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FOR  
FINANCE AND PLANNING COMMITTEE**

**Committee Meeting: 2/26/2019**

**Board Meeting: 2/26/2019**  
Austin, Texas

*Jeffery D. Hildebrand, Chairman*  
*David J. Beck*  
*Paul L. Foster*  
*R. Steven Hicks*  
*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>	<i>9:30 a.m.</i> <i>Chairman Hildebrand</i>		
1. <b>U. T. System: Report on the Fiscal Year 2018 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>	<i>9:30 a.m.</i> <b>Report/Discussion</b> <i>Ms. Hinojosa-Segura</i> <i>Mr. Peppers</i> <i>Ms. Tracey Cooley,</i> <i>Deloitte &amp; Touche</i>	Not on Agenda	<b>16</b>
<b>B. ADJOURN JOINT MEETING AND CONVENE FINANCE AND PLANNING COMMITTEE IN OPEN SESSION</b>			
2. <b>U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration</b>	<i>10:00 a.m.</i> <b>Discussion</b>	<b>Action</b>	<b>52</b>
3. <b>U. T. System: Key Financial Indicators Report and Monthly Financial Report</b>	<i>10:05 a.m.</i> <b>Report/Discussion</b> <i>Dr. Kelley</i>	Not on Agenda	<b>53</b>
4. <b>U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2018</b>	<i>10:15 a.m.</i> <b>Report/Discussion</b> <i>Ms. Hinojosa-Segura</i>	Not on Agenda	<b>97</b>
5. <b>U. T. System Board of Regents: The University of Texas/Texas A&amp;M Investment Management Company (UTIMCO) Update</b>	<i>10:25 a.m.</i> <b>Report/Discussion</b> <i>Mr. Harris</i>	Not on Agenda	<b>169</b>
<b>C. ADJOURN</b>	<i>10:30 a.m.</i>		

1. **U. T. System: Report on the Fiscal Year 2018 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

Ms. Hinojosa-Segura, Associate Vice Chancellor, Controller, will discuss the 2018 Annual Financial Report (AFR) highlights. Ms. Hinojosa-Segura's PowerPoint presentation on [Pages 18 - 31](#) is included for additional detail. The AFR is available at <https://www.utsystem.edu/documents/docs/report-state/2018/consolidated-annual-financial-report-fy-2018>.

The AFR is comprised of the U. T. System Consolidated Financial Statements for the Year Ended August 31, 2018, 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, 2018.

Ms. Tracey Cooley, 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 2018. Deloitte's PowerPoint presentation is set forth on [Pages 32 - 51](#).

## 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 contract expired on May 30, 2018.

On February 27, 2018, approval was granted for U. T. System staff to negotiate and enter into an auditing services contract amendment with Deloitte & Touche LLP to renew the contract for a two-year term pursuant to delegation of authority from the State Auditor's Office.

The contract with Deloitte & Touche, effective May 25, 2018, to provide services for Fiscal Years 2018 and 2019 will expire on May 30, 2020, and has an option to renew for two additional years.

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 12, 2018.

# Annual Financial Report Highlights Fiscal Year 2018

Veronica Hinojosa-Segura, Associate Vice Chancellor,  
Controller

U. T. System Board of Regents' Meeting  
Joint Meeting of the Finance and Planning Committee and  
Audit, Compliance, and Risk Management Review Committee  
February 2019



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# Objectives

- Fiscal Year (FY) 2018 U. T. System Annual Financial Report (AFR)
  1. *Statement of Net Position (SNP)*
  2. *Statement of Revenues, Expenses, and Changes in Net Position (SRECNP)*
  3. *Statement of Cash Flows*
- Drivers of significant changes



# Required in Annual Financial Report

## Components of the AFR:

1. *Management's Discussion and Analysis (MD&A)*
2. *Basic Financial Statements*
  - *SNP*
  - *SRECNP*
  - *Statement of Cash Flows*
  - *Notes to the Financial Statements*
3. *Required Supplementary Information (RSI)*



## FY 2018 Financial Highlights

- Net Position, \$45 billion, \$6 billion increase from FY 2017
  - Investment income and change in fair value of investments
- Net Patient Care Revenue, increased 8%
- Other Post-Employment Benefits (OPEB) is largest liability
- FY 2017 Restated – Governmental Accounting Standards Board (GASB) Statements 75 and 81



# FY 2018 Challenges

- OPEB and Pension's Effect on Net Position
- Costs of GASB Compliance
  - Actuaries
  - Valuation Specialists
  - Technical accounting training





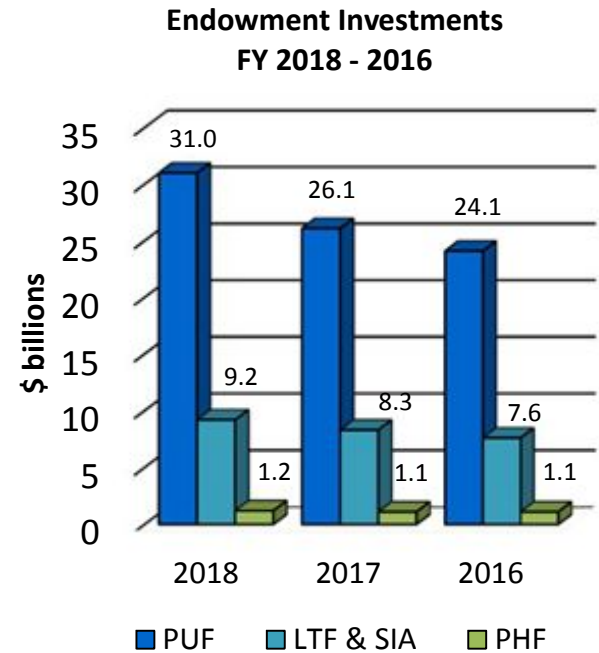
## FY 2018 Changes

- *GASB Stmt. No. 75*
  - Accounting and Financial Reporting for OPEB
  - FY 2017 restatement –
    - \$6 billion decrease to net position
- *GASB Stmt. No. 81*
  - Irrevocable Split-Interest Agreements
  - FY 2017 restatement –
    - \$9 million decrease to net position



# Statement of Net Position - Assets

(\$ in millions)	(Restated)		
	2018	2017	2016
<b>Assets and Deferred Outflows:</b>			
Current Assets	\$ 7,533	7,838	7,228
Noncurrent Investments	54,007	46,646	42,658
Capital/Intangible Assets, Net	16,889	16,216	15,610
Other Noncurrent Assets	561	482	439
Total Assets	78,990	71,182	65,935
Deferred Outflows	996	1,256	952
<b>Total Assets and Deferred Outflows</b>	<b>\$ 79,986</b>	<b>72,438</b>	<b>66,887</b>



- Drivers: Endowment Investments
- Permanent University Fund (PUF) lands fair value
  - PUF contributions
  - Investment earnings



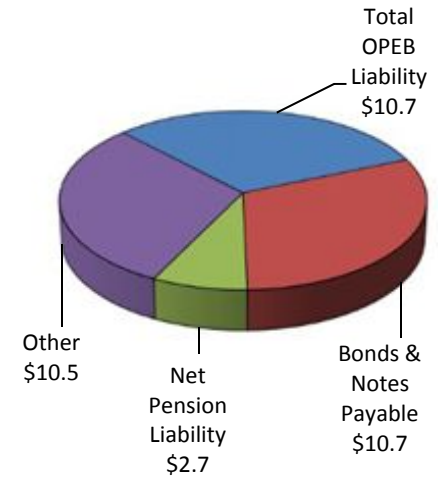
# Statement of Net Position - Liabilities

(\$ in millions)

**Liabilities and Deferred Inflows:**

	(Restated)		
	2018	2017	2016
Current Liabilities	\$ 9,167	8,219	7,713
Noncurrent Liabilities	23,617	24,251	17,488
<b>Total Liabilities</b>	<b>32,784</b>	<b>32,470</b>	<b>25,201</b>
Deferred Inflows	1,791	747	404
<b>Total Liabilities and Deferred Inflows</b>	<b>\$ 34,575</b>	<b>33,217</b>	<b>25,605</b>

**Liabilities & Deferred Inflows  
\$35 billion**



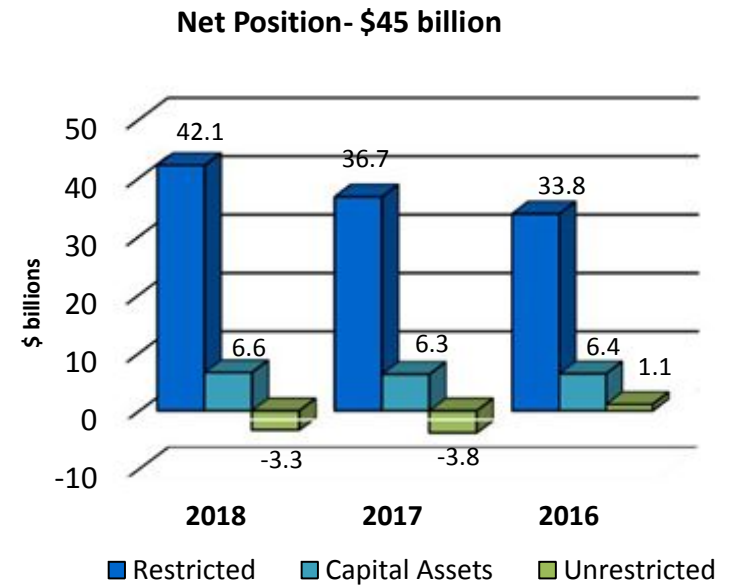
Drivers:

- OPEB
- Bonds and Notes Payable
- Pension



# Statement of Net Position – Total Net Position

(\$ in millions)	(Restated)		
	2018	2017	2016
Net Investment in Capital Assets	\$ 6,633	6,335	6,376
Restricted	42,050	36,732	33,780
Unrestricted	(3,272)	(3,846)	1,126
<b>Total Net Position</b>	<b>45,411</b>	<b>39,221</b>	<b>41,282</b>



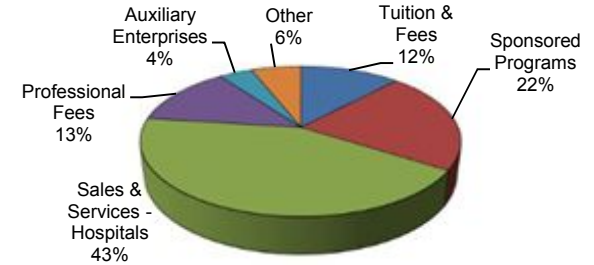
# SRECNP - Operating

(\$ in millions)	(Restated)		
	2018	2017	2016
Operating Revenues	\$ 14,885	14,036	13,282
Operating Expenses	(18,722)	(18,306)	(17,298)
<b>Operating Loss</b>	<b>(3,837)</b>	<b>(4,270)</b>	<b>(4,016)</b>

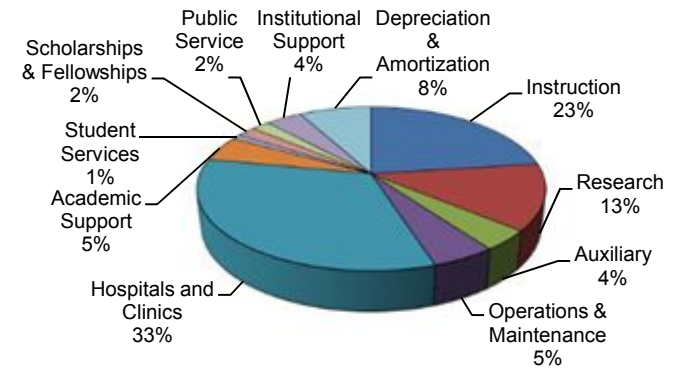
*Drivers:*

- Hospital Revenues and Sponsored Programs
- Hospital Expenses and Instruction

**Operating Revenues - \$15 billion**



**Operating Expenses - \$19 billion**



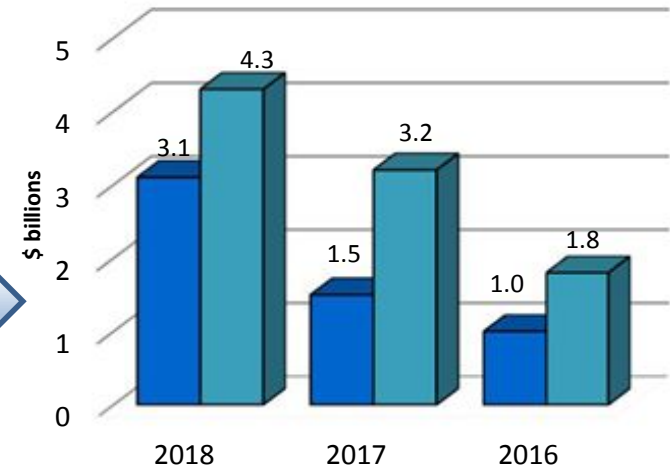
# SRECNP - Highlight

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(\$ in millions)	(Restated)		
	2018	2017	2016
Operating Revenues	\$ 14,885	14,036	13,282
Operating Expenses	(18,722)	(18,306)	(17,298)
<b>Operating Loss</b>	<b>(3,837)</b>	<b>(4,270)</b>	<b>(4,016)</b>
State Appropriations	2,268	2,226	2,222
Gifts & Nonexchange Grants	872	841	900
<b>Net Investment Income</b>	<b>4,279</b>	<b>3,178</b>	<b>1,820</b>
<b>Net Incr./ (Decr.) in Fair Value of Investments</b>	<b>3,106</b>	<b>1,513</b>	<b>952</b>
Interest Expense	(282)	(263)	(278)
Net Other Nonop. Rev. (Exp.)	(61)	51	(3)
<b>Income (Loss) Before Other Rev. Exp.</b>	<b>6,345</b>	<b>3,276</b>	<b>1,597</b>
<b>Gains/(Losses) &amp; Transfers</b>			



**Investment Income  
FY 2018-2016**



- Net Increase (Decrease) in Fair Value of Investments
- Net Investment Income





## SRECNP – Net Operating Results

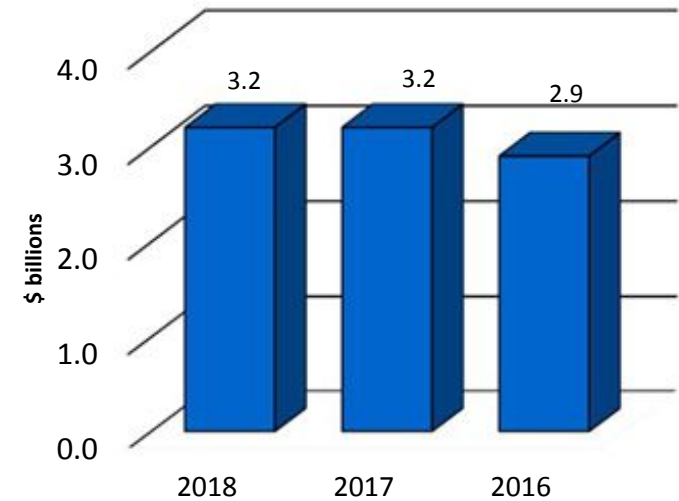
	<u>2018</u>	<u>(Restated) 2017</u>	<u>2016</u>
	(\$ in millions)		
Income (loss) before other revenue, expenses, gains/(losses) & transfers	\$ 6,345	3,276	1,597
Net (increase)/decrease in fair value of investments	(3,106)	(1,513)	(952)
Loss (gain) on sale of capital assets	36	32	24
Other nonoperating (income)/expense	26	(82)	(21)
Realized loss (gains) on investments	(2,500)	(1,836)	(837)
<b>Net operating results</b>	<u>\$ 801</u>	<u>(123)</u>	<u>(189)</u>



# Cash Flows

	2018	2017	2016
<i>(\$ in millions)</i>			
<b>Cash Flows:</b>			
Cash received from operations	\$ 15,145.2	14,217.7	13,069.3
Cash expended for operations	(16,677.2)	(15,992.4)	(15,397.5)
<b>Cash used for operating activities</b>	<b>(1,532.0)</b>	<b>(1,774.7)</b>	<b>(2,328.2)</b>
Cash provided by noncapital financing activities	2,304.9	2,691.1	2,759.5
Cash used in capital & related financing activities	(1,887.9)	(1,509.9)	(875.9)
Cash provided by investing activities	1,129.0	906.3	400.7
<b>Net increase in cash &amp; cash equivalents year</b>	<b>14.0</b>	<b>312.8</b>	<b>(43.9)</b>
	<b>3,189.5</b>	<b>2,876.7</b>	<b>2,920.6</b>
<b>Cash &amp; Cash equivalents, End of the year</b>	<b>\$ 3,203.5</b>	<b>3,189.5</b>	<b>2,876.7</b>

Ending cash & cash equivalents landscape

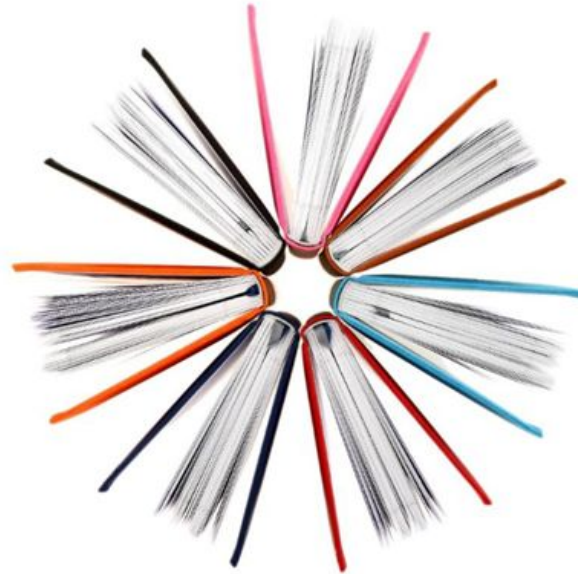




## FY 2019 Outlook

- Cost of U. T. System's health and retirement benefits
- U. T. Permian Basin - accreditation review in FY 2019
- Upcoming Accounting Pronouncements
  - GASB Statement No. 83, *Certain Asset Retirement Obligations*
  - GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*
  - GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*





**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**

Tracey Guidry Cooley, Lead Client Service Managing Director

Deloitte & Touche, LLP  
February 26, 2019

## 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, 2018 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 12, 2018, 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, 2018.
- 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, 2018 and rendered our reports on October 29, 2018.
- We also completed our stand-alone audits for U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch – Galveston, and U. T. Austin for the year ended August 31, 2018.
- 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 are also engaged to perform a review engagement at U.T. Rio Grande Valley for the year ended August 31, 2018.

## Audit Opinion

- Deloitte & Touche LLP issued an unmodified opinion and included emphasis of a matter paragraphs:
  - 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, 2018 and 2017, 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.
  - As discussed in Note 4 to the consolidated financial statements, the System restated its beginning net position as of September 1, 2016, to reflect the impact of the implementation of Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and No. 81, *Irrevocable Split-Interest Agreements*. Our opinion is not modified with respect to these changes.

## 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, 2018; 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”) 2018 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
  - Other postemployment benefits (OPEB) and related deferred outflow of resources and deferred inflows of resources
  - Valuation of certain investments which are specifically the UTIMCO investments in hedge funds, private investments, and private placements whose fair values have been estimated by management using the practical expedient
- There were no material changes in management judgments relating to such estimates in U. T. System’s FY 2018 financial statements other than the adoption of GASB Statement No. 75 as it relates to OPEB.
- 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, 2018 (in millions)

<u>Adjustment</u>	<u>Total Assets and Deferred Outflows</u>	<u>Total Liabilities and Deferred Inflows</u>	<u>Beginning Net Position</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Nonoperating Revenues &amp; Expenses, and Other Changes</u>	<u>Ending Net Position</u>
1. U. T. System Administration - Approximate gross up of deferred inflows and outflows related to pensions	\$ 12.8	\$ (12.8)	\$ -	\$ -	\$ -	\$ -	\$ -
2. U. T. M. D. Anderson - Reclassification of Physicians Retirement System - deferred compensation plan	-	-	-	-	-	-	-
3. U. T. Permian Basin - Known overstatement of accounts receivable and tuition revenue	(18.0)	-	-	(18.0)	-	-	(18.0)
4. U. T. System Administration - Known entry to correct OPEB	91.0	(52.3)	(49.9)	-	11.2	-	(38.7)
5. U. T. System Administration - Likely overstatement of separately invested assets (SIA) land	(59.0)	-	-	(59.0)	-	-	(59.0)
6. U. T. San Antonio - Errors in pension balances resulting from over-contributing to TRS	(16.8)	0.9	-	-	15.9	-	15.9
7. U. T. Medical Branch Galveston - over-accrual of invoices related to construction projects	(33.9)	33.9	-	-	-	-	-
Total Uncorrected Adjustments- Effect (in \$ millions)	\$ (23.9)	\$ (30.3)	\$ (49.9)	\$ (77.0)	\$ 27.0	\$ -	\$ (99.9)
Original Total Amounts (in millions)	\$ 79,986	\$ 34,575	\$ 39,221	\$ 14,885	\$ 18,722	\$ 10,182	\$ 45,411
Total Amounts (if corrected; in millions)	\$ 79,962	\$ 34,545	\$ 39,171	\$ 14,808	\$ 18,749	\$ 10,182	\$ 45,311

## Summary of Significant Corrected Misstatements

Our audit of the consolidated financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud. There were no material misstatements that were brought to the attention of management as a result of our audit procedures. However, the following significant misstatements were brought to the attention of management as a result of our audit procedures and were corrected by management during the current period.

### U. T. System Administration

- There were two errors noted in the Statement of Cash Flows in the Investing Section related to a reclassification from "Proceeds from Interest and Investment Income" to "Payments to Acquire Investments" and "Payments to Acquire Investments" to "Proceeds from Sale of Investments" for approximately \$555 million (net).
- We noted in our testing of the fair value of endowment land that two tracts of land were valued using a tax appraised value which does not necessarily equate to fair value as defined under GASB standards. Management revised the modeling for the valuation of the land and recorded a correction of approximately \$300 million to reduce the value of the land at August 31, 2018. Further, we conducted audit procedures on the revised model and related assumptions and noted a likely overstatement error of approximately \$59 million related to the land value. This likely adjustment was not recorded by U. T. System on the consolidated financial statements.



## Summary of Uncorrected Misstatements and Passed Disclosures

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

- During the current year GASB 75 required a retroactive adjustment to the beginning of FY 2017, as this is the first financial period presented in the comparative, consolidated financial statements. The implementation required an allocation rate between U. T. System and the State of Texas based on a proportionate share. U. T. System Administration utilized the same allocation rate for the measurement dates for 2016 (FY 2017) and 2017 (FY 2018) which resulted in an understatement of a deferred outflow of approximately \$91 million for FY 2017 and understatement of a deferred inflow for FY 2018 of \$52 million.

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

### 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 \$54 million. There was a similar passed adjustment in the prior year.

### U. T. Permian Basin

- Due to the implementation of new software, the IT system did not post appropriate entries to decrease accounts receivable and tuition revenue for approximately \$18 million related to processing student refunds for direct deposits.

### U.T. Medical Branch - Galveston

- Management determined that an overaccrual in accounts payable and construction in progress was recorded in FY 2018 for approximately \$33.9 million.

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

### 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 in a prior year. 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 pension expense of \$15.9 million and a net decrease in deferred outflows (net of deferred inflows) of \$15.9 million.

## 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 2018 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

- As stated in Note 6 to the financial statements, as of August 31, 2018, U. T. System held deposits that were exposed to custodial credit risk due to unexpected inflows on August 31, 2018. As of August 31, 2018, the bank balances exposed to custodial risk as uninsured and uncollateralized deposits were approximately \$27 million.

## 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, 2018, 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 - 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 2018 and FY 2017, 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.
- Management’s methodology and resulting amounts were deemed reasonable.

## Accounting Estimates—Fair Value of PUF Lands

---

### Management’s Methodology

- Management has a consistent methodology from FY 2017 to FY 2018 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

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### 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. Management adopted the provisions of GASB Statement 75 in the current year which impacted the measurement of the liability.
- 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 implementation of GASB 75 and tested restated amounts.
  - 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.
-

**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 2 - 12](#).

**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, the highlights of which are set forth on [Pages 54 - 72](#), and the December Monthly Financial Report on [Pages 73 - 96](#). The reports represent the consolidated and individual operating detail of the U. T. institutions.

# Key Financial Indicators Report Through November 2018

Dr. Scott Kelley, Executive Vice Chancellor for Business Affairs

U. T. System Board of Regents' Meeting  
Finance and Planning Committee  
February 2019



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## Key Indicators of Financial Results (Health Institutions)

Year-to-Date 2018 and 2019, Actual Year-End 2018, and Projected 2019 (in millions)

	U. T. Health Institutions			
	November FY 2018	November FY 2019	Actual Year- End 2018	Projected FY 2019
Clinical Revenues	\$ 2,000.6	2,161.5	8,189.2	8,908.2
Sponsored Programs	540.9	539.6	2,233.2	2,289.3
State Appropriations	301.7	304.3	1,208.9	1,217.3
Net Tuition and Fees	44.0	47.4	172.3	175.5
Auxiliary Revenues/Sales & Services of Educational Activities	55.5	55.8	213.2	200.1
<b>Net Investment Income</b>	<b>106.9</b>	<b>134.6</b>	430.6	524.6
Other Operating Revenues	73.9	78.2	440.8	403.0
<b>Gift Contributions for Operations</b>	<b>35.0</b>	<b>45.6</b>	235.2	202.4
<b>Total Revenues</b>	<b>3,158.5</b>	<b>3,366.9</b>	<b>13,123.3</b>	<b>13,920.5</b>
Salaries and Wages	1,470.9	1,566.8	6,005.1	6,477.7
Payroll Related Costs	381.6	397.4	1,601.5	1,692.4
All Other Operating Expenses	209.5	224.1	941.9	969.5
<b>Materials and Supplies</b>	<b>411.6</b>	<b>467.9</b>	1,752.5	1,966.4
Depreciation and Amortization	208.9	208.7	832.2	837.4
Other Contracted Services	119.5	109.5	583.2	558.0
<b>Professional Fees and Services</b>	<b>83.0</b>	<b>98.8</b>	388.8	443.3
Interest Exp. on Cap. Asset Financing	31.2	33.8	108.9	138.0
Utilities	37.0	36.5	144.3	122.6
<b>Total Expenses</b>	<b>\$ 2,953.2</b>	<b>3,143.5</b>	<b>12,358.5</b>	<b>13,205.4</b>
<b>Adjusted Income (Loss)</b>	<b>205.3</b>	<b>223.4</b>	<b>764.8</b>	<b>715.1</b>

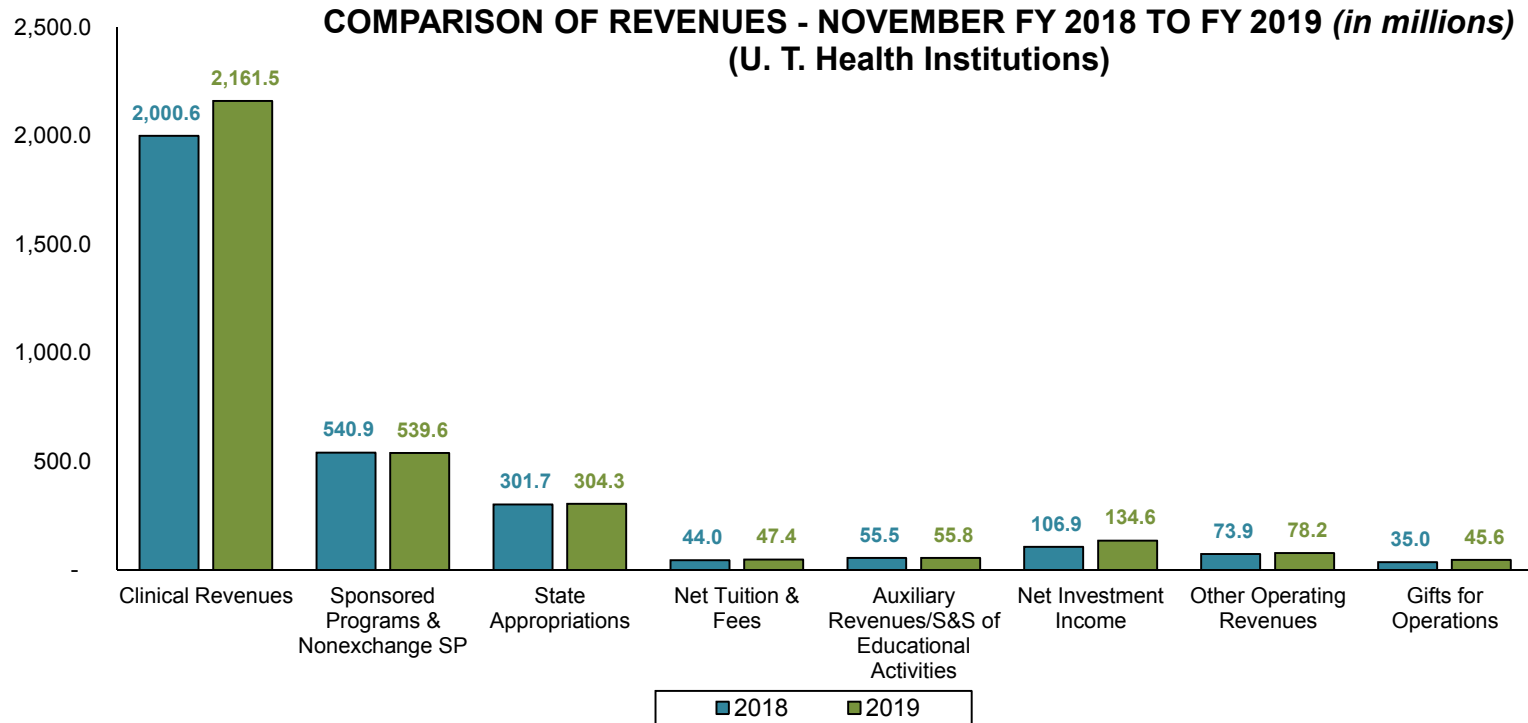
Source: Year-to-date 2018 and 2019 from November Monthly Financial Report and Actual Year-End 2018 from Annual Financial Report



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## Key Indicators of Financial Results (Health Institutions)

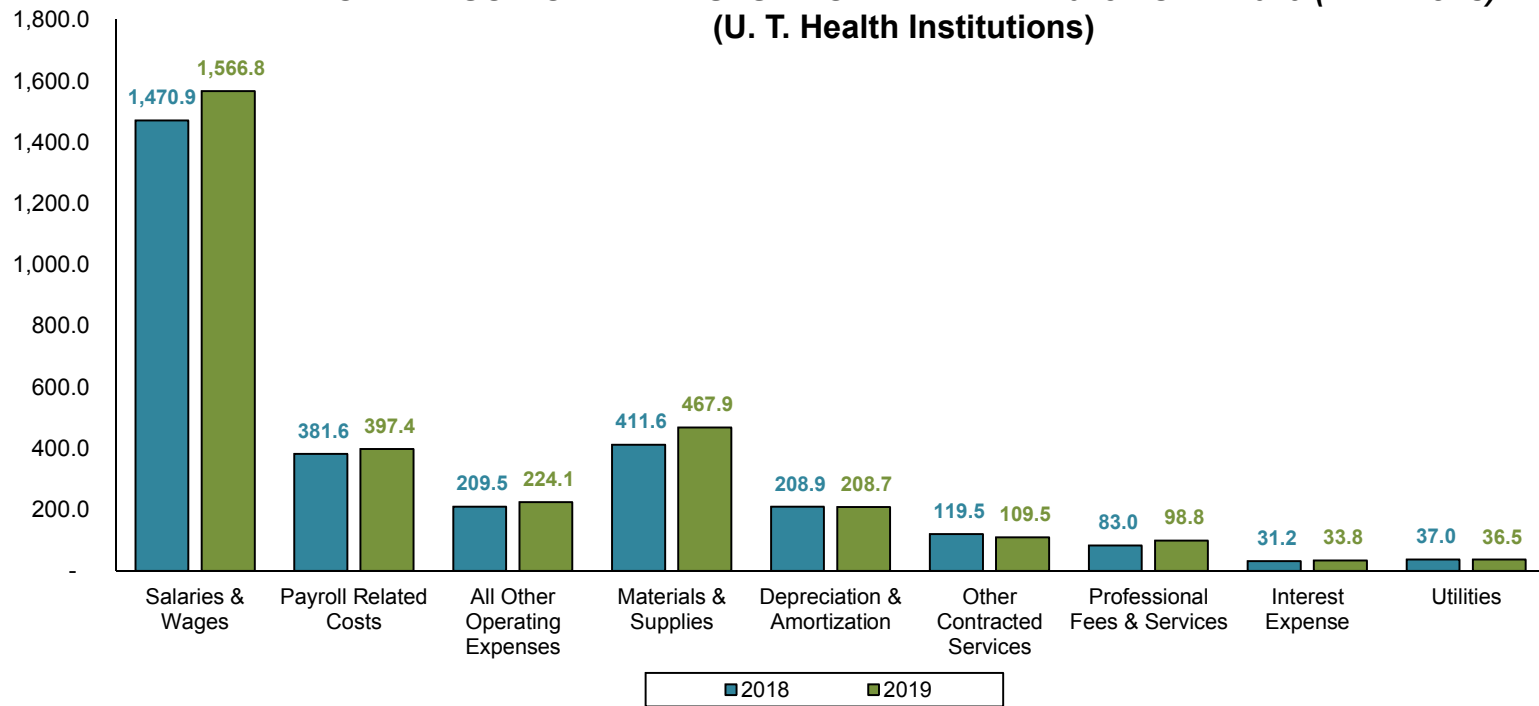


Source: Year-to-date 2018 and 2019 from November Monthly Financial Report



# Key Indicators of Financial Results (Health Institutions)

**COMPARISON OF EXPENSES - NOVEMBER FY 2018 TO FY 2019 (in millions)**  
**(U. T. Health Institutions)**



## Key Indicators of Financial Results (Academic Institutions)

Year-to-Date 2018 and 2019, Actual Year-End 2018, and Projected 2019 (in millions)

	U. T. Academic Institutions			
	November FY 2018	November FY 2019	Actual Year- End 2018	Projected FY 2019
Clinical Revenues	\$ 0.5	1.7	6.8	10.6
Sponsored Programs	321.5	340.9	1,483.2	1,497.6
State Appropriations	273.1	269.8	1,070.9	1,076.4
Net Tuition and Fees	408.1	416.0	1,656.0	1,659.5
Auxiliary Revenues/Sales & Services of Educational Activities	319.4	312.3	869.5	896.7
Net Investment Income/Available University Fund (AUF)	204.4	199.5	718.5	749.8
Other Operating Revenues	23.1	10.9	41.9	39.8
Gift Contributions for Operations	57.3	64.5	213.8	209.6
<b>Total Revenues</b>	<b>1,607.3</b>	<b>1,615.7</b>	<b>6,060.6</b>	<b>6,140.1</b>
Salaries and Wages	675.5	708.5	2,615.1	2,740.8
Payroll Related Costs	184.2	195.5	721.3	753.3
All Other Operating Expenses	265.2	257.4	1,002.9	1,015.9
Materials and Supplies	80.5	76.7	269.4	291.3
Depreciation and Amortization	147.0	152.2	582.9	610.6
Other Contracted Services	84.1	72.6	333.8	307.5
Professional Fees and Services	23.3	24.8	100.7	108.9
Interest Exp. on Cap. Asset Financing	41.4	41.5	140.6	151.7
Utilities	39.0	41.0	136.4	141.2
<b>Total Expenses</b>	<b>\$ 1,540.2</b>	<b>1,570.1</b>	<b>5,903.1</b>	<b>6,121.3</b>
<b>Adjusted Income (Loss)</b>	<b>67.2</b>	<b>45.5</b>	<b>157.5</b>	<b>18.8</b>

