8.9	2.6	-	-	3.1	3.3	0.3	3.7	-	0.1	(6.7)	0.1
U. T. Rio Grande Valley	22.5	-	-	-	8.8	13.8	-	5.9	-	0.5	(6.5)	13.9
U. T. San Antonio	24.7	-	-	-	21.2	3.6	2.8	5.4	-	1.6	(14.6)	(6.8)
U. T. Tyler	6.6	-	-	-	7.2	(0.7)	-	4.6	-	0.2	(5.2)	(1.0)

**Appendix D - Calculation of Annual Operating Margin  
Health Institutions  
As of August 31, 2017  
(In Millions)**

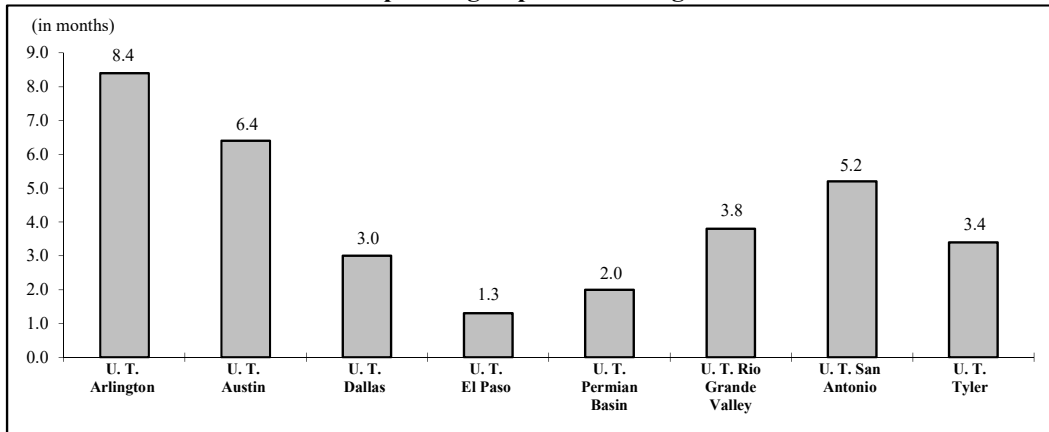
Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Less: Nonoperating Items				Margin From SRECNA	Other Adjustments				Annual Operating Margin
		Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.		Minus: Realized Gains/ (Losses)	Plus: GEF Transfer	Plus: Other	Plus: Interest Expense	
Southwestern	\$ 314.3	0.6	-	(3.6)	122.0	195.3	(18.2)	-	6.2	(31.9)	187.8
UTMB	78.9	1.8	(5.1)	(2.1)	54.3	30.0	0.9	-	9.4	(23.8)	14.7
UTHSC-Houston	68.8	-	-	(0.5)	48.2	21.2	5.0	-	7.7	(11.5)	12.4
UTHSC-San Antonio	60.1	-	-	(0.4)	53.9	6.8	1.1	-	7.6	(8.7)	4.6
M. D. Anderson	699.5	-	(0.5)	(1.9)	228.2	473.5	33.3	-	5.4	(34.4)	411.3
UTHSC-Tyler	(6.4)	-	(0.1)	(0.2)	4.1	(10.3)	-	-	1.3	(1.5)	(10.5)