Source: Year-to-date 2018 and 2019 from November Monthly Financial Report and Actual Year-End 2018 from Annual Financial Report

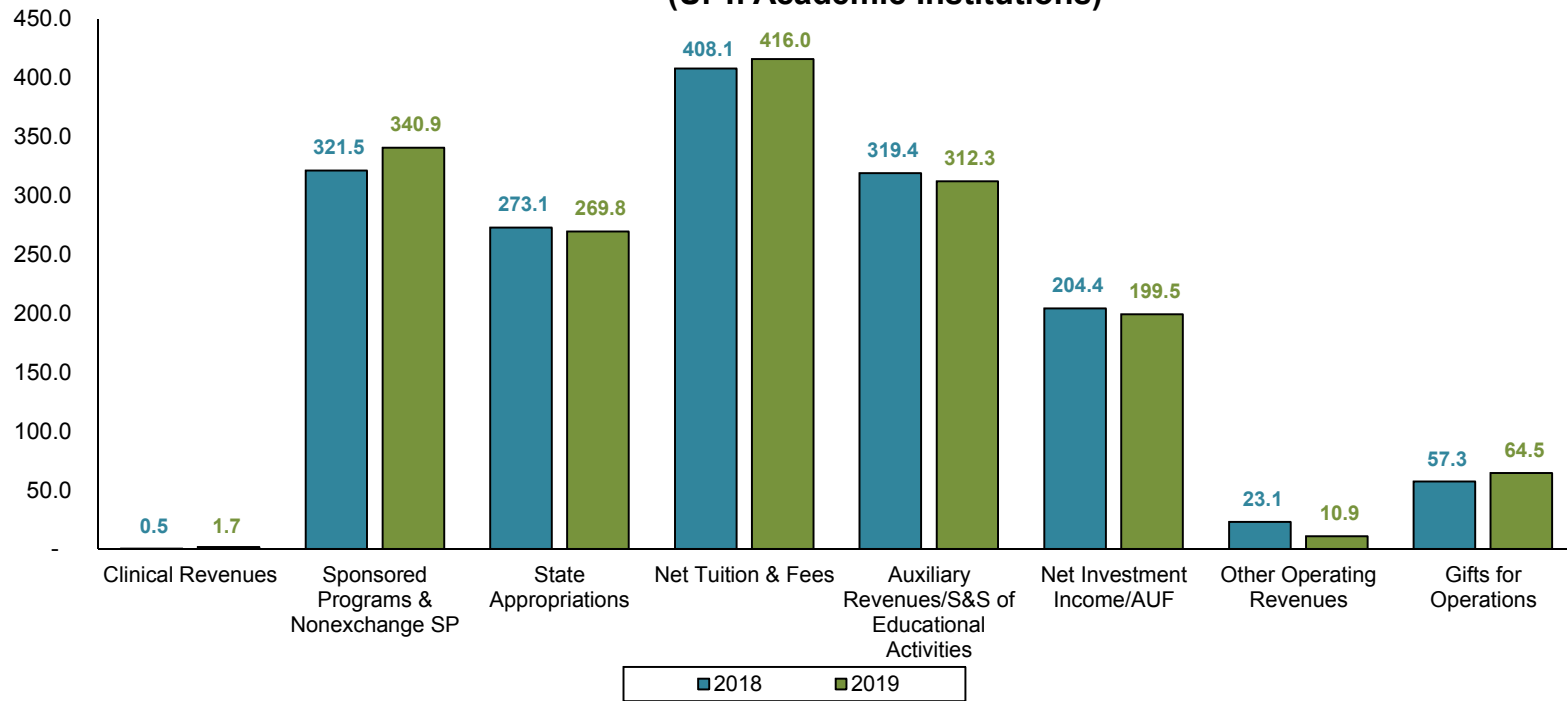


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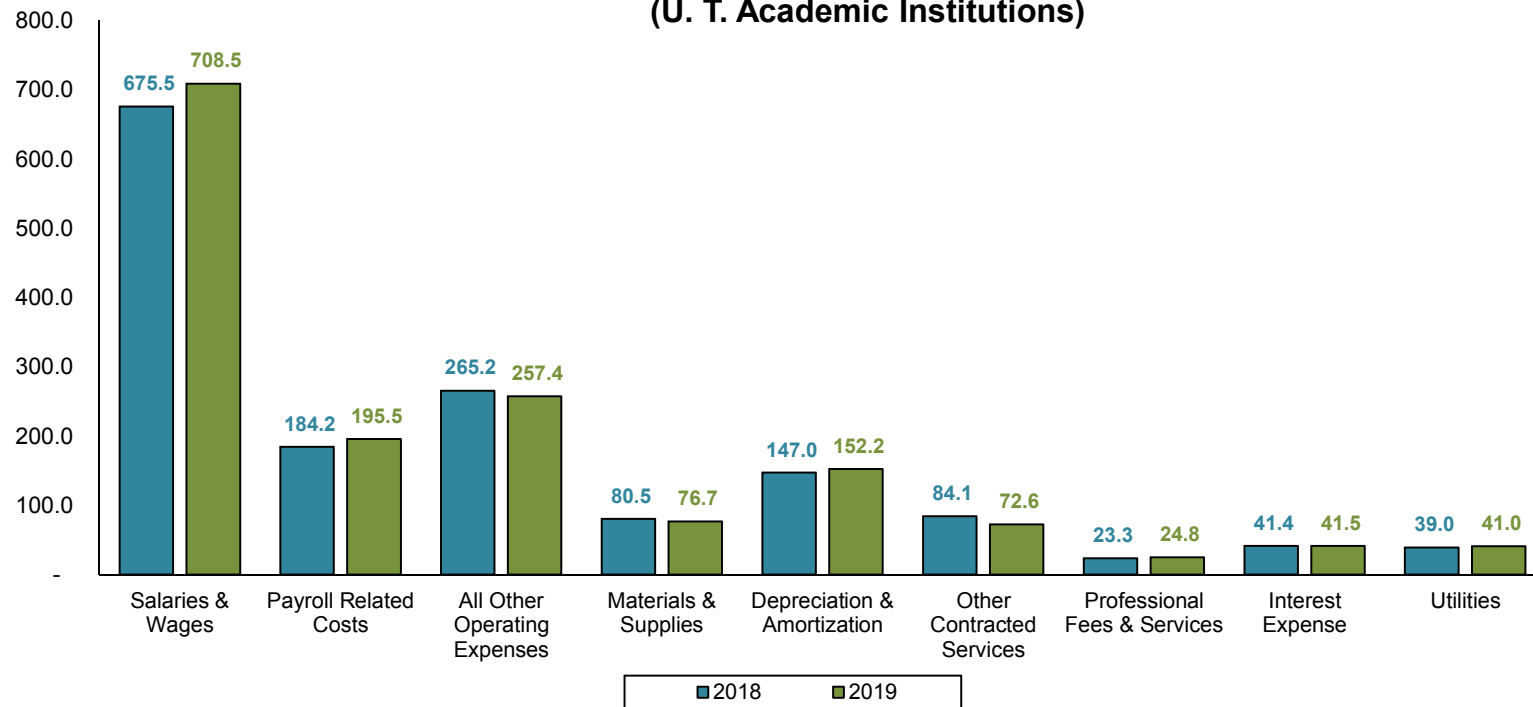
# Key Indicators of Financial Results (Academic Institutions)

**COMPARISON OF REVENUES - NOVEMBER FY 2018 TO FY 2019 (in millions)**  
**(U. T. Academic Institutions)**



# Key Indicators of Financial Results (Academic Institutions)

**COMPARISON OF EXPENSES - NOVEMBER FY 2018 TO FY 2019 (in millions)**  
**(U. T. Academic Institutions)**



# Key Indicators of Financial Results (System Administration)

## Year-to-Date 2018 and 2019, Actual Year-End 2018, and Projected 2019 (in millions)

	U. T. System Administration			
	November FY 2018	November FY 2019	Actual Year- End 2018	Projected FY 2019
Sponsored Programs	\$ 13.3	1.0	59.2	31.1
State Appropriations	0.8	0.8	9.5	3.3
Sales & Services of Educational Activities	19.0	8.0	33.4	32.2
Net Investment Income/AUF	91.2	66.4	989.3	138.2
Other Operating Revenues	44.3	5.1	259.7	20.3
Gift Contributions for Operations	0.3	0.3	1.1	0.3
<b>Total Revenues</b>	<b>168.9</b>	<b>81.6</b>	<b>1,352.2</b>	<b>225.4</b>
Salaries and Wages	17.1	20.8	59.0	83.4
Payroll Related Costs	3.5	4.3	(270.0)	17.4
All Other Operating Expenses	44.5	83.5	95.2	333.9
Materials and Supplies	11.1	13.9	10.7	55.4
Depreciation and Amortization	6.2	6.7	25.2	26.9
Other Contracted Services	16.0	2.7	31.1	11.0
Professional Fees and Services	3.6	3.8	11.8	15.0
Interest Exp. on Cap. Asset Financing	7.5	9.2	32.2	36.9
Utilities	0.1	0.1	0.6	0.4
<b>Total Expenses</b>	<b>\$ 109.6</b>	<b>145.1</b>	<b>(4.0)</b>	<b>580.3</b>
<b>Adjusted Income (Loss) - Excluding Other Postemployment Benefits (OPEB), Pension Expense, &amp; Elimination of AUF Transfer to U. T. Austin</b>	59.3	(63.5)	1,356.2	(355.0)
OPEB Expense	263.0	210.8	843.2	843.2
Pension Expense	91.9	63.0	252.0	252.0
Elimination of AUF Transfer to U. T. Austin	87.5	93.5	357.8	374.1
<b>Adjusted Income (Loss)</b>	<b>(383.1)</b>	<b>(430.8)</b>	<b>(96.7)</b>	<b>(1,824.2)</b>

Source: Year-to-date 2018 and 2019 from November Monthly Financial Report and Actual Year-End 2018 from Annual Financial Report

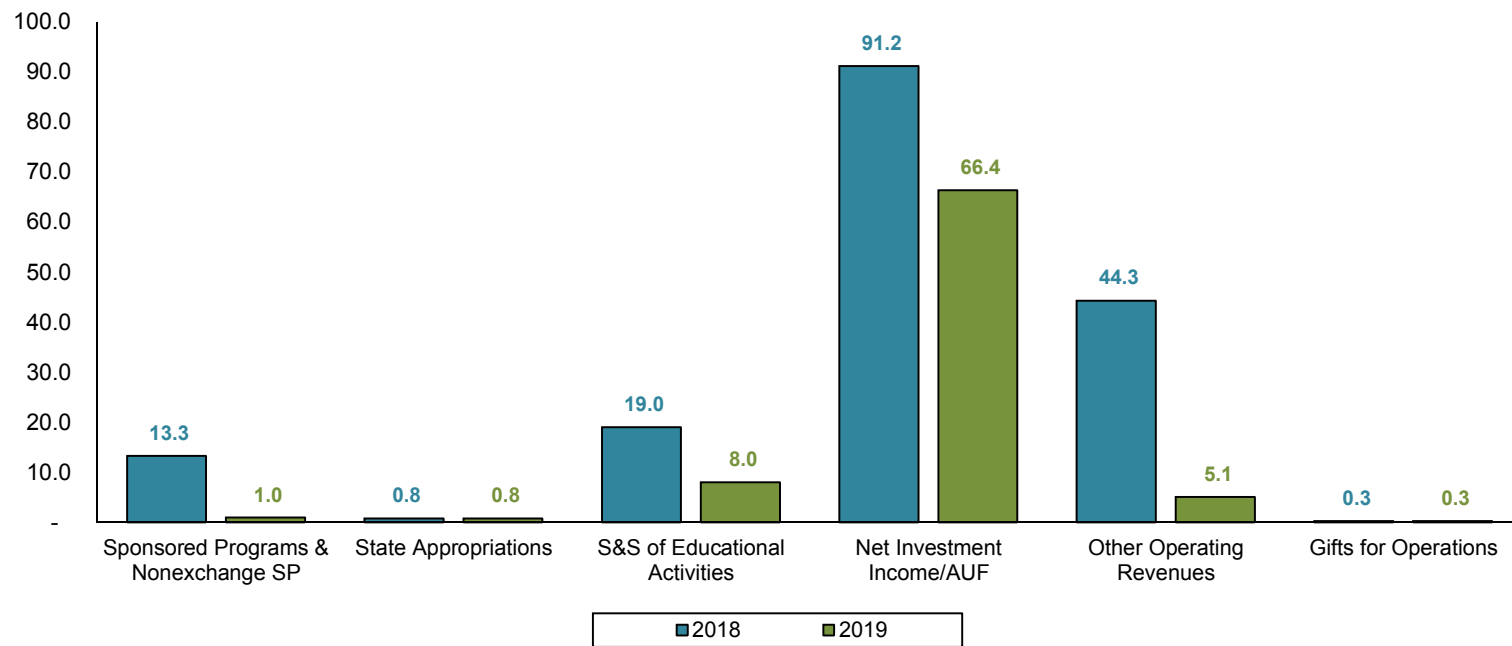


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# Key Indicators of Financial Results (System Administration)

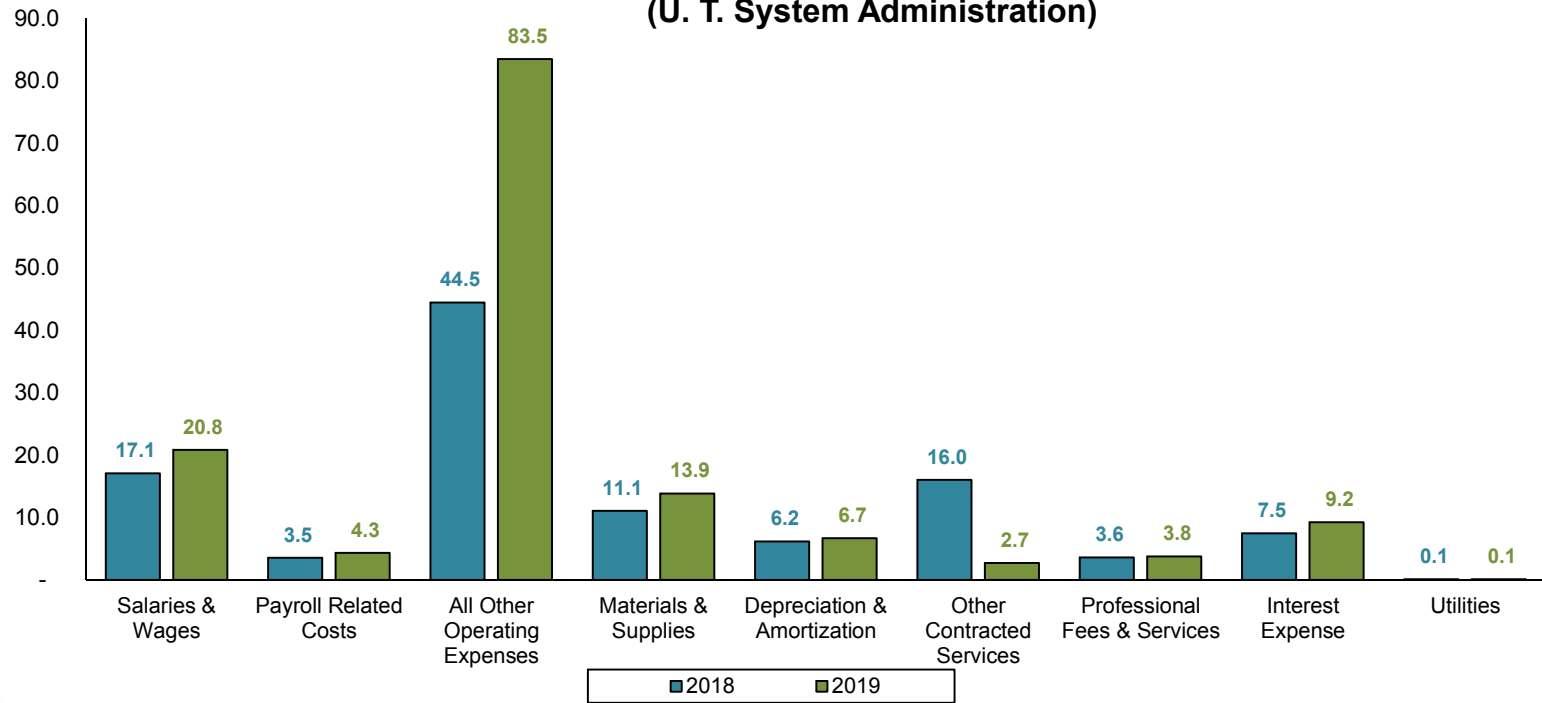
**COMPARISON OF REVENUES - NOVEMBER FY 2018 TO FY 2019 (in millions)**  
**(U. T. System Administration)**





# Key Indicators of Financial Results (System Administration)

**COMPARISON OF EXPENSES - NOVEMBER FY 2018 TO FY 2019 (in millions)**  
**(U. T. System Administration)**



# Key Indicators of Financial Results (Consolidated)

## Year-to-Date 2018 and 2019, Actual Year-End 2018, and Projected 2019 (in millions)

	U. T. Consolidated			
	November FY 2018	November FY 2019	Actual Year- End 2018	Projected FY 2019
Clinical Revenues	\$ 2,001.1	2,163.2	8,196.0	8,918.8
Sponsored Programs	875.8	881.5	3,775.5	3,818.0
State Appropriations	575.6	575.0	2,289.3	2,297.0
Net Tuition and Fees	452.2	463.4	1,828.3	1,835.0
Auxiliary Revenues/Sales & Services of Educational Activities	393.8	376.2	1,116.0	1,129.0
Net Investment Income/AUF	315.0	306.9	1,780.8	1,038.5
Other Operating Revenues	141.2	94.2	742.4	463.2
Gift Contributions for Operations	92.6	110.3	450.0	412.3
<b>Total Revenues</b>	<b>4,847.3</b>	<b>4,970.6</b>	<b>20,178.4</b>	<b>19,911.8</b>
Salaries and Wages	2,163.4	2,296.2	8,679.2	9,301.9
Payroll Related Costs	569.4	597.2	2,052.9	2,463.2
All Other Operating Expenses	519.2	564.9	2,040.0	2,319.3
Materials and Supplies	503.2	558.5	2,032.6	2,313.2
Depreciation and Amortization	362.1	367.6	1,440.4	1,474.8
Other Contracted Services	219.7	184.8	948.1	876.4
Professional Fees and Services	109.9	127.4	501.3	567.3
Interest Exp. on Cap. Asset Financing	80.0	84.6	281.7	326.7
Utilities	76.2	77.6	281.3	264.2
<b>Total Expenses</b>	<b>\$ 4,603.1</b>	<b>4,858.7</b>	<b>18,257.6</b>	<b>19,907.0</b>
<b>Adjusted Income (Loss) - Excluding OPEB &amp; Pension Exp.</b>	<b>244.2</b>	<b>111.9</b>	<b>1,920.8</b>	<b>4.8</b>
OPEB Expense	263.0	210.8	843.2	843.2
Pension Expense	91.9	63.0	252.0	252.0
<b>Adjusted Income (Loss)</b>	<b>(110.7)</b>	<b>(161.9)</b>	<b>825.6</b>	<b>(1,090.4)</b>

Source: Year-to-date 2018 and 2019 from November Monthly Financial Report and Actual Year-End 2018 from Annual Financial Report

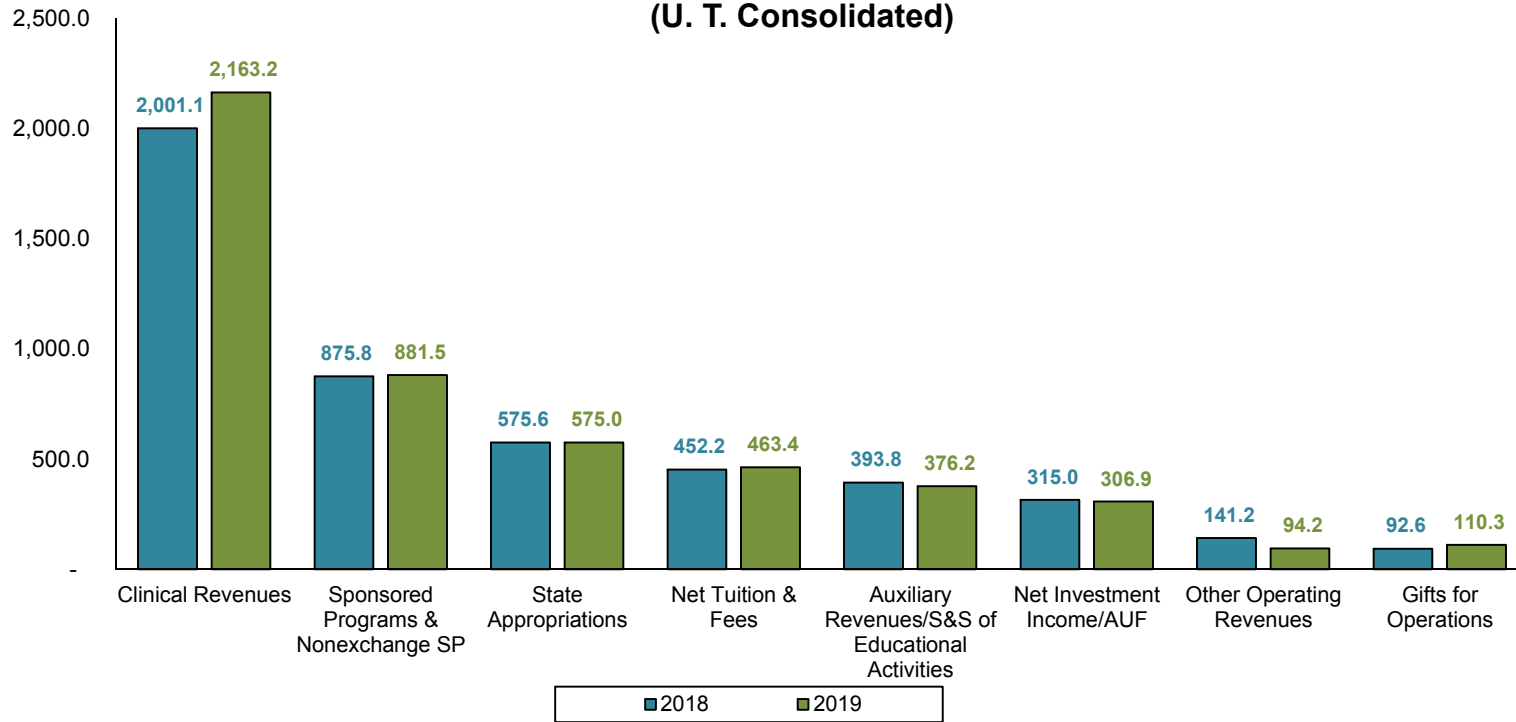


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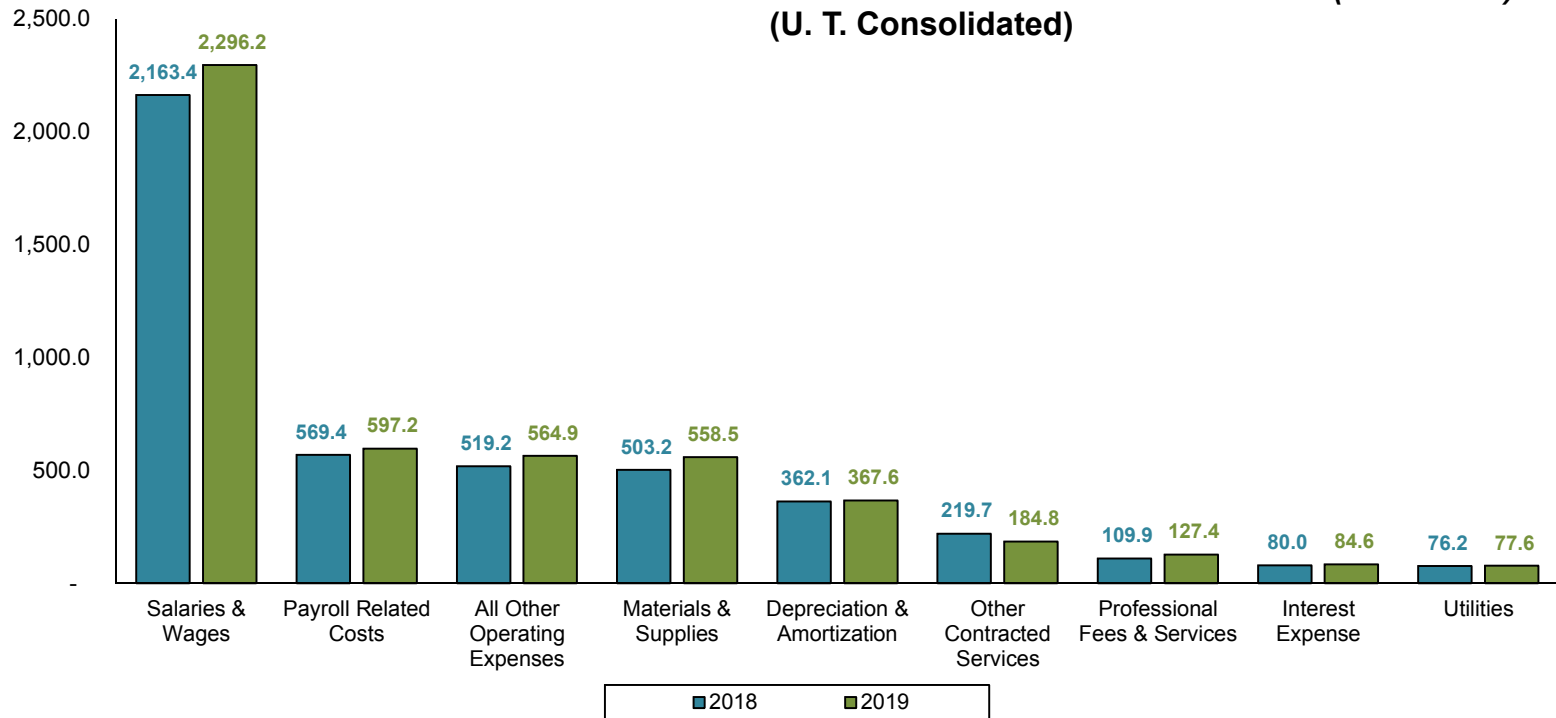
# Key Indicators of Financial Results (Consolidated)

**COMPARISON OF REVENUES - NOVEMBER FY 2018 TO FY 2019 (in millions)**  
(U. T. Consolidated)



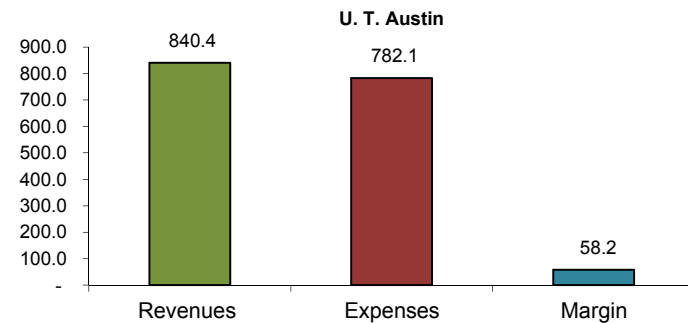
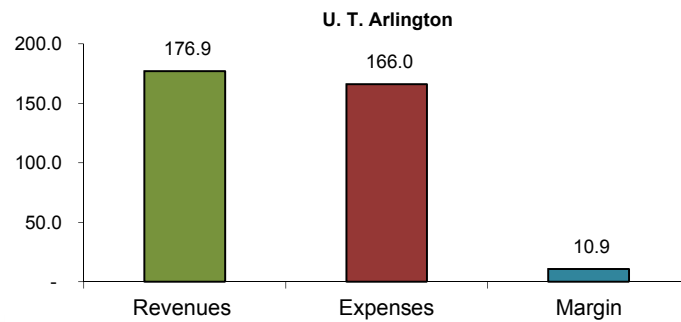
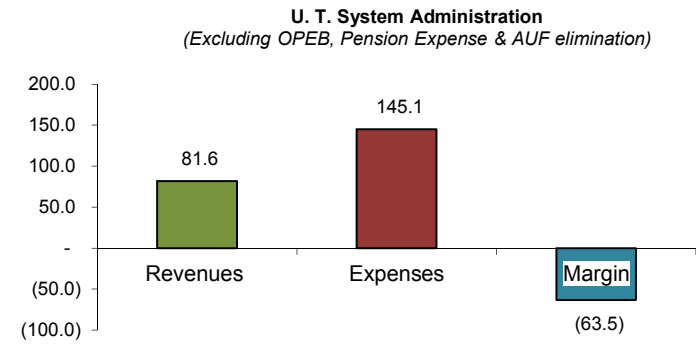
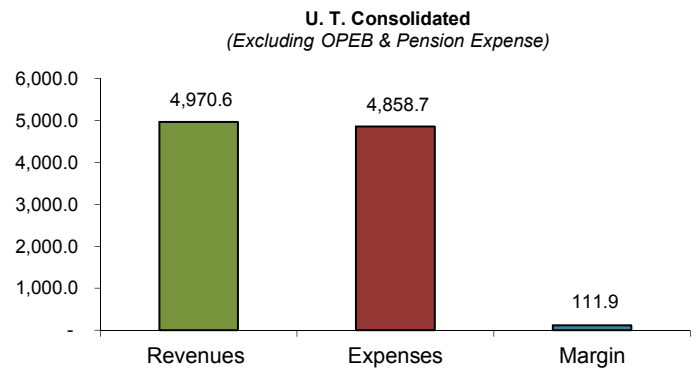
# Key Indicators of Financial Results (Consolidated)

**COMPARISON OF EXPENSES - NOVEMBER FY 2018 TO FY 2019 (in millions)  
(U. T. Consolidated)**



## Key Indicators of Financial Results

### Year-to-Date 2019 (in millions)

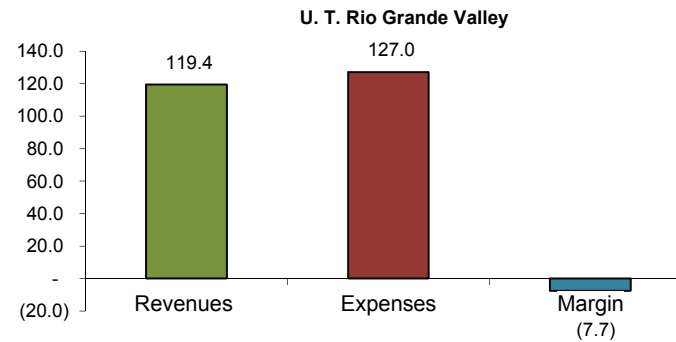
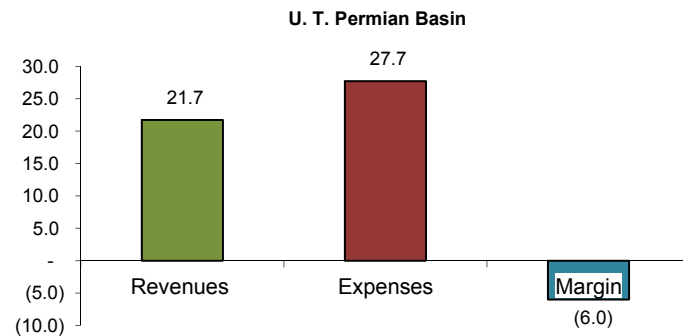
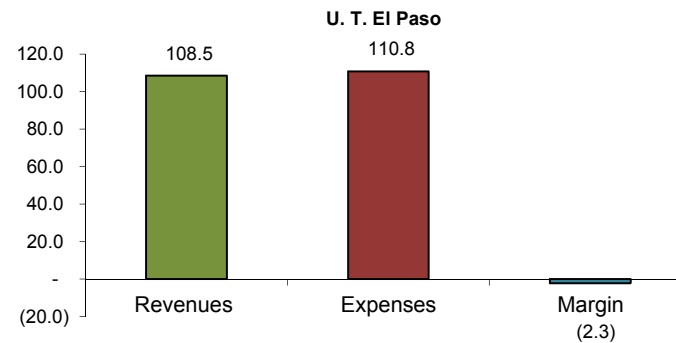
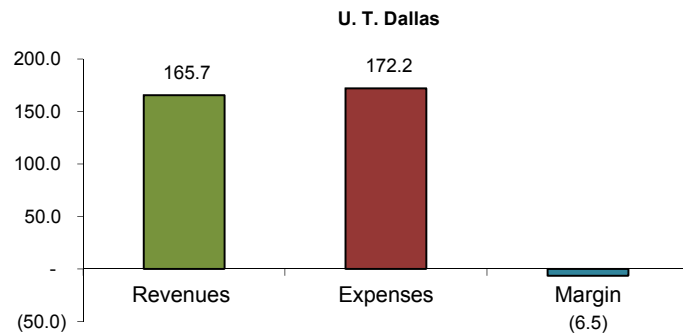


Source: Year-to-date 2019 from November Monthly Financial Report



## Key Indicators of Financial Results

### Year-to-Date 2019 (in millions)

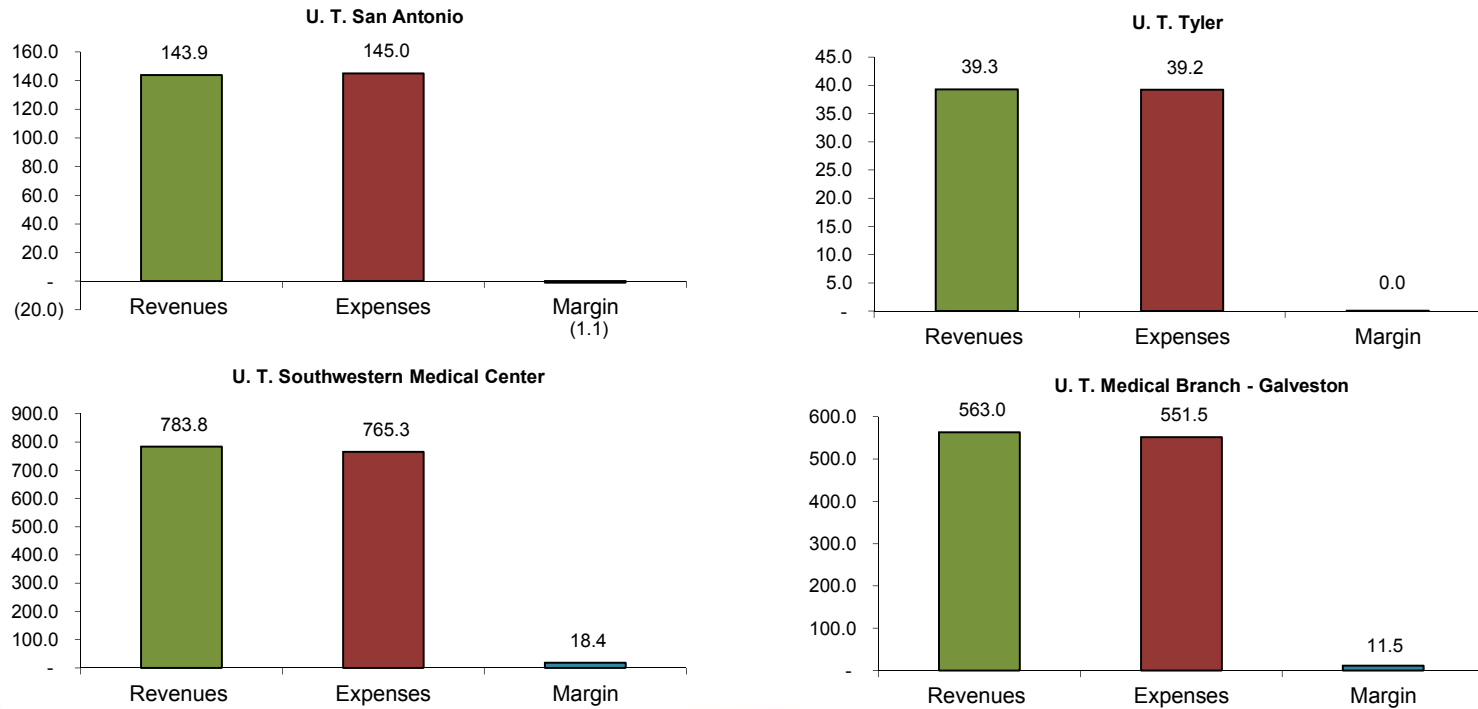


Source: Year-to-date 2019 from November Monthly Financial Report



## Key Indicators of Financial Results

### Year-to-Date 2019 (in millions)

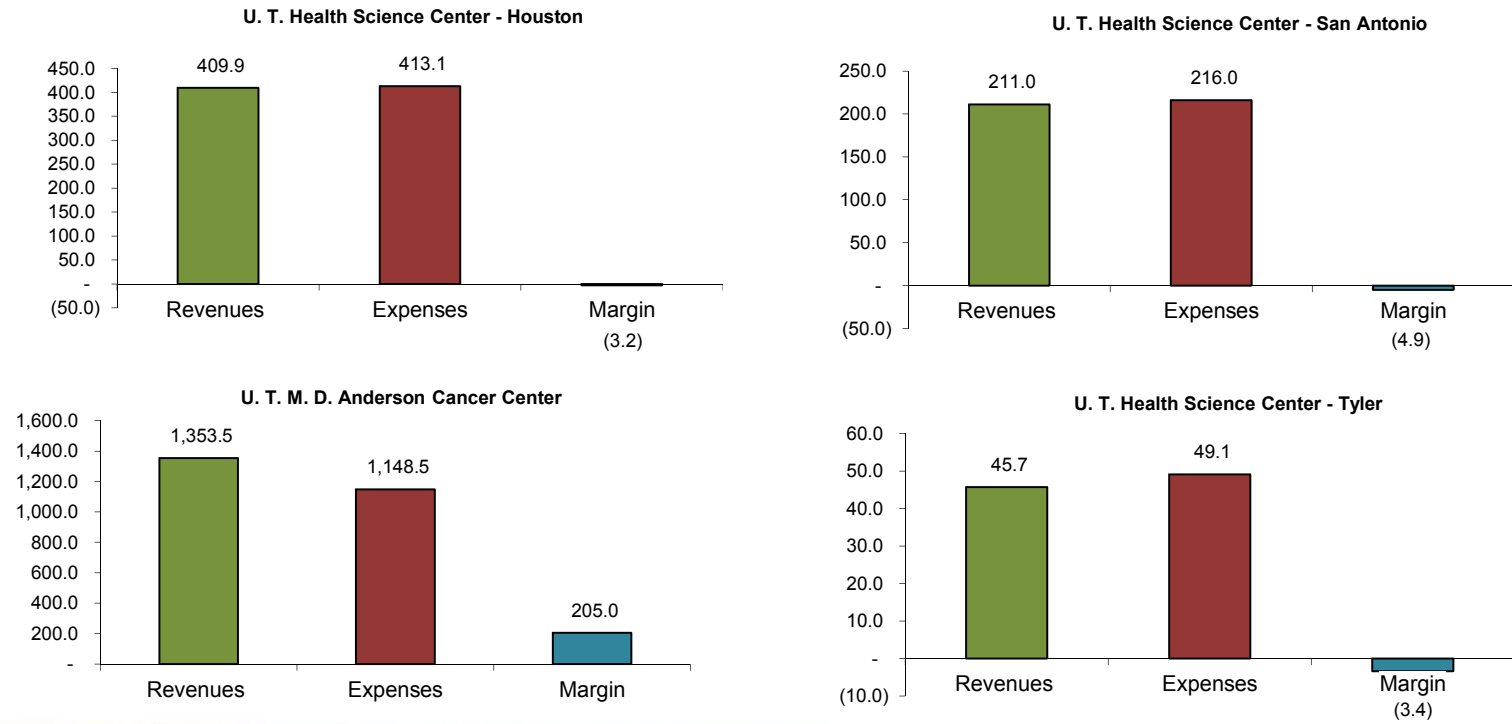


Source: Year-to-date 2019 from November Monthly Financial Report



## Key Indicators of Financial Results

### Year-to-Date 2019 (in millions)

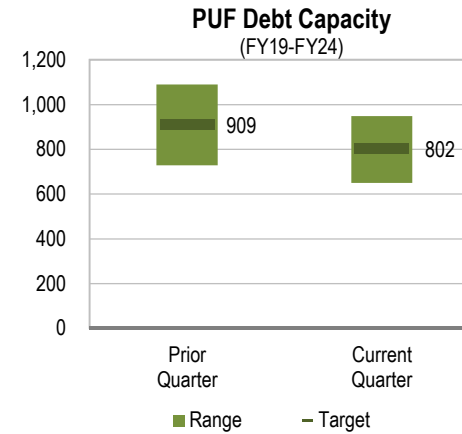
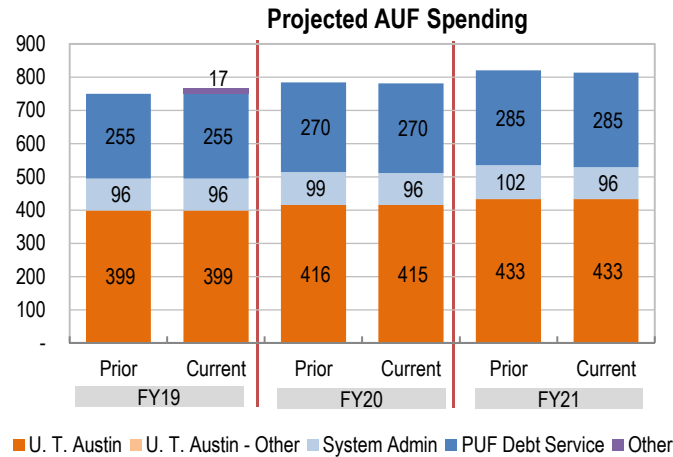


Source: Year-to-date 2019 from November Monthly Financial Report





## Permanent University Fund (PUF)/Available University Fund (AUF) Update (in millions) For the Quarter Ending November 30, 2018



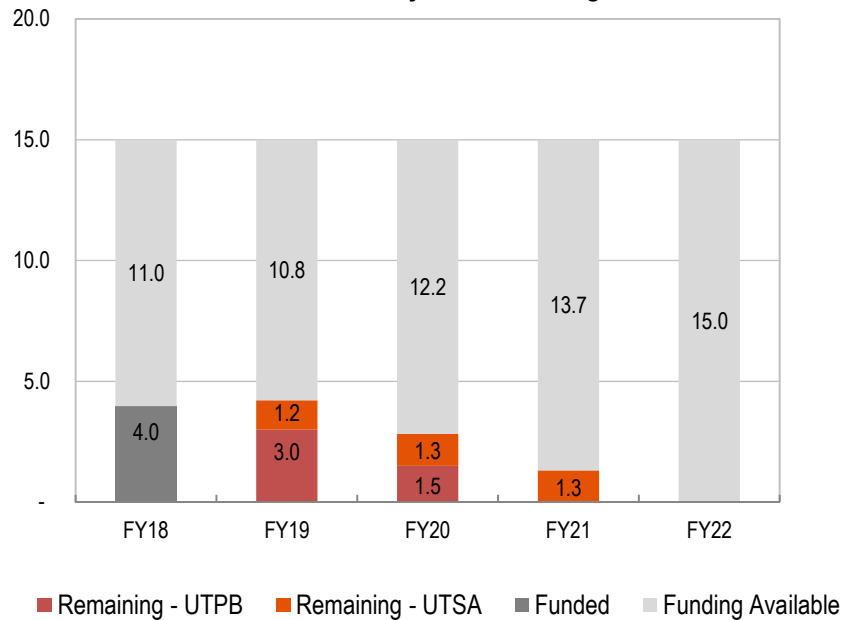
Changes to PUF/AUF Since Prior Quarter

- Quarterly PUF investment returns underperformed projections (-1.7% actual vs 1.5% projected for quarter ending 11/30/18); cash flow model also takes into account approximation for Dec-2018 market returns.
- Quarterly PUF land receipts of \$312M exceeded projection of \$219M.
- \$70M of PUF approved (Sep-2018) for construction of the National Security Collaboration Center and the School of Data Science at U. T. San Antonio.
- \$16.9M of AUF approved (Nov-2018) for Systemwide information security.



# Internal Lending Program (ILP) Update (in millions) For the Quarter Ending November 30, 2018

Summary of ILP Funding



Summary of ILP Funding

Remaining FY18 ILP Available: \$11,029,359  
 Remaining Funding Commitments [FY19-21]:  
 - UTPB Institutional Operations (4,500,000)  
 - UTSA Online Degree Program (3,848,798)  
 Remaining FY19 ILP Available: \$10,783,734  
 Remaining FY20 ILP Available: \$12,183,734  
 Remaining FY21 ILP Available: \$13,683,734  
 Remaining FY22 ILP Available: \$15,000,000



THE UNIVERSITY OF TEXAS SYSTEM  
OFFICE OF THE CONTROLLER

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MONTHLY FINANCIAL REPORT  
*(unaudited)*

DECEMBER 2018



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**THE UNIVERSITY OF TEXAS SYSTEM  
MONTHLY FINANCIAL REPORT  
(Unaudited)  
FOR THE FOUR MONTHS ENDING  
December 31, 2018**

**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, 2018

	December Year-to-Date FY 2019	December Year-to-Date FY 2018	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	619,070,041.79	602,477,906.58	16,592,135.21	2.8%
Sponsored Programs	1,067,675,062.17	1,069,126,659.37	(1,451,597.20)	-0.1%
Net Sales and Services of Educational Activities	224,158,667.20	245,814,636.28	(21,655,969.08)	-8.8%
Net Sales and Services of Hospitals	2,197,481,361.40	2,033,151,715.49	164,329,645.91	8.1%
Net Professional Fees	651,717,549.77	620,623,464.49	31,094,085.28	5.0%
Net Auxiliary Enterprises	255,998,980.41	246,431,101.03	9,567,879.38	3.9%
Other Operating Revenues	142,991,848.84	176,040,832.62	(33,048,983.78)	-18.8%
<b>Total Operating Revenues</b>	<b>5,159,093,511.58</b>	<b>4,993,666,315.86</b>	<b>165,427,195.72</b>	<b>3.3%</b>
<b>Operating Expenses</b>				
Salaries and Wages	3,085,694,490.05	2,898,686,021.07	187,008,468.98	6.5%
Payroll Related Costs	807,370,474.07	772,801,259.08	34,569,214.99	4.5%
Membership Dues	12,153,059.63	12,549,894.66	(396,835.03)	-3.2%
Registration Fees, Meetings, Conferences	21,156,999.73	20,688,147.63	468,852.10	2.3%
Cost of Goods Sold	60,907,802.74	54,864,580.87	6,043,221.87	11.0%
Professional Fees and Services	175,688,350.22	143,575,854.24	32,112,495.98	22.4%
Other Contracted Services	265,966,333.12	287,658,966.68	(21,692,633.56)	-7.5%
Fees and Other Charges	18,659,336.51	19,635,891.41	(976,554.90)	-5.0%
Travel	51,106,589.24	50,269,669.69	836,919.55	1.7%
Materials and Supplies	739,218,227.85	664,152,735.85	75,065,492.00	11.3%
Utilities	98,484,231.06	99,062,668.93	(578,437.87)	-0.6%
Communications	30,047,389.39	34,619,324.56	(4,571,935.17)	-13.2%
Repairs and Maintenance	114,115,643.27	119,454,218.49	(5,338,575.22)	-4.5%
Rentals and Leases	65,490,113.66	57,042,007.98	8,448,105.68	14.8%
Printing and Reproduction	11,305,668.05	11,469,145.11	(163,477.06)	-1.4%
Royalty Payments	7,116,975.17	4,868,047.15	2,248,928.02	46.2%
Bad Debt Expense	85,161.85	1,072,162.72	(987,000.87)	-92.1%
Insurance Costs/Premiums	42,760,340.10	43,336,285.42	(575,945.32)	-1.3%
Claims and Losses	36,129,440.08	7,235,408.01	28,894,032.07	399.3%
OPEB Expense	281,073,581.67	350,666,666.67	(69,593,085.00)	-19.8%
Pension Expense	83,987,256.67	122,578,115.33	(38,590,858.66)	-31.5%
Scholarships and Fellowships	123,724,374.53	120,019,326.25	3,705,048.28	3.1%
Depreciation and Amortization	486,947,067.20	482,780,913.22	4,166,153.98	0.9%
Federal Sponsored Program Pass-Through to Other State Agencies	5,041,811.01	5,760,695.39	(718,884.38)	-12.5%
State Sponsored Program Pass-Through to Other State Agencies	1,989,346.42	10,792,437.73	(8,803,091.31)	-81.6%
Other Operating Expenses	87,051,828.63	84,314,266.17	2,737,562.46	3.2%
<b>Total Operating Expenses</b>	<b>6,713,271,891.92</b>	<b>6,479,954,710.31</b>	<b>233,317,181.61</b>	<b>3.6%</b>
<b>Operating Income (Loss)</b>	<b>(1,554,178,380.34)</b>	<b>(1,486,288,394.45)</b>	<b>(67,889,985.89)</b>	<b>-4.6%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	770,654,415.01	767,089,294.56	3,565,120.45	0.5%
Nonexchange Sponsored Programs	80,239,748.53	75,733,572.11	4,506,176.42	6.0%
Gift Contributions for Operations	163,513,246.91	155,561,345.30	7,951,901.61	5.1%
Net Investment Income	485,885,470.46	432,662,422.82	53,223,047.64	12.3%
Interest Expense on Capital Asset Financings	(112,750,165.79)	(129,141,497.26)	16,391,331.47	12.7%
<b>Net Other Nonoperating Adjustments</b>	<b>1,387,542,715.12</b>	<b>1,301,905,137.53</b>	<b>85,637,577.59</b>	<b>6.6%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(166,635,665.22)</b>	<b>(184,383,256.92)</b>	<b>17,747,591.70</b>	<b>9.6%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-2.5%</b>	<b>-2.9%</b>		
Investment Gains (Losses)	(1,917,207,884.66)	1,265,683,630.47	(3,182,891,515.13)	-251.5%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>(2,083,843,549.88)</b>	<b>1,081,300,373.55</b>	<b>(3,165,143,923.43)</b>	<b>-292.7%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-43.9%</b>	<b>14.1%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>320,311,401.98</b>	<b>298,397,656.30</b>	<b>21,913,745.68</b>	<b>7.3%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>4.8%</b>	<b>4.6%</b>		

**The University of Texas System  
Comparison of Adjusted Income (Loss)  
For the Four Months Ending December 31, 2018**

	<b>Including Depreciation and Amortization Expense</b>			<b>Fluctuation Percentage</b>
	<b>December Year-to-Date FY 2019</b>	<b>December Year-to-Date FY 2018</b>	<b>Variance</b>	
U. T. System Administration	\$ (323,862,172.90) (1)	\$ (379,117,455.65)	55,255,282.75	14.6%
U. T. Arlington	(1,934,580.14) (2)	8,500,065.80	(10,434,645.94)	-122.8%
U. T. Austin	52,168,974.15	43,931,801.32	8,237,172.83	18.7%
U. T. Dallas	(7,021,207.44) (3)	(8,245,918.52)	1,224,711.08	14.9%
U. T. El Paso	(2,490,182.52) (4)	(3,568,444.79)	1,078,262.27	30.2%
U. T. Permian Basin	(5,829,524.03) (5)	(2,062,948.53)	(3,766,575.50)	-182.6%
U. T. Rio Grande Valley	(814,510.50) (6)	3,495,380.50	(4,309,891.00)	-123.3%
U. T. San Antonio	(2,362,765.29) (7)	1,354,270.84	(3,717,036.13)	-274.5%
U. T. Tyler	2,609,136.00 (8)	(1,123,539.28)	3,732,675.28	332.2%
U. T. Southwestern Medical Center	14,368,985.57 (9)	38,376,053.99	(24,007,068.42)	-62.6%
U. T. Medical Branch - Galveston	(922,760.73) (10)	(11,472,488.90)	10,549,728.17	92.0%
U. T. Health Science Center - Houston	(8,679,719.66) (11)	9,527,175.40	(18,206,895.06)	-191.1%
U. T. Health Science Center - San Antonio	(6,497,936.37) (12)	(800,876.35)	(5,697,060.02)	-711.4%
U. T. M. D. Anderson Cancer Center	254,704,926.81	238,565,917.13	16,139,009.68	6.8%
U. T. Health Science Center - Tyler	(5,359,140.24) (13)	(5,122,070.95)	(237,069.29)	-4.6%
Elimination of AUF Transfer	(124,713,187.93)	(116,620,178.93)	(8,093,009.00)	-6.9%
Total Adjusted Income (Loss)	(166,635,665.22)	(184,383,256.92)	17,747,591.70	9.6%
Investment Gains (Losses)	(1,917,207,884.66)	1,265,683,630.47	(3,182,891,515.13)	-251.5%
<b>Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization</b>	<b>\$ (2,083,843,549.88)</b>	<b>\$ 1,081,300,373.55</b>	<b>\$ (3,165,143,923.43)</b>	<b>-292.7%</b>

	<b>Excluding Depreciation and Amortization Expense</b>			<b>Fluctuation Percentage</b>
	<b>December Year-to-Date FY 2019</b>	<b>December Year-to-Date FY 2018</b>	<b>Variance</b>	
U. T. System Administration	\$ (314,891,952.28)	\$ (370,899,198.94)	56,007,246.66	15.1%
U. T. Arlington	16,381,832.70	23,358,792.12	(6,976,959.42)	-29.9%
U. T. Austin	156,835,640.82	148,598,467.99	8,237,172.83	5.5%
U. T. Dallas	20,307,753.76	18,936,249.80	1,371,503.96	7.2%
U. T. El Paso	7,556,087.39	6,666,443.53	889,643.86	13.3%
U. T. Permian Basin	(366,117.19)	2,870,384.80	(3,236,501.99)	-112.8%
U. T. Rio Grande Valley	14,466,568.19	16,376,055.54	(1,909,487.35)	-11.7%
U. T. San Antonio	14,109,868.06	17,661,906.40	(3,552,038.34)	-20.1%
U. T. Tyler	7,925,896.00	4,030,884.72	3,895,011.28	96.6%
U. T. Southwestern Medical Center	70,143,477.77	95,237,984.96	(25,094,507.19)	-26.3%
U. T. Medical Branch - Galveston	53,850,583.78	39,678,299.78	14,172,284.00	35.7%
U. T. Health Science Center - Houston	13,751,994.89	30,593,137.95	(16,841,143.06)	-55.0%
U. T. Health Science Center - San Antonio	12,502,063.63	17,699,123.65	(5,197,060.02)	-29.4%
U. T. M. D. Anderson Cancer Center	372,984,402.32	364,766,557.18	8,217,845.14	2.3%
U. T. Health Science Center - Tyler	(533,509.93)	(557,254.25)	23,744.32	4.3%
Elimination of AUF Transfer	(124,713,187.93)	(116,620,178.93)	(8,093,009.00)	-6.9%
Total Adjusted Income (Loss)	320,311,401.98	298,397,656.30	21,913,745.68	7.3%
<b>Total Adjusted Income (Loss) Excluding Depreciation and Amortization</b>	<b>\$ 320,311,401.98</b>	<b>\$ 298,397,656.30</b>	<b>\$ 21,913,745.68</b>	<b>7.3%</b>

THE UNIVERSITY OF TEXAS SYSTEM  
MONTHLY FINANCIAL REPORT VARIANCES  
For the Four Months Ending December 31, 2018

Explanations are provided for institutions with a current year-to-date adjusted loss and/or a projected year-to-date loss. Explanations are also 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.

- (1) U. T. System Administration incurred a year-to-date loss of \$323.9 million, a decrease in adjusted loss of \$55.3 million (14.6%) as compared to last year. The loss was primarily due to the following: an accrual of \$281.1 million for other postemployment benefits (OPEB) expense; an accrual of \$84.0 million for pension expense; a decrease in other operating revenues due to a reduction in excess revenues in the Medical Dental Self-Insurance Plan; and a decrease in sponsored program revenue received for the 2018-2019 biennium for the Joint Admission Medical Program as it was all recognized in 2018. U. T. System Administration anticipates ending the year with a \$1.2 billion loss.
- (2) U. T. Arlington incurred a year-to-date loss of \$1.9 million, a decrease of \$10.4 million (122.8%) as compared to last year. The loss was primarily attributable to the following: an increase in salaries and wages and payroll related costs due to increased faculty levels, faculty retention initiatives, and merit increases; an increase in materials and supplies due to the purchase of non-capital items for new buildings on campus; and an increase in depreciation and amortization as a result of new buildings placed into service in 2018. Excluding depreciation and amortization expense, U. T. Arlington's adjusted income was \$16.4 million and anticipates ending the year with \$30.5 million income.
- (3) U. T. Dallas incurred a year-to-date loss of \$7.0 million, a decrease in adjusted loss of \$1.2 million (14.9%) as compared to last year. The loss was primarily due to the following: an increase in depreciation and amortization expense over the last several years as a result of the addition of new buildings; an increase in interest expense on capital asset financings due to debt issued for new buildings; and an increase in salaries and wages and payroll related costs due to a one-time merit increase. Excluding depreciation and amortization expense, U. T. Dallas' adjusted income was \$20.3 million and anticipates ending the year with a \$21.1 million loss.
- (4) U. T. El Paso incurred a year-to-date loss of \$2.5 million, a decrease in adjusted loss of \$1.1 million (30.2%) as compared to last year due to operating efficiencies. The loss was attributable to the following: approximately \$6.0 million 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 \$7.6 million and anticipates ending the year with an \$8.2 million loss.
- (5) U. T. Permian Basin incurred a year-to-date loss of \$5.8 million, an increase in adjusted loss of \$3.8 million (182.6%) as compared to last year. The loss was primarily attributable to the following: an increase in salaries and wages and payroll related cost as a result of vacant positions being filled; an increase in professional fees and services due to a contract for assistance in evaluating and re-designing business processes; and an increase in other operating expenses due new signage in buildings on campus. Excluding depreciation and amortization expense, U. T. Permian Basin's adjusted loss was \$0.4 million and anticipates ending the year with a \$22.8 million loss.
- (6) U. T. Rio Grande Valley incurred a year-to-date loss of \$0.8 million, a decrease of \$4.3 million (123.3%) as compared to last year. The loss was primarily attributable to the following: an increase in salaries and wages and payroll related costs due to increases in staff and faculty positions and a change in the accrual process for faculty positions; and an increase in depreciation and amortization as a result of two new buildings placed into service in 2018. Excluding depreciation and amortization expense, U. T. Rio Grande Valley's adjusted income was \$14.5 million and anticipates ending the year with a \$6.5 million loss.
- (7) U. T. San Antonio incurred a year-to-date loss of \$2.4 million, a decrease of \$3.7 million (274.5%) as compared to last year. The loss was primarily attributable to an increase in salaries and wages and payroll related costs due to merit increases and vacant positions being filled, as well as four fewer class days in 2019. Excluding depreciation and amortization expense, U. T. San Antonio's adjusted income was \$14.1 million and anticipates ending the year with a \$7.1 million loss.
- (8) U. T. Tyler reported year-to-date adjusted income of \$2.6 million, an increase of \$3.7 million (332.2%) as compared to last year. The increase was primarily due to an increase in net sales and services of educational activities due to a delay in recognizing a portion of the pharmacy tuition in the prior year. Excluding depreciation and amortization expense, U. T. Tyler's adjusted income was \$7.9 million. U. T. Tyler anticipates ending the year with a \$1.5 million adjusted



loss as a result of an increase in personnel across the campus and Pharmacy start-up costs funded with prior year balances.

- (9) U. T. Southwestern Medical Center reported year-to-date adjusted income of \$14.4 million, a decrease of \$24.0 million (62.6%) as compared to last year. The decrease was primarily due to the following: an increase in salaries and wages and payroll related costs as a result of growth in both the hospital and the physician practice plan; and an increase in materials and supplies as a result of increased drugs and medical supplies driven by patient volumes and patient acuity. Excluding depreciation and amortization expense, U. T. Southwestern's adjusted income was \$70.1 million and anticipates ending the year with \$76.7 million income.
- (10) U. T. Medical Branch - Galveston incurred a year-to-date loss of \$0.9 million, a decrease in adjusted loss of \$10.5 million (92.0%) as compared to last year. The decrease was primarily due to an increase in net sales and services of hospitals due to increased patient volume, which was partially offset by increases in expenses. Excluding depreciation and amortization expense, UTMB's adjusted income was \$53.9 million. UTMB anticipates ending the year with a \$57.0 million adjusted loss primarily as a result of start-up costs related to the opening of the Clear Lake hospital in February.
- (11) U. T. Health Science Center - Houston incurred a year-to-date loss of \$8.7 million, a decrease of \$18.2 million (191.1%) as compared to last year. The loss was attributable to timing differences in the recording of professional fees, combined with a decrease in sponsored programs due to a change in the structure of the contract with Memorial Hermann Hospital. Additionally, salaries and wages increased as a result of growth in the physician practice plan. Excluding depreciation and amortization expense, UTHSC-Houston's adjusted income was \$13.8 million and anticipates ending the year with \$4.2 million adjusted income.
- (12) U. T. Health Science Center - San Antonio incurred a year-to-date loss of \$6.5 million, an increase in adjusted loss of \$5.7 million (711.4%) as compared to last year. The loss was primarily due to the following: a cancelled pledge from the now dissolved San Antonio Cancer Foundation; and an increase in salaries and wages attributable to increased clinical faculty and staff positions as a result of growth associated with expanded clinical facilities. Excluding depreciation and amortization expense, UTHSC-San Antonio's adjusted income was \$12.5 million and anticipates ending the year with a \$10.9 million adjusted loss due to expansion and research.

(13) U. T. Health Science Center - Tyler incurred a year-to-date loss of \$5.4 million, a slight increase in adjusted loss of \$0.2 million (4.6%) as compared to last year. The loss was primarily due to a decrease in net sales and services of hospitals as a result of select service lines being transitioned to other facilities within the UT Health East Texas joint venture. The decrease in direct hospital revenue was partially offset by an increase in other operating revenues that reflect UTHSC-Tyler's estimated share of the joint venture adjusted earnings, net of lower Delivery System Reform Incentive Payment revenue as compared to the prior year. Excluding depreciation and amortization expense, UTHSC-Tyler's adjusted loss was \$0.5 million and anticipates ending the year with \$0.8 million adjusted income. UTHSC-Tyler will continue to benefit from increased salary and benefit savings related to the prior year's workforce restructuring initiatives, as well as expected seasonal increases in direct hospital and professional fee revenues.

## UNAUDITED

The University of Texas System Administration  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2018

	December Year-to-Date FY 2019	December Year-to-Date FY 2018	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Sponsored Programs	1,292,640.66	13,598,592.73	(12,305,952.07)	-90.5%
Net Sales and Services of Educational Activities	10,715,155.20	24,314,305.87	(13,599,150.67)	-55.9%
Other Operating Revenues	8,478,896.64	39,776,685.58	(31,297,788.94)	-78.7%
<b>Total Operating Revenues</b>	<b>20,486,692.50</b>	<b>77,689,584.18</b>	<b>(57,202,891.68)</b>	<b>-73.6%</b>
<b>Operating Expenses</b>				
Salaries and Wages	27,292,155.35	23,573,401.63	3,718,753.72	15.8%
Payroll Related Costs	5,990,173.75	4,944,267.18	1,045,906.57	21.2%
Membership Dues	260,224.64	212,058.01	48,166.63	22.7%
Registration Fees, Meetings, Conferences	109,883.35	102,100.21	7,783.14	7.6%
Professional Fees and Services	5,406,359.88	4,067,032.60	1,339,327.28	32.9%
Other Contracted Services	4,236,121.01	17,485,622.78	(13,249,501.77)	-75.8%
Fees and Other Charges	23,510.81	28,933.05	(5,422.24)	-18.7%
Travel	665,843.53	570,556.94	95,286.59	16.7%
Materials and Supplies	14,630,414.56	11,363,630.20	3,266,784.36	28.7%
Utilities	153,939.24	190,223.80	(36,284.56)	-19.1%
Communications	150,459.89	4,070,161.47	(3,919,701.58)	-96.3%
Repairs and Maintenance	3,349,147.11	7,523,184.45	(4,174,037.34)	-55.5%
Rentals and Leases	1,415,411.04	1,801,504.71	(386,093.67)	-21.4%
Printing and Reproduction	69,410.03	213,963.40	(144,553.37)	-67.6%
Insurance Costs/Premiums	23,504,395.46	26,035,260.76	(2,530,865.30)	-9.7%
Claims and Losses	36,129,440.08	7,235,408.01	28,894,032.07	399.3%
OPEB Expense	281,073,581.67	350,666,666.67	(69,593,085.00)	-19.8%
Pension Expense	83,987,256.67	122,578,115.33	(38,590,858.66)	-31.5%
Scholarships and Fellowships	110,640.00	245,600.00	(134,960.00)	-55.0%
Depreciation and Amortization	8,970,220.62	8,218,256.71	751,963.91	9.1%
State Sponsored Program Pass-Through to Other State Agencies	1,840,665.80	930,215.52	910,450.28	97.9%
Other Operating Expenses	541,856.73	644,692.20	(102,835.47)	-16.0%
<b>Total Operating Expenses</b>	<b>499,911,111.22</b>	<b>592,700,855.63</b>	<b>(92,789,744.41)</b>	<b>-15.7%</b>
<b>Operating Income (Loss)</b>	<b>(479,424,418.72)</b>	<b>(515,011,271.45)</b>	<b>35,586,852.73</b>	<b>6.9%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	1,103,547.67	1,103,547.67	-	-
Nonexchange Sponsored Programs	-	2,150,184.75	(2,150,184.75)	-100.0%
Gift Contributions for Operations	499,951.60	499,384.21	567.39	0.1%
Net Investment Income	134,343,696.12	131,385,162.31	2,958,533.81	2.3%
Interest Expense on Capital Asset Financings	(12,316,616.24)	(32,676,129.81)	20,359,513.57	62.3%
<b>Net Other Nonoperating Adjustments</b>	<b>123,630,579.15</b>	<b>102,462,149.13</b>	<b>21,168,430.02</b>	<b>20.7%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(355,793,839.57)</b>	<b>(412,549,122.32)</b>	<b>56,755,282.75</b>	<b>13.8%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-227.4%</b>	<b>-193.8%</b>		
Available University Fund Transfer	31,931,666.67	33,431,666.67	(1,500,000.00)	-4.5%
<b>Adjusted Income (Loss) with AUF Transfer</b>	<b>(323,862,172.90)</b>	<b>(379,117,455.65)</b>	<b>55,255,282.75</b>	<b>14.6%</b>
<b>Adjusted Margin % with AUF Transfer</b>	<b>-171.9%</b>	<b>-154.0%</b>		
Investment Gains (Losses)	(1,163,723,813.17)	1,043,086,596.98	(2,206,810,410.15)	-211.6%
<b>Adj. Inc. (Loss) with AUF Transfer &amp; Invest. Gains (Losses)</b>	<b>(1,487,585,986.07)</b>	<b>\$663,969,141.33</b>	<b>(2,151,555,127.40)</b>	<b>-324.0%</b>
<b>Adj. Margin % with AUF Transfer &amp; Invest. Gains (Losses)</b>	<b>152.5%</b>	<b>51.5%</b>		
<b>Adjusted Income (Loss) with AUF Transfer excluding Depreciation &amp; Amortization</b>	<b>(314,891,952.28)</b>	<b>(370,899,198.94)</b>	<b>56,007,246.66</b>	<b>15.1%</b>
<b>Adjusted Margin % with AUF Transfer excluding Depreciation &amp; Amortization</b>	<b>-167.2%</b>	<b>-150.6%</b>		

## UNAUDITED

The University of Texas at Arlington  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2018

	December Year-to-Date FY 2019	December Year-to-Date FY 2018	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	105,468,334.05	100,113,699.50	5,354,634.55	5.3%
Sponsored Programs	24,590,377.91	23,990,543.68	599,834.23	2.5%
Net Sales and Services of Educational Activities	8,189,399.79	6,338,237.56	1,851,162.23	29.2%
Net Auxiliary Enterprises	16,329,367.84	14,935,846.09	1,393,521.75	9.3%
Other Operating Revenues	4,735,724.02	5,300,295.87	(564,571.85)	-10.7%
<b>Total Operating Revenues</b>	<b>159,313,203.61</b>	<b>150,678,622.70</b>	<b>8,634,580.91</b>	<b>5.7%</b>
<b>Operating Expenses</b>				
Salaries and Wages	101,607,953.80	95,310,816.61	6,297,137.19	6.6%
Payroll Related Costs	26,334,523.39	24,658,000.20	1,676,523.19	6.8%
Membership Dues	891,174.42	771,538.46	119,635.96	15.5%
Registration Fees, Meetings, Conferences	409,521.67	515,405.57	(105,883.90)	-20.5%
Cost of Goods Sold	1,289.05	3,105.57	(1,816.52)	-58.5%
Professional Fees and Services	5,574,860.72	3,673,913.33	1,900,947.39	51.7%
Other Contracted Services	28,165,127.76	27,268,809.70	896,318.06	3.3%
Fees and Other Charges	479,325.82	276,751.12	202,574.70	73.2%
Travel	2,910,277.07	3,066,345.58	(156,068.51)	-5.1%
Materials and Supplies	13,531,468.20	9,395,807.71	4,135,660.49	44.0%
Utilities	3,333,333.33	3,333,333.33	-	-
Communications	1,644,554.06	1,253,819.59	390,734.47	31.2%
Repairs and Maintenance	4,356,753.03	2,975,425.77	1,381,327.26	46.4%
Rentals and Leases	1,324,983.85	1,194,754.52	130,229.33	10.9%
Printing and Reproduction	1,123,926.24	761,107.76	362,818.48	47.7%
Royalty Payments	27,118.02	85,382.62	(58,264.60)	-68.2%
Bad Debt Expense	333,333.33	500,000.00	(166,666.67)	-33.3%
Insurance Costs/Premiums	275,330.04	352,593.21	(77,263.17)	-21.9%
Scholarships and Fellowships	14,701,852.64	14,701,852.64	-	-
Depreciation and Amortization	18,316,412.84	14,858,726.32	3,457,686.52	23.3%
Federal Sponsored Program Pass-Through to Other State Agencies	245,986.26	397,224.18	(151,237.92)	-38.1%
State Sponsored Program Pass-Through to Other State Agencies	3,138.83	-	3,138.83	100.0%
Other Operating Expenses	4,802,681.73	4,760,474.29	42,207.44	0.9%
<b>Total Operating Expenses</b>	<b>230,394,926.10</b>	<b>210,115,188.08</b>	<b>20,279,738.02</b>	<b>9.7%</b>
<b>Operating Income (Loss)</b>	<b>(71,081,722.49)</b>	<b>(59,436,565.38)</b>	<b>(11,645,157.11)</b>	<b>-19.6%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	44,235,700.67	43,850,638.00	385,062.67	0.9%
Nonexchange Sponsored Programs	20,824,560.12	21,177,474.20	(352,914.08)	-1.7%
Gift Contributions for Operations	1,849,142.12	1,111,578.62	737,563.50	66.4%
Net Investment Income	7,299,851.92	6,472,920.65	826,931.27	12.8%
Interest Expense on Capital Asset Financings	(5,062,112.48)	(4,675,980.29)	(386,132.19)	-8.3%
<b>Net Other Nonoperating Adjustments</b>	<b>69,147,142.35</b>	<b>67,936,631.18</b>	<b>1,210,511.17</b>	<b>1.8%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(1,934,580.14)</b>	<b>8,500,065.80</b>	<b>(10,434,645.94)</b>	<b>-122.8%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-0.8%</b>	<b>3.8%</b>		
Investment Gains (Losses)	(22,706,331.72)	4,303,754.88	(27,010,086.60)	-627.6%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>(24,640,911.86)</b>	<b>12,803,820.68</b>	<b>(37,444,732.54)</b>	<b>-292.4%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-11.7%</b>	<b>5.6%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>16,381,832.70</b>	<b>23,358,792.12</b>	<b>(6,976,959.42)</b>	<b>-29.9%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>7.0%</b>	<b>10.5%</b>		