**Appendix E - Academic Institutions' Evaluation Factors  
2017 Analysis of Financial Condition**

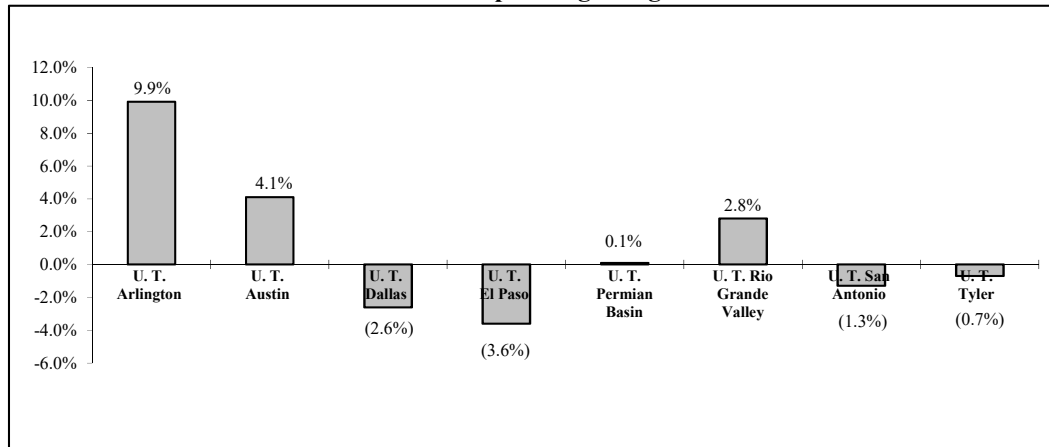
**Moody's Overall Scorecard Rating**



**Operating Expense Coverage**

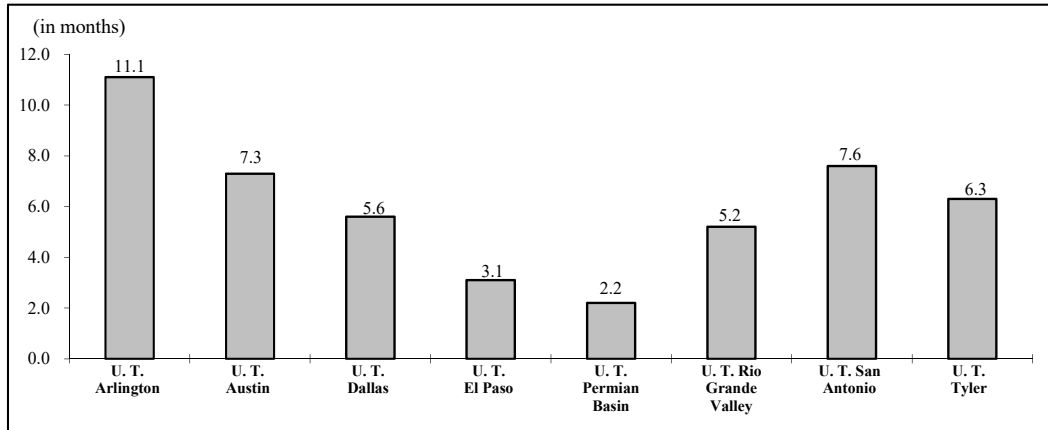


**Annual Operating Margin**

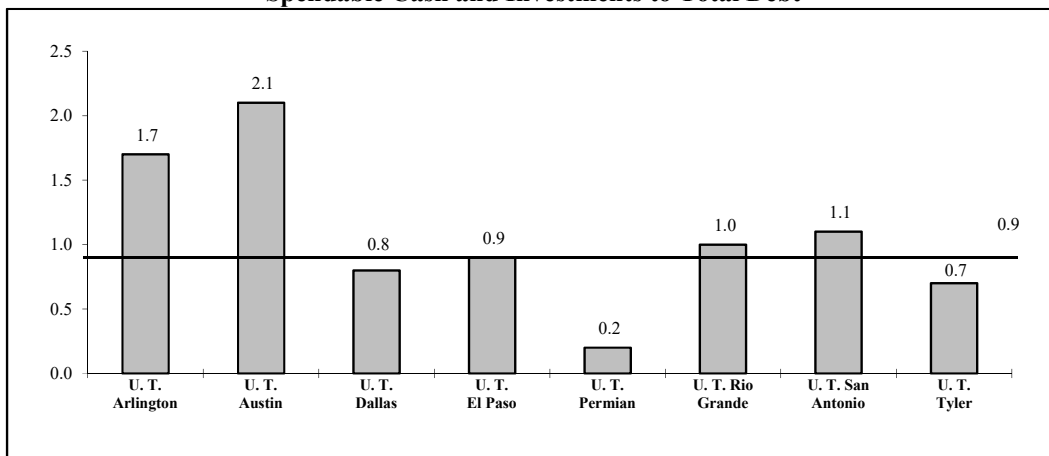


**Appendix E - Academic Institutions' Evaluation Factors  
2017 Analysis of Financial Condition**

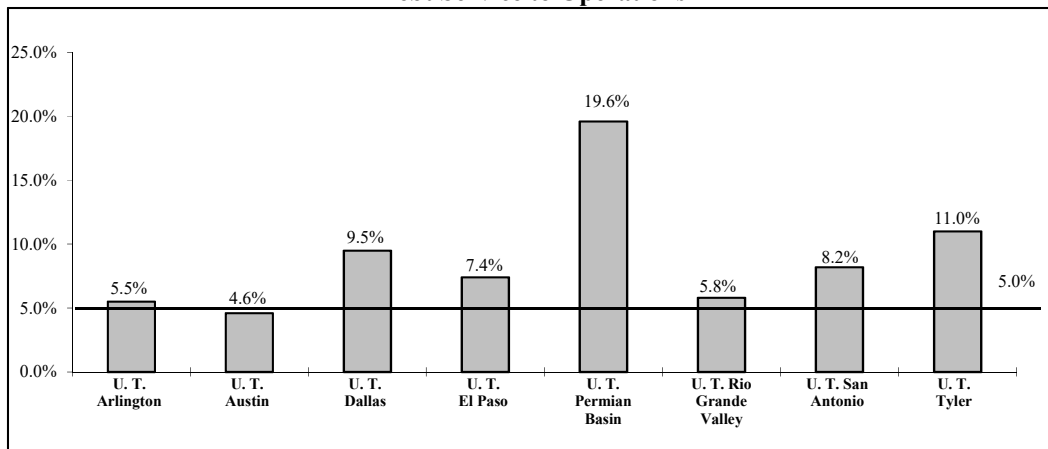
**Cash on Hand**



**Spendable Cash and Investments to Total Debt**

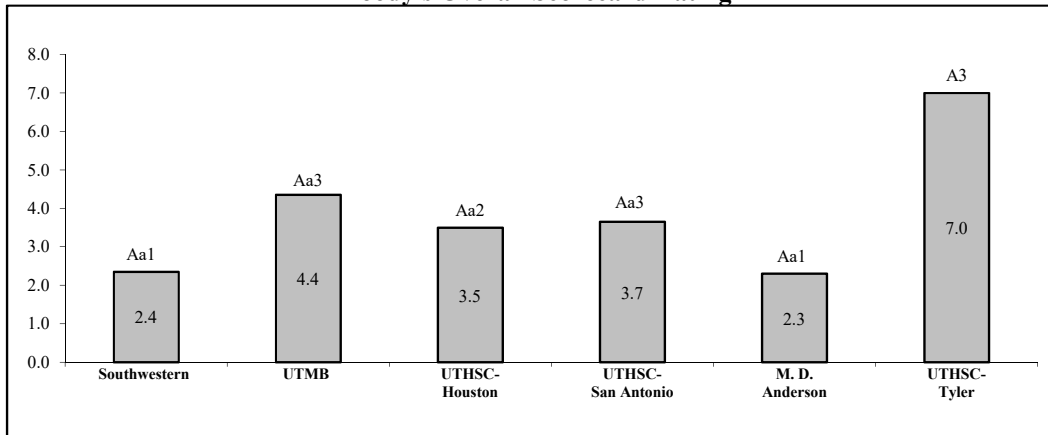


**Debt Service to Operations**

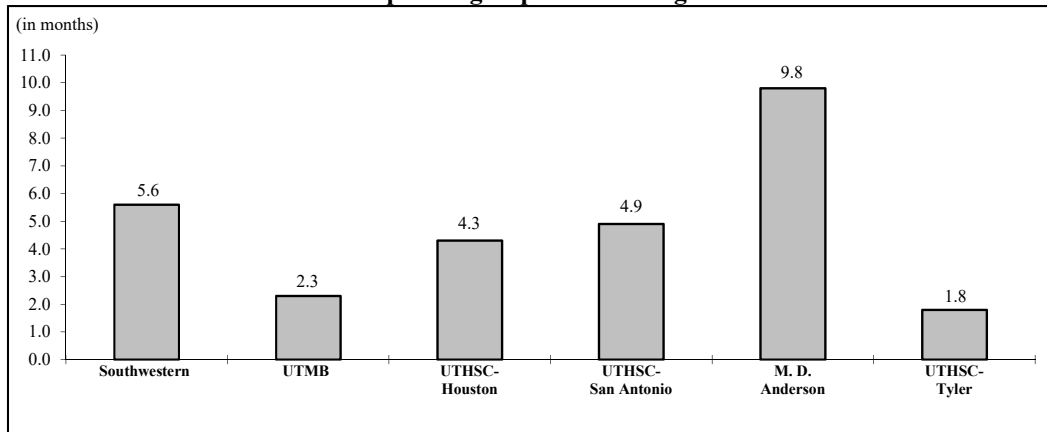


**Appendix E - Health Institutions' Evaluation Factors  
2017 Analysis of Financial Condition**

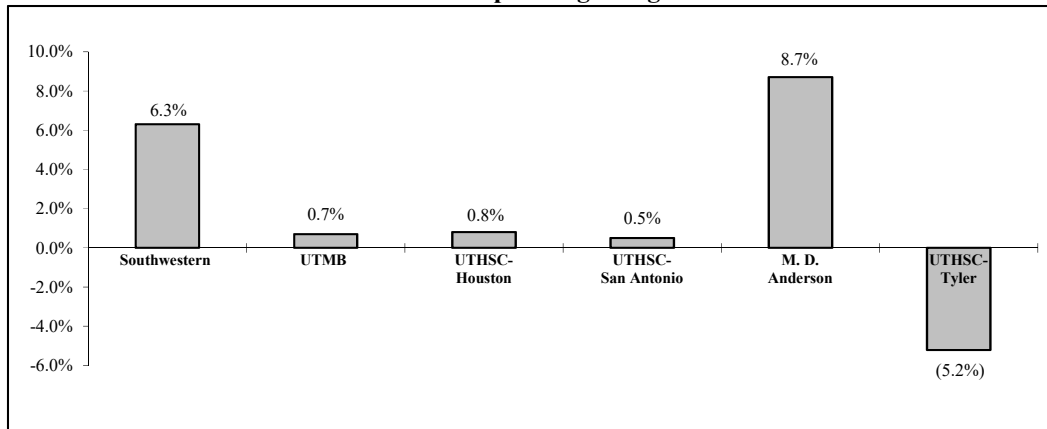
**Moody's Overall Scorecard Rating**



**Operating Expense Coverage**



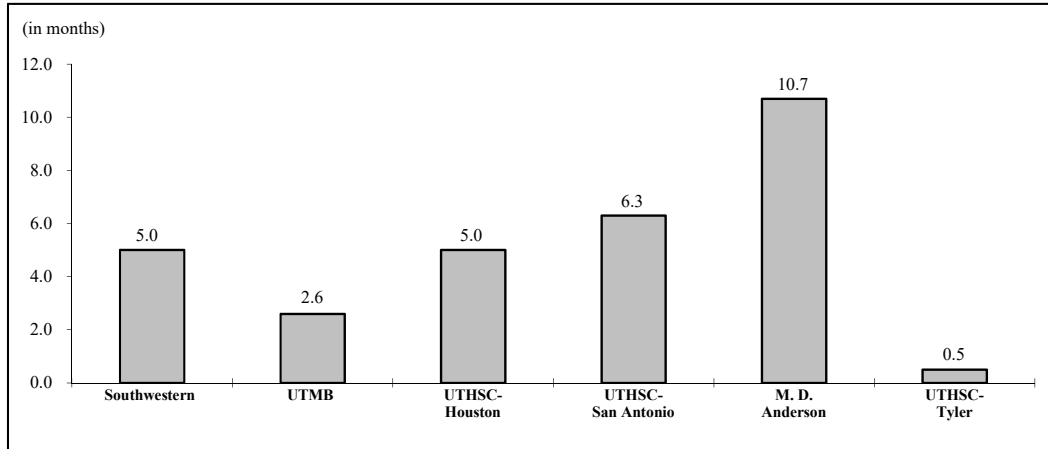
**Annual Operating Margin**



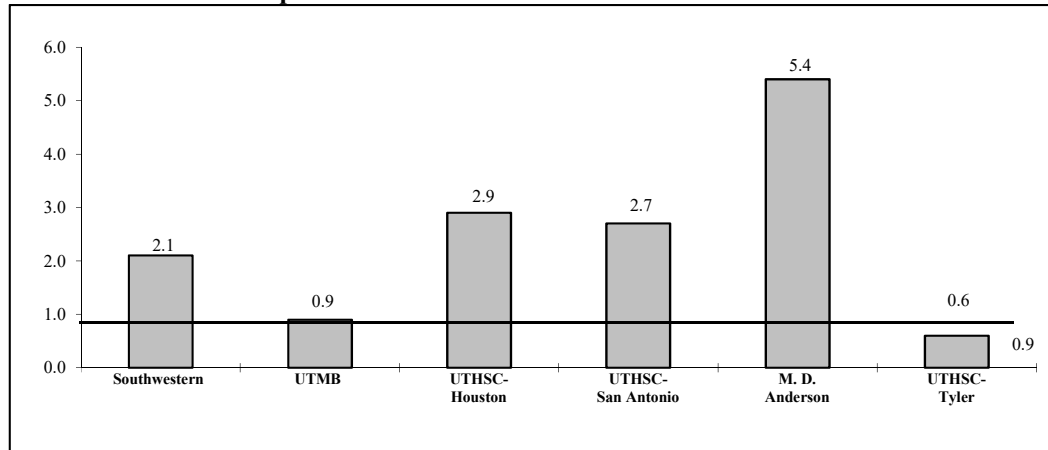


**Appendix E - Health Institutions' Evaluation Factors  
2017 Analysis of Financial Condition**

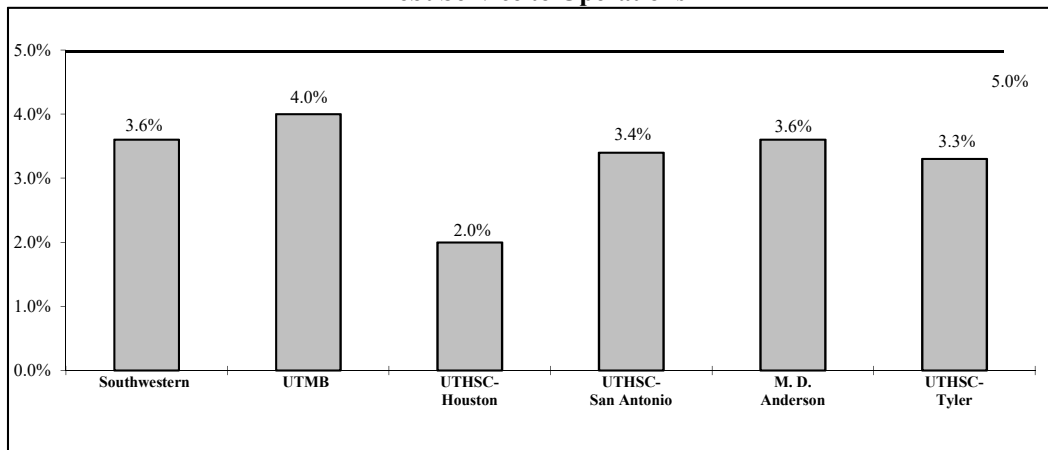
**Cash on Hand**



**Spendable Cash and Investments to Total Debt**

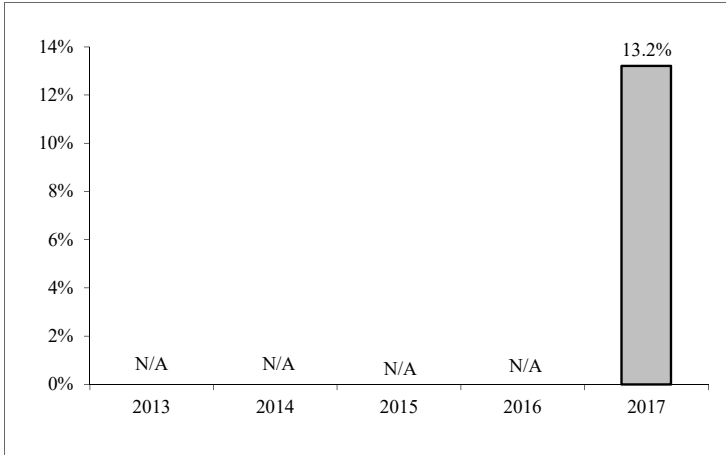


**Debt Service to Operations**



**Appendix F - Key MSRDP Operating Factors  
The University of Texas Rio Grande Valley**

**Annual Operating Margin Ratio**



The physician practice plan became effective November 10, 2016. The annual operating margin ratio of 13.2% for 2017 was impacted by a number of challenges faced by a start-up faculty practice plan. Those challenges included the following: a lack of payor contracts; lack of an electronic medical record system which limited access to patient records; and the prevalence of high uncompensated or uninsured patient base. In spite of these challenges, the first year of practice plan operations was positive due to payments from Texas Health and Human Services via the Medicaid 1115 Waiver program for the achievement of Delivery System Reform Incentive Payment (DSRIP) milestones and metrics which represented 64% of the practice plan operating revenue, and therefore, represented 8.5% of the annual operating margin in 2017.