UNAUDITED

The University of Texas at Austin  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2018

	December Year-to-Date FY 2019	December Year-to-Date FY 2018	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	173,333,333.33	161,666,666.67	11,666,666.66	7.2%
Sponsored Programs	193,618,722.83	186,992,613.38	6,626,109.45	3.5%
Net Sales and Services of Educational Activities	143,571,659.20	161,594,900.44	(18,023,241.24)	-11.2%
Net Professional Fees	1,442,724.92	-	1,442,724.92	100.0%
Net Auxiliary Enterprises	141,928,016.53	140,353,975.93	1,574,040.60	1.1%
Other Operating Revenues	3,514,125.14	3,042,734.48	471,390.66	15.5%
<b>Total Operating Revenues</b>	<b>657,408,581.95</b>	<b>653,650,890.90</b>	<b>3,757,691.05</b>	<b>0.6%</b>
<b>Operating Expenses</b>				
Salaries and Wages	463,165,810.38	439,433,640.93	23,732,169.45	5.4%
Payroll Related Costs	125,997,219.11	122,438,576.72	3,558,642.39	2.9%
Membership Dues	1,578,335.11	1,249,067.72	329,267.39	26.4%
Registration Fees, Meetings, Conferences	10,657,622.67	10,581,862.79	75,759.88	0.7%
Cost of Goods Sold	9,341,654.49	9,049,444.38	292,210.11	3.2%
Professional Fees and Services	7,724,192.98	11,221,725.63	(3,497,532.65)	-31.2%
Other Contracted Services	58,708,296.94	56,856,840.65	1,851,456.29	3.3%
Fees and Other Charges	1,574,793.04	5,828,587.92	(4,253,794.88)	-73.0%
Travel	16,120,642.44	15,147,046.84	973,595.60	6.4%
Materials and Supplies	43,709,983.14	53,814,054.27	(10,104,071.13)	-18.8%
Utilities	35,194,586.47	32,160,477.45	3,034,109.02	9.4%
Communications	13,672,172.50	13,933,069.22	(260,896.72)	-1.9%
Repairs and Maintenance	21,683,369.13	23,955,789.10	(2,272,419.97)	-9.5%
Rentals and Leases	9,969,679.37	8,731,895.48	1,237,783.89	14.2%
Printing and Reproduction	2,957,028.56	2,911,920.50	45,108.06	1.5%
Royalty Payments	422,875.22	1,193,057.18	(770,181.96)	-64.6%
Bad Debt Expense	256,136.09	100,358.18	155,777.91	155.2%
Insurance Costs/Premiums	470,015.26	448,884.65	21,130.61	4.7%
Scholarships and Fellowships	46,666,666.67	46,666,666.67	-	-
Depreciation and Amortization	104,666,666.67	104,666,666.67	-	-
Federal Sponsored Program Pass-Through to Other State Agencies	1,028,803.09	1,253,893.25	(225,090.16)	-18.0%
State Sponsored Program Pass-Through to Other State Agencies	-	9,377,821.06	(9,377,821.06)	-100.0%
Other Operating Expenses	23,012,605.26	23,609,218.00	(596,612.74)	-2.5%
<b>Total Operating Expenses</b>	<b>998,579,154.59</b>	<b>994,630,565.26</b>	<b>3,948,589.33</b>	<b>0.4%</b>
<b>Operating Income (Loss)</b>	<b>(341,170,572.64)</b>	<b>(340,979,674.36)</b>	<b>(190,898.28)</b>	<b>-0.1%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	118,736,196.33	120,202,481.00	(1,466,284.67)	-1.2%
Nonexchange Sponsored Programs	14,666,666.67	14,333,333.33	333,333.34	2.3%
Gift Contributions for Operations	63,415,788.22	67,241,586.10	(3,825,797.88)	-5.7%
Net Investment Income	96,531,341.80	90,486,001.32	6,045,340.48	6.7%
Interest Expense on Capital Asset Financings	(24,723,634.16)	(23,972,105.00)	(751,529.16)	-3.1%
<b>Net Other Nonoperating Adjustments</b>	<b>268,626,358.86</b>	<b>268,291,296.75</b>	<b>335,062.11</b>	<b>0.1%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(72,544,213.78)</b>	<b>(72,688,377.61)</b>	<b>144,163.83</b>	<b>0.2%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-7.6%</b>	<b>-7.7%</b>		
Available University Fund Transfer	124,713,187.93	116,620,178.93	8,093,009.00	6.9%
<b>Adjusted Income (Loss) with AUF Transfer</b>	<b>52,168,974.15</b>	<b>43,931,801.32</b>	<b>8,237,172.83</b>	<b>18.7%</b>
<b>Adjusted Margin % with AUF Transfer</b>	<b>4.9%</b>	<b>4.1%</b>		
Investment Gains (Losses)	(364,464,384.81)	82,654,233.43	(447,118,618.24)	-541.0%
<b>Adj. Inc. (Loss) with AUF Transfer &amp; Invest. Gains (Losses)</b>	<b>(312,295,410.66)</b>	<b>\$126,586,034.75</b>	<b>(438,881,445.41)</b>	<b>-346.7%</b>
<b>Adj. Margin % with AUF Transfer &amp; Invest. Gains (Losses)</b>	<b>-43.9%</b>	<b>11.1%</b>		
<b>Adjusted Income (Loss) with AUF Transfer excluding Depreciation &amp; Amortization</b>	<b>156,835,640.82</b>	<b>148,598,467.99</b>	<b>8,237,172.83</b>	<b>5.5%</b>
<b>Adjusted Margin % with AUF Transfer excluding Depreciation &amp; Amortization</b>	<b>14.6%</b>	<b>14.0%</b>		

## UNAUDITED

The University of Texas at Dallas  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2018

	December Year-to-Date FY 2019	December Year-to-Date FY 2018	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	102,601,126.99	106,231,993.90	(3,630,866.91)	-3.4%
Sponsored Programs	22,994,937.27	20,454,093.26	2,540,844.01	12.4%
Net Sales and Services of Educational Activities	11,557,511.33	7,000,103.04	4,557,408.29	65.1%
Net Auxiliary Enterprises	18,477,141.50	12,539,764.17	5,937,377.33	47.3%
Other Operating Revenues	1,808,723.93	1,606,479.20	202,244.73	12.6%
<b>Total Operating Revenues</b>	<b>157,439,441.02</b>	<b>147,832,433.57</b>	<b>9,607,007.45</b>	<b>6.5%</b>
<b>Operating Expenses</b>				
Salaries and Wages	107,963,576.09	106,128,950.84	1,834,625.25	1.7%
Payroll Related Costs	25,179,501.70	24,747,378.63	432,123.07	1.7%
Membership Dues	297,671.60	326,390.89	(28,719.29)	-8.8%
Registration Fees, Meetings, Conferences	569,574.72	1,074,617.25	(505,042.53)	-47.0%
Professional Fees and Services	4,859,456.22	3,255,061.58	1,604,394.64	49.3%
Other Contracted Services	5,954,190.26	5,502,390.71	451,799.55	8.2%
Fees and Other Charges	446,081.60	407,915.23	38,166.37	9.4%
Travel	2,838,911.42	2,506,394.48	332,516.94	13.3%
Materials and Supplies	11,134,876.88	10,371,302.42	763,574.46	7.4%
Utilities	3,429,853.74	3,569,646.94	(139,793.20)	-3.9%
Communications	372,214.41	560,549.57	(188,335.16)	-33.6%
Repairs and Maintenance	3,410,915.44	2,665,628.84	745,286.60	28.0%
Rentals and Leases	2,716,112.99	2,134,250.94	581,862.05	27.3%
Printing and Reproduction	610,847.51	535,362.74	75,484.77	14.1%
Royalty Payments	542,496.87	484,749.91	57,746.96	11.9%
Bad Debt Expense	10,937.67	21,280.00	(10,342.33)	-48.6%
Insurance Costs/Premiums	4,043,943.33	3,812,851.98	231,091.35	6.1%
Scholarships and Fellowships	17,343,580.59	14,571,989.98	2,771,590.61	19.0%
Depreciation and Amortization	27,328,961.20	27,182,168.32	146,792.88	0.5%
Federal Sponsored Program Pass-Through to Other State Agencies	165,551.33	40,185.35	125,365.98	312.0%
State Sponsored Program Pass-Through to Other State Agencies	35,737.00	39,627.24	(3,890.24)	-9.8%
Other Operating Expenses	2,607,664.24	2,225,508.06	382,156.18	17.2%
<b>Total Operating Expenses</b>	<b>221,862,656.81</b>	<b>212,164,201.90</b>	<b>9,698,454.91</b>	<b>4.6%</b>
<b>Operating Income (Loss)</b>	<b>(64,423,215.79)</b>	<b>(64,331,768.33)</b>	<b>(91,447.46)</b>	<b>-0.1%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	41,054,013.57	41,982,756.67	(928,743.10)	-2.2%
Nonexchange Sponsored Programs	10,120,952.00	8,556,228.00	1,564,724.00	18.3%
Gift Contributions for Operations	4,963,990.67	5,466,666.67	(502,676.00)	-9.2%
Net Investment Income	10,769,369.65	9,623,602.62	1,145,767.03	11.9%
Interest Expense on Capital Asset Financings	(9,506,317.54)	(9,543,404.15)	37,086.61	0.4%
<b>Net Other Nonoperating Adjustments</b>	<b>57,402,008.35</b>	<b>56,085,849.81</b>	<b>1,316,158.54</b>	<b>2.3%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(7,021,207.44)</b>	<b>(8,245,918.52)</b>	<b>1,224,711.08</b>	<b>14.9%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-3.1%</b>	<b>-3.9%</b>		
Investment Gains (Losses)	(8,823,489.38)	2,299,295.74	(11,122,785.12)	-483.7%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>(15,844,696.82)</b>	<b>(5,946,622.78)</b>	<b>(9,898,074.04)</b>	<b>-166.4%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-7.4%</b>	<b>-2.8%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>20,307,753.76</b>	<b>18,936,249.80</b>	<b>1,371,503.96</b>	<b>7.2%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>9.1%</b>	<b>8.9%</b>		

## UNAUDITED

The University of Texas at El Paso  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2018

	December Year-to-Date FY 2019	December Year-to-Date FY 2018	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	47,222,082.00	44,667,208.00	2,554,874.00	5.7%
Sponsored Programs	27,277,538.15	28,866,979.73	(1,589,441.58)	-5.5%
Net Sales and Services of Educational Activities	1,718,171.91	2,435,275.38	(717,103.47)	-29.4%
Net Auxiliary Enterprises	14,540,787.60	15,338,682.08	(797,894.48)	-5.2%
Other Operating Revenues	12,487.58	10,983.90	1,503.68	13.7%
<b>Total Operating Revenues</b>	<b>90,771,067.24</b>	<b>91,319,129.09</b>	<b>(548,061.85)</b>	<b>-0.6%</b>
<b>Operating Expenses</b>				
Salaries and Wages	67,309,780.24	67,907,344.03	(597,563.79)	-0.9%
Payroll Related Costs	18,209,797.90	19,134,345.61	(924,547.71)	-4.8%
Membership Dues	510,085.16	523,025.51	(12,940.35)	-2.5%
Registration Fees, Meetings, Conferences	270,628.63	261,106.90	9,521.73	3.6%
Professional Fees and Services	6,048,644.64	3,651,147.40	2,397,497.24	65.7%
Other Contracted Services	5,100,951.40	6,733,889.33	(1,632,937.93)	-24.2%
Fees and Other Charges	1,449,103.42	1,210,754.58	238,348.84	19.7%
Travel	2,558,698.36	2,849,698.74	(291,000.38)	-10.2%
Materials and Supplies	6,454,801.70	5,875,406.35	579,395.35	9.9%
Utilities	2,913,512.84	3,249,565.61	(336,052.77)	-10.3%
Communications	712,239.06	464,994.94	247,244.12	53.2%
Repairs and Maintenance	3,700,318.39	4,181,147.37	(480,828.98)	-11.5%
Rentals and Leases	517,904.06	383,365.59	134,538.47	35.1%
Printing and Reproduction	327,533.23	416,269.03	(88,735.80)	-21.3%
Royalty Payments	-	203.57	(203.57)	-100.0%
Insurance Costs/Premiums	608,984.51	563,829.94	45,154.57	8.0%
Scholarships and Fellowships	7,366,992.82	6,630,182.43	736,810.39	11.1%
Depreciation and Amortization	10,046,269.91	10,234,888.32	(188,618.41)	-1.8%
Federal Sponsored Program Pass-Through to Other State Agencies	51,531.61	23,317.60	28,214.01	121.0%
Other Operating Expenses	3,083,301.13	3,589,582.38	(506,281.25)	-14.1%
<b>Total Operating Expenses</b>	<b>137,241,079.01</b>	<b>137,884,065.23</b>	<b>(642,986.22)</b>	<b>-0.5%</b>
<b>Operating Income (Loss)</b>	<b>(46,470,011.77)</b>	<b>(46,564,936.14)</b>	<b>94,924.37</b>	<b>0.2%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	36,632,784.00	36,988,760.00	(355,976.00)	-1.0%
Nonexchange Sponsored Programs	3,095,253.00	2,955,015.77	140,237.23	4.7%
Gift Contributions for Operations	1,868,532.25	1,995,483.48	(126,951.23)	-6.4%
Net Investment Income	5,979,830.56	4,847,090.14	1,132,740.42	23.4%
Interest Expense on Capital Asset Financings	(3,596,570.56)	(3,789,858.04)	193,287.48	5.1%
<b>Net Other Nonoperating Adjustments</b>	<b>43,979,829.25</b>	<b>42,996,491.35</b>	<b>983,337.90</b>	<b>2.3%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(2,490,182.52)</b>	<b>(3,568,444.79)</b>	<b>1,078,262.27</b>	<b>30.2%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-1.8%</b>	<b>-2.6%</b>		
Investment Gains (Losses)	(15,661,038.21)	4,761,916.33	(20,422,954.54)	-428.9%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>(18,151,220.73)</b>	<b>1,193,471.54</b>	<b>(19,344,692.27)</b>	<b>-1,620.9%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-14.8%</b>	<b>0.8%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>7,556,087.39</b>	<b>6,666,443.53</b>	<b>889,643.86</b>	<b>13.3%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>5.5%</b>	<b>4.8%</b>		

## UNAUDITED

The University of Texas Permian Basin  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2018

	December Year-to-Date FY 2019	December Year-to-Date FY 2018	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	9,104,403.15	7,796,553.15	1,307,850.00	16.8%
Sponsored Programs	1,975,836.87	2,482,933.41	(507,096.54)	-20.4%
Net Sales and Services of Educational Activities	461,265.35	332,224.11	129,041.24	38.8%
Net Auxiliary Enterprises	1,106,939.86	2,888,788.33	(1,781,848.47)	-61.7%
Other Operating Revenues	1,657,016.22	653,535.00	1,003,481.22	153.5%
<b>Total Operating Revenues</b>	<b>14,305,461.45</b>	<b>14,154,034.00</b>	<b>151,427.45</b>	<b>1.1%</b>
<b>Operating Expenses</b>				
Salaries and Wages	13,185,924.11	11,372,700.81	1,813,223.30	15.9%
Payroll Related Costs	3,669,093.15	3,111,153.00	557,940.15	17.9%
Membership Dues	284,489.30	169,705.05	114,784.25	67.6%
Registration Fees, Meetings, Conferences	51,028.67	47,134.55	3,894.12	8.3%
Cost of Goods Sold	-	730.61	(730.61)	-100.0%
Professional Fees and Services	2,762,239.00	1,332,802.20	1,429,436.80	107.3%
Other Contracted Services	957,350.13	1,392,768.14	(435,418.01)	-31.3%
Fees and Other Charges	12,874.92	29,767.28	(16,892.36)	-56.7%
Travel	705,486.22	810,518.96	(105,032.74)	-13.0%
Materials and Supplies	1,701,922.60	1,543,253.63	158,668.97	10.3%
Utilities	484,546.31	564,586.33	(80,040.02)	-14.2%
Communications	214,014.23	296,630.04	(82,615.81)	-27.9%
Repairs and Maintenance	366,588.11	1,020,699.60	(654,111.49)	-64.1%
Rentals and Leases	254,168.13	185,208.87	68,959.26	37.2%
Printing and Reproduction	47,630.07	23,237.74	24,392.33	105.0%
Royalty Payments	-	6.00	(6.00)	-100.0%
Insurance Costs/Premiums	142,158.23	63,775.46	78,382.77	122.9%
Scholarships and Fellowships	2,120,418.83	1,530,365.32	590,053.51	38.6%
Depreciation and Amortization	5,463,406.84	4,933,333.33	530,073.51	10.7%
Other Operating Expenses	718,525.86	167,080.81	551,445.05	330.0%
<b>Total Operating Expenses</b>	<b>33,141,864.71</b>	<b>28,595,457.73</b>	<b>4,546,406.98</b>	<b>15.9%</b>
<b>Operating Income (Loss)</b>	<b>(18,836,403.26)</b>	<b>(14,441,423.73)</b>	<b>(4,394,979.53)</b>	<b>-30.4%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	11,932,634.38	12,217,512.67	(284,878.29)	-2.3%
Nonexchange Sponsored Programs	2,351,625.13	1,194,186.93	1,157,438.20	96.9%
Gift Contributions for Operations	742,008.05	833,670.46	(91,662.41)	-11.0%
Net Investment Income	646,741.83	945,989.66	(299,247.83)	-31.6%
Interest Expense on Capital Asset Financings	(2,666,130.16)	(2,812,884.52)	146,754.36	5.2%
<b>Net Other Nonoperating Adjustments</b>	<b>13,006,879.23</b>	<b>12,378,475.20</b>	<b>628,404.03</b>	<b>5.1%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(5,829,524.03)</b>	<b>(2,062,948.53)</b>	<b>(3,766,575.50)</b>	<b>-182.6%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-19.4%</b>	<b>-7.0%</b>		
Investment Gains (Losses)	(2,787,665.11)	1,019,120.76	(3,806,785.87)	-373.5%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>(8,617,189.14)</b>	<b>(1,043,827.77)</b>	<b>(7,573,361.37)</b>	<b>-725.5%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-31.7%</b>	<b>-3.4%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>(366,117.19)</b>	<b>2,870,384.80</b>	<b>(3,236,501.99)</b>	<b>-112.8%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>-1.2%</b>	<b>9.8%</b>		

## UNAUDITED

The University of Texas Rio Grande Valley  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2018

	December Year-to-Date FY 2019	December Year-to-Date FY 2018	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	31,344,785.87	38,290,610.14	(6,945,824.27)	-18.1%
Sponsored Programs	57,305,645.66	34,945,397.38	22,360,248.28	64.0%
Net Sales and Services of Educational Activities	1,878,068.27	1,700,394.38	177,673.89	10.4%
Net Professional Fees	1,369,136.58	1,317,954.17	51,182.41	3.9%
Net Auxiliary Enterprises	4,242,595.03	3,626,185.14	616,409.89	17.0%
Other Operating Revenues	60,215.43	12,950,600.82	(12,890,385.39)	-99.5%
<b>Total Operating Revenues</b>	<b>96,200,446.84</b>	<b>92,831,142.03</b>	<b>3,369,304.81</b>	<b>3.6%</b>
<b>Operating Expenses</b>				
Salaries and Wages	85,938,758.87	74,644,181.96	11,294,576.91	15.1%
Payroll Related Costs	23,888,635.26	21,620,887.31	2,267,747.95	10.5%
Membership Dues	317,957.45	346,370.67	(28,413.22)	-8.2%
Registration Fees, Meetings, Conferences	309,501.54	415,626.90	(106,125.36)	-25.5%
Cost of Goods Sold	237,489.60	134,801.00	102,688.60	76.2%
Professional Fees and Services	1,354,934.93	833,620.89	521,314.04	62.5%
Other Contracted Services	3,544,188.13	7,103,328.85	(3,559,140.72)	-50.1%
Fees and Other Charges	1,535,663.73	1,873,630.66	(337,966.93)	-18.0%
Travel	2,306,405.05	2,541,215.97	(234,810.92)	-9.2%
Materials and Supplies	6,617,716.53	7,269,287.86	(651,571.33)	-9.0%
Utilities	2,512,878.70	2,548,065.83	(35,187.13)	-1.4%
Communications	349,252.29	488,555.66	(139,303.37)	-28.5%
Repairs and Maintenance	3,294,557.08	3,684,402.41	(389,845.33)	-10.6%
Rentals and Leases	1,699,675.75	1,805,309.48	(105,633.73)	-5.9%
Printing and Reproduction	156,566.84	196,203.32	(39,636.48)	-20.2%
Royalty Payments	895.86	1,500.00	(604.14)	-40.3%
Bad Debt Expense	(562,951.74)	390,015.54	(952,967.28)	-244.3%
Insurance Costs/Premiums	270,415.40	410,537.78	(140,122.38)	-34.1%
Scholarships and Fellowships	(583,250.45)	3,597,798.53	(4,181,048.98)	-116.2%
Depreciation and Amortization	15,281,078.69	12,880,675.04	2,400,403.65	18.6%
Federal Sponsored Program Pass-Through to Other State Agencies	314,381.10	2,689.22	311,691.88	11,590.4%
Other Operating Expenses	4,989,860.17	1,330,180.14	3,659,680.03	275.1%
<b>Total Operating Expenses</b>	<b>153,774,610.78</b>	<b>144,118,885.02</b>	<b>9,655,725.76</b>	<b>6.7%</b>
<b>Operating Income (Loss)</b>	<b>(57,574,163.94)</b>	<b>(51,287,742.99)</b>	<b>(6,286,420.95)</b>	<b>-12.3%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	48,234,166.90	48,923,799.33	(689,632.43)	-1.4%
Nonexchange Sponsored Programs	5,069,180.57	1,736,817.84	3,332,362.73	191.9%
Gift Contributions for Operations	2,333,560.92	3,142,260.47	(808,699.55)	-25.7%
Net Investment Income	3,625,763.57	3,764,370.05	(138,606.48)	-3.7%
Interest Expense on Capital Asset Financings	(2,503,018.52)	(2,784,124.20)	281,105.68	10.1%
<b>Net Other Nonoperating Adjustments</b>	<b>56,759,653.44</b>	<b>54,783,123.49</b>	<b>1,976,529.95</b>	<b>3.6%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(814,510.50)</b>	<b>3,495,380.50</b>	<b>(4,309,891.00)</b>	<b>-123.3%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-0.5%</b>	<b>2.3%</b>		
Investment Gains (Losses)	(5,494,541.95)	1,462,169.76	(6,956,711.71)	-475.8%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>(6,309,052.45)</b>	<b>4,957,550.26</b>	<b>(11,266,602.71)</b>	<b>-227.3%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-4.2%</b>	<b>3.3%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>14,466,568.19</b>	<b>16,376,055.54</b>	<b>(1,909,487.35)</b>	<b>-11.7%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>9.3%</b>	<b>10.9%</b>		



## UNAUDITED

The University of Texas at San Antonio  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2018

	December Year-to-Date FY 2019	December Year-to-Date FY 2018	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	68,841,565.34	68,210,274.25	631,291.09	0.9%
Sponsored Programs	26,436,682.63	23,050,995.79	3,385,686.84	14.7%
Net Sales and Services of Educational Activities	5,385,832.74	6,702,191.45	(1,316,358.71)	-19.6%
Net Auxiliary Enterprises	15,356,116.57	14,271,333.33	1,084,783.24	7.6%
Other Operating Revenues	850,861.81	1,118,368.28	(267,506.47)	-23.9%
<b>Total Operating Revenues</b>	<b>116,871,059.09</b>	<b>113,353,163.10</b>	<b>3,517,895.99</b>	<b>3.1%</b>
<b>Operating Expenses</b>				
Salaries and Wages	86,081,102.50	81,963,172.85	4,117,929.65	5.0%
Payroll Related Costs	23,515,829.26	21,966,130.32	1,549,698.94	7.1%
Membership Dues	463,342.11	506,750.72	(43,408.61)	-8.6%
Registration Fees, Meetings, Conferences	419,419.85	314,062.99	105,356.86	33.5%
Cost of Goods Sold	51,888.26	133,333.33	(81,445.07)	-61.1%
Professional Fees and Services	4,876,353.17	3,713,681.52	1,162,671.65	31.3%
Other Contracted Services	5,434,836.75	4,865,712.02	569,124.73	11.7%
Fees and Other Charges	499,718.89	294,181.05	205,537.84	69.9%
Travel	3,945,773.61	3,897,629.75	48,143.86	1.2%
Materials and Supplies	9,194,843.28	8,081,429.73	1,113,413.55	13.8%
Utilities	4,792,219.33	4,800,266.67	(8,047.34)	-0.2%
Communications	877,972.25	1,029,606.58	(151,634.33)	-14.7%
Repairs and Maintenance	2,827,445.88	3,411,461.77	(584,015.89)	-17.1%
Rentals and Leases	1,048,974.51	538,515.48	510,459.03	94.8%
Printing and Reproduction	493,635.21	537,264.45	(43,629.24)	-8.1%
Royalty Payments	16,237.53	1,666.67	14,570.86	874.2%
Bad Debt Expense	44,380.17	60,509.00	(16,128.83)	-26.7%
Insurance Costs/Premiums	212,243.39	127,839.24	84,404.15	66.0%
Scholarships and Fellowships	21,256,538.18	18,564,485.75	2,692,052.43	14.5%
Depreciation and Amortization	16,472,633.35	16,307,635.56	164,997.79	1.0%
Federal Sponsored Program Pass-Through to Other State Agencies	597,079.54	585,666.67	11,412.87	1.9%
Other Operating Expenses	5,694,848.90	5,633,092.58	61,756.32	1.1%
<b>Total Operating Expenses</b>	<b>188,817,315.92</b>	<b>177,334,094.70</b>	<b>11,483,221.22</b>	<b>6.5%</b>
<b>Operating Income (Loss)</b>	<b>(71,946,256.83)</b>	<b>(63,980,931.60)</b>	<b>(7,965,325.23)</b>	<b>-12.4%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	44,363,637.67	43,947,563.67	416,074.00	0.9%
Nonexchange Sponsored Programs	19,705,541.00	18,408,531.74	1,297,009.26	7.0%
Gift Contributions for Operations	3,000,000.00	2,666,666.67	333,333.33	12.5%
Net Investment Income	7,478,928.23	5,639,730.88	1,839,197.35	32.6%
Interest Expense on Capital Asset Financings	(4,964,615.36)	(5,327,290.52)	362,675.16	6.8%
<b>Net Other Nonoperating Adjustments</b>	<b>69,583,491.54</b>	<b>65,335,202.44</b>	<b>4,248,289.10</b>	<b>6.5%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(2,362,765.29)</b>	<b>1,354,270.84</b>	<b>(3,717,036.13)</b>	<b>-274.5%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-1.2%</b>	<b>0.7%</b>		
Investment Gains (Losses)	(20,295,019.69)	5,826,020.41	(26,121,040.10)	-448.4%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>(22,657,784.98)</b>	<b>7,180,291.25</b>	<b>(29,838,076.23)</b>	<b>-415.6%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-13.2%</b>	<b>3.8%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>14,109,868.06</b>	<b>17,661,906.40</b>	<b>(3,552,038.34)</b>	<b>-20.1%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>7.4%</b>	<b>9.6%</b>		

## UNAUDITED

The University of Texas at Tyler  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2018

	December Year-to-Date FY 2019	December Year-to-Date FY 2018	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	18,145,377.33	17,137,241.00	1,008,136.33	5.9%
Sponsored Programs	4,119,666.00	3,859,818.14	259,847.86	6.7%
Net Sales and Services of Educational Activities	9,576,838.15	3,969,200.29	5,607,637.86	141.3%
Net Auxiliary Enterprises	3,003,144.00	3,175,560.00	(172,416.00)	-5.4%
Other Operating Revenues	84,692.00	138,012.78	(53,320.78)	-38.6%
<b>Total Operating Revenues</b>	<b>34,929,717.48</b>	<b>28,279,832.21</b>	<b>6,649,885.27</b>	<b>23.5%</b>
<b>Operating Expenses</b>				
Salaries and Wages	24,101,796.78	24,541,096.64	(439,299.86)	-1.8%
Payroll Related Costs	6,605,101.29	6,422,667.29	182,434.00	2.8%
Membership Dues	95,529.88	102,327.92	(6,798.04)	-6.6%
Registration Fees, Meetings, Conferences	94,843.41	96,367.75	(1,524.34)	-1.6%
Cost of Goods Sold	6,426.76	7,464.48	(1,037.72)	-13.9%
Professional Fees and Services	1,033,369.14	1,584,691.04	(551,321.90)	-34.8%
Other Contracted Services	2,211,374.86	2,449,757.85	(238,382.99)	-9.7%
Fees and Other Charges	186,175.07	79,585.31	106,589.76	133.9%
Travel	641,411.83	590,344.44	51,067.39	8.7%
Materials and Supplies	3,327,798.82	2,022,214.33	1,305,584.49	64.6%
Utilities	692,957.91	586,802.54	106,155.37	18.1%
Communications	303,083.84	331,394.25	(28,310.41)	-8.5%
Repairs and Maintenance	1,728,368.38	771,820.36	956,548.02	123.9%
Rentals and Leases	289,168.26	241,808.15	47,360.11	19.6%
Printing and Reproduction	297,907.54	257,356.11	40,551.43	15.8%
Bad Debt Expense	3,326.33	-	3,326.33	100.0%
Insurance Costs/Premiums	45,184.87	36,409.00	8,775.87	24.1%
Scholarships and Fellowships	2,906,172.00	2,463,468.00	442,704.00	18.0%
Depreciation and Amortization	5,316,760.00	5,154,424.00	162,336.00	3.1%
Federal Sponsored Program Pass-Through to Other State Agencies	(65,453.21)	(47,477.07)	(17,976.14)	-37.9%
Other Operating Expenses	1,255,211.86	643,700.20	611,511.66	95.0%
<b>Total Operating Expenses</b>	<b>51,076,515.62</b>	<b>48,336,222.59</b>	<b>2,740,293.03</b>	<b>5.7%</b>
<b>Operating Income (Loss)</b>	<b>(16,146,798.14)</b>	<b>(20,056,390.38)</b>	<b>3,909,592.24</b>	<b>19.5%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	14,728,900.00	14,654,220.00	74,680.00	0.5%
Nonexchange Sponsored Programs	3,666,668.00	4,004,632.00	(337,964.00)	-8.4%
Gift Contributions for Operations	683,416.98	685,206.23	(1,789.25)	-0.3%
Net Investment Income	1,958,815.16	1,783,905.11	174,910.05	9.8%
Interest Expense on Capital Asset Financings	(2,281,866.00)	(2,195,112.24)	(86,753.76)	-4.0%
<b>Net Other Nonoperating Adjustments</b>	<b>18,755,934.14</b>	<b>18,932,851.10</b>	<b>(176,916.96)</b>	<b>-0.9%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>2,609,136.00</b>	<b>(1,123,539.28)</b>	<b>3,732,675.28</b>	<b>332.2%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>4.7%</b>	<b>-2.3%</b>		
Investment Gains (Losses)	(7,004,307.08)	2,019,399.57	(9,023,706.65)	-446.9%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>(4,395,171.08)</b>	<b>895,860.29</b>	<b>(5,291,031.37)</b>	<b>-590.6%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-9.0%</b>	<b>1.7%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>7,925,896.00</b>	<b>4,030,884.72</b>	<b>3,895,011.28</b>	<b>96.6%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>14.2%</b>	<b>8.2%</b>		

## UNAUDITED

The University of Texas Southwestern Medical Center  
 Monthly Financial Report, Comparison of Operating Results and Margin  
 For the Period Ending December 31, 2018

	December Year-to-Date FY 2019	December Year-to-Date FY 2018	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	9,009,176.15	8,273,254.58	735,921.57	8.9%
Sponsored Programs	172,085,007.34	190,647,633.69	(18,562,626.35)	-9.7%
Net Sales and Services of Educational Activities	1,756,493.74	3,425,558.61	(1,669,064.87)	-48.7%
Net Sales and Services of Hospitals	471,942,762.70	419,282,536.09	52,660,226.61	12.6%
Net Professional Fees	230,362,542.17	222,616,547.86	7,745,994.31	3.5%
Net Auxiliary Enterprises	10,062,240.49	9,547,917.21	514,323.28	5.4%
Other Operating Revenues	25,224,401.90	26,448,378.03	(1,223,976.13)	-4.6%
<b>Total Operating Revenues</b>	<b>920,442,624.49</b>	<b>880,241,826.07</b>	<b>40,200,798.42</b>	<b>4.6%</b>
<b>Operating Expenses</b>				
Salaries and Wages	529,720,702.48	486,409,097.78	43,311,604.70	8.9%
Payroll Related Costs	134,373,419.37	126,060,444.19	8,312,975.18	6.6%
Membership Dues	1,781,618.97	3,760,367.72	(1,978,748.75)	-52.6%
Registration Fees, Meetings, Conferences	2,309,959.55	1,544,295.72	765,663.83	49.6%
Cost of Goods Sold	1,269,848.60	2,454,572.79	(1,184,724.19)	-48.3%
Professional Fees and Services	35,722,641.02	23,507,785.11	12,214,855.91	52.0%
Other Contracted Services	37,021,846.35	49,912,371.31	(12,890,524.96)	-25.8%
Fees and Other Charges	1,660,918.54	567,338.67	1,093,579.87	192.8%
Travel	3,858,107.57	4,456,918.93	(598,811.36)	-13.4%
Materials and Supplies	184,102,478.90	150,355,458.61	33,747,020.29	22.4%
Utilities	6,865,334.40	7,950,822.68	(1,085,488.28)	-13.7%
Communications	787,276.23	1,526,626.45	(739,350.22)	-48.4%
Repairs and Maintenance	6,016,942.12	6,986,510.62	(969,568.50)	-13.9%
Rentals and Leases	4,045,201.25	3,439,294.97	605,906.28	17.6%
Printing and Reproduction	962,284.94	852,706.52	109,578.42	12.9%
Royalty Payments	936,635.52	860,442.52	76,193.00	8.9%
Insurance Costs/Premiums	968,637.56	612,053.59	356,583.97	58.3%
Scholarships and Fellowships	554,440.71	557,379.36	(2,938.65)	-0.5%
Depreciation and Amortization	55,774,492.20	56,861,930.97	(1,087,438.77)	-1.9%
Federal Sponsored Program Pass-Through to Other State Agencies	646,689.91	956,774.62	(310,084.71)	-32.4%
Other Operating Expenses	13,633,862.29	19,729,309.66	(6,095,447.37)	-30.9%
<b>Total Operating Expenses</b>	<b>1,023,013,338.48</b>	<b>949,362,502.79</b>	<b>73,650,835.69</b>	<b>7.8%</b>
<b>Operating Income (Loss)</b>	<b>(102,570,713.99)</b>	<b>(69,120,676.72)</b>	<b>(33,450,037.27)</b>	<b>-48.4%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	64,648,498.00	64,436,110.00	212,388.00	0.3%
Gift Contributions for Operations	23,402,938.41	10,491,581.93	12,911,356.48	123.1%
Net Investment Income	42,889,543.35	45,422,477.22	(2,532,933.87)	-5.6%
Interest Expense on Capital Asset Financings	(14,001,280.20)	(12,853,438.44)	(1,147,841.76)	-8.9%
<b>Net Other Nonoperating Adjustments</b>	<b>116,939,699.56</b>	<b>107,496,730.71</b>	<b>9,442,968.85</b>	<b>8.8%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>14,368,985.57</b>	<b>38,376,053.99</b>	<b>(24,007,068.42)</b>	<b>-62.6%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>1.4%</b>	<b>3.8%</b>		
Investment Gains (Losses)	(12,638,810.27)	38,580,867.51	(51,219,677.78)	-132.8%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>1,730,175.30</b>	<b>76,956,921.50</b>	<b>(75,226,746.20)</b>	<b>-97.8%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>0.2%</b>	<b>7.4%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>70,143,477.77</b>	<b>95,237,984.96</b>	<b>(25,094,507.19)</b>	<b>-26.3%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>6.7%</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, 2018

	December Year-to-Date FY 2019	December Year-to-Date FY 2018	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	14,620,810.72	14,073,554.39	547,256.33	3.9%
Sponsored Programs	63,526,730.90	63,703,549.52	(176,818.62)	-0.3%
Net Sales and Services of Educational Activities	5,109,703.95	5,210,018.50	(100,314.55)	-1.9%
Net Sales and Services of Hospitals	410,087,023.26	376,342,864.00	33,744,159.26	9.0%
Net Professional Fees	70,503,950.59	65,345,319.19	5,158,631.40	7.9%
Net Auxiliary Enterprises	4,588,692.31	4,201,962.35	386,729.96	9.2%
Other Operating Revenues	19,704,628.50	22,987,031.80	(3,282,403.30)	-14.3%
<b>Total Operating Revenues</b>	<b>588,141,540.23</b>	<b>551,864,299.75</b>	<b>36,277,240.48</b>	<b>6.6%</b>
<b>Operating Expenses</b>				
Salaries and Wages	361,213,216.52	354,360,863.20	6,852,353.32	1.9%
Payroll Related Costs	95,573,211.63	94,786,328.15	786,883.48	0.8%
Membership Dues	692,171.63	701,713.79	(9,542.16)	-1.4%
Registration Fees, Meetings, Conferences	849,554.89	833,123.57	16,431.32	2.0%
Cost of Goods Sold	32,422,142.58	35,146,316.48	(2,724,173.90)	-7.8%
Professional Fees and Services	20,203,205.06	10,197,049.79	10,006,155.27	98.1%
Other Contracted Services	42,323,999.48	41,076,898.09	1,247,101.39	3.0%
Fees and Other Charges	446,493.36	381,053.81	65,439.55	17.2%
Travel	2,303,243.21	2,341,942.36	(38,699.15)	-1.7%
Materials and Supplies	56,236,119.30	53,750,344.49	2,485,774.81	4.6%
Utilities	10,969,966.33	11,136,486.13	(166,519.80)	-1.5%
Communications	3,133,979.64	3,223,950.39	(89,970.75)	-2.8%
Repairs and Maintenance	17,533,450.49	15,119,012.12	2,414,438.37	16.0%
Rentals and Leases	13,690,808.83	8,627,864.11	5,062,944.72	58.7%
Printing and Reproduction	414,322.13	498,704.22	(84,382.09)	-16.9%
Royalty Payments	2,254,011.84	680,008.09	1,574,003.75	231.5%
Insurance Costs/Premiums	3,991,584.58	3,474,590.55	516,994.03	14.9%
Scholarships and Fellowships	1,856,562.35	3,729,322.88	(1,872,760.53)	-50.2%
Depreciation and Amortization	54,773,344.51	51,150,788.68	3,622,555.83	7.1%
Federal Sponsored Program Pass-Through to Other State Agencies	375,634.15	291,115.85	84,518.30	29.0%
State Sponsored Program Pass-Through to Other State Agencies	(66,813.24)	-	(66,813.24)	100.0%
Other Operating Expenses	9,698,856.05	6,562,570.60	3,136,285.45	47.8%
<b>Total Operating Expenses</b>	<b>730,889,065.32</b>	<b>698,070,047.35</b>	<b>32,819,017.97</b>	<b>4.7%</b>
<b>Operating Income (Loss)</b>	<b>(142,747,525.09)</b>	<b>(146,205,747.60)</b>	<b>3,458,222.51</b>	<b>2.4%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	126,858,819.74	123,317,270.79	3,541,548.95	2.9%
Nonexchange Sponsored Programs	328,381.00	332,461.00	(4,080.00)	-1.2%
Gift Contributions for Operations	3,106,705.24	2,931,606.68	175,098.56	6.0%
Net Investment Income	21,722,997.95	15,643,158.64	6,079,839.31	38.9%
Interest Expense on Capital Asset Financings	(10,192,139.57)	(7,491,238.41)	(2,700,901.16)	-36.1%
<b>Net Other Nonoperating Adjustments</b>	<b>141,824,764.36</b>	<b>134,733,258.70</b>	<b>7,091,505.66</b>	<b>5.3%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(922,760.73)</b>	<b>(11,472,488.90)</b>	<b>10,549,728.17</b>	<b>92.0%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-0.1%</b>	<b>-1.7%</b>		
Investment Gains (Losses)	(41,268,218.88)	11,115,077.18	(52,383,296.06)	-471.3%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>(42,190,979.61)</b>	<b>(357,411.72)</b>	<b>(41,833,567.89)</b>	<b>-11,704.6%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-6.0%</b>	<b>-0.1%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>53,850,583.78</b>	<b>39,678,299.78</b>	<b>14,172,284.00</b>	<b>35.7%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>7.3%</b>	<b>5.7%</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, 2018

	December Year-to-Date FY 2019	December Year-to-Date FY 2018	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	21,926,416.96	21,074,530.48	851,886.48	4.0%
Sponsored Programs	247,698,796.98	257,372,166.95	(9,673,369.97)	-3.8%
Net Sales and Services of Educational Activities	12,273,855.70	11,954,612.73	319,242.97	2.7%
Net Sales and Services of Hospitals	21,852,424.41	23,519,645.99	(1,667,221.58)	-7.1%
Net Professional Fees	122,985,388.23	115,077,597.51	7,907,790.72	6.9%
Net Auxiliary Enterprises	9,594,169.90	10,162,610.85	(568,440.95)	-5.6%
Other Operating Revenues	16,499,772.95	18,895,475.76	(2,395,702.81)	-12.7%
<b>Total Operating Revenues</b>	<b>452,830,825.13</b>	<b>458,056,640.27</b>	<b>(5,225,815.14)</b>	<b>-1.1%</b>
<b>Operating Expenses</b>				
Salaries and Wages	337,019,863.82	323,222,896.05	13,796,967.77	4.3%
Payroll Related Costs	66,566,119.86	67,234,594.83	(668,474.97)	-1.0%
Membership Dues	467,720.13	587,616.22	(119,896.09)	-20.4%
Registration Fees, Meetings, Conferences	762,514.34	934,127.52	(171,613.18)	-18.4%
Cost of Goods Sold	7,572,398.07	6,952,885.26	619,512.81	8.9%
Professional Fees and Services	18,685,310.33	18,597,205.87	88,104.46	0.5%
Other Contracted Services	23,243,467.37	23,940,617.80	(697,150.43)	-2.9%
Fees and Other Charges	4,416,737.16	3,976,386.13	440,351.03	11.1%
Travel	3,529,849.13	3,529,123.46	725.67	-
Materials and Supplies	20,084,830.10	23,730,901.99	(3,646,071.89)	-15.4%
Utilities	4,254,753.67	5,807,245.29	(1,552,491.62)	-26.7%
Communications	1,592,359.42	1,778,195.58	(185,836.16)	-10.5%
Repairs and Maintenance	7,281,949.13	7,629,589.93	(347,640.80)	-4.6%
Rentals and Leases	12,975,358.26	12,608,058.38	367,299.88	2.9%
Printing and Reproduction	1,654,534.96	1,771,534.81	(116,999.85)	-6.6%
Royalty Payments	2,327,440.38	1,303,793.10	1,023,647.28	78.5%
Insurance Costs/Premiums	4,435,904.92	4,151,374.50	284,530.42	6.9%
Scholarships and Fellowships	2,320,467.15	1,905,614.67	414,852.48	21.8%
Depreciation and Amortization	22,431,714.55	21,065,962.55	1,365,752.00	6.5%
Federal Sponsored Program Pass-Through to Other State Agencies	1,225,682.33	1,445,926.00	(220,243.67)	-15.2%
Other Operating Expenses	7,521,157.05	6,297,887.73	1,223,269.32	19.4%
<b>Total Operating Expenses</b>	<b>550,370,132.13</b>	<b>538,471,537.67</b>	<b>11,898,594.46</b>	<b>2.2%</b>
<b>Operating Income (Loss)</b>	<b>(97,539,307.00)</b>	<b>(80,414,897.40)</b>	<b>(17,124,409.60)</b>	<b>-21.3%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	71,938,753.80	71,296,539.94	642,213.86	0.9%
Nonexchange Sponsored Programs	53,854.00	447,240.00	(393,386.00)	-88.0%
Gift Contributions for Operations	3,591,507.87	7,819,092.19	(4,227,584.32)	-54.1%
Net Investment Income	17,444,461.43	14,736,587.67	2,707,873.76	18.4%
Interest Expense on Capital Asset Financings	(4,168,989.76)	(4,357,387.00)	188,397.24	4.3%
<b>Net Other Nonoperating Adjustments</b>	<b>88,859,587.34</b>	<b>89,942,072.80</b>	<b>(1,082,485.46)</b>	<b>-1.2%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(8,679,719.66)</b>	<b>9,527,175.40</b>	<b>(18,206,895.06)</b>	<b>-191.1%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-1.6%</b>	<b>1.7%</b>		
Investment Gains (Losses)	(40,488,254.21)	11,229,568.19	(51,717,822.40)	-460.6%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>(49,167,973.87)</b>	<b>20,756,743.59</b>	<b>(69,924,717.46)</b>	<b>-336.9%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-9.7%</b>	<b>3.7%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>13,751,994.89</b>	<b>30,593,137.95</b>	<b>(16,841,143.06)</b>	<b>-55.0%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>2.5%</b>	<b>5.5%</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, 2018

	December Year-to-Date FY 2019	December Year-to-Date FY 2018	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	16,028,898.33	14,612,627.00	1,416,271.33	9.7%
Sponsored Programs	106,880,867.20	98,699,146.13	8,181,721.07	8.3%
Net Sales and Services of Educational Activities	9,563,068.61	8,725,837.58	837,231.03	9.6%
Net Professional Fees	72,194,862.08	68,404,130.30	3,790,731.78	5.5%
Net Auxiliary Enterprises	1,441,172.38	1,393,394.90	47,777.48	3.4%
Other Operating Revenues	9,833,482.28	5,514,819.18	4,318,663.10	78.3%
<b>Total Operating Revenues</b>	<b>215,942,350.88</b>	<b>197,349,955.09</b>	<b>18,592,395.79</b>	<b>9.4%</b>
<b>Operating Expenses</b>				
Salaries and Wages	163,603,036.82	152,221,821.46	11,381,215.36	7.5%
Payroll Related Costs	40,694,981.24	40,173,608.69	521,372.55	1.3%
Membership Dues	1,234,228.85	1,232,698.06	1,530.79	0.1%
Registration Fees, Meetings, Conferences	2,581,591.75	2,578,494.63	3,097.12	0.1%
Cost of Goods Sold	9,235,432.20	-	9,235,432.20	100.0%
Professional Fees and Services	8,064,300.04	7,218,912.07	845,387.97	11.7%
Other Contracted Services	6,926,574.64	3,302,277.12	3,624,297.52	109.8%
Fees and Other Charges	862,101.97	875,408.98	(13,307.01)	-1.5%
Travel	1,659,731.94	1,700,297.19	(40,565.25)	-2.4%
Materials and Supplies	14,605,636.94	20,065,964.38	(5,460,327.44)	-27.2%
Utilities	6,225,518.33	5,883,333.33	342,185.00	5.8%
Communications	2,111,103.40	2,257,673.92	(146,570.52)	-6.5%
Repairs and Maintenance	4,593,169.88	4,914,660.87	(321,490.99)	-6.5%
Rentals and Leases	1,705,479.42	1,515,672.36	189,807.06	12.5%
Printing and Reproduction	838,768.45	594,799.13	243,969.32	41.0%
Royalty Payments	-	6,272.32	(6,272.32)	-100.0%
Insurance Costs/Premiums	669,816.38	425,270.58	244,545.80	57.5%
Scholarships and Fellowships	5,558,030.06	5,223,527.69	334,502.37	6.4%
Depreciation and Amortization	19,000,000.00	18,500,000.00	500,000.00	2.7%
Federal Sponsored Program Pass-Through to Other State Agencies	500,000.00	583,333.33	(83,333.33)	-14.3%
Other Operating Expenses	5,803,276.01	5,973,031.47	(169,755.46)	-2.8%
<b>Total Operating Expenses</b>	<b>296,472,778.32</b>	<b>275,247,057.58</b>	<b>21,225,720.74</b>	<b>7.7%</b>
<b>Operating Income (Loss)</b>	<b>(80,530,427.44)</b>	<b>(77,897,102.49)</b>	<b>(2,633,324.95)</b>	<b>-3.4%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	59,191,088.00	57,561,330.00	1,629,758.00	2.8%
Nonexchange Sponsored Programs	416,666.67	416,666.67	-	-
Gift Contributions for Operations	2,255,005.81	7,535,108.03	(5,280,102.22)	-70.1%
Net Investment Income	15,776,960.95	15,423,208.20	353,752.75	2.3%
Interest Expense on Capital Asset Financings	(3,607,230.36)	(3,840,086.76)	232,856.40	6.1%
<b>Net Other Nonoperating Adjustments</b>	<b>74,032,491.07</b>	<b>77,096,226.14</b>	<b>(3,063,735.07)</b>	<b>-4.0%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(6,497,936.37)</b>	<b>(800,876.35)</b>	<b>(5,697,060.02)</b>	<b>-711.4%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-2.2%</b>	<b>-0.3%</b>		
Investment Gains (Losses)	(49,865,769.79)	16,680,931.48	(66,546,701.27)	-398.9%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>(56,363,706.16)</b>	<b>15,880,055.13</b>	<b>(72,243,761.29)</b>	<b>-454.9%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-23.1%</b>	<b>5.4%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>12,502,063.63</b>	<b>17,699,123.65</b>	<b>(5,197,060.02)</b>	<b>-29.4%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>4.3%</b>	<b>6.4%</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, 2018

	December Year-to-Date FY 2019	December Year-to-Date FY 2018	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	1,314,736.61	242,764.24	1,071,972.37	441.6%
Sponsored Programs	108,685,924.57	109,746,153.41	(1,060,228.84)	-1.0%
Net Sales and Services of Educational Activities	1,001,120.29	970,910.07	30,210.22	3.1%
Net Sales and Services of Hospitals	1,280,465,313.03	1,191,724,847.20	88,740,465.83	7.4%
Net Professional Fees	147,086,669.15	142,096,772.71	4,989,896.44	3.5%
Net Auxiliary Enterprises	15,271,783.71	13,934,396.35	1,337,387.36	9.6%
Other Operating Revenues	38,717,597.63	27,547,477.38	11,170,120.25	40.5%
<b>Total Operating Revenues</b>	<b>1,592,543,144.99</b>	<b>1,486,263,321.36</b>	<b>106,279,823.63</b>	<b>7.2%</b>
<b>Operating Expenses</b>				
Salaries and Wages	685,546,792.55	621,960,080.56	63,586,711.99	10.2%
Payroll Related Costs	201,478,389.13	184,498,765.07	16,979,624.06	9.2%
Membership Dues	3,245,231.29	1,977,883.77	1,267,347.52	64.1%
Registration Fees, Meetings, Conferences	1,696,358.50	1,331,612.79	364,745.71	27.4%
Cost of Goods Sold	731,078.01	938,581.25	(207,503.24)	-22.1%
Professional Fees and Services	49,887,831.08	46,900,779.65	2,987,051.43	6.4%
Other Contracted Services	38,310,498.86	36,079,954.82	2,230,544.04	6.2%
Fees and Other Charges	4,829,917.29	3,446,748.17	1,383,169.12	40.1%
Travel	6,782,347.72	5,991,477.78	790,869.94	13.2%
Materials and Supplies	346,953,403.06	296,722,476.87	50,230,926.19	16.9%
Utilities	15,937,493.31	16,577,956.78	(640,463.47)	-3.9%
Communications	3,804,382.75	3,185,816.35	618,566.40	19.4%
Repairs and Maintenance	32,348,017.76	32,674,705.29	(326,687.53)	-1.0%
Rentals and Leases	13,434,049.71	13,440,900.04	(6,850.33)	-0.1%
Printing and Reproduction	1,282,778.37	1,868,625.73	(585,847.36)	-31.4%
Royalty Payments	589,088.93	250,965.17	338,123.76	134.7%
Insurance Costs/Premiums	3,080,117.64	2,741,689.52	338,428.12	12.3%
Scholarships and Fellowships	1,507,277.10	(396,262.07)	1,903,539.17	480.4%
Depreciation and Amortization	118,279,475.51	126,200,640.05	(7,921,164.54)	-6.3%
Federal Sponsored Program Pass-Through to Other State Agencies	(85,534.99)	120,258.57	(205,793.56)	-171.1%
State Sponsored Program Pass-Through to Other State Agencies	176,618.03	444,773.91	(268,155.88)	-60.3%
Other Operating Expenses	3,346,226.69	2,641,523.98	704,702.71	26.7%
<b>Total Operating Expenses</b>	<b>1,533,161,838.30</b>	<b>1,399,599,954.05</b>	<b>133,561,884.25</b>	<b>9.5%</b>
<b>Operating Income (Loss)</b>	<b>59,381,306.69</b>	<b>86,663,367.31</b>	<b>(27,282,060.62)</b>	<b>-31.5%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	69,859,240.67	69,572,520.06	286,720.61	0.4%
Nonexchange Sponsored Programs	(59,599.63)	20,799.88	(80,399.51)	-386.5%
Gift Contributions for Operations	51,682,768.25	43,072,740.11	8,610,028.14	20.0%
Net Investment Income	86,295,998.51	51,368,888.45	34,927,110.06	68.0%
Interest Expense on Capital Asset Financings	(12,454,787.68)	(12,132,398.68)	(322,389.00)	-2.7%
<b>Net Other Nonoperating Adjustments</b>	<b>195,323,620.12</b>	<b>151,902,549.82</b>	<b>43,421,070.30</b>	<b>28.6%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>254,704,926.81</b>	<b>238,565,917.13</b>	<b>16,139,009.68</b>	<b>6.8%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>14.1%</b>	<b>14.5%</b>		
Investment Gains (Losses)	(159,444,530.87)	39,254,221.65	(198,698,752.52)	-506.2%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>95,260,395.94</b>	<b>277,820,138.78</b>	<b>(182,559,742.84)</b>	<b>-65.7%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>5.8%</b>	<b>16.4%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>372,984,402.32</b>	<b>364,766,557.18</b>	<b>8,217,845.14</b>	<b>2.3%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>20.7%</b>	<b>22.1%</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, 2018

	December Year-to-Date FY 2019	December Year-to-Date FY 2018	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Student Tuition and Fees	108,994.96	86,929.28	22,065.68	25.4%
Sponsored Programs	9,185,687.20	10,716,042.17	(1,530,354.97)	-14.3%
Net Sales and Services of Educational Activities	1,400,522.97	1,140,866.27	259,656.70	22.8%
Net Sales and Services of Hospitals	13,133,838.00	22,281,822.21	(9,147,984.21)	-41.1%
Net Professional Fees	5,772,276.05	5,765,142.75	7,133.30	0.1%
Net Auxiliary Enterprises	56,812.69	60,684.30	(3,871.61)	-6.4%
Other Operating Revenues	11,809,222.81	10,049,954.56	1,759,268.25	17.5%
<b>Total Operating Revenues</b>	<b>41,467,354.68</b>	<b>50,101,441.54</b>	<b>(8,634,086.86)</b>	<b>-17.2%</b>
<b>Operating Expenses</b>				
Salaries and Wages	31,944,019.74	35,635,955.72	(3,691,935.98)	-10.4%
Payroll Related Costs	9,294,478.03	11,004,111.89	(1,709,633.86)	-15.5%
Membership Dues	33,279.09	82,380.15	(49,101.06)	-59.6%
Registration Fees, Meetings, Conferences	64,996.19	58,208.49	6,787.70	11.7%
Cost of Goods Sold	38,155.12	43,345.72	(5,190.60)	-12.0%
Professional Fees and Services	3,484,652.01	3,820,445.56	(335,793.55)	-8.8%
Other Contracted Services	3,827,509.18	3,687,727.51	139,781.67	3.8%
Fees and Other Charges	235,920.89	358,849.45	(122,928.56)	-34.3%
Travel	279,860.14	270,158.27	9,701.87	3.6%
Materials and Supplies	6,931,933.84	9,791,203.01	(2,859,269.17)	-29.2%
Utilities	723,337.15	703,856.22	19,480.93	2.8%
Communications	322,325.42	218,280.55	104,044.87	47.7%
Repairs and Maintenance	1,624,651.34	1,940,179.99	(315,528.65)	-16.3%
Rentals and Leases	403,138.23	393,604.90	9,533.33	2.4%
Printing and Reproduction	68,493.97	30,089.65	38,404.32	127.6%
Royalty Payments	175.00	-	175.00	100.0%
Insurance Costs/Premiums	41,608.53	79,324.66	(37,716.13)	-47.5%
Scholarships and Fellowships	37,985.88	27,334.40	10,651.48	39.0%
Depreciation and Amortization	4,825,630.31	4,564,816.70	260,813.61	5.7%
Federal Sponsored Program Pass-Through to Other State Agencies	41,459.89	107,787.82	(66,327.93)	-61.5%
Other Operating Expenses	341,894.66	506,414.07	(164,519.41)	-32.5%
<b>Total Operating Expenses</b>	<b>64,565,504.61</b>	<b>73,324,074.73</b>	<b>(8,758,570.12)</b>	<b>-11.9%</b>
<b>Operating Income (Loss)</b>	<b>(23,098,149.93)</b>	<b>(23,222,633.19)</b>	<b>124,483.26</b>	<b>0.5%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	17,136,433.61	17,034,244.76	102,188.85	0.6%
Gift Contributions for Operations	117,930.52	68,713.45	49,217.07	71.6%
Net Investment Income	1,189,502.76	1,687,663.23	(498,160.47)	-29.5%
Interest Expense on Capital Asset Financings	(704,857.20)	(690,059.20)	(14,798.00)	-2.1%
<b>Net Other Nonoperating Adjustments</b>	<b>17,739,009.69</b>	<b>18,100,562.24</b>	<b>(361,552.55)</b>	<b>-2.0%</b>
<b>Adjusted Income (Loss) including Depreciation &amp; Amortization</b>	<b>(5,359,140.24)</b>	<b>(5,122,070.95)</b>	<b>(237,069.29)</b>	<b>-4.6%</b>
<b>Adjusted Margin % including Depreciation &amp; Amortization</b>	<b>-8.9%</b>	<b>-7.4%</b>		
Investment Gains (Losses)	(2,541,709.52)	1,390,456.60	(3,932,166.12)	-282.8%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>(7,900,849.76)</b>	<b>(3,731,614.35)</b>	<b>(4,169,235.41)</b>	<b>-111.7%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-13.8%</b>	<b>-5.3%</b>		
<b>Adjusted Income (Loss) excluding Depreciation &amp; Amortization</b>	<b>(533,509.93)</b>	<b>(557,254.25)</b>	<b>23,744.32</b>	<b>4.3%</b>
<b>Adjusted Margin % excluding Depreciation &amp; Amortization</b>	<b>-0.9%</b>	<b>-0.8%</b>		



## 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.

**OPEB EXPENSE** - An estimate of year-end expense from the actuarial valuation of the OPEB plan.

**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.

**4. U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2018**

INTRODUCTION

Financial analysis is performed from each institution's Statement of Net Position 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: 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 2014 through Fiscal Year 2018.

REPORT

Ms. Hinojosa-Segura, Associate Vice Chancellor, Controller, will discuss highlights of the 2018 Analysis of Financial Condition. Ms. Hinojosa-Segura's PowerPoint presentation is included on the following pages for additional detail. The 2018 Analysis of Financial Condition, [Pages 98 - 108](#), 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 109 - 168](#). There is strength in most institutions' financials and all but three were rated "Satisfactory" for Fiscal Year 2018. U. T. Health Science Center - Tyler, U. T. El Paso, and U. T. Permian Basin's ratings were maintained as "Watch" for Fiscal Year 2018.

# Analysis of Financial Condition Fiscal Year 2018

Veronica Hinojosa Segura, Associate Vice Chancellor  
Controller

U. T. System Board of Regents' Meeting  
Finance and Planning Committee  
February 2019



THE UNIVERSITY of TEXAS SYSTEM  
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# Methodology

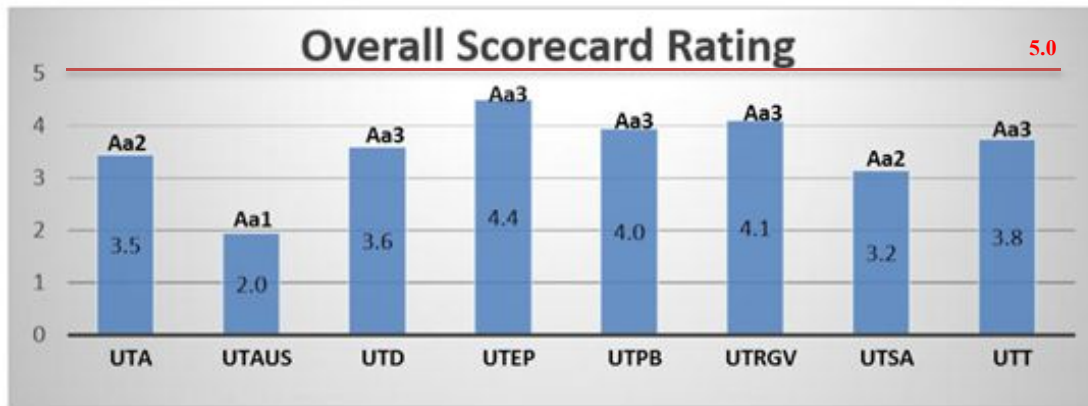
- Financial analysis based on
  - Balance sheet
  - Statement of revenues, expenses, and changes in net assets
- Ratios commonly used by bond rating agencies
- Five-year data trends indicate ratings
  - Satisfactory
  - Watch
  - Unsatisfactory



# Academic Institutions



# Academic Institutions' Peer Comparisons

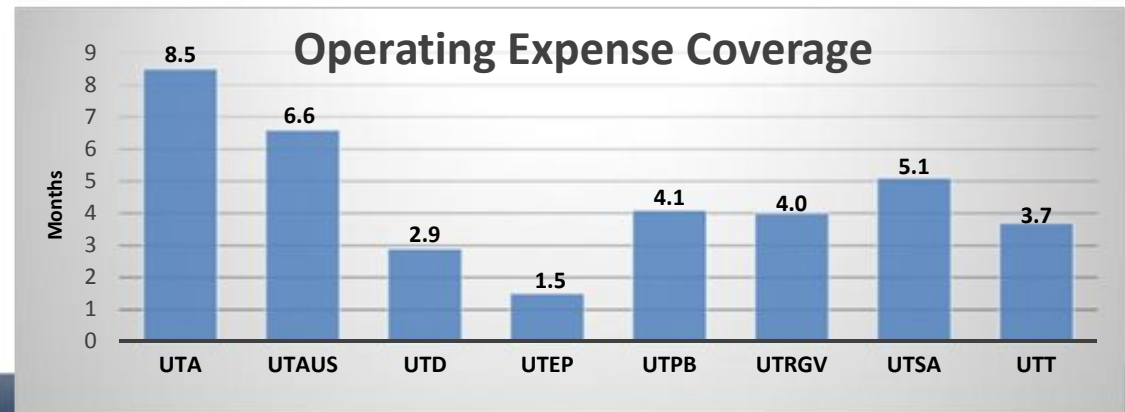


Benchmark 5 = A1 rating

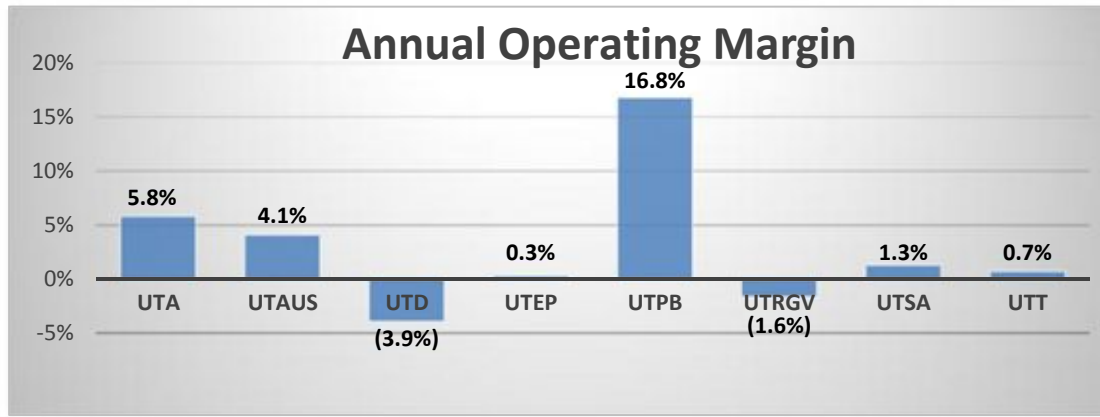


Agenda Book - 101

*Ability to cover expenses with available balances*

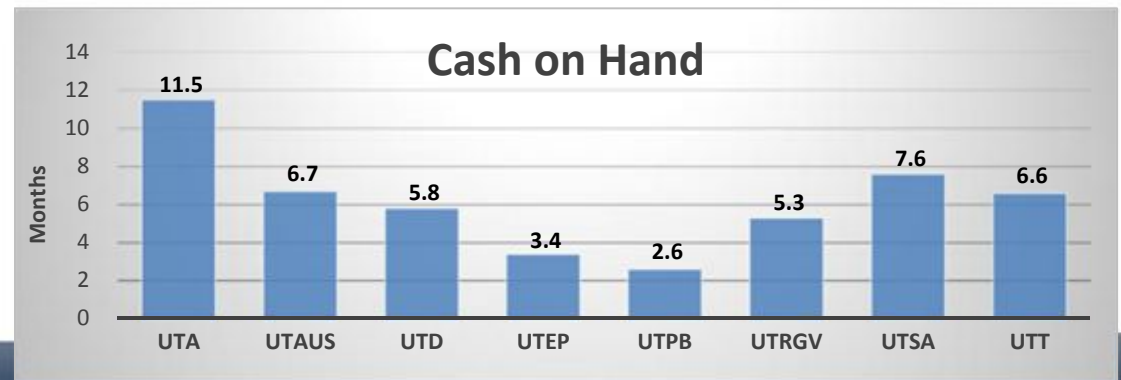


# Academic Institutions' Peer Comparisons (cont.)



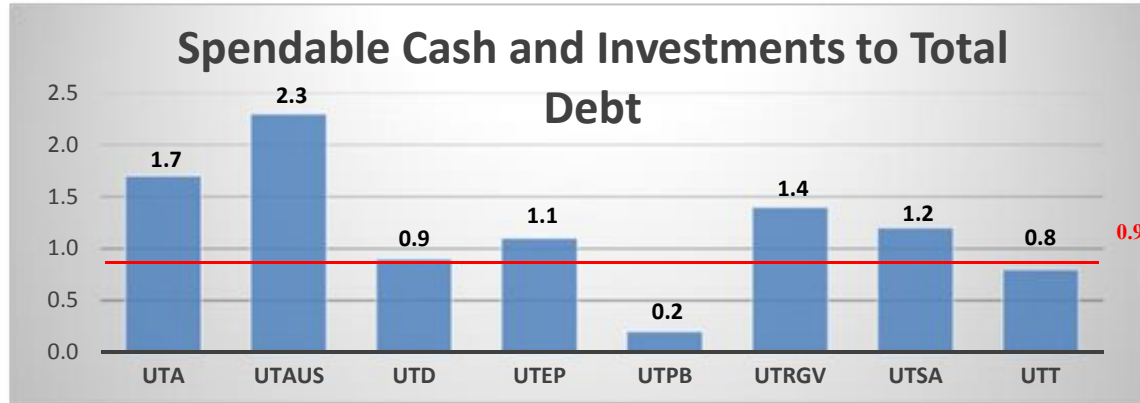
*Measures balance between revenue and expenses*