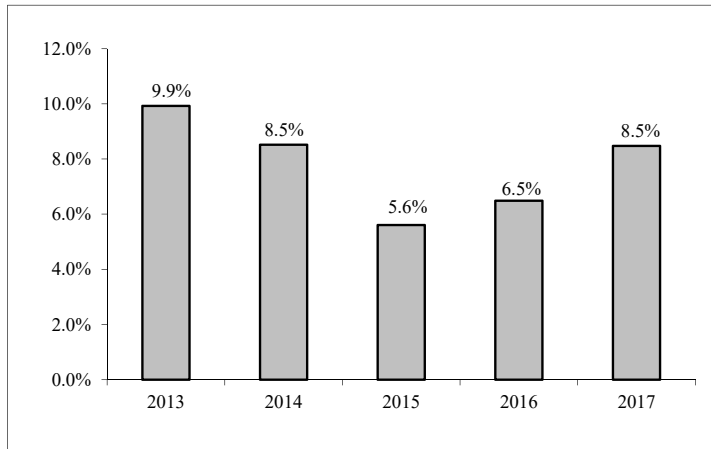
**Net Accounts Receivable (in days)**



Net accounts receivable of 520 days was driven by the inability to appropriately bill patients and payors in a timely manner due to the infancy of the faculty practice plan. Collections were also impacted by the high prevalence of an uncompensated and uninsured patient base. Represented in the accounts receivable are amounts collected on U. T. Rio Grande Valley's behalf by third party billing and collections agencies. As of August 1, 2017, all collections have come under the umbrella of one third party billing and collections agency and access to patient charges has been established. In addition, U. T. Rio Grande Valley is adjusting charges from 300% to 200% of Medicare and is reviewing receivables on accounts with settlement agreements in place or being negotiated.

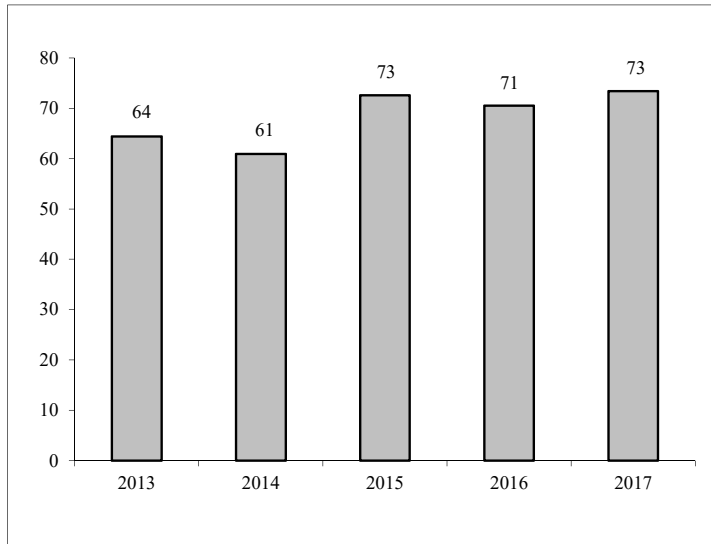
**Appendix F - Key Hospital Operating Factors**  
**The University of Texas Southwestern Medical Center**

**Annual Operating Margin Ratio**



The annual operating margin ratio increased from 6.5% for 2016 to 8.5% for 2017 as a result of year over year volume increases of 10.0%. Incremental resources were added to support the higher volume, driving expense growth of 7.4%. The increase in volumes, improved efficiencies, and accountability on personnel, agency, and overtime costs resulted in an improved operating margin.

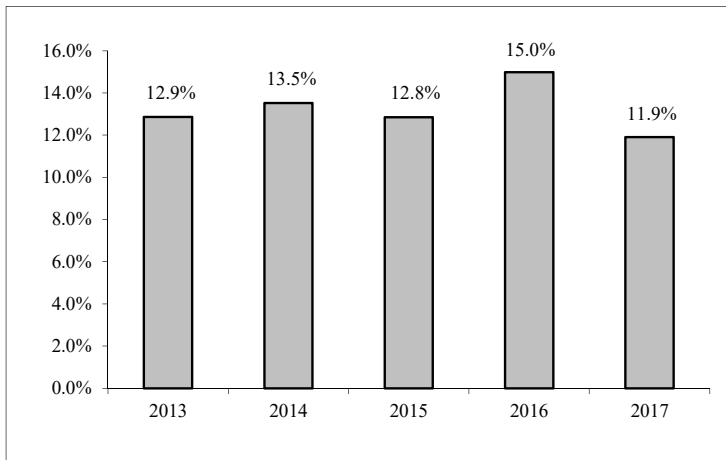
**Net Accounts Receivable (in days)**



Net accounts receivable in days increased slightly from 71 days in 2016 to 73 days in 2017. Patient revenues increased as a result of volumes, which drove slightly higher net accounts receivable balances.

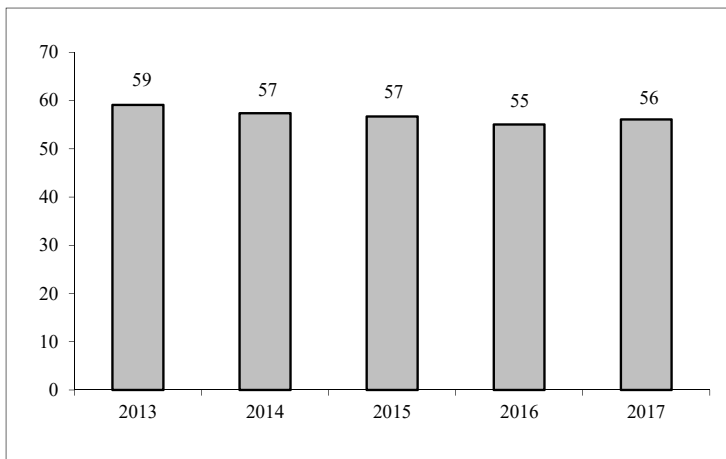
**Appendix F - Key MSRDP & NPHC Operating Factors  
The University of Texas Southwestern Medical Center**

**Annual Operating Margin Ratio**



The annual operating margin ratio decreased from 15.0% for 2016 to 11.9% for 2017. The decrease in this ratio was primarily attributable to net margin decreases on the Network Access Improvement Program of \$12.7 million and the Meaningful Use Program of \$1.6 million. Contract revenue from the Parkland Master Services Agreement Program Enhancements was reduced by \$7.4 million. Additionally, the practice plan recognized \$37.7 million in other operating revenue from the Delivery System Reform Incentive Payment program, which was a decrease from the \$41.3 million recognized in the prior year.

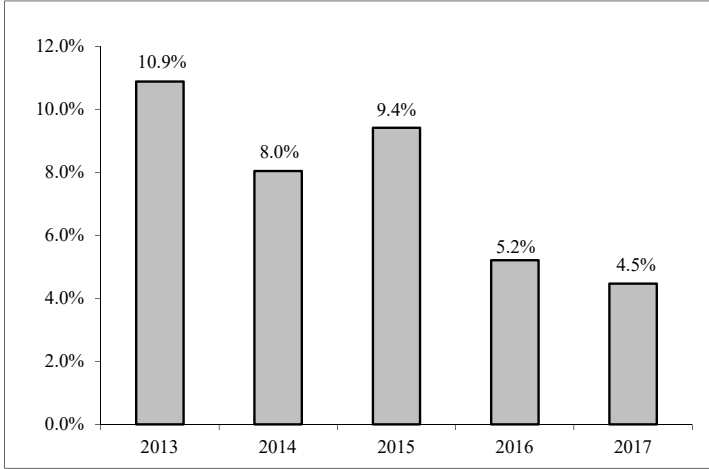
**Net Accounts Receivable (in days)**



The net accounts receivable days increased from 55 days in 2016 to 56 days in 2017, mainly due to reduced payments from Parkland of \$3.0 million on relative value unit volume for the fourth quarter of 2017. The net accounts receivable increased accordingly.

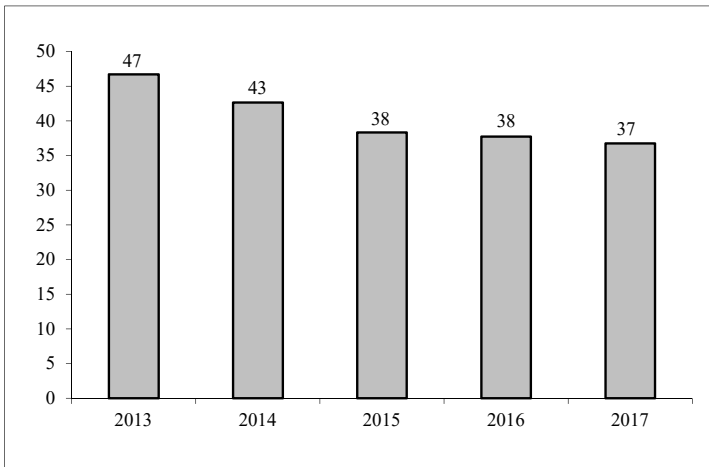
**Appendix F - Key Hospital Operating Factors  
The University of Texas Medical Branch at Galveston**

**Annual Operating Margin Ratio**



UTMB Hospitals and Clinics' annual operating margin ratio decreased from 5.2% for 2016 to 4.5% for 2017. The margin decrease was primarily due to an increase in interest expense on debt service related to the Jenny Sealy Hospital, which opened in April 2016, and League City Hospital, which opened in June 2016. Net patient care revenue increased due to an increase in discharges of 6.7% and an increase in outpatient encounters of 5.7%, which was largely offset by increases in operating expenses.

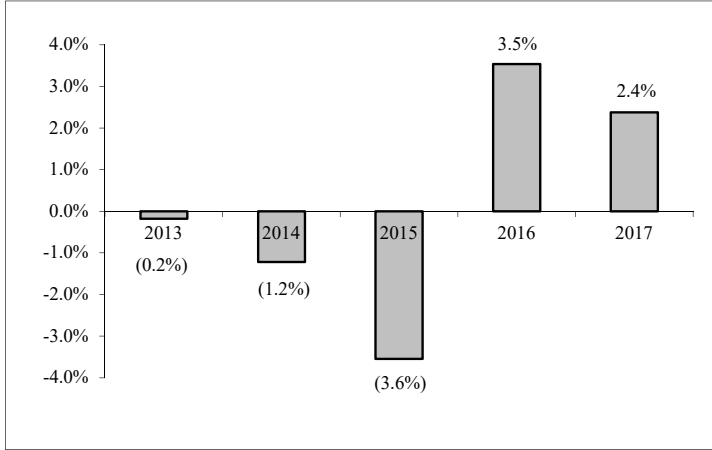
**Net Accounts Receivable (in days)**



Net accounts receivable in days decreased slightly from 38 days for 2016 to 37 days for 2017 due to improvements implemented by the Revenue Cycle Operations team. Improvements specifically targeted decreasing denials and avoidable write-offs, as well as intense focus for timely filing, timely appeal, authorization and eligibility write-offs.

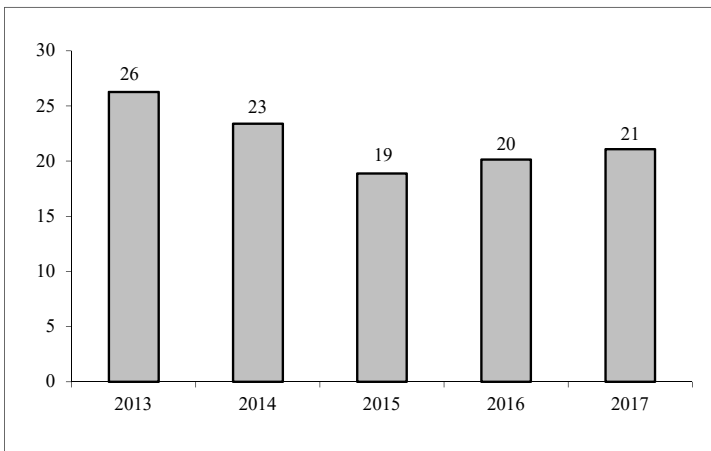
**Appendix F - Key MSRDP & NPHC Operating Factors  
The University of Texas Medical Branch at Galveston**

**Annual Operating Margin Ratio**



The annual operating margin ratio decreased from 3.5% for 2016 to 2.4% for 2017. Overall total operating expenses increased primarily due to an increase in salaries and benefits, and an increase in shared services allocated to the physician practice plan. The increase in total operating expenses was partially offset by the increase in net patient care revenue due to a 6.0% increase in work Relative Value Units (RVUs). The net decrease related to the Delivery System Reform Incentive Payment program from 2016 to 2017 was \$1.4 million.

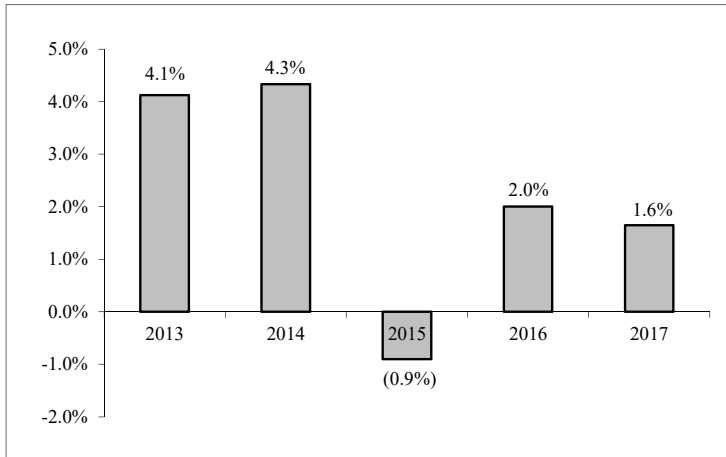
**Net Accounts Receivable (in days)**



Net accounts receivable in days increased slightly from 20 days in 2016 to 21 days in 2017 as work RVUs increased 6.0%.

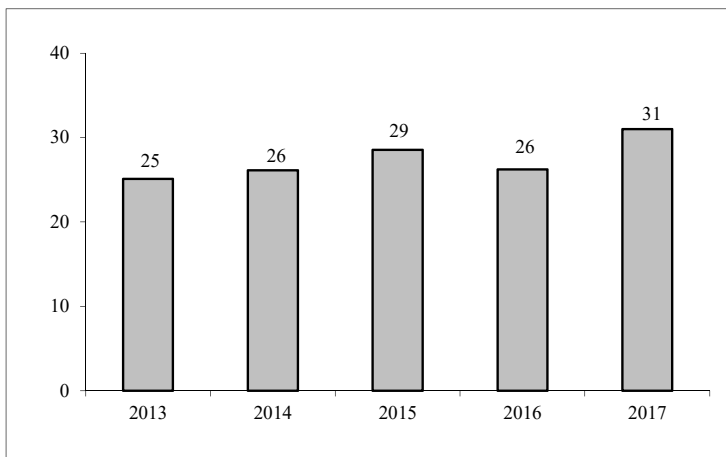
**Appendix F - Key Hospital Operating Factors  
The University of Texas Health Science Center at Houston**

**Annual Operating Margin Ratio**



The annual operating margin ratio decreased from 2.0% for 2016 to 1.6% for 2017. The decrease in this ratio was attributable to the loss of the Harris County Juvenile Probation Department contract, effective January 31, 2017.

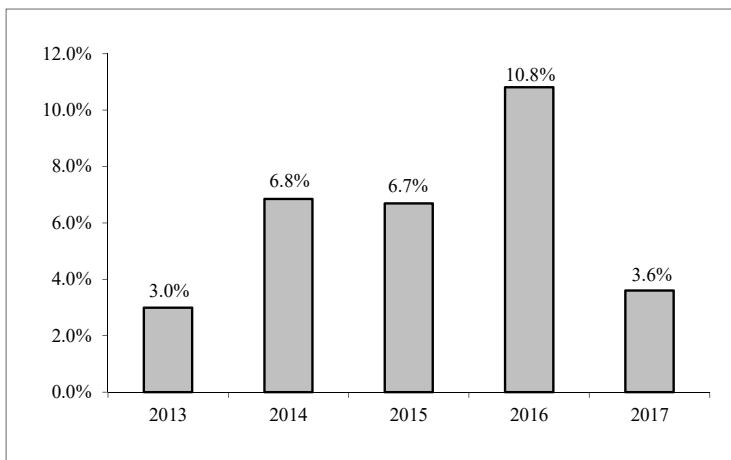
**Net Accounts Receivable (in days)**



Although the net accounts receivable in days increased from 26 days in 2016 to 31 days in 2017, it has remained fairly constant over the last five years. Continuous monitoring and improvement of the hospital's billing and collection processes, including management of denials, timely identification of patients who qualify for indigent status, and timely recognition of patient bad debts help to maintain a relatively low net days in accounts receivable.

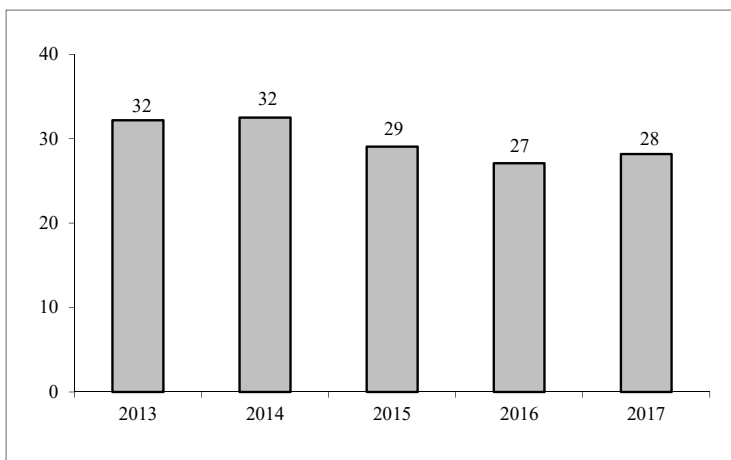
**Appendix F - Key MSRDP & NPHC Operating Factors**  
**The University of Texas Health Science Center at Houston**

**Annual Operating Margin Ratio**



The annual operating margin ratio decreased significantly from 10.8% for 2016 to 3.6% for 2017 primarily due to the maturation of a number of clinical projects implemented under UTHSC-Houston's Healthcare Transformation Initiatives (HTI) largely funded through the Delivery System Reform Incentive Program (DSRIP) associated with the Medicaid Section 1115 Demonstration and the Network Access Improvement Program. In addition to the diminishing margin associated with the HTI programs uncompensated care (UC) funding decreased due to the overall reduction in the 1115 Waiver's UC pool. Net DSRIP decreased by \$10.2 million in 2017.

**Net Accounts Receivable (in days)**

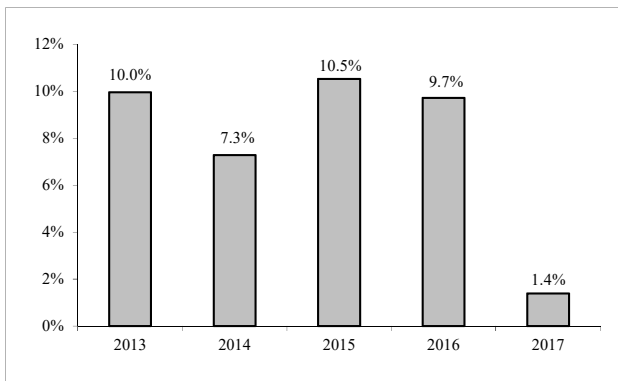


Net accounts receivable in days increased slightly from 27 days in 2016 to 28 days in 2017. The physician practice plan continues to be heavily focused on improving the revenue cycle. During the latter part of 2016 emphasis turned to bringing in collections sooner and improving the overall collection rate. This included reducing charges billed for incorrect eligibility, implementing online bill pay, launching support to decrease charge lag days, and reducing the number of days Harris Health System's indigent balances were held on the accounts receivable. This emphasis, along with a slightly lower percentage of overall charges being generated at Harris Health System where the population is mainly indigent, increased the net collection rate and the net accounts receivable valuation. This resulted in a slight increase in the days in accounts receivable.



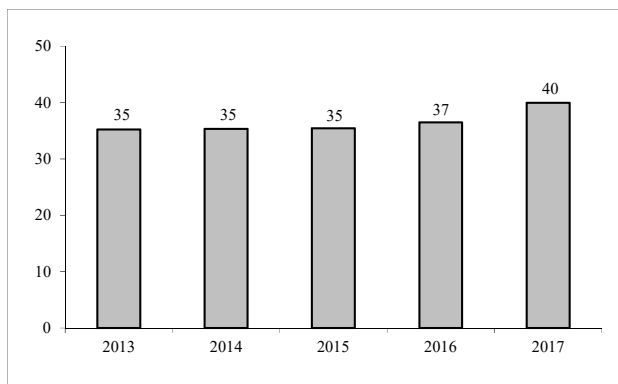
**Appendix F - Key MSRDP & NPHC Operating Factors  
The University of Texas Health Science Center at San Antonio**

**Annual Operating Margin Ratio**



The annual operating margin comprises all medical clinical operations, including patient activities provided through the Cancer Center. The decrease in the annual operating margin ratio was largely attributable to Delivery System Reform Incentive Payment (DSRIP) activities associated with the Medicaid Section 1115 Demonstration. South Texas DSRIP activities recognized \$14.8 million less of net revenues over expenses from the prior year, while San Antonio DSRIP activities remained flat from the prior year. Although a strategic focus on the *Patient First* initiative targeted at productivity standards and process improvements continues to enhance clinical performance, non-DSRIP activities recognized \$15.9 million less of net revenues over expenses from the prior year due to clinical expansion efforts. Non-DSRIP operating revenues increased by \$6.3 million over the prior year primarily from enhanced clinical contracts with University Health System, while non-DSRIP operating expenses increased by \$22.2 million due to start up costs associated with the new UT Health Physicians Hill Country facility that opened in the spring of 2017, the conversion of office to clinical space on the 7<sup>th</sup> & 8<sup>th</sup> floors of the Medical Arts and Research Center (MARC), costs associated with the M. D. Anderson and Cancer Center affiliation, and increased costs associated with marketing and branding initiatives. Net patient fees for services were flat from the prior year but are expected to increase in future years with fully operational facilities at the MARC, Hill Country, and Cancer Center. UTHSC-San Antonio continues to be committed to reinvesting incremental operating revenues towards recruitment efforts, addressing faculty compensation issues, streamlining billing operations and patient services, as well as developing and implementing an infrastructure necessary to meet the goals and challenges of healthcare reform.