*Number of months to pay expenses from existing cash and investments*



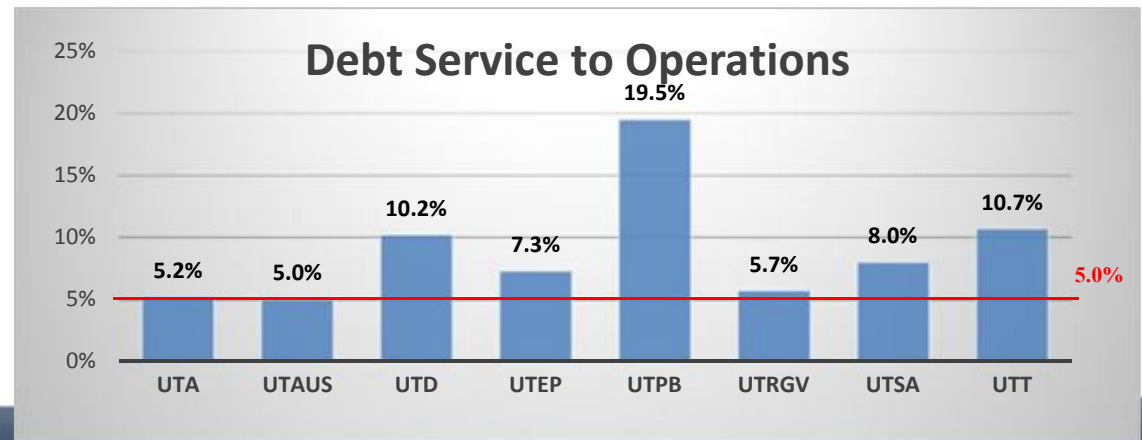


# Academic Institutions' Peer Comparisons (cont.)



*Debt Capacity:  
ability to repay  
bondholders*

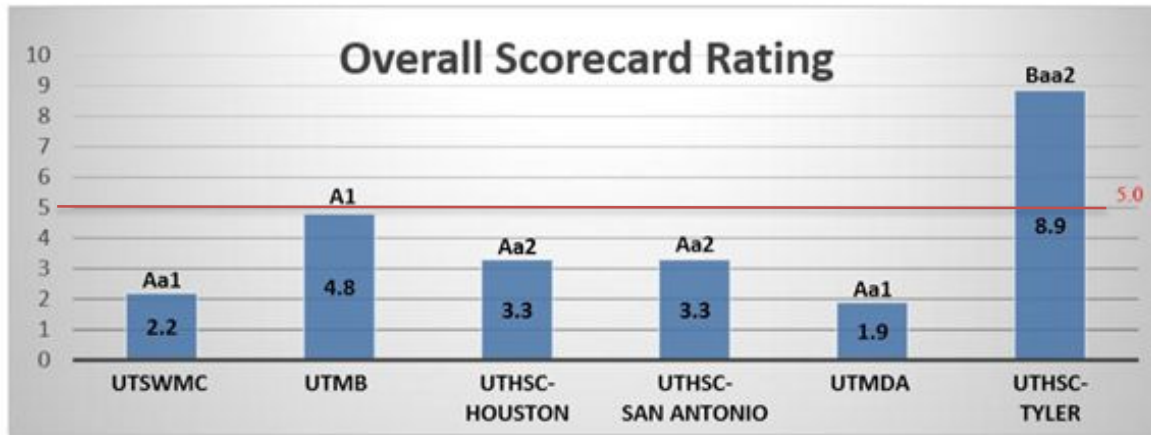
*Dependency on  
borrowed funds*



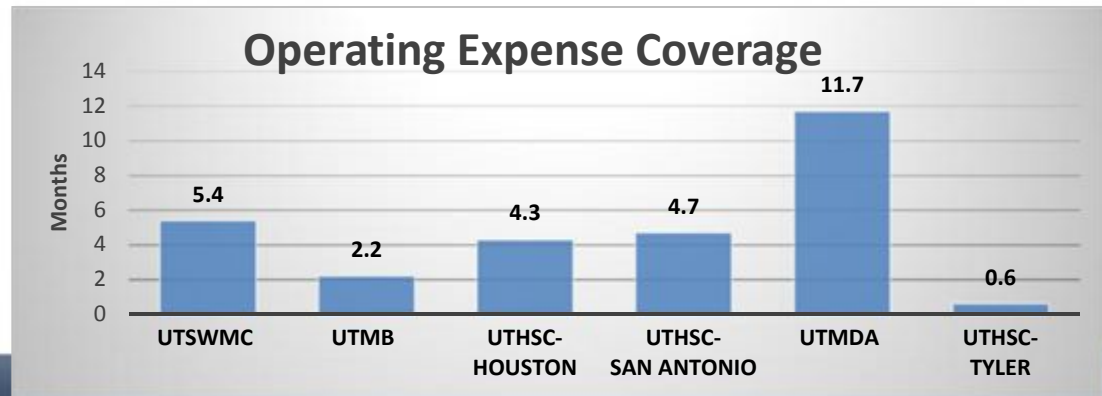
# Health Institutions



# Health Institutions' Peer Comparisons

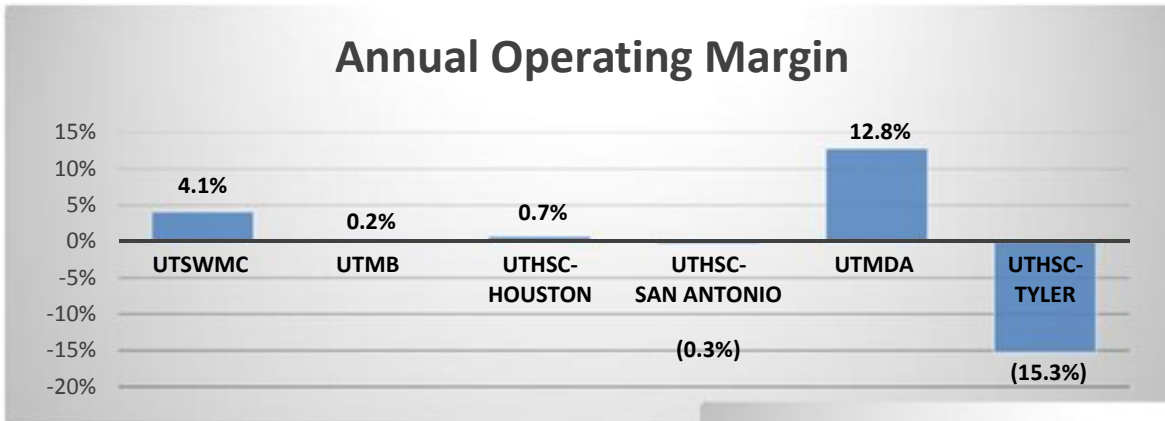


Benchmark 5 = A1 rating



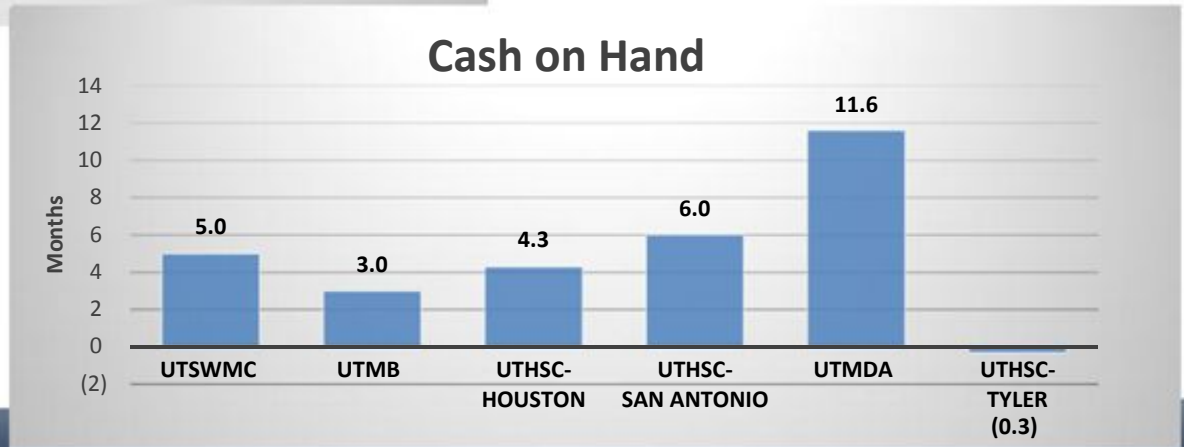
# Health Institutions' Peer Comparisons (cont.)

## Annual Operating Margin

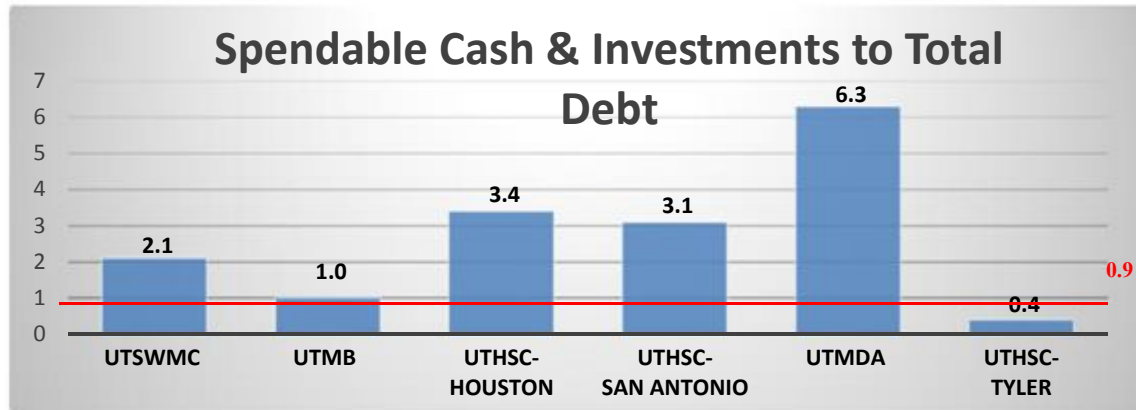


*Timing: Expenses incurred versus revenue generated*

## Cash on Hand

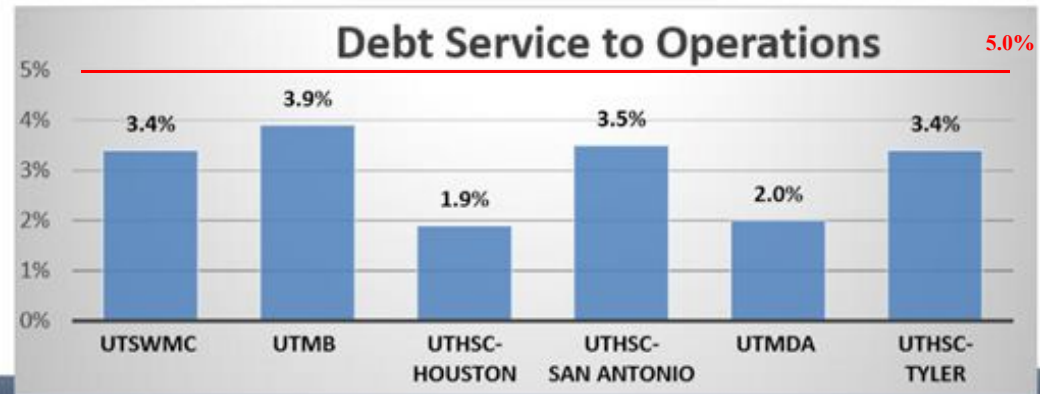


# Health Institutions' Peer Comparisons (cont.)



Minimum threshold = .9

Max ratio = 5%



## Summary

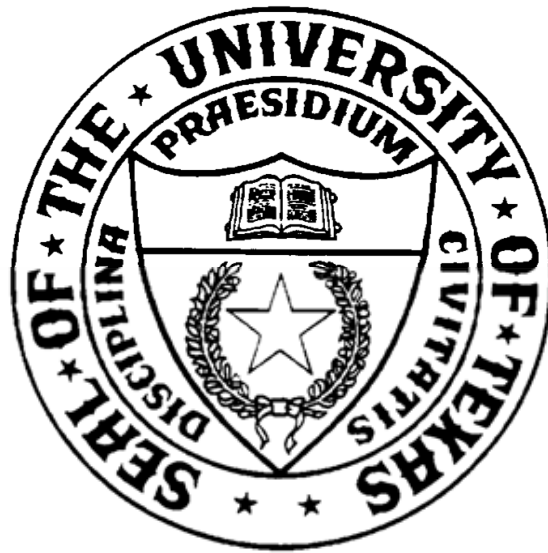
- Strong financial condition throughout each institution
- All institutions maintained Fiscal Year 2017 rating

Institution	Satisfactory	Watch	Unsatisfactory
U. T. Arlington	X		
U. T. Austin	X		
U. T. Dallas	X		
U. T. El Paso		X	
U. T. Permian Basin		X	
U. T. Rio Grande Valley	X		
U. T. San Antonio	X		
U. T. Tyler	X		
U. T. Southwestern Medical Center	X		
U. T. Medical Branch-Galveston	X		
U. T. Health Science Center-Houston	X		
U. T. Health Science Center-San Antonio	X		
U. T. M. D. Anderson Cancer Center	X		
U. T. Health Science Center-Tyler		X	



# 2018 Analysis of Financial Condition

## February 2019



## The University of Texas System 2018 Analysis of Financial Condition

### Executive Summary

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

The ratios presented in this report are ratios commonly used by bond rating agencies, public accounting firms, and consulting firms. In addition to using individual ratios, the Overall Scorecard Rating is computed based upon four broad factors 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 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 rating.

In addition to the Overall Scorecard Rating, the following ratios are presented:

- *Operating Expense Coverage Ratio* – measures an institution's ability to cover future operating expenses with available year-end balances (in months).
- *Annual Operating Margin Ratio* – indicates whether the institution has balanced annual operating expenses with revenues. Depreciation expense is included, as it is believed that inclusion of depreciation reflects a more complete picture of operating performance since it reflects use of physical assets.
- *Cash on Hand Ratio* – 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* – 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* – examines the institution's dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses. The maximum debt service to operations ratio is 5.0%.
- *Full-time Equivalent (FTE) Student Enrollment* (academic institutions only) – calculates total semester credit hours taken by students during the fall semester, divided by factors of 15 for undergraduate students, 12 for graduate and special professional students, and 9 for doctoral students to arrive at the FTE students represented by the course hours taken. Medical students are excluded because course numbers do not include a credit hour value.



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 2018. U. T. El Paso incurred operating deficits during four of the past five years, and the operating expense coverage ratio fell below the System’s benchmark of 2.0 months for the past four years. While the operating expense coverage ratio of 1.5 months and U. T. El Paso’s cash on hand of 3.4 months were comparatively low, it should be noted that all of U. T. El Paso’s ratios improved in 2018. Additionally, the institution has implemented operational efficiencies which may result in continued improvement in the ratios and could result in an upgrade in U. T. El Paso’s rating in the future.

U. T. Permian Basin’s rating was maintained as “Watch” for 2018. U. T. Permian Basin incurred operating deficits during three of the past five years. U. T. Permian Basin’s cash on hand was only 2.6 months, which was the lowest of all the academic institutions. U. T. Permian Basin’s spendable cash and investments to total debt was also the lowest of all the U.T. institutions at 0.2 times and below the minimum benchmark of 0.9 times. Additionally, U. T. Permian Basin’s debt service to operations was the highest of all the U.T. institutions at 19.5% and was well above the maximum benchmark of 5.0%.

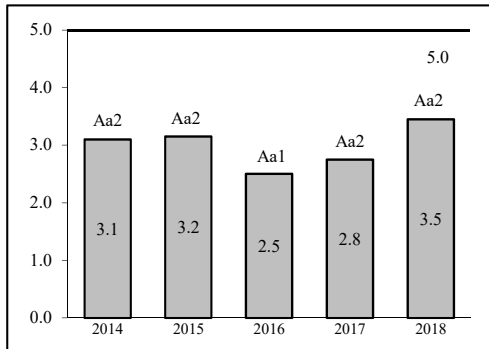
UTHSC-Tyler’s rating was maintained as “Watch” for 2018. UTHSC-Tyler incurred an annual operating deficit for 2018 of (\$30.2) million or (15.3%), which included net Delivery System Reform Incentive Payments (DSRIP) revenue of \$11.0 million. If the net DSRIP revenue had not been recognized in 2018, UTHSC-Tyler’s annual operating deficit would have been (\$41.1) million or (23.2%). Participation in the UT Health East Texas joint venture, including the contributed operations of the DSRIP program, is designed to pave a path toward lesser reliance on DSRIP revenue and provide greater diversification of clinical operations revenue streams as part of a larger hospital system. The operating expense coverage ratio decreased by 1.2 months to 0.6 months, which was below System’s benchmark of 2.0 months and was the lowest of all the U. T. institutions in 2018. UTHSC-Tyler’s spendable cash and investments to total debt was the lowest of all the health institutions at 0.4 times and fell below the minimum threshold of 0.9 times. Additionally, UTHSC-Tyler’s cash on hand was (0.3) months which was the lowest of all U. T. institutions. The U. T. System Board of Regents approved a \$35.0 million internal line of credit to UTHSC-Tyler, implemented as a cash overdraft arrangement to support the high one-time expenses and workforce restructuring initiatives associated with the UT Health East Texas joint venture. Thus, UTHSC-Tyler’s unrestricted cash and cash equivalents were negative at year-end. UTHSC-Tyler also sold all investments in the Intermediate Term Fund. These factors resulted in a negative cash on hand ratio in 2018.

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 2018. 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. Cash on hand ratios for the institutions rated “Satisfactory” were at or above 3 months. Additionally, spendable cash and investments to total debt ratios for the majority of the institutions rated “Satisfactory” were all at or above the benchmark of 0.9 times.

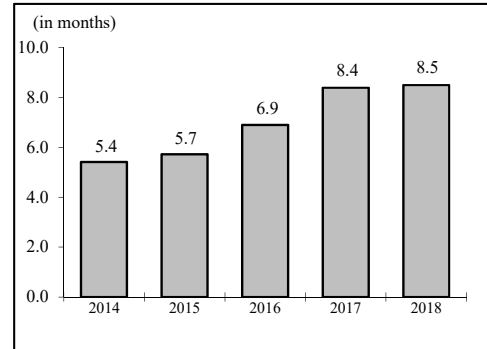
**The University of Texas at Arlington  
2018 Summary of Financial Condition**

Financial Condition: **Satisfactory**

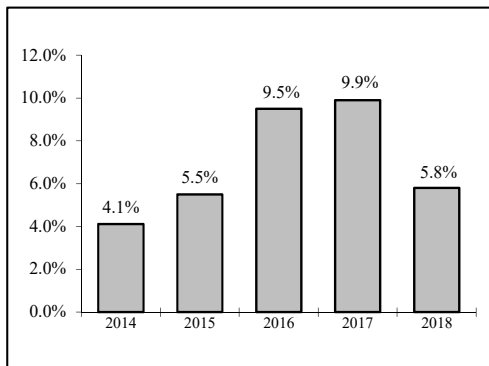
**Overall Scorecard Rating**



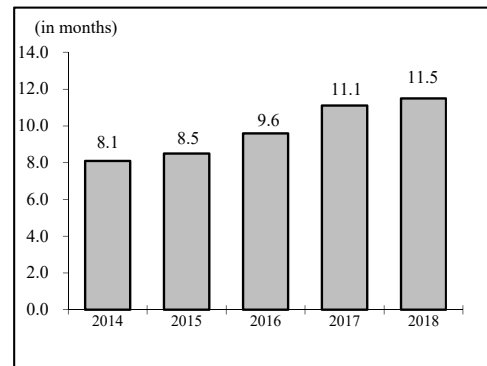
**Operating Expense Coverage**



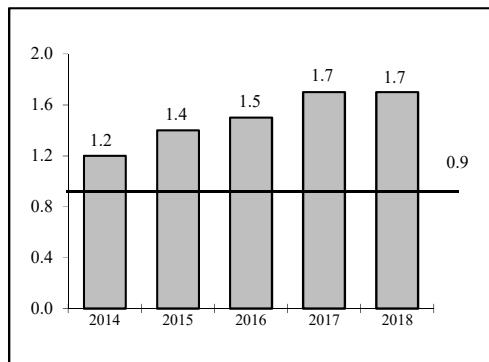
**Annual Operating Margin**



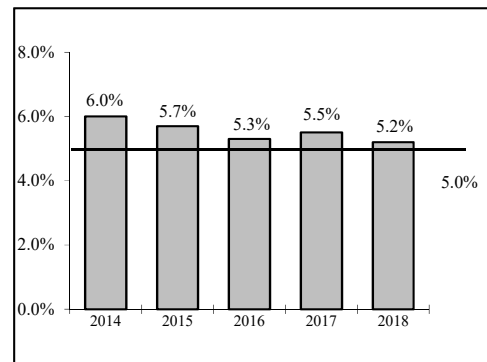
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



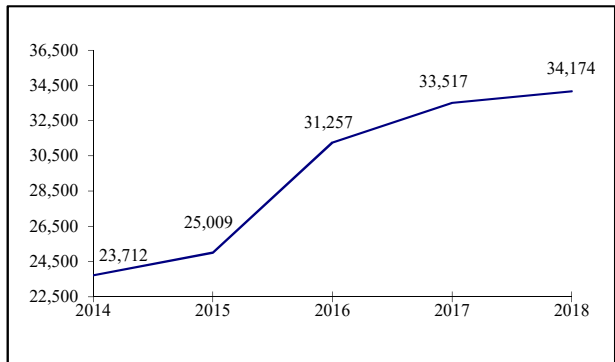
**Debt Service to Operations**



**Note:** FY 2017 was restated for the implementation of GASB 81.

**The University of Texas at Arlington  
2018 Summary of Financial Condition**

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



*Operating Expense Coverage Ratio* - U. T. Arlington's operating expense coverage ratio increased slightly from 8.4 months in 2017 to 8.5 months in 2018 due to the growth in total unrestricted net position of \$34.1 million, which was largely offset by an increase in total operating expenses (including interest expense) of \$35.7 million. The increase in total unrestricted net position was primarily attributable to operating activity in designated funds, which was partially driven by an increase in enrollment on campus and in accelerated online programs, as well as tuition rate increases approved by the U. T. System Board of Regents. Total operating expenses increased largely due to the following: a \$16.7 million increase in salaries and wages and payroll related costs attributable to normal salary adjustments; a \$7.7 million increase in materials and supplies primarily driven by an increase in software expenses, as well as non-capitalized expenses for furniture and equipment in Enterprise Development; and a \$5.2 million increase in scholarships and fellowships related to Pell due to additional funding available in 2018.

*Annual Operating Margin Ratio* - U. T. Arlington's annual operating margin ratio decreased from 9.9% for 2017 to 5.8% for 2018 as a result of the growth in total operating expenses of \$35.7 million, as discussed above, far exceeding the growth in total operating revenues of \$8.3 million. The increase in total operating revenues was primarily due to the following: an increase of \$12.3 million in net tuition and fees due to enrollment growth and increased tuition rates; an increase in net investment income (excluding realized gains and losses) of \$4.0 million; an increase of \$3.5 million in sponsored programs revenue (including nonexchange sponsored programs) due to additional funding for Pell received in 2018; and a \$3.3 million increase in net auxiliary enterprises revenue resulting from higher demand for housing, parking and dining services. These increases were partially offset by decreases in the following: an \$8.1 million decrease in other operating revenues due to the correction of duplicated program income for Enterprise Development in the previous year; and a decrease in state appropriations of \$7.1 million which includes the additional \$5.4 million in tuition revenue bond funding received in 2017.

*Cash on Hand Ratio* - U. T. Arlington's cash on hand ratio increased from 11.1 months in 2017 to 11.5 months in 2018. The increase in this ratio was primarily attributable to a decrease in the Short Term Fund (STF) of \$40.0 million, primarily due to the \$26.0 million debt service payoff of the College Park Center, offset by an \$89.0 million increase in the Intermediate Term Fund (ITF) unrestricted pooled operating funds as a result of an increase in the amount of funds invested in the ITF and the market appreciation on these investments.

*Spendable Cash & Investments to Total Debt Ratio* - U. T. Arlington's spendable cash and investments to total debt ratio remained unchanged at 1.7 times in 2018. The stability of this ratio was due to the growth in total cash and cash equivalents and investments (net of total nonexpendable net position) of \$43.8 million offset by an increase of \$23.1 million in the amount of debt outstanding. This ratio exceeded the minimum threshold provided by the Office of Finance of 0.9 times.

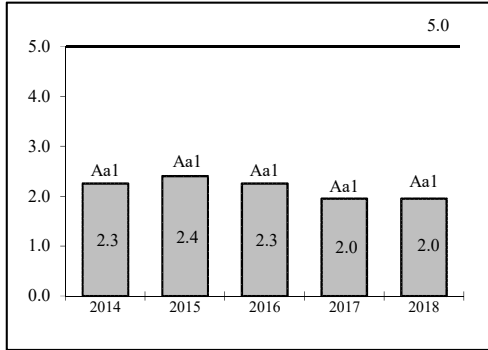
*Debt Service to Operations Ratio* - U. T. Arlington's debt service to operations ratio decreased from 5.5% in 2017 to 5.2% in 2018, which still exceeded the maximum threshold provided by the Office of Finance of 5.0%. The decrease in this ratio was attributable to the increase in total operating expenses as previously discussed.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Arlington's FTE student enrollment increased slightly primarily due to an increase in undergraduate semester credit hours.

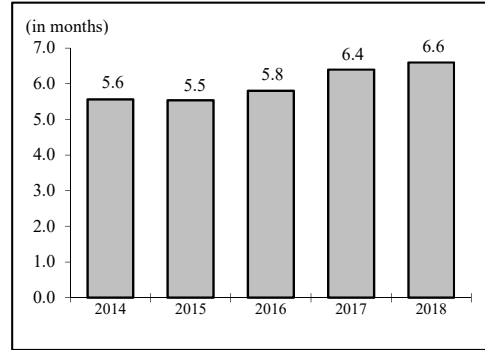
**The University of Texas at Austin  
2018 Summary of Financial Condition**

Financial Condition: **Satisfactory**

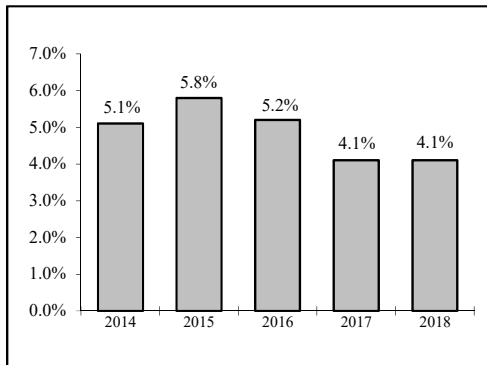
**Overall Scorecard Rating**



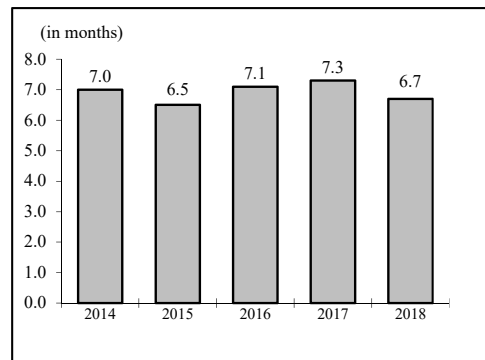
**Operating Expense Coverage**



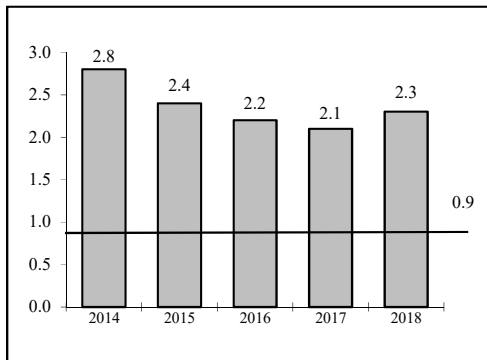
**Annual Operating Margin**



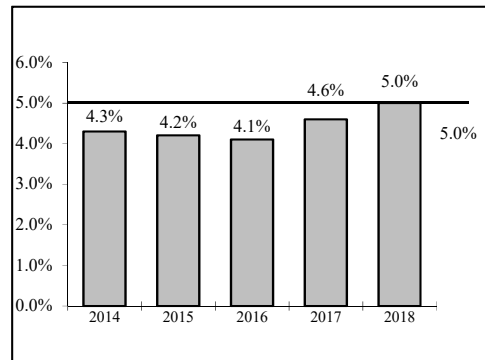
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



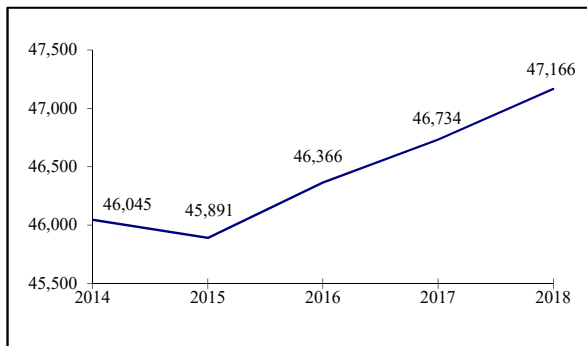
**Debt Service to Operations**



**Note:** FY 2017 was restated for the implementation of GASB 81.

**The University of Texas at Austin  
2018 Summary of Financial Condition**

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



*Operating Expense Coverage Ratio* - U. T. Austin's operating expense coverage ratio increased from 6.4 months in 2017 to 6.6 months in 2018 due to the growth in total unrestricted net position of \$111.9 million, which was largely offset by an increase in total operating expenses (including interest expense) of \$130.8 million. The increase 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. The increase in total operating expenses was primarily due to the following: a \$74.3 million increase in salaries and wages and payroll related costs resulting from an institutionally funded average 3.0% increase for tenured/tenure-track faculty and 2.0% for non-tenured faculty to attract and retain talented faculty, as well as an average 2.0% merit-based increase for staff; a \$16.2 million increase in depreciation and amortization expense due to a full year of depreciation expense recognized on Dell Medical School, Rowling Hall and the Engineering Education and Research Center building, which were placed into service in 2017; a \$14.5 million increase in interest expense; an \$11.8 million increase in other contracted services primarily driven by pass through expenses related to an increase in awards with entities like the Department of Health and Human Services and the Texas Education Agency; and a \$9.5 million increase in state sponsored program pass-throughs to other state agencies as a result of the Darrell K. Royal Alzheimer Foundation state appropriated funds, which are received bi-annually and transferred to the Council on Alzheimer's.

*Annual Operating Margin Ratio* - U. T. Austin's annual operating margin ratio remained unchanged at 4.1% for 2018. The stability of this ratio was a result of comparable growth in total operating revenues of \$135.3 million and total operating expenses (including interest expense) of \$130.8 million, as discussed above. The increase in total operating revenues was primarily attributable to the following: a \$44.3 million increase in net tuition and fees due to a 3% increase in tuition approved by the U. T. System Board of Regents and the addition of a new class of medical students; a \$17.9 million increase in the transfer from the AUF; a \$16.2 million increase in net auxiliary enterprises revenue generated by increased ticket revenue at the Frank Erwin Center, as well as increases in athletic ticket sales, and housing and food income; a \$15.6 million increase in net sales and services of educational activities primarily due to the receipt of a management fee related to the transition of U. T. System's Office of Facilities, Planning and Construction to UT Austin's Capital Planning and Construction group, as well as an increase in utilities fees received from auxiliary enterprises within Dell Medical School; a \$14.5 million increase in net investment income (excluding realized gains and losses); a \$12.8 million increase in state appropriations (adjusted for the additional tuition revenue bond funding received in 2017), which includes health-related formula funding of \$5.7 million received for the first time for the Dell Medical School; and a \$10.8 million increase in sponsored programs revenue (including nonexchange sponsored programs) primarily driven by increases in funding from the Texas Education Agency related to the Texas Mathematics and Science Partnership and from the Department of Defense related to sonar and synthetic bacterial research, as well as research activity related to the Applied Research Laboratories award with Naval Sea Systems Command which began incurring activity in 2018.

*Cash on Hand Ratio* - U. T. Austin's cash on hand ratio decreased from 7.3 months in 2017 to 6.7 months in 2018. The decrease in this ratio was largely attributable to the growth in total operating expenses, as discussed above. Additionally, the unrestricted portion of the funds invested in the Intermediate Term Fund pooled operating funds decreased by \$39.2 million primarily as a result of an increase in the allocation of those funds to restricted.

*Spendable Cash & Investments to Total Debt Ratio* - U. T. Austin's spendable cash and investments to total debt ratio increased from 2.1 times in 2017 to 2.3 times in 2018, which exceeded the minimum threshold provided by the Office of Finance of 0.9 times. The increase in this ratio was due to an increase in total investments of \$419.3 million as a result of market appreciation, new endowment contributions and an investment in the Long-term Fund of approximately \$50.0 million.

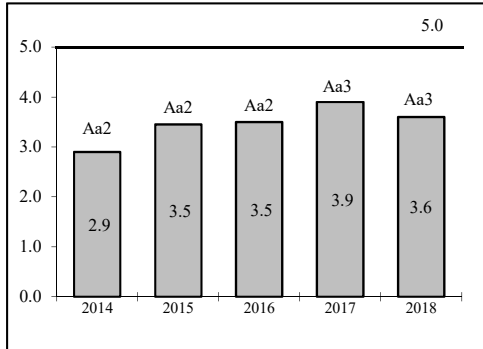
*Debt Service to Operations Ratio* - U. T. Austin's debt service to operations ratio increased from 4.6% in 2017 to 5.0% in 2018, which equaled the maximum threshold provided by the Office of Finance. The increase in this ratio was driven by an increase of \$18.0 million in debt service payments.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Austin's FTE student enrollment reflected a 312 student increase in undergraduate enrollment the fall 2018 semester over the previous fall semester. This increase was driven primarily by a 6.9% increase in new first-time freshmen over the prior year. In addition, the average undergraduate courseload went up slightly from 13.48 semester credit hours last fall to 13.52 semester credit hours this fall. The enrollment in the Law School also increased by 13.7% or 127 students this fall over the previous fall. The number of new Law School enrollees increased by 50 students or 12.4%.

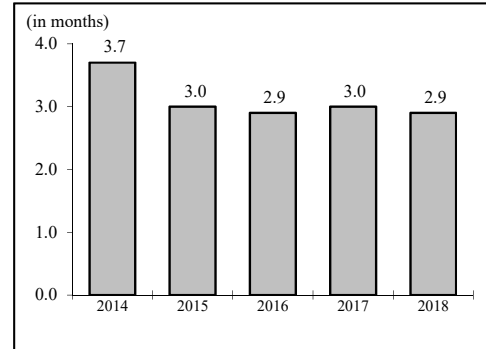
**The University of Texas at Dallas  
2018 Summary of Financial Condition**

Financial Condition: **Satisfactory**

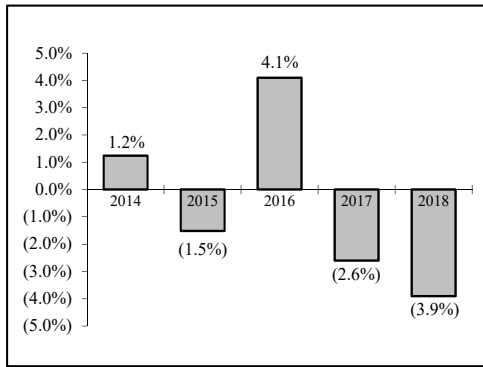
**Overall Scorecard Rating**



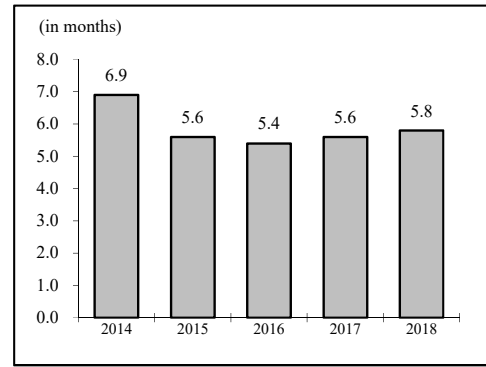
**Operating Expense Coverage**



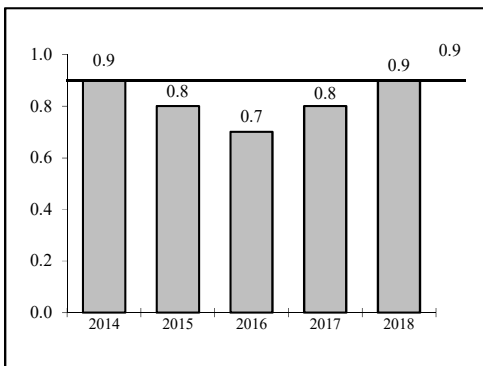
**Annual Operating Margin**



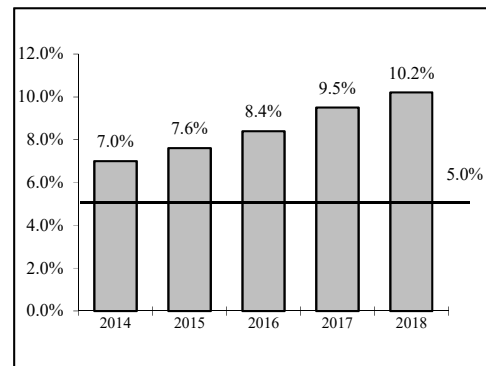
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



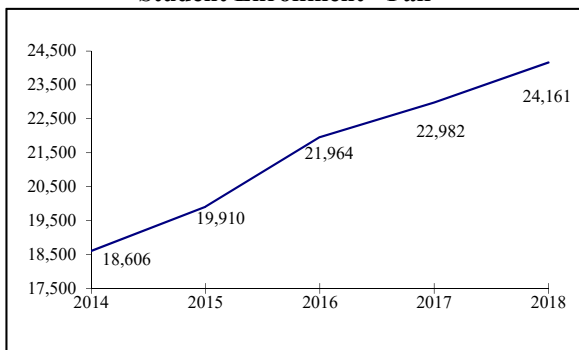
**Debt Service to Operations**



**Note:** FY 2017 was restated for the implementation of GASB 81.

**The University of Texas at Dallas  
2018 Summary of Financial Condition**

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



*Operating Expense Coverage Ratio* - U. T. Dallas' operating expense coverage ratio decreased slightly from 3.0 months in 2017 to 2.9 months in 2018 primarily due to the growth in total operating expenses (including interest expense) of \$35.7 million. The increase in total operating expenses was mostly attributable to the following: a \$15.8 million increase in salaries and wages and payroll related costs as a result of new faculty hires and merit increases; a \$6.9 million increase in depreciation and amortization expense due to a full year of depreciation expense recognized on the Student Service building addition, the Student Housing Living/Learning Center VI and VII, the Davidson Gundy Alumni Center and the Brain Performance Institute, as well as the Engineering & Computer Science West building which was placed into service in 2018; a \$6.8 million increase in scholarships and fellowships expense primarily generated by an increase in Pell funding and other federal awards, and increases in other internal programs; a \$2.7 million increase in professional fees and services due to increases in these expenses within Parking and Transportation Services, the Analog Center, Medical Devices, the Institute of Art History, and the Callier Center; and a \$2.5 million increase in interest expense on capital asset financings.

*Annual Operating Margin Ratio* - U. T. Dallas' annual operating margin ratio declined from (2.6%) for 2017 to (3.9%) for 2018 as a result of the growth in total operating expenses (including interest expense) of \$35.7 million, as discussed above, outpacing the growth in total operating revenues of \$26.5 million. The increase in total operating revenues was primarily due to the following: a \$13.2 million increase in net tuition and fees resulting from tuition rate increases and enrollment growth; a \$3.9 million increase in net investment income (excluding realized gains and losses); and a \$2.2 million increase in gifts for operations largely due to increased donations from corporations and other organizations. In addition, the operating revenues were adjusted to include a transfer of \$7.6 million in state funding from the National Research University Fund (NRUF) beginning in 2018. U. T. Dallas expects to receive this NRUF funding on an annual basis going forward.

*Cash on Hand Ratio* - U. T. Dallas' cash on hand ratio increased from 5.6 months in 2017 to 5.8 months in 2018. The increase in this ratio was attributable to a \$56.0 million increase in the Intermediate Term Fund (ITF) unrestricted pooled operating funds as a result of an increase in the amount of funds invested in the ITF combined with market appreciation on those funds.

*Spendable Cash & Investments to Total Debt Ratio* - U. T. Dallas' spendable cash and investments to total debt ratio increased from 0.8 times in 2017 to 0.9 times in 2018, which equaled the minimum threshold provided by the Office of Finance. The increase in this ratio was due to an increase in total investments of \$111.1 million as a result of an increase in the ITF pooled operating funds, new endowment contributions and appreciation on these investments. Additionally, the amount of debt outstanding decreased by \$11.2 million which also contributed to the increase in this ratio.

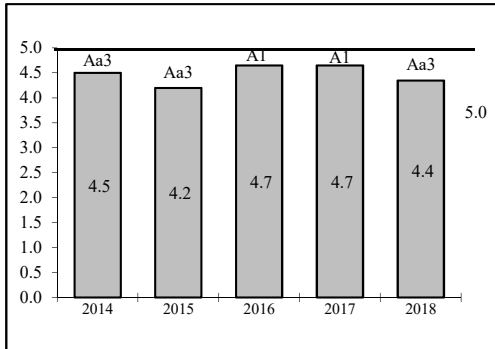
*Debt Service to Operations Ratio* - U. T. Dallas' debt service to operations ratio increased from 9.5% in 2017 to 10.2% in 2018 due to an increase of \$7.0 million in debt service payments. This ratio continued to exceed the maximum threshold of 5.0% as provided by the Office of Finance.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Dallas' FTE student enrollment increased by 5.1% from 2017 to 2018. The upward trend in FTE student enrollment relative to gross enrollment reflects the effects of 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 2018, undergraduate FTE rose 8.9% over the fall of 2017 while the FTE for doctoral student enrollment decreased by (2.4%) and master student enrollment decreased by (4.2%).

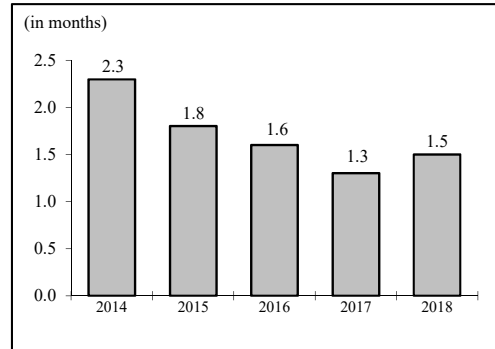
**The University of Texas at El Paso  
2018 Summary of Financial Condition**

Financial Condition: **Watch**

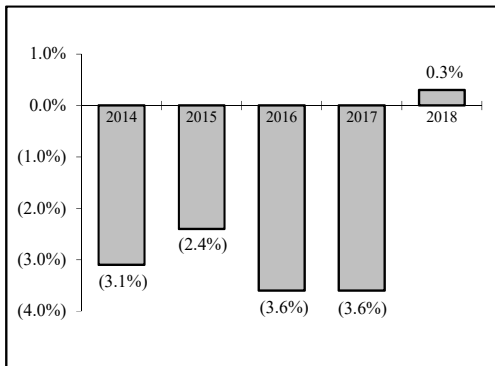
**Overall Scorecard Rating**



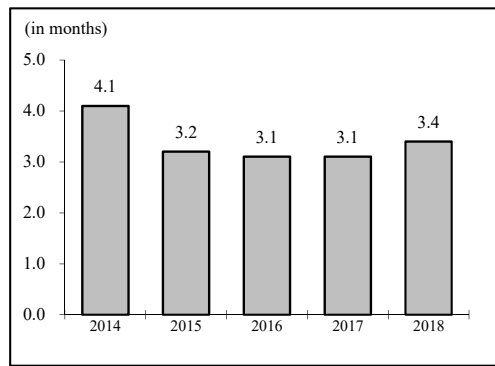
**Operating Expense Coverage**



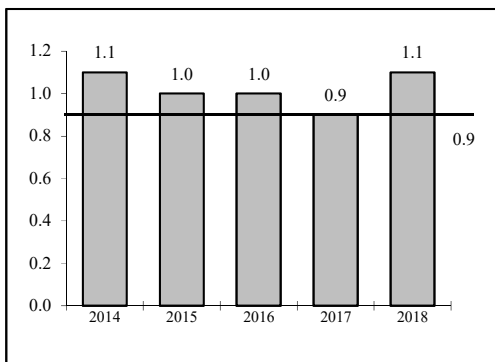
**Annual Operating Margin**



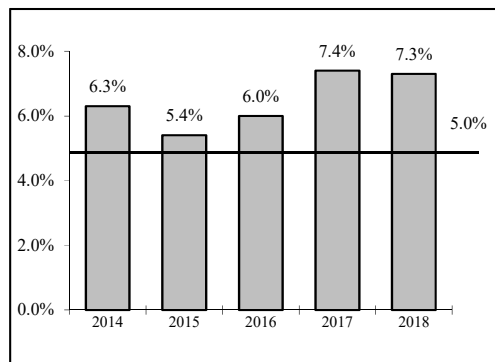
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



**Debt Service to Operations**

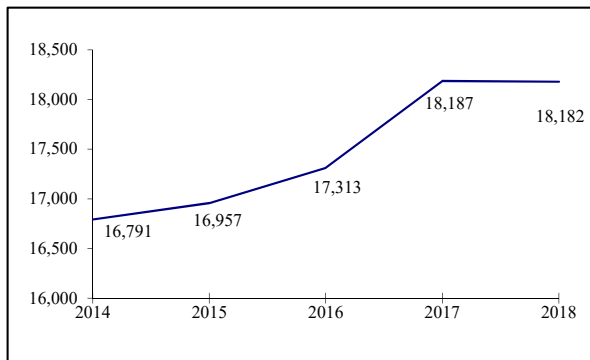


Note: FY 2017 was restated for the implementation of GASB 81.



**The University of Texas at El Paso  
2018 Summary of Financial Condition**

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



*Operating Expense Coverage Ratio* - U. T. El Paso's operating expense coverage ratio increased from 1.3 months in 2017 to 1.5 months in 2018 due to the growth in total unrestricted net position of \$6.4 million. The increase in total unrestricted net position was primarily attributable to the improved operating results in designated funds.

*Annual Operating Margin Ratio* - U. T. El Paso's annual operating margin ratio increased from a negative 3.6% for 2017 to a positive 0.3% for 2018 as a result of the growth in total operating revenues of \$23.5 million exceeding the growth in total operating expenses of \$7.1 million. The increase in total operating revenues was primarily due to the following: a \$14.6 million increase in net tuition and fees resulting from a 4.5% tuition rate increase approved by the U. T. System Board of Regents and an increase in semester credit hour enrollment; a \$9.2 million increase in sponsored programs revenue (including nonexchange sponsored programs) related to an increase in Pell funding and TEXAS Grant Program revenue; a \$3.9 million increase in net auxiliary enterprises revenue driven by higher grossing special events, as well as increased revenue from housing, food services, the addition of a new ground lease agreement with Raising Cane, and athletic income related to Conference USA distributions; and a \$1.5 million increase in net investment income (excluding realized gains and losses). These increases in revenues were partially offset by the following: a decrease of \$2.8 million in gifts for operations; a \$1.6 million decrease in state appropriations which includes the additional tuition revenue bond funding received in 2017; and a \$1.1 million decrease in net sales and services of educational activities due to less state sponsored program revenue.

*Cash on Hand Ratio* - U. T. El Paso's cash on hand ratio increased from 3.1 months in 2017 to 3.4 months in 2018 primarily due to an increase in unrestricted cash and cash equivalents of \$9.3 million related to the improved operating activity in designated funds.

*Spendable Cash & Investments to Total Debt Ratio* - U. T. El Paso's spendable cash and investments to total debt ratio increased from 0.9 times in 2017 to 1.1 times in 2018, and exceeded the minimum threshold of 0.9 times as provided by the Office of Finance. The increase in this ratio was attributable to an increase in total cash and cash equivalents and investments (net of total nonexpendable net position) of \$30.4 million combined with a decrease of \$16.5 million in the amount of debt outstanding.

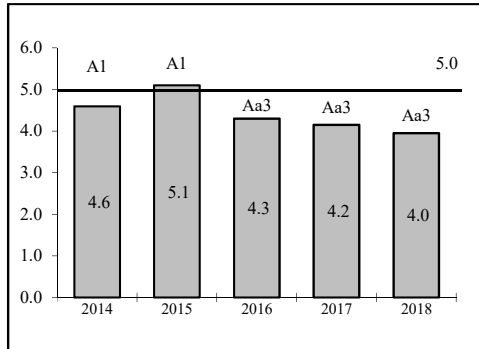
*Debt Service to Operations Ratio* - U. T. El Paso's debt service to operations ratio decreased slightly from 7.4% in 2017 to 7.3% in 2018; however, this ratio still exceeded the maximum threshold of 5.0% as provided by the Office of Finance. The slight decrease in the ratio was due to the growth in total operating expenses, as previously discussed.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. El Paso's FTE student enrollment decreased slightly from 18,187 to 18,182 due to flat enrollment.

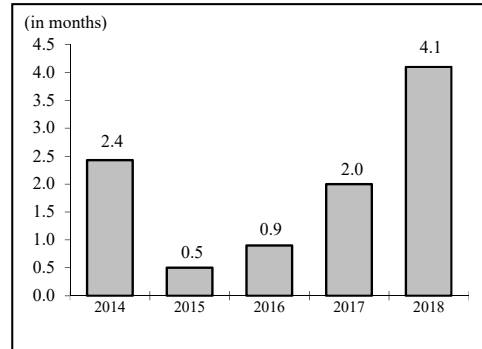
**The University of Texas Permian Basin  
2018 Summary of Financial Condition**

Financial Condition: **Watch**

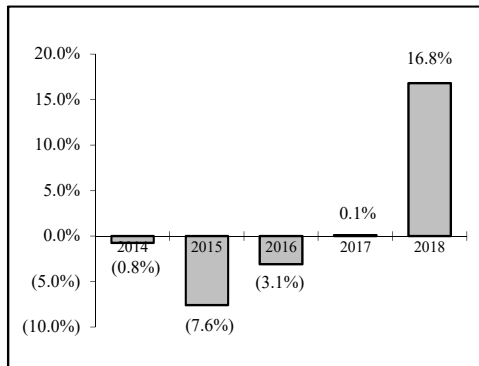
**Overall Scorecard Rating**



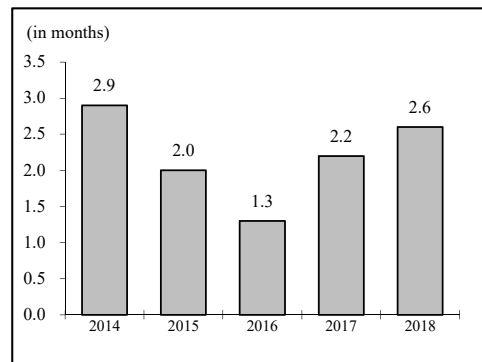
**Operating Expense Coverage**



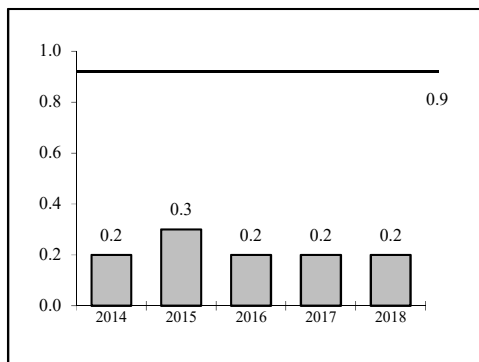
**Annual Operating Margin**



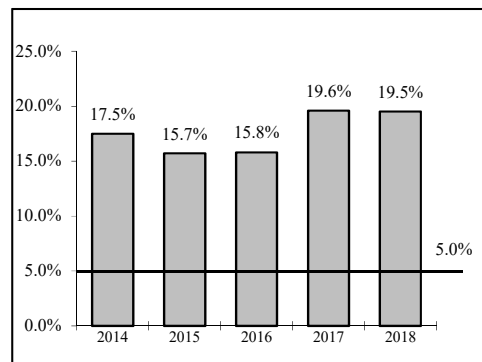
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



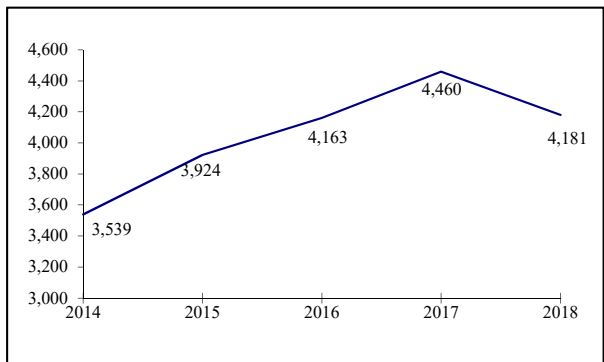
**Debt Service to Operations**



**Note:** FY 2017 was restated for the implementation of GASB 81.

**The University of Texas Permian Basin  
2018 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 2.0 months in 2017 to 4.1 months in 2018 due to the growth in total unrestricted net position of \$18.0 million. The increase in total unrestricted net position was primarily attributable to the increase in operating activity in designated funds, which includes a transfer from U. T. System of \$4.5 million of funds generated through the Internal Lending Program (ILP) to support institutional operations. The U. T. System Board of Regents approved a total allocation of \$9.0 million over 3 years from ILP funding as follows: \$4.5 million for 2018; \$3.0 million for 2019; and \$1.5 million for 2020.

*Annual Operating Margin Ratio* - U. T. Permian Basin's annual operating margin ratio improved from 0.1% for 2017 to 16.8% for 2018 as a result of the growth in total operating revenues of \$24.8 million outpacing the growth in total operating expenses of \$5.0 million. The increase in total operating revenues was primarily due to the following: a \$12.8 million increase in gifts for operations attributable to a concerted effort by development to solicit donations for athletics, which resulted in gifts from various local donors in support of the football program; an \$11.7 million increase in net tuition and fees driven by a 5.0% increase in resident undergraduate and graduate tuition rates, as well as enrollment growth; and a \$2.5 million increase in net auxiliary enterprises revenue as a result of increased revenue from dining and residence halls. The increase in total operating expenses was primarily attributable to the following: a \$2.8 million increase in net professional fees largely due to an increase in payments to the Academic Partnership; and a \$2.0 million increase in repairs and maintenance as a result of the hail damage sustained in 2017.

As discussed above, U. T. Permian Basin received a transfer of \$4.5 million of funds generated through the ILP to support institutional operations. U. T. Permian Basin spent only \$1.6 million of these funds in 2018. For purposes of this analysis only, operating revenues were adjusted to include \$1.6 million of the transfer to cover the expenses. Similar adjustments will be made to operating revenues in subsequent years for purposes of this analysis.

*Cash on Hand Ratio* - U. T. Permian Basin's cash on hand ratio increased from 2.2 months in 2017 to 2.6 months in 2018. 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 2018, 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 relatively small increase in total cash and cash equivalents and investments (net of total nonexpendable net position) of \$1.1 million offset by a decrease in the amount of debt outstanding of \$10.4 million.

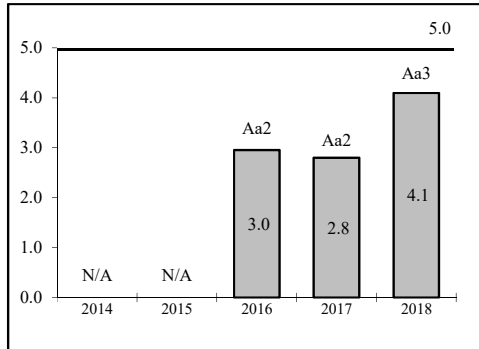
*Debt Service to Operations Ratio* - U. T. Permian Basin's debt service to operations ratio decreased from 19.6% in 2017 to 19.5% in 2018, which still exceeded the maximum threshold provided by the Office of Finance of 5.0%. The decrease in this ratio was attributable to the growth in total operating expenses as discussed above.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Permian Basin's FTE student enrollment decreased from 2017 to 2018 due to an increase in tuition and fees per semester credit hour both for regularly enrolled students, as well as dual credit.

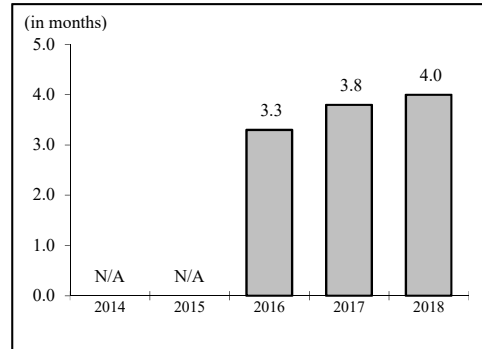
**The University of Texas Rio Grande Valley  
2018 Summary of Financial Condition**

Financial Condition: **Satisfactory**

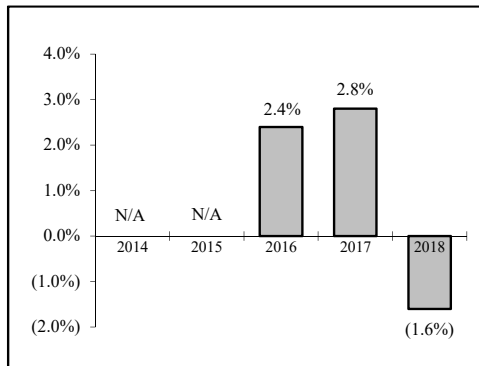
**Overall Scorecard Rating**



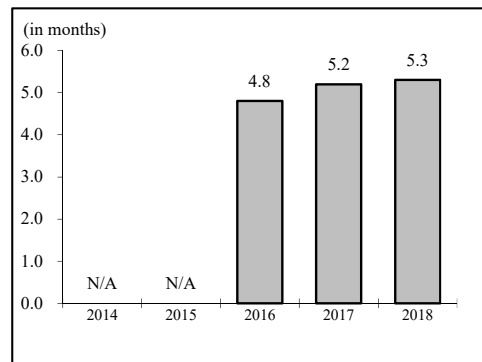
**Operating Expense Coverage**



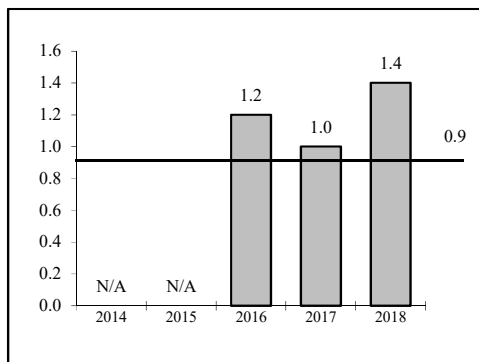
**Annual Operating Margin**



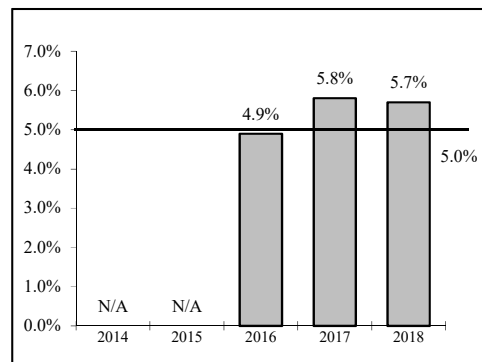
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**

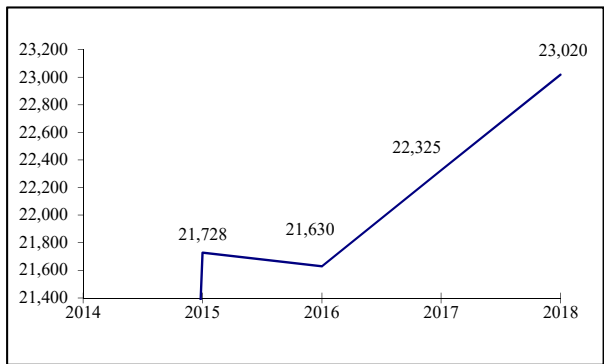


**Debt Service to Operations**



**The University of Texas Rio Grande Valley  
2018 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 3.8 months in 2017 to 4.0 months in 2018 due to the growth in total unrestricted net position of \$8.5 million. The increase in total unrestricted net position was primarily attributable to additions to funds functioning as endowments-unrestricted and the market value appreciation on those funds, as well as the activity in designated funds and an increase in unrestricted funding intended for capital projects.

*Annual Operating Margin Ratio* - U. T. Rio Grande Valley's annual operating margin ratio decreased from 2.8% for 2017 to (1.6%) for 2018 as a result of a decrease in total operating revenues of \$14.4 million combined with an increase in total operating expenses (including interest expense) of \$7.2 million. The decrease in total operating revenues was primarily due to the following: a \$15.1 million decrease in state appropriations (including tuition revenue bond supplemental funding received in 2017) due to a decrease in funding of Special items during the 85th Legislative Session and a decrease in formula funding as a result of a decline in graduate enrollment; a \$12.9 million decrease in net tuition and fees attributable to a change in methodology in 2018 for computing discounts and allowances; and a \$7.0 million decrease in gifts for operations primarily driven by the School of Medicine's Memorandum of Understanding with the City of McAllen adjustment for a prior year pledge receivable and current year write-off as bad debt expense, combined with a gift from the prior year that was reclassified as a gift for capital purposes. These decreases in revenues were partially offset by a \$20.1 million increase in sponsored programs revenue (including nonexchange sponsored programs and net increase after the reclassification of the School of Medicine hospital contracts from other operating revenues) due to an increase in the School of Medicine hospital contracts.

The increase in total operating expenses was primarily due to the following: a \$21.7 million increase in salaries and wages and payroll related costs resulting from increases in staffing attributed to the ongoing development of the School of Medicine, as well as an increase in benefits caused by an increase in the proportional payment of group insurance; a \$7.5 million increase in fees and other charges mostly attributable to the Delivery System Reform Incentive Payment (DSRIP) program for the Doctors Hospital at Renaissance affiliation; a \$1.9 million increase in depreciation and amortization expense as a result of the Academic Building's Music and Science Learning Center and the addition to the Science Building being placed into service in 2018; and \$1.2 million increase in repairs and maintenance related to an increase in computing system maintenance. These increases in expenses were largely offset by the following: a \$14.3 million decrease in scholarships and fellowships resulting from the change in methodology for computing tuition discounting as noted above; a \$7.1 million decrease in other contracted services primarily due to a decrease in various contracts for the School of Medicine; and a \$2.2 million decrease in other operating expenses as a result of various expenses recorded in more appropriate expense lines in 2018 and a decrease in grant funded expenses due to the termination of certain grants.

*Cash on Hand Ratio* - U. T. Rio Grande Valley's cash on hand ratio increased from 5.2 months in 2017 to 5.3 months in 2018. The increase in this ratio was due to an increase in unrestricted cash and cash equivalents of \$3.7 million, as well as an increase in the amount of unrestricted funds invested in the Intermediate Term Fund and market appreciation on those funds.

*Spendable Cash & Investments to Debt Ratio* - U. T. Rio Grande Valley's spendable cash and investments to debt ratio increased from 1.0 times in 2017 to 1.4 times in 2018, which exceeded the minimum threshold of 0.9 times as provided by the Office of Finance. The increase in this ratio was driven by an increase of \$42.3 million in total cash and cash equivalents and investments (net of total nonexpendable net position) combined with a decrease of \$17.2 million in the amount of debt outstanding.

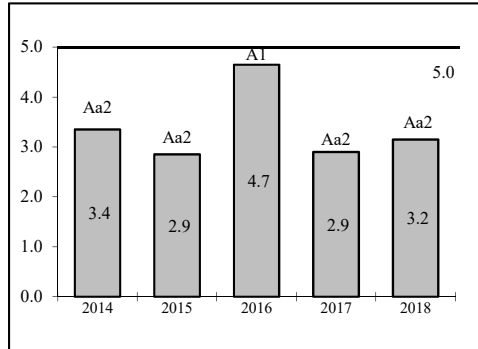
*Debt Service to Operations Ratio* - U. T. Rio Grande Valley's debt service to operations ratio decreased slightly from 5.8% in 2017 to 5.7% in 2018, which exceeded the maximum threshold of 5.0% as provided by the Office of Finance. The decrease in this ratio was caused by the growth in total operating expenses, as previously discussed.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Rio Grande Valley's FTE student enrollment increased from 22,325 in 2017 to 23,020 in 2018 as a result of increased recruiting efforts for Masters and Doctoral levels, as well as the continuation of several student success initiatives that were put into place to assist with retention efforts.

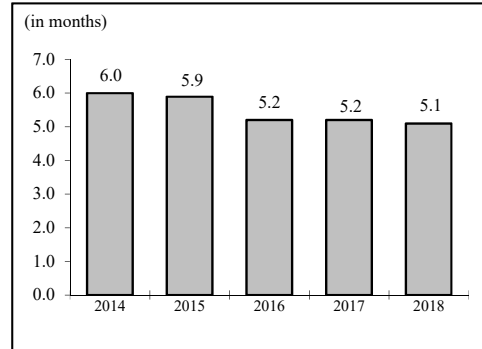
The University of Texas at San Antonio  
2018 Summary of Financial Condition

Financial Condition: **Satisfactory**

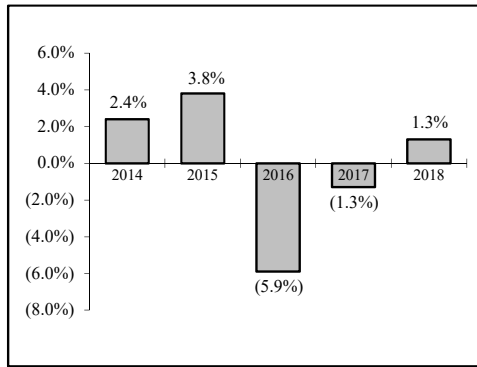
**Overall Scorecard Rating**



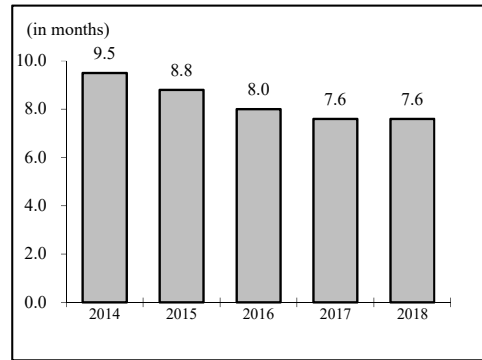
**Operating Expense Coverage**



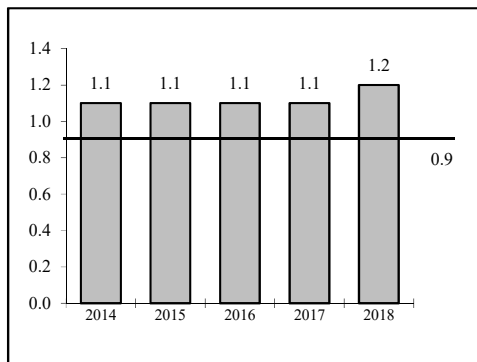
**Annual Operating Margin**



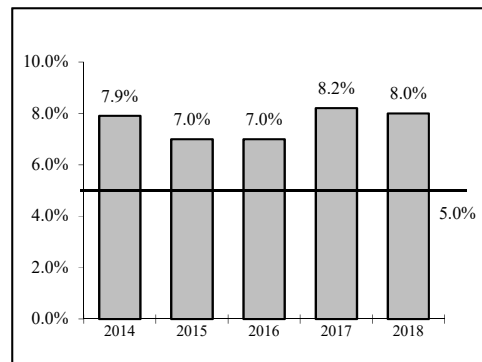
**Cash on Hand**



**Spendable Cash & Investments to Total Debt**



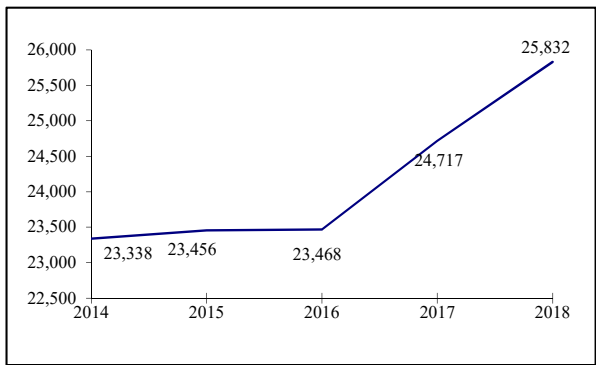
**Debt Service to Operations**



**Note:** FY 2017 was restated for the implementation of GASB 81.

**The University of Texas at San Antonio  
2018 Summary of Financial Condition**

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



*Operating Expense Coverage Ratio* - U. T. San Antonio's operating expense coverage ratio decreased slightly from 5.2 months in 2017 to 5.1 months in 2018 primarily due to the growth in total operating expenses (including interest expense) of \$15.9 million. The increase in total operating expenses was primarily attributable to the following: a \$6.3 million increase in salaries and wages and payroll related costs resulting primarily from a 2.0% merit increase; a \$5.7 million increase in scholarships and fellowships due to an increase in scholarships awarded; a \$4.7 million increase in professional fees and services driven by the increased use of consultants for various new strategic initiatives to assist with the grant accounting function and for several executive searches; and a \$2.0 million increase in other operating expenses primarily due to an increase in pass-through related expenses. These increases in expenses were partially offset by the following: a \$2.0 million decrease in repairs and maintenance due to a decrease in repair projects expensed; and a decrease in interest expense on capital asset financings of \$1.1 million.

*Annual Operating Margin Ratio* - U. T. San Antonio's annual operating margin ratio improved from (1.3%) for 2017 to 1.3% for 2018 as the growth in total operating revenues of \$29.7 million exceeded the growth in total operating expenses (including interest expense) of \$15.9 million, as discussed above. The increase in total operating revenues was primarily due to the following: a \$15.1 million increase in sponsored programs revenue (including nonexchange sponsored programs) driven by an increase in Pell grants, additional Texas Research Incentive Program (TRIP) funding received in 2018, and an increase in local sponsored program awards; and a \$14.3 million increase in net tuition and fees primarily resulting from increased enrollment and increased tuition and fee rates.

The U. T. System Board of Regents approved an allocation of \$4.75 million over the next four years from funds generated through the U. T. System Internal Lending Program (ILP) to launch an online degree program, with disbursement of funds as follows: \$0.9 million in 2018; \$1.2 million in 2019; \$1.3 million in 2020; and \$1.3 million in 2021. U. T. San Antonio spent only \$0.4 million of the ILP funds received in 2018. For purposes of this analysis only, operating revenues were adjusted to include \$0.4 million of the transfer to cover these expenses. Similar adjustments will be made to operating revenues in subsequent years for purposes of this analysis.

*Cash on Hand Ratio* - U. T. San Antonio's cash on hand ratio remained unchanged at 7.6 months in 2018. The stability of this ratio was primarily attributable to an increase in unrestricted cash and cash equivalents of \$22.9 million, as more cash was held in the treasury and short-term money market funds were higher, combined with the increase in total operating expenses as discussed above.

*Spendable Cash & Investments to Total Debt Ratio* - U. T. San Antonio's spendable cash and investments to total debt ratio increased from 1.1 times in 2017 to 1.2 times in 2018, which exceeded the minimum threshold of 0.9 times as provided by the Office of Finance. The slight increase in this ratio was due to the increase in total cash and cash equivalents and investments (net of total nonexpendable net position) of \$21.6 million, combined with a decrease of \$24.2 million in the amount of debt outstanding.

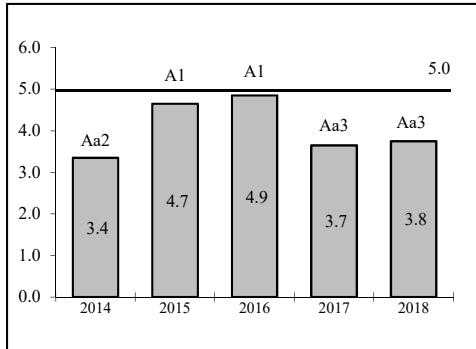
*Debt Service to Operations Ratio* - U. T. San Antonio's debt service to operations ratio decreased from 8.2% in 2017 to 8.0% in 2018; however, this ratio still exceeded the maximum threshold of 5.0% as provided by the Office of Finance. The reduction in this ratio was largely driven by the increase in total operating expenses as previously discussed.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. San Antonio's FTE student enrollment increased from 24,717 to 25,832 primarily due to an increase in undergraduate enrollment.