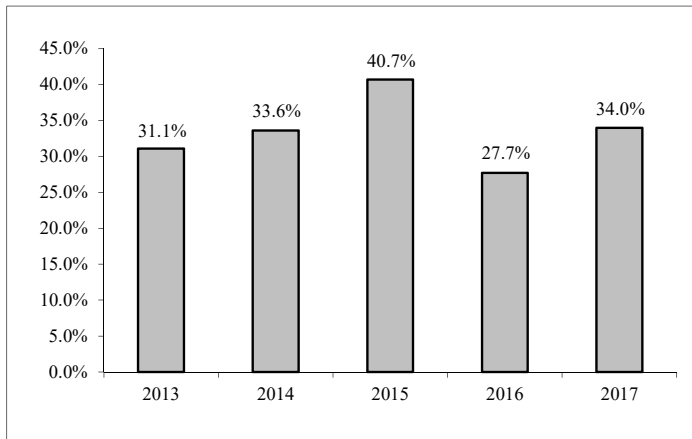
**Net Accounts Receivable (in days)**



The increase in days outstanding of net receivables was primarily experienced among commercial (55%) and self-pay (34%) payors. Among the commercial payors, approximately half of the increase was due to shifts to commercial plans, including Affordable Care Act plans, with heavier patient responsibility. UTHSC-San Antonio's commercial payors are more likely to deny claims than other payors, resulting in collection delays as more of the cost becomes the patients' responsibility after insurance. The other half of the commercial payor increase was related to billing delays associated with the Centers for Medicare and Medicaid Services' International Classification of Diseases, 10th Revision (ICD-10) implementation. Growth in days outstanding for self-pay patients was due to an increase in delinquent accounts and inefficiencies experienced with a contracted third party collection agency. With concerted efforts made at the clinics to collect on the overdue patient payments and the utilization of a new collection agency vendor, UTHSC-San Antonio saw improvement in collections towards the end of the fiscal year.

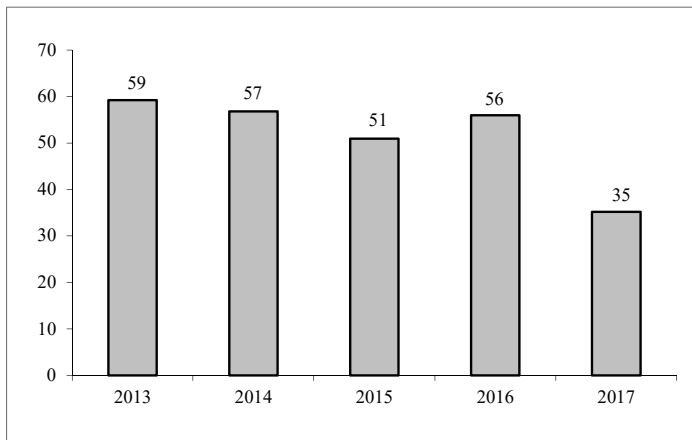
**Appendix F - Key Hospital Operating Factors  
The University of Texas M. D. Anderson Cancer Center**

**Annual Operating Margin Ratio**



The annual operating margin ratio increased from 27.7% for 2016 to 34.0% for 2017 due to improved net patient revenue resulting from increased clinical volumes. Admissions increased 5.1%, patient days increased by 2.5%, surgeries increased 7.7% and outpatient visits increased 2.6%. M. D. Anderson also implemented two significant reductions in force during the year affecting 854 employees which reduced personnel costs. Additionally, M. D. Anderson was able to reduce non-personnel costs throughout the year.

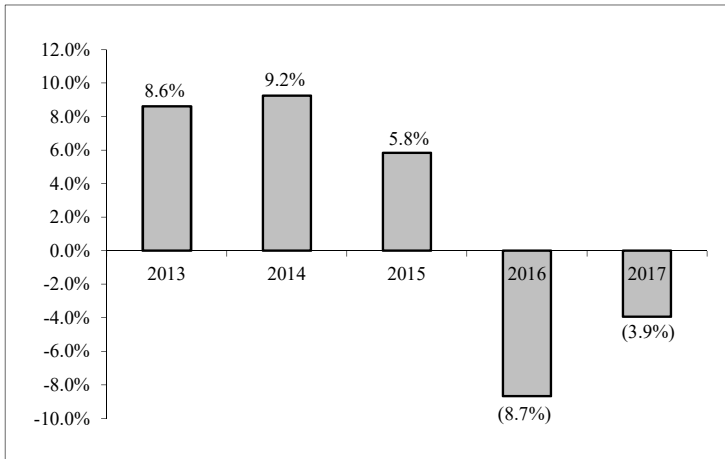
**Net Accounts Receivable (in days)**



Net accounts receivable in days decreased from 56 days in 2016 to 35 days in 2017 as a result of efficiencies gained from the electronic health record implementation.

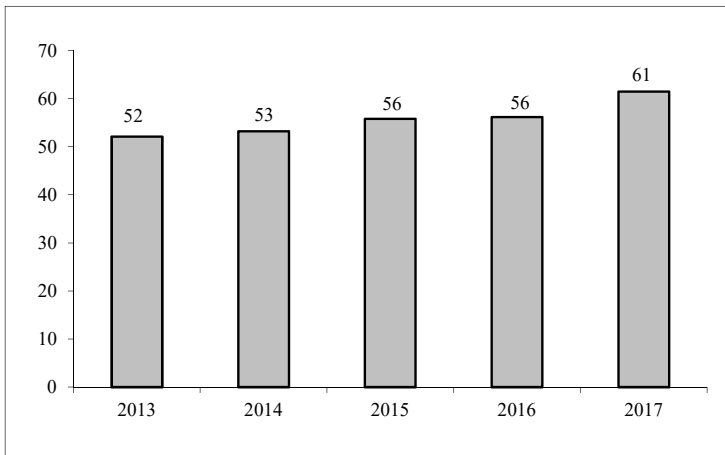
**Appendix F - Key MSRDP & NPHC Operating Factors  
The University of Texas M. D. Anderson Cancer Center**

**Annual Operating Margin Ratio**



The annual operating margin ratio improved from (8.7%) for 2016 to (3.9%) for 2017. The deficit was planned and was attributable to the continued efforts of returning to normal activity levels after the implementation of a new Electronic Health Record System, as well as the unplanned impact Hurricane *Harvey* had on revenues and expenses at the end of August 2017.

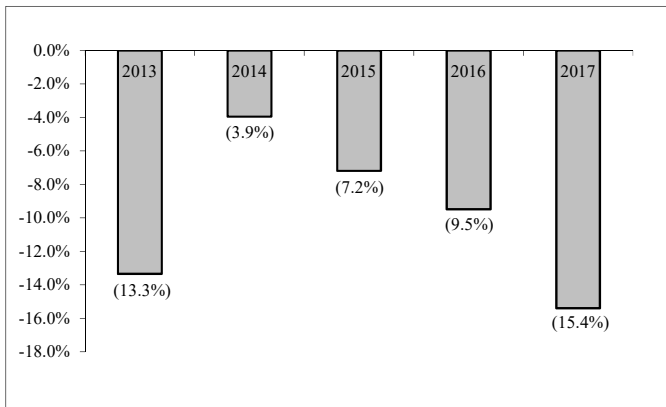
**Net Accounts Receivable (in days)**



Days in net accounts receivable increased from 56 days in 2016 to 61 days in 2017 due to a combination of net revenues increasing by only 3% between 2016 and 2017, as well as efforts to close out the legacy patient accounts receivable system.

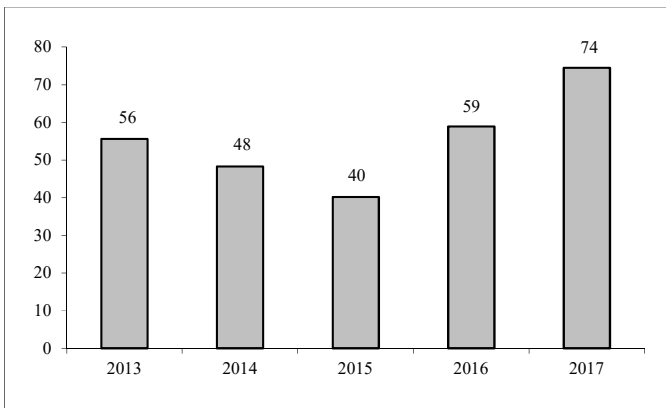
**Appendix F - Key Hospital Operating Factors  
The University of Texas Health Science Center at Tyler**

**Annual Operating Margin Ratio**



The annual operating margin ratio decreased from (9.5%) for 2016 to (15.4%) for 2017, as the growth in total operating expenses of \$8.5 million exceeded the growth in total operating revenues of \$0.9 million. The increase in total operating revenue was largely attributable to growth in hospital outpatient services, including gastroenterology, radiology, and oncology treatments and procedures. The increase in total operating expenses was largely attributable to the combined effect of an increase in medical supplies expense, especially in the area of pharmaceuticals and nuclear medicine drugs associated with investment in the oncology service line, along with higher salaries and benefits expenses associated with an increased investment in the behavioral health service line and population health initiatives. Additionally, increased resources were needed in the areas of quality, information technology, risk management, compliance, and data analytics to meet the increasing demands of assessing and improving health outcomes in today's healthcare landscape.

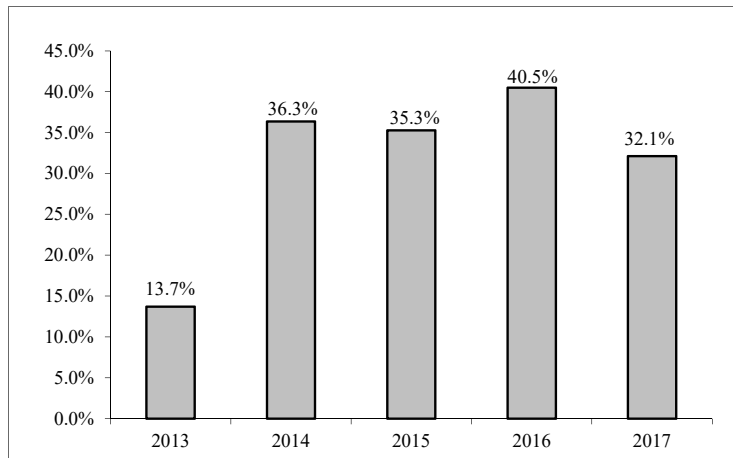
**Net Accounts Receivable (in days)**



Net accounts receivable increased by 15 days from 2016 to 2017 due to higher percentages of outstanding accounts receivable balances for key payor segments relative to total accounts receivable. This effect was particularly noticeable in the areas of Medicaid managed care, as it continues to expand in the region, as well as in the area of self-pay balances. The overall collection rate and rate of bad debt expense was also negatively affected by a greater percentage of self-pay balances than in prior years as the health care insurance marketplace continues to shift to plans with higher deductibles and coinsurance percentages. The increase in net accounts receivable was also affected by the ever-increasing complexities of hospital inpatient and outpatient coding, billing, and prior authorization requirements, as well as staff turnover and patient EMR and financial systems that require continued investment for optimization. A revenue cycle advisory committee was established and continues to actively engage in identifying and overseeing people, processes, and technology improvements in an effort to reverse this trend.

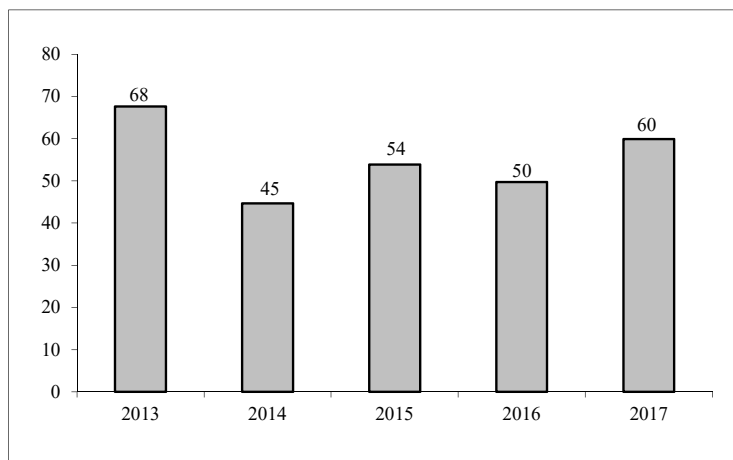
**Appendix F - Key MSRDP & NPHC Operating Factors  
The University of Texas Health Science Center at Tyler**

**Annual Operating Margin Ratio**



The annual operating margin ratio remained positive due to revenue of \$21.0 million received from the Delivery System Reform Incentive Payment (DSRIP) program. However, the DSRIP revenue received in 2017 was \$8.7 million lower than the DSRIP revenue of \$29.7 million received in 2016, contributing to the decline in the annual operating ratio from 40.5% to 32.1%. The decline in DSRIP revenue was partially offset by growth in net patient clinical revenue, which increased by approximately 12.4% due to measurable volume increases in a number of areas, most noticeably family medicine, gastroenterology, radiology, surgery, and behavioral health. Clinical operating expenses decreased by approximately 1.4% from 2016 to 2017, primarily in the area of clinical faculty salaries and benefits, contributing to the continuation of a strong annual operating margin ratio, despite the decline between the two years.

**Net Accounts Receivable (in days)**



Net accounts receivable increased by 10 days from 2016 to 2017, in part due to a higher percentage of outstanding accounts receivable balances for the self-pay segment relative to total accounts receivable, as the health care insurance marketplace continues to shift to plans with higher deductibles and coinsurance percentages. The increase in net accounts receivable was also affected by the ever-increasing complexities of clinic and professional fee coding, billing, and provider referral requirements, as well as staff turnover and patient EMR and financial systems that require continued investment for optimization. A revenue cycle advisory committee was established and continues to actively engage in identifying and overseeing people, processes, and technology improvements in an effort to reverse this trend.

**6. U. T. System Board of Regents: Update on University Lands**

REPORT

Mr. Mark Houser, Chief Executive Officer - University Lands, will report on matters related to University Lands using the PowerPoint presentation set forth on the following pages.



# Update on University Lands

Mr. Mark Houser, Chief Executive Officer – University Lands

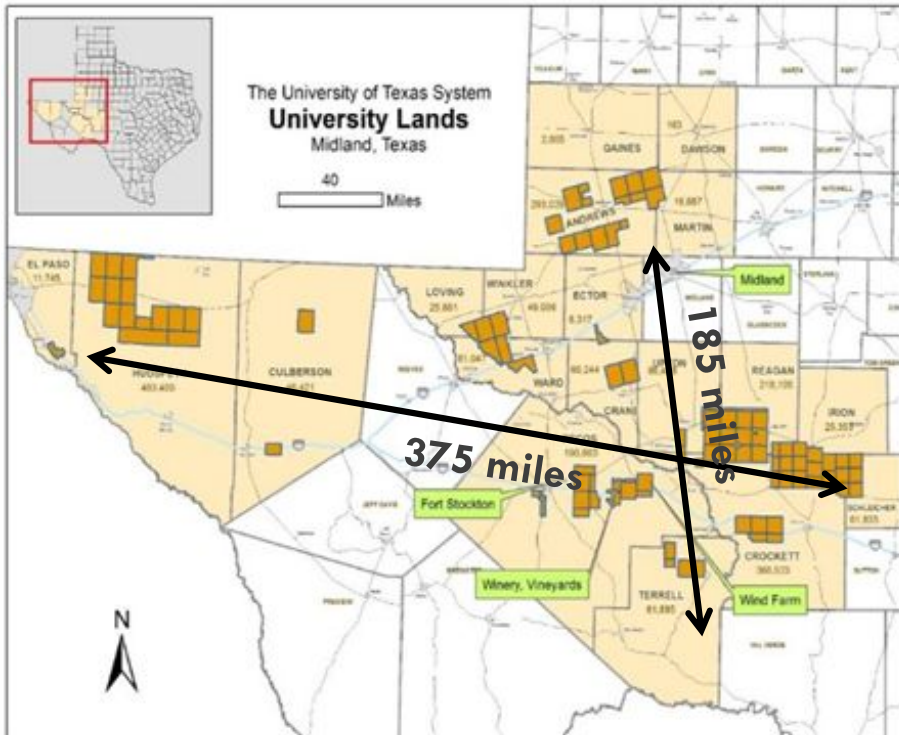
U. T. System Board of Regents' Meeting  
Finance and Planning Committee  
February 2018



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# University Lands (UL): 20-Year Vision

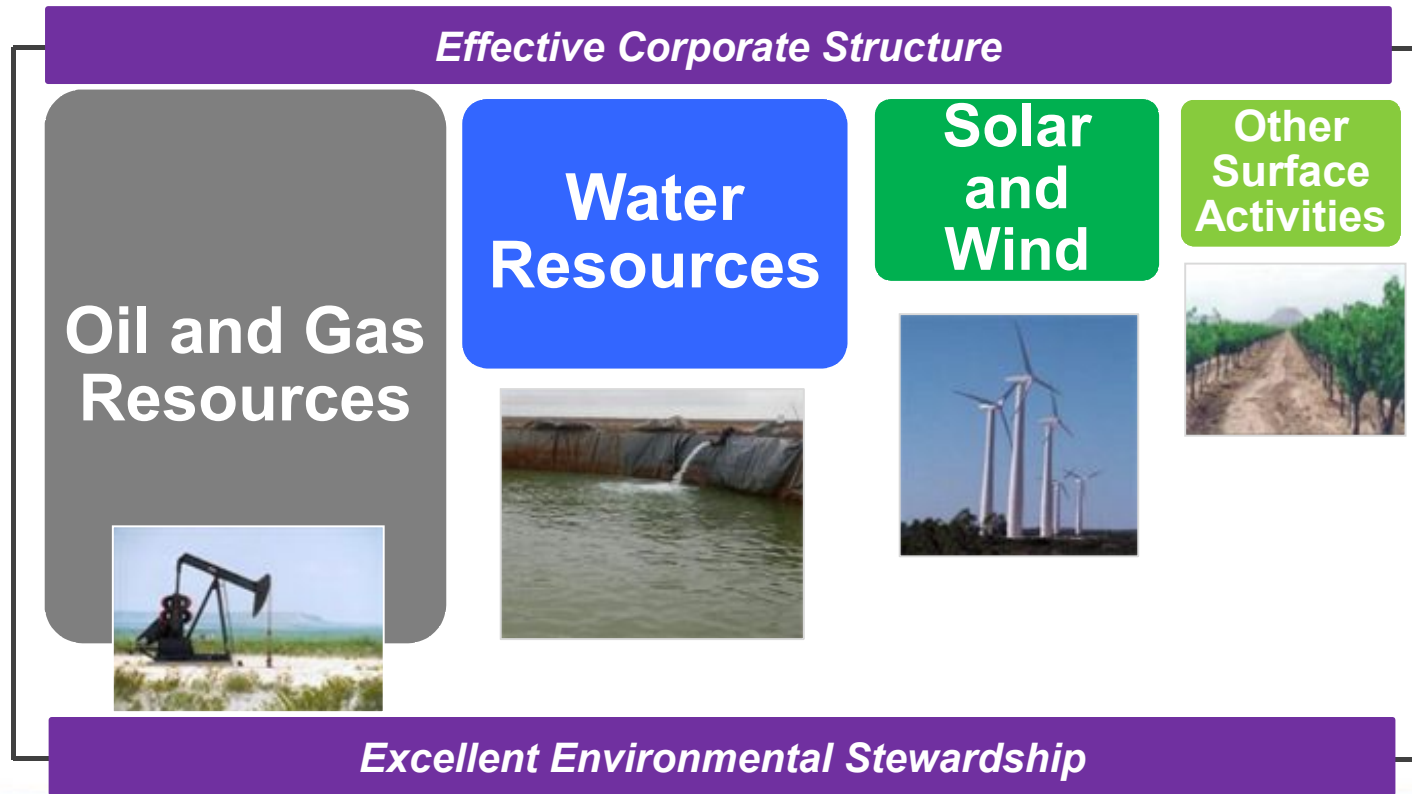


- Oil and gas production will be predominant revenue source
  - Drilling inventory of 50+ years at normalized rates
  - Assuming ***consistent and increasing development activity*** and continued technical momentum, production levels could increase 50-100% over the next 10-15 years
  - Technology advancements will continue in all areas of operating activity, including environmental performance
  - While increasing modestly in market share, other energy sources will not satisfy long-term worldwide energy demand
- Water resources will be a significant contributor to infrastructure improvement and development in West Texas
- Solar energy will be further developed across University Lands acreage





# UL: Economic Development Opportunities



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## UL: Fiscal Year 2018 Top Organizational Goals

- Meet or exceed Permanent University Fund (PUF) and Available University Fund (AUF) budget levels
- Increase long-term development activity
- Encourage further development of water infrastructure to promote UL oil and gas development
  - Focus on use of all water sources, including saline waters, produced water recycling, and prudent produced water disposal
- Continue focus on leasing appropriate land for renewable energy projects
- Continue to explore possible creation of ULandCo
- Continue focus on environmental stewardship
- Maintain efficient cost structure



# UL: Fiscal Year 2018 Progress

*Effective Corporate Structure – ULandCo tabled for Legislative Session*

## Oil & Gas Resources

- Recent record production levels
- September lease sale generated \$118 MM
- Anticipated increase in drilling activity

## Water Resources

- Revenue up 50% year-over-year
- Strategic water initiative underway

## Solar and Wind

- Three leases signed spanning 6,700 acres
- PUF acreage selected for 2020 solar development

## Other Surface Activities

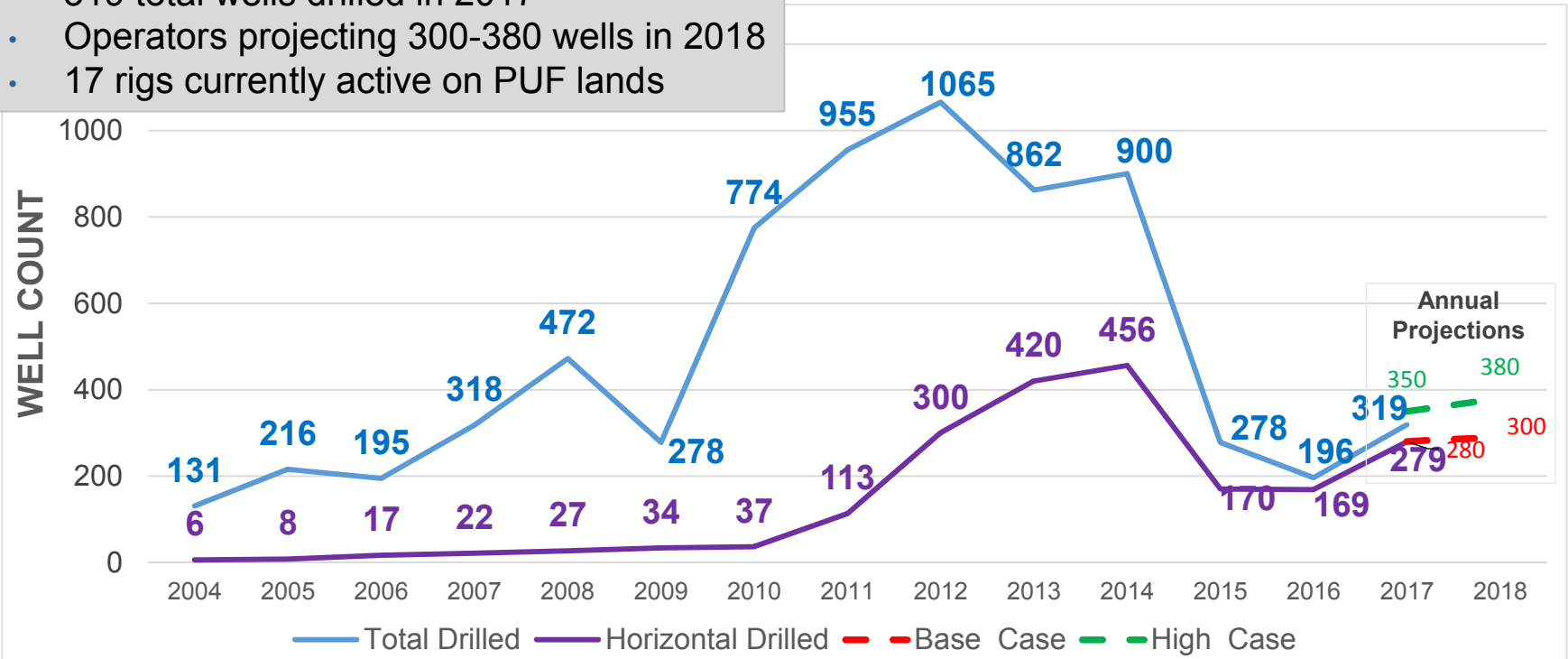
- 112 grazing lessees

*Excellent Environment Stewardship – Continued Increased Focus*

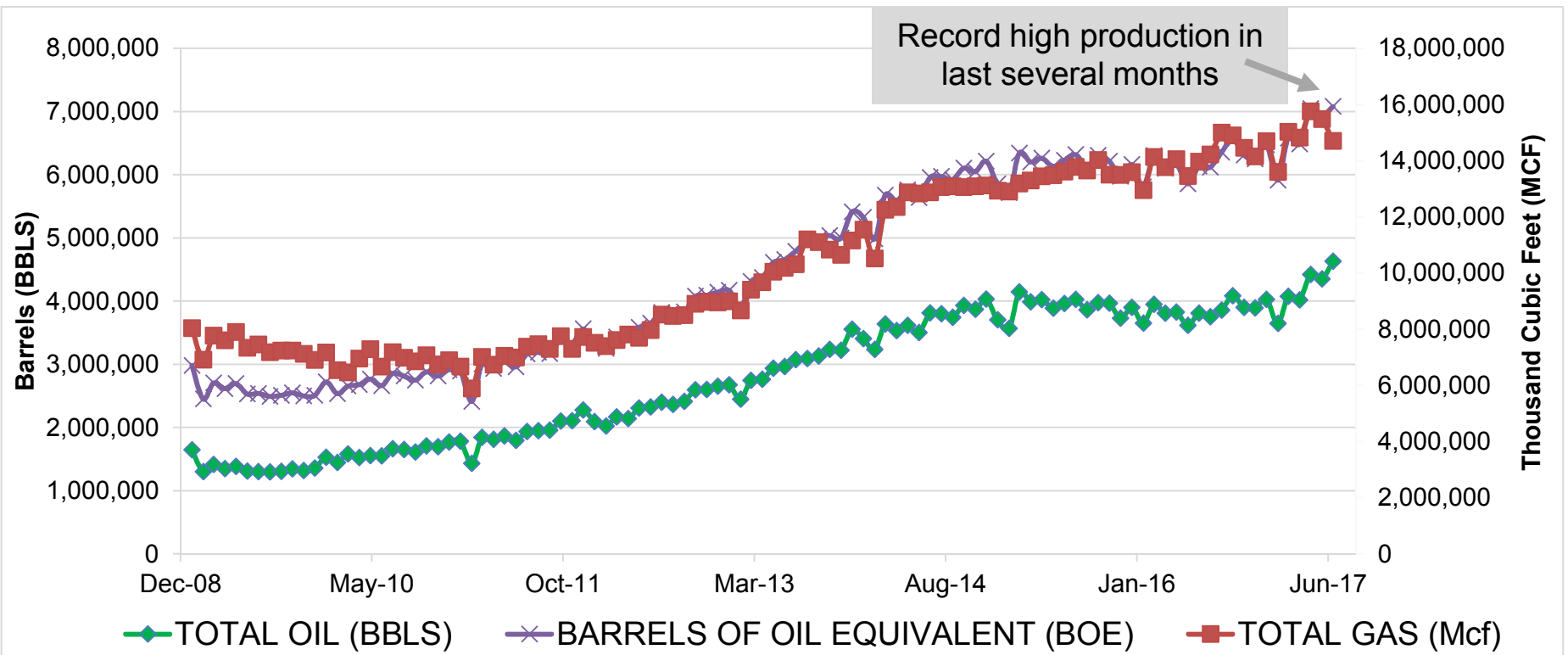


# Wells Drilled by Calendar Year

- 319 total wells drilled in 2017
- Operators projecting 300-380 wells in 2018
- 17 rigs currently active on PUF lands



# PUF Lands Monthly Production (2009 - October 2017)



# FY 2018 Revenue Projections

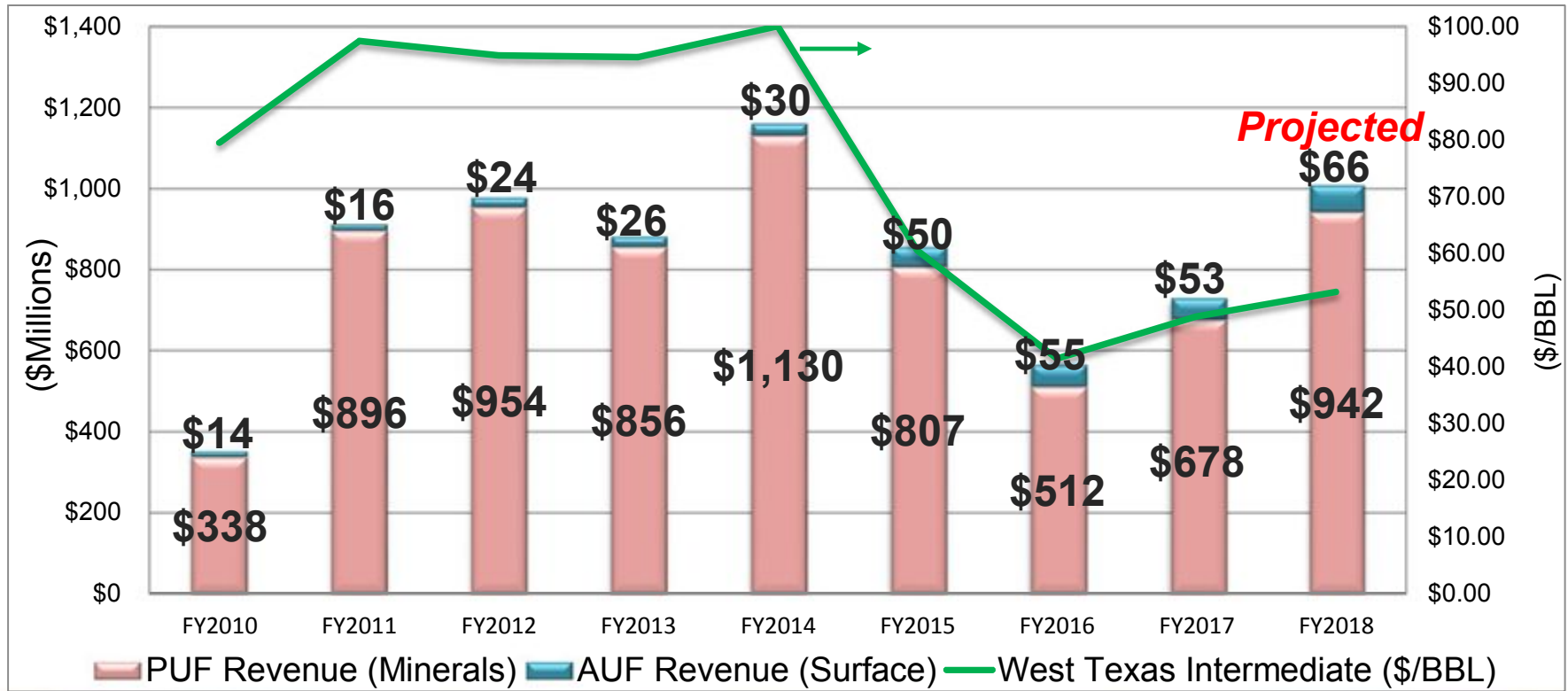
## Year-over-Year Projections:

- Production up 19%
- Oil Price up 18% (\$57/barrel)
- PUF Revenue up 37%
- Oil Price up 18%
- AUF Revenue up 11%
- Total Expenses up 19%
  - Down as a % of revenue to ~2.5%
  - Flat on a per unit of production basis
- Net Revenue up 35%
- Each \$1/barrel increase in oil price → ~\$10MM for remaining eight months of FY 2018

\$ Millions	FY2017 Actuals	FY2018 Budget	2018		vs. FY2017
			2018 Forecast Total	FY18 Budget Variance	
<b>Annual Volumes</b>					
Oil (MBBL)	10,240	10,800	12,011	11%	17%
Gas (MMCF)	51,286	48,000	62,523	30%	22%
Million Barrels of Oil Equivalent (MBOE)	18,788	18,800	22,432	19%	19%
<b>Annual Oil Price</b>	<b>\$45.10</b>	<b>\$47.00</b>	<b>\$53.15</b>	13%	18%
<b>Annual Gas Price</b>	<b>\$2.76</b>	<b>\$2.90</b>	<b>\$2.65</b>	-9%	-4%
<b>PUF</b>					
Oil Revenue	462	508	638	26%	38%
Gas Revenue	141	139	166	19%	17%
Water, Caliche, Damages	2.0		-		
Bonuses	84	120	138		
	<b>\$689</b>	<b>\$767</b>	<b>\$942</b>	23%	37%
<b>AUF</b>					
Water, Caliche, Damages	17	20	30	50%	
Grazing	4	5	5	-8%	5%
Easements & Salt Water Disposal	33	35	29	-16%	-11%
Interest, Penalty, Assignment Fees	5	5	2	-65%	-65%
	<b>\$59</b>	<b>\$65</b>	<b>\$66</b>	1%	11%
<b>Total Revenue</b>	<b>\$748</b>	<b>\$832</b>	<b>\$1,007</b>	21%	35%
General & Administrative, Operating Costs	20.8	24.8	24.8	0%	19%
\$/Barrel of Oil Equivalent	1.11	1.32	1.11		
<b>Net Revenue</b>	<b>\$728</b>	<b>\$807</b>	<b>\$983</b>	22%	35%

Note: FY 2018 Forecast based on four months of actuals (September - December) and \$57/barrel for remaining eight months (January - August).

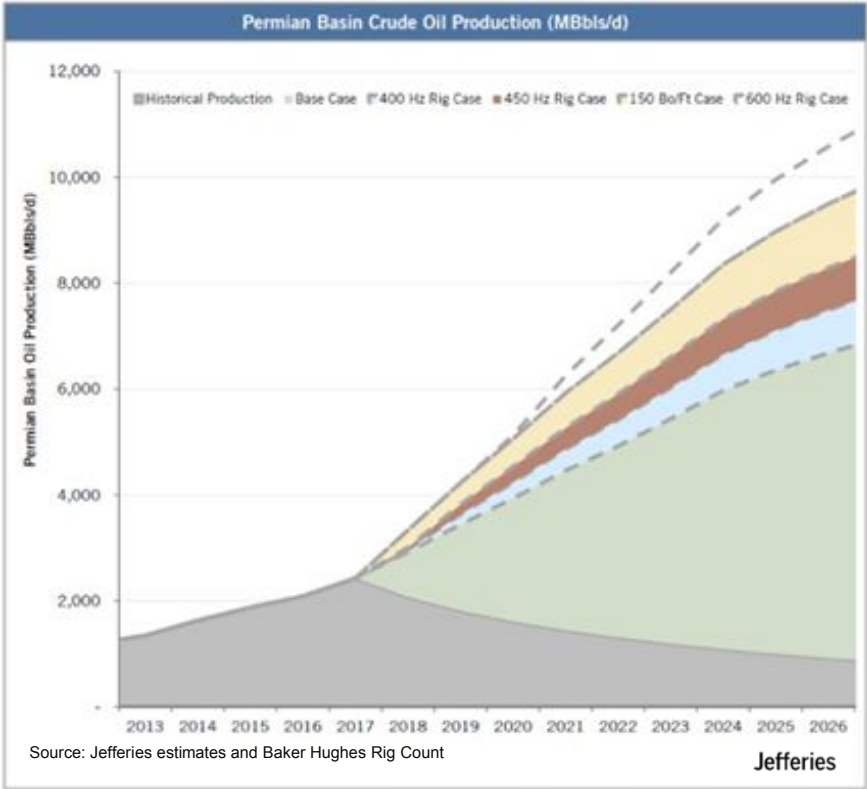
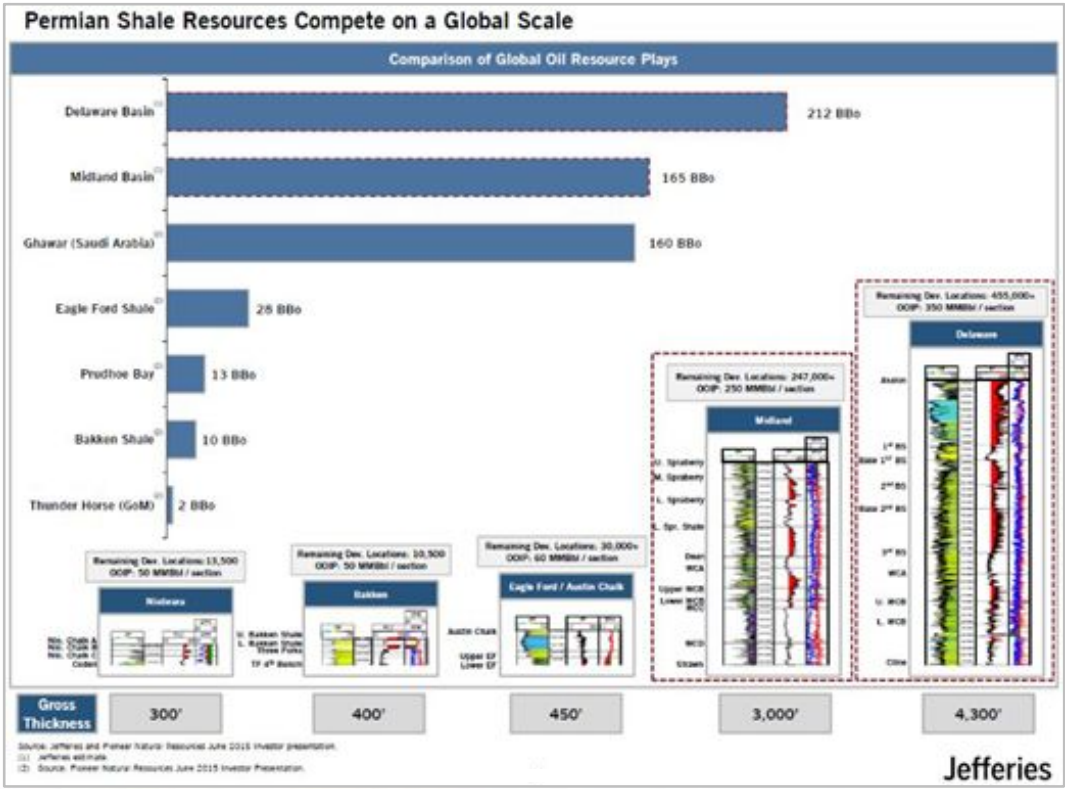
# UL: Historical AUF and PUF Revenue vs. Oil Price





# Permian Basin Growth Outlook Remains Strong

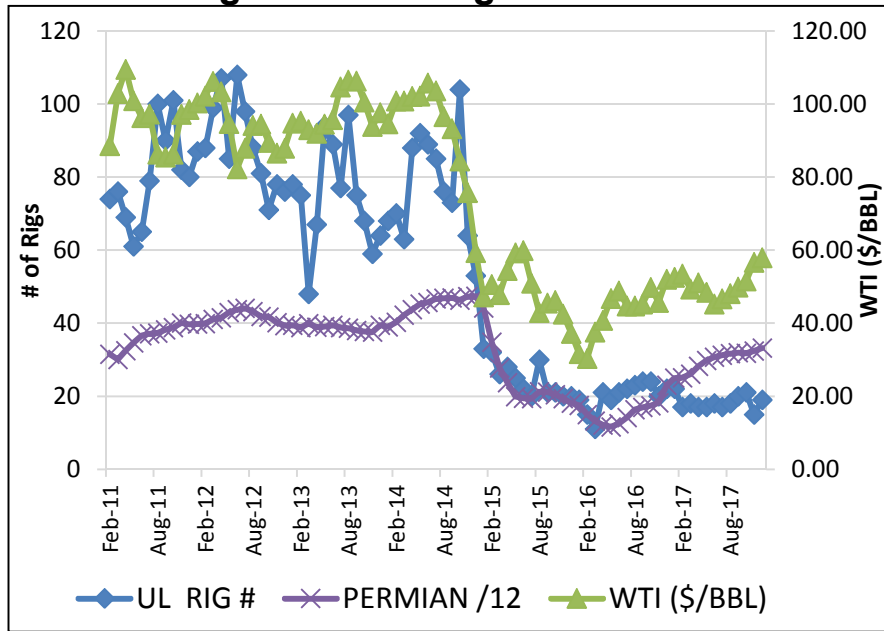
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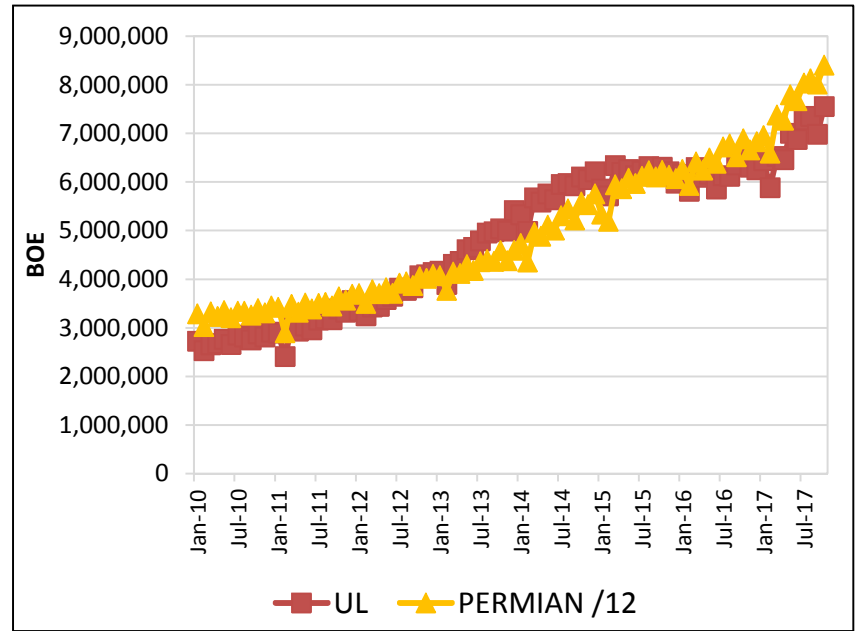
# Strong Correlations Between Permian Basin and PUF Lands

**Permian Rig Count vs. Rig Count on PUF Lands**



Sources: Baker Hughes, EIA, University Lands

**Permian Production vs. PUF Lands Production**



Sources: DrillingInfo, University Lands



# UL: Strategic Initiatives

- Create a more commercial forward-looking organization
  - Improve ability to provide longer-term projections of asset performance
  - Work with UTIMCO to understand role of PUF lands in the overall PUF portfolio, and explore opportunities to work together
- Increase technical knowledge of the resources
  - Data from 10,000 wells across concentrated acreage, along with seismic data from 300,000+ acres (and growing)
  - Identify best practices across operators and basins
  - Become more market savvy regarding renewable energy
  - Utilize U. T. System and Texas A&M System resources to move “up the curve”
- Work with operators to promote continuous development (value creation) through commodity swings by diversifying, incentivizing, and ensuring fulfillment of contractual obligations
- Better integrate water and renewable energy into business model
- Collaborate further with operators and regulatory bodies to enhance environmental stewardship
- Assess UL internal organizational structure and statutory framework to determine best structure for land management, stewardship and value creation