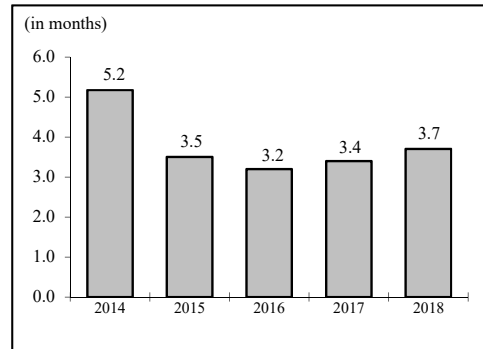
**The University of Texas at Tyler  
2018 Summary of Financial Condition**

Financial Condition: **Satisfactory**

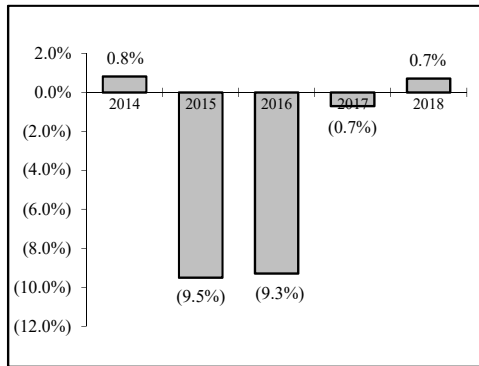
**Overall Scorecard Rating**



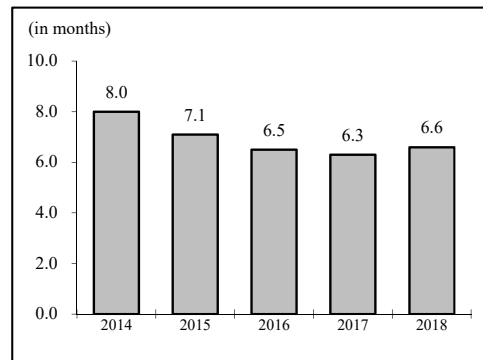
**Operating Expense Coverage**



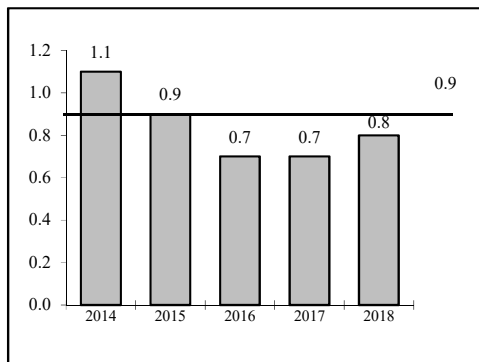
**Annual Operating Margin**



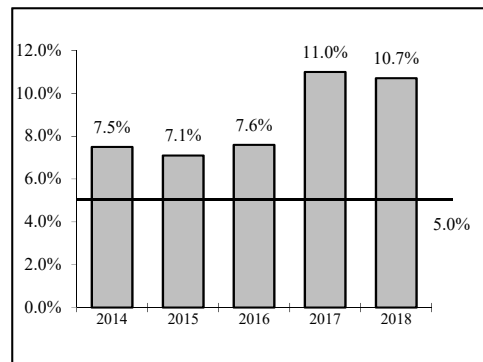
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



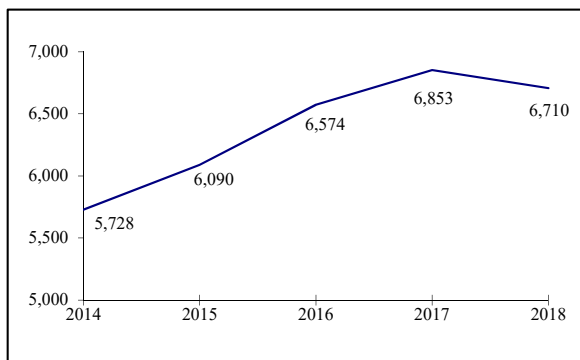
**Debt Service to Operations**





**The University of Texas at Tyler  
2018 Summary of Financial Condition**

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



*Operating Expense Coverage Ratio* - U. T. Tyler's operating expense coverage ratio increased from 3.4 months in 2017 to 3.7 months in 2018 due to the growth in total unrestricted net position of \$4.9 million. The increase in total unrestricted net position was primarily attributable to activity in designated funds and auxiliary enterprises funds.

*Annual Operating Margin Ratio* - U. T. Tyler's annual operating margin ratio improved from (0.7%) for 2017 to 0.7% for 2018 as the growth in total operating revenues of \$6.4 million exceeded the growth in total operating expenses (including interest expense) of \$4.3 million. The increase in total operating revenues was mostly due to the following: an increase of \$3.1 million in net tuition and fees resulting from an increase in designated tuition rates and enrollment growth; a \$1.2 million increase in net auxiliary enterprises revenue generated by increased revenue from housing and food, as well as the receipt of a one-time commission payment; a \$0.8 million increase in net sales and services of educational activities as a result of pharmacy revenue now including the third-year student cohort; a \$0.7 million increase in sponsored programs revenue (including nonexchange sponsored programs) primarily due to an increase in funding from 21st Century Cycle 8 Year 5 and Middle Math Matters; and a \$0.6 million increase in net investment income (excluding realized gains and losses). The increase in total operating expenses was primarily due to the following: a \$2.0 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; and a \$1.9 million increase in depreciation and amortization expense generated by the STEM Business building and the Reserve Apartments, which were placed into service in 2018.

*Cash on Hand Ratio* - U. T. Tyler's cash on hand ratio increased from 6.3 months in 2017 to 6.6 months in 2018. The increase in this ratio was attributable to an increase in the amount of unrestricted funds invested in the Intermediate Term Fund and market appreciation on those funds.

*Spendable Cash & Investments to Total Debt Ratio* - U. T. Tyler's spendable cash and investments to total debt ratio increased from 0.7 times in 2017 to 0.8 times in 2018, but still remained below the minimum threshold of 0.9 times as provided by the Office of Finance. The slight increase in this ratio was due to the growth in cash and cash equivalents and investments (net of total nonexpendable net position) of \$17.9 million.

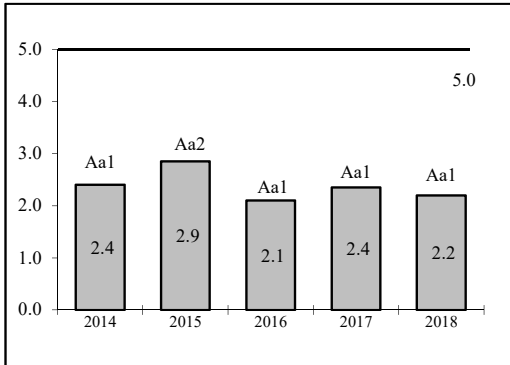
*Debt Service to Operations Ratio* - U. T. Tyler's debt service to operations ratio decreased from 11.0% in 2017 to 10.7% in 2018 as a result of the increase in total operating expenses discussed above. This ratio still exceeded the maximum threshold of 5.0% as provided by the Office of Finance.

*Full-Time Equivalent (FTE) Student Enrollment* - U. T. Tyler's FTE student enrollment decreased by 143 or (2.1)% from 2017. Although the overall undergraduate student enrollment increased, the number of semester credit hours per undergraduate student decreased.

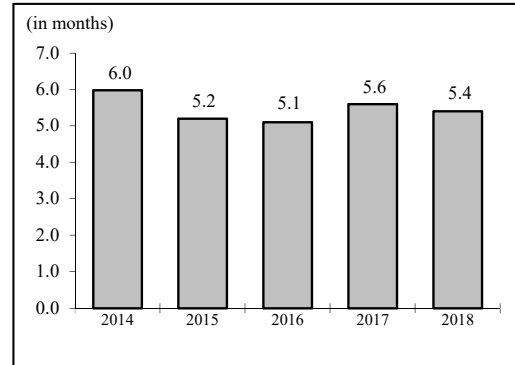
**The University of Texas Southwestern Medical Center  
2018 Summary of Financial Condition**

Financial Condition: **Satisfactory**

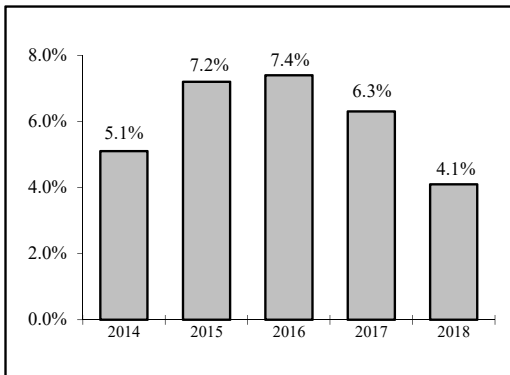
**Overall Scorecard Rating**



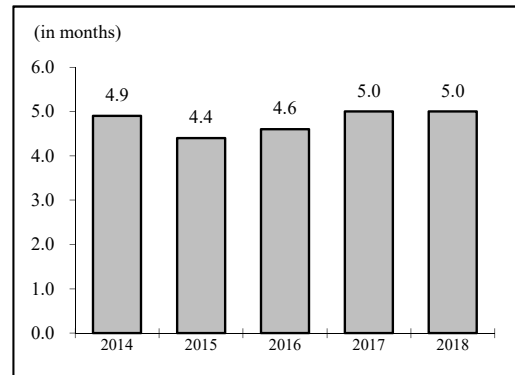
**Operating Expense Coverage**



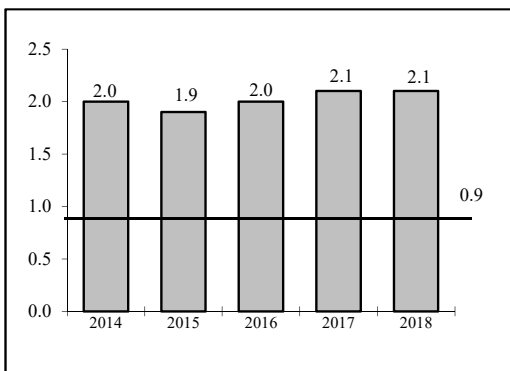
**Annual Operating Margin**



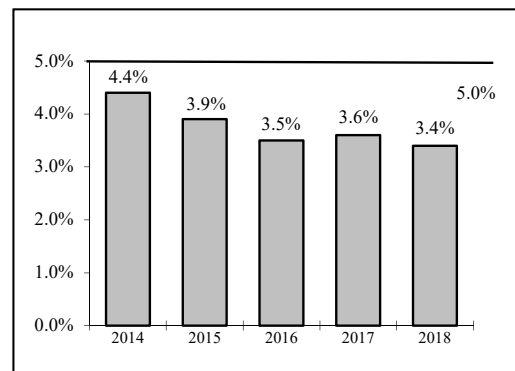
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



**Debt Service to Operations**



**Note:** FY 2017 was restated for the implementation of GASB 81.

**The University of Texas Southwestern Medical Center**  
**2018 Summary of Financial Condition**

*Operating Expense Coverage Ratio* - U. T. Southwestern Medical Center's (Southwestern) operating expense coverage ratio decreased from 5.6 months in 2017 to 5.4 months in 2018 due to the growth in total operating expenses (including interest expense) of \$203.3 million. The increase in total operating expenses was primarily attributable to the following: a \$99.6 million increase in salaries and wages and payroll related costs as a result of a 2.0% merit increase for faculty and staff and operational growth; a \$45.9 million increase in materials and supplies driven by increased drug costs, other laboratory and medical supplies, and increased expenses for noncapitalized furniture and equipment, computer software and licenses; a \$17.3 million increase in other operating expenses primarily due to Southwestern Health Resources (SWHR) network settlement; a \$14.5 million increase in other contracted services mainly attributable to increased expenses for advertising, vendor contract labor and materials, subcontracts mostly with the affiliated hospitals, and non-professional contract labor; a \$7.9 million increase in repairs and maintenance resulting from utility maintenance repairs, computer equipment maintenance and building repairs; a \$7.5 million increase in professional fees and services generated by total growth in payment charges including Medicaid and managed care driven by patient care related services and increased volumes; a \$6.7 million increase in depreciation and amortization expense due to the recognition of a full year of depreciation on buildings and equipment placed into service in 2017, as well as depreciation expense on various buildings and equipment that were placed into service in 2018 such as the West Campus project; a \$3.0 million increase in rentals and leases caused by an increase in leased building space and equipment; and a \$2.7 million increase in membership dues as a result of the payment of 2 years of Accountable Care Network membership.

*Annual Operating Margin Ratio* - Southwestern's annual operating margin ratio decreased from 6.3% for 2017 to 4.1% for 2018 as the growth in total operating expenses (including interest expense) of \$203.3 million, discussed above, outpaced the growth in total operating revenues of \$144.3 million. Total operating revenues increased primarily due to the following: a \$139.2 million increase in net sales and services of hospitals generated by increased outpatient services; and a \$28.8 million increase in net professional fees as a result of increased services associated with the hospital growth. These increases in revenue were partially offset by a decrease in net investment income of \$31.5 million (excluding realized gains and losses).

*Cash on Hand Ratio* - Southwestern's cash on hand ratio remained unchanged at 5.0 months in 2018. The stability of this ratio was attributable to an increase in the amount of unrestricted funds invested in the Intermediate Term Fund and market appreciation on those funds, which offset the increase in total operating expenses previously discussed.

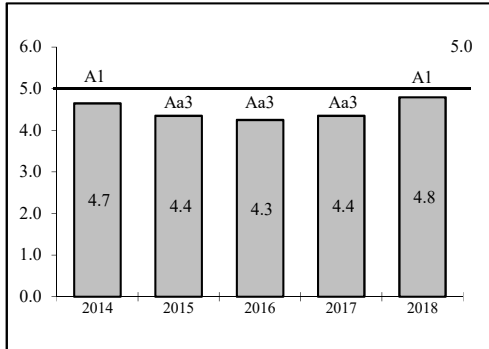
*Spendable Cash & Investments to Total Debt Ratio* - Southwestern's spendable cash and investments to total debt ratio was 2.1 times in 2017 and 2018, which exceeded the minimum threshold of 0.9 times as provided by the Office of Finance. The stability of this ratio was a result of the increase in total cash and cash equivalents and investments (net of total nonexpendable net position) of \$197.8 million, which was offset by an increase of \$89.4 million in the amount of debt outstanding.

*Debt Service to Operations Ratio* - Southwestern's debt service to operations ratio decreased from 3.6% in 2017 to 3.4% in 2018 and was below the maximum threshold of 5.0% as provided by the Office of Finance. The decrease in this ratio was due to a relatively small increase in debt service payments of \$2.6 million, offset with the growth in total operating expenses.

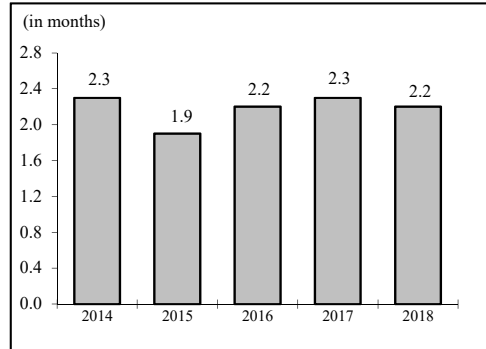
**The University of Texas Medical Branch at Galveston  
2018 Summary of Financial Condition**

Financial Condition: **Satisfactory**

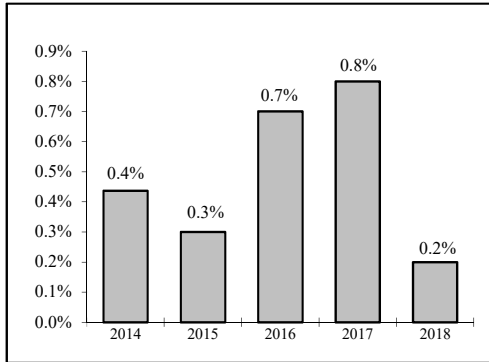
**Overall Scorecard Rating**



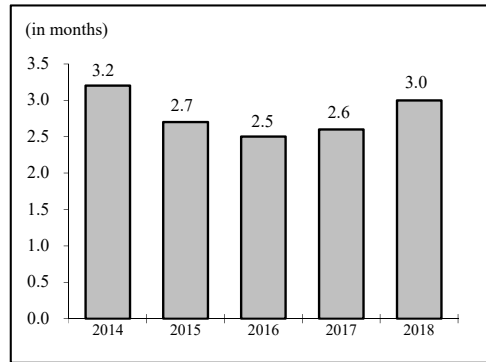
**Operating Expense Coverage**



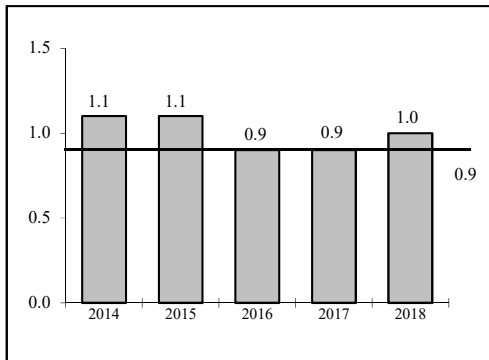
**Annual Operating Margin**



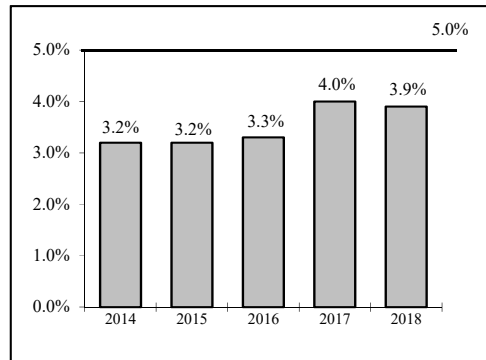
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



**Debt Service to Operations**



**Note:** FY 2017 was restated for the implementation of GASB 81.

**The University of Texas Medical Branch at Galveston  
2018 Summary of Financial Condition**

*Operating Expense Coverage Ratio* - U. T. Medical Branch - Galveston's (UTMB) operating expense coverage ratio decreased slightly from 2.3 months in 2017 to 2.2 months in 2018 due to the growth in total operating expenses (including interest expense) of \$61.0 million. The increase in total operating expenses was primarily attributable to the following: a \$29.9 million increase in salaries and wages and payroll related costs resulting from increased staffing associated with increased volumes, merit increases for staff, and faculty incentive payments; a \$9.4 million increase in materials and supplies driven by increases in medical supplies and medical implants related to increased volumes; a \$9.2 million increase in depreciation and amortization due to various buildings and infrastructure placed into service in 2018; a \$5.6 million increase in other operating expenses mostly due to increases in accounts payable accruals, service center activity, patient care costs, and various other charges; and a \$4.1 million increase in royalty payments generated by higher royalty distributions for the Abbvie license for sales of the Hepatitis C drug developed at UTMB.

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 largely a cost reimbursement contract and as such is not expected to generate a significant net position. Reviewing UTMB's operating expense coverage ratio excluding the TDCJ contract expenses of \$574.9 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 3.0 months as compared to 2.2 months when included.

*Annual Operating Margin Ratio* - UTMB's annual operating margin ratio decreased from 0.8% for 2017 to 0.2% for 2018 as the growth in total operating expenses (including interest expense) of \$61.0 million, discussed above, exceeded the growth in total operating revenues of \$48.6 million. The increase in total operating revenues was primarily due to the following: a \$46.6 million increase in net sales and services of hospitals driven by additional volume including increases in inpatient discharges of 10.1% and outpatient encounters of 8.5%; a \$12.4 million increase in net investment income (excluding realized gains and losses); and a \$4.5 million increase in sponsored programs revenue (including nonexchange sponsored programs) mostly due to an increase in private grants. These increases in revenue were partially offset by a decrease of \$14.4 million in other operating revenues as a result of decreased revenues from contract pharmacy and the Federal Emergency Management Agency (FEMA).

*Cash on Hand Ratio* - UTMB's cash on hand ratio increased from 2.6 months in 2017 to 3.0 months in 2018 due to the growth in both total unrestricted cash and cash equivalents of \$27.4 million and the Intermediate Term Fund (ITF) unrestricted balances of \$48.8 million. The increase in total unrestricted cash and cash equivalents was related to increased cash flow from operations, primarily in sponsored programs, patient care, and tuition and fees, offset by increased payments to employees and suppliers; increased cash flow from noncapital financing, primarily due to the receipt of insurance proceeds; and decreased cash flow from investing activities as a result of the investment of funds in the ITF, offset by increases in net investment income. The increase in the ITF was attributable to additional funds invested in the ITF in 2018, combined with the market appreciation on those funds.

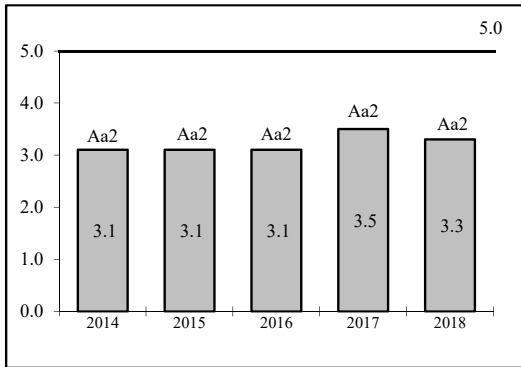
*Spendable Cash & Investments to Total Debt Ratio* - UTMB's spendable cash and investments to total debt ratio increased from 0.9 times in 2017 to 1.0 times in 2018, which exceeded the minimum threshold of 0.9 times as provided by the Office of Finance. The slight increase in this ratio was due to the growth in total cash and cash equivalents and investments (net of total nonexpendable net position) of \$101.4 million.

*Debt Service to Operations Ratio* - UTMB's debt service to operations ratio decreased slightly from 4.0% in 2017 to 3.9% in 2018, which was below the maximum threshold of 5.0% as provided by the Office of Finance. The decrease in this ratio was driven by the increase in total operating expenses as previously discussed.

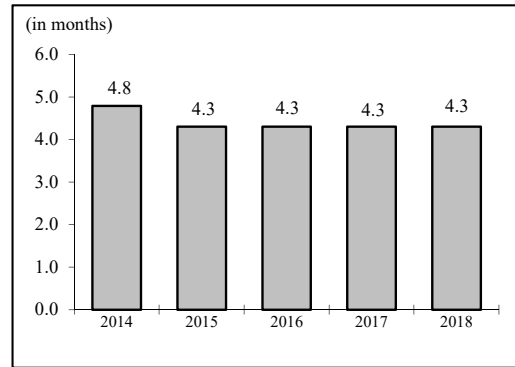
**The University of Texas Health Science Center at Houston  
2018 Summary of Financial Condition**

Financial Condition: **Satisfactory**

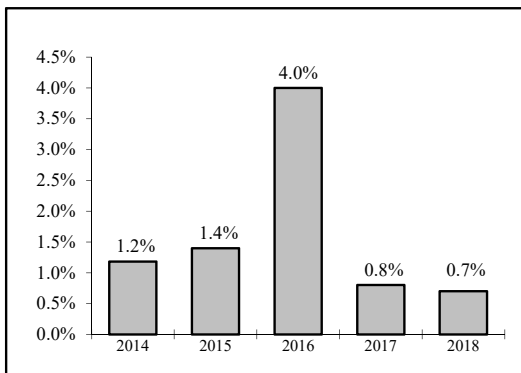
**Overall Scorecard Rating**



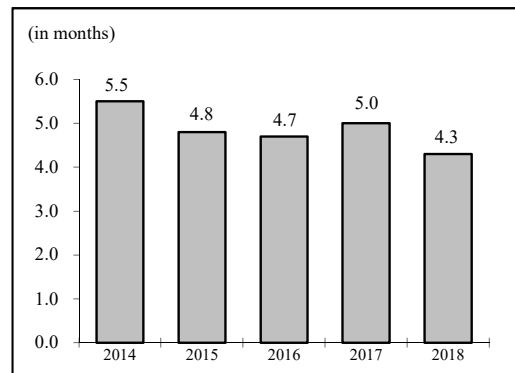
**Operating Expense Coverage**



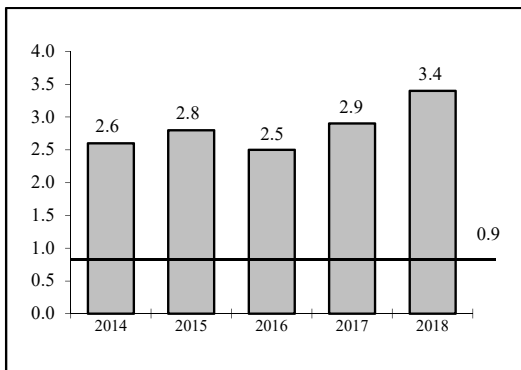
**Annual Operating Margin**



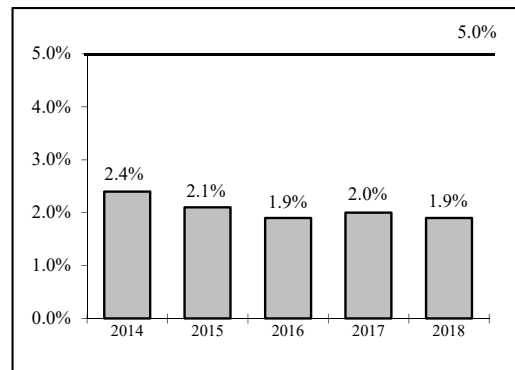
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



**Debt Service to Operations**



Note: FY 2017 was restated for the implementation of GASB 81.

## **The University of Texas Health Science Center at Houston 2018 Summary of Financial Condition**

*Operating Expense Coverage Ratio* - UTHSC-Houston's operating expense coverage ratio remained unchanged at 4.3 months in 2018. The stability of this ratio was attributable to the growth in total unrestricted net position of \$21.8 million offset by the growth in total operating expenses (including interest expense) of \$74.6 million. The increase in total unrestricted net position was primarily due to activity in educational and general funds, as well as additions to funds functioning as endowments-unrestricted. Total operating expenses increased primarily due to the following: a \$62.1 million increase in salaries and wages and payroll related costs resulting from additional full-time equivalents hired to accommodate the continued growth of the physician practice plan and the increased benefits associated with the increase in workforce; a \$5.8 million increase in materials and supplies related to noncapitalized expenses incurred to remediate, recover and restore buildings to pre-disaster condition as a result of Hurricane *Harvey*, as well as increased expenses for pharmaceutical and medical supplies in the physician practice plan; a \$3.4 million increase in repairs and maintenance driven by increased maintenance and license fees for the electronic medical records system for the physician practice plan, combined with repairs of clinics related to Hurricane *Harvey* damage; a \$2.6 million increase in rentals and leases largely due to increased rental rates related to UT Physicians clinics; a \$2.3 million increase in depreciation and amortization due to various building renovations/additions placed into service in 2018; and a \$2.2 million increase in insurance costs/premiums attributable to claims filed in the self-insured health plan of the blended component unit.

*Annual Operating Margin Ratio* - UTHSC-Houston's annual operating margin ratio decreased slightly from 0.8% for 2017 to 0.7% for 2018 as the growth in total operating expenses (including interest expense) of \$74.6 million, as discussed above, slightly exceeded the growth in total operating revenues of \$74.5 million. The increase in total operating revenues was primarily due to the following: a \$24.7 million increase in sponsored programs revenue (including nonexchange sponsored programs) mostly as a result of expanded contracted services with teaching partners Memorial Hermann Hospital System and Harris County Hospital District; an \$18.3 million increase in net professional fees driven by increased volumes resulting from the growth in the physician practice plan, increased faculty productivity, and an improved physician revenue cycle process; a \$17.5 million increase in other operating revenues primarily due to an increase in Delivery System Reform Incentive Payments; a \$6.6 million increase in net investment income (excluding realized gains and losses); and a \$4.2 million increase in gifts for operations as a result of new pledges recorded in 2018.

*Cash on Hand Ratio* - UTHSC-Houston's cash on hand ratio decreased from 5.0 months in 2017 to 4.3 months in 2018 primarily due to a decrease in unrestricted funds invested in the Intermediate Term Fund (ITF) of \$56.9 million, combined with the increase in total operating expenses as discussed above. UTHSC-Houston transferred funds from the ITF to establish new endowments, the UTHealth Academic Excellence Fund and UTHealth Clinical Excellence Fund. Additionally, UTHSC-Houston invested \$10.0 million in the Long-term Fund in 2018.

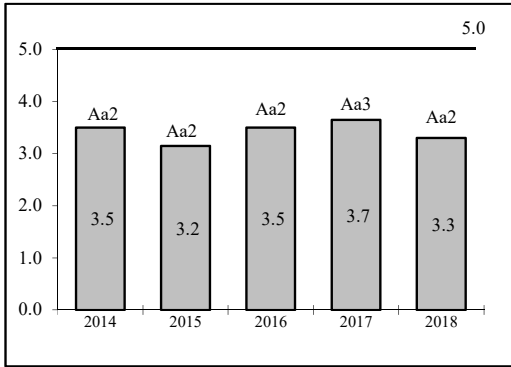
*Spendable Cash & Investments to Total Debt Ratio* - UTHSC-Houston's spendable cash and investments to total debt ratio increased from 2.9 times in 2017 to 3.4 times in 2018 and exceeded the minimum threshold of 0.9 times as provided by the Office of Finance. The increase in this ratio was mostly attributable to the growth in total cash and cash equivalents and investments (net of total nonexpendable net position) of \$87.1 million. A decrease of \$11.8 million in the amount of debt outstanding also contributed to the increase in this ratio.

*Debt Service to Operations Ratio* - UTHSC-Houston's debt service to operations ratio decreased slightly from 2.0% in 2017 to 1.9% in 2018 and remained well below the maximum threshold of 5.0% as provided by the Office of Finance. The decrease in this ratio was a result of the increase in total operating expenses as previously discussed.

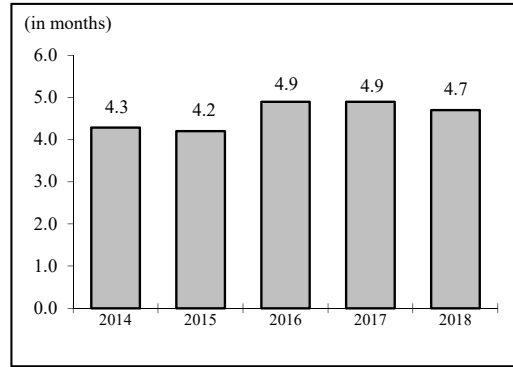
**The University of Texas Health Science Center at San Antonio  
2018 Summary of Financial Condition**

Financial Condition: **Satisfactory**

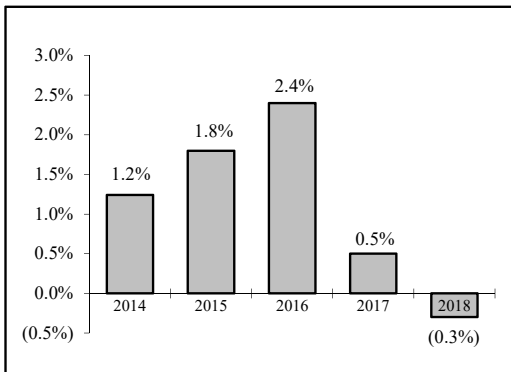
**Overall Scorecard Rating**



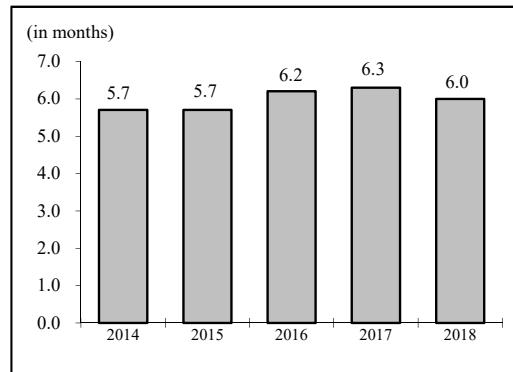
**Operating Expense Coverage**



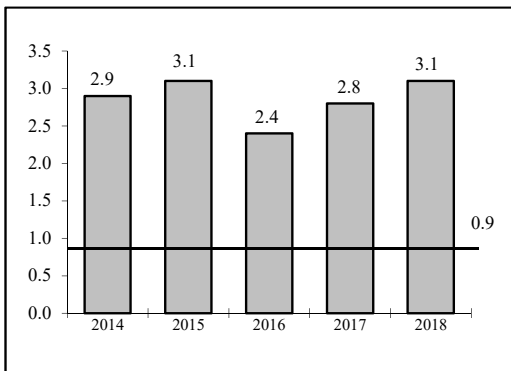
**Annual Operating Margin**



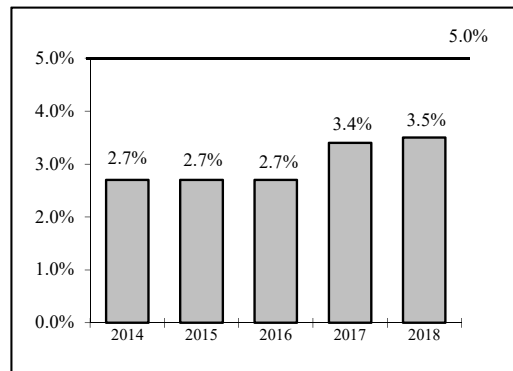
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



**Debt Service to Operations**



Note: FY 2017 was restated for the implementation of GASB 81.



## **The University of Texas Health Science Center at San Antonio 2018 Summary of Financial Condition**

*Operating Expense Coverage Ratio* - UTHSC-San Antonio's operating expense coverage ratio decreased from 4.9 months in 2017 to 4.7 months in 2018 due to the growth in total operating expenses (including interest expense) of \$33.6 million. The increase in total operating expenses, discussed in detail below, was largely due to investments associated with the expansion of primary and cancer care, quality and population health strategies, clinical research across medicine, cancer and Alzheimer's, and targeted recruitment efforts.

*Annual Operating Margin Ratio* - UTHSC-San Antonio's annual operating margin ratio declined from 0.5% for 2017 to (0.3%) for 2018 as the growth in total operating expenses (including interest expense) of \$33.6 million surpassed the growth in total operating revenues of \$26.2 million. The increase in total operating expenses was primarily attributable to the following: a \$26.0 million increase in salaries and wages and payroll related costs as a result of clinical expansion and targeted recruitment efforts in nephrology, diabetes, and cancer, combined with a 2.0% merit increase for all non-faculty employees; a net \$13.1 million increase in materials and supplies and cost of goods sold related to drug supplies from growth in the Cancer Center and the South Texas Comprehensive Hemophilia Center, as well as laboratory supplies associated with increased research activities; and a \$3.3 million increase in professional fees and services for marketing, branding and promotional expenses throughout the institution, as well as consulting engagements targeted at organizational effectiveness, clinical operations and strategic growth, and consulting services related to improving clinical trials. These increases in expenses were partially offset by a decrease of \$7.8 million in other contracted services primarily due to less expenses for the South Texas activities related to the Delivery System Reform Incentive Payment (DSRIP) as part of the Medicaid Section 1115 Demonstration Waiver as programs transitioned to U.T. Rio Grande Valley, and a decrease of \$2.6 million in royalty payment distributions made in the prior year with no similar royalties distributed in 2018.

The increase in total operating revenues was primarily attributable to the following: a \$24.7 million increase in net professional fees driven by fully operational UT Health Physician sites from recent clinical expansions; a \$14.5 million increase in sponsored programs revenue (including nonexchange sponsored programs) mostly related to enhanced clinical contracts with University Health System and an increase in grant activity from the Cancer Prevention Research Institute of Texas; a \$7.4 million increase in net sales and services of educational activities due to increased outreach support efforts by the Pediatrics' South Texas Comprehensive Hemophilia Center, increased gene sequencing services provided to external customers by the Greehey Children's Cancer Research Institute, and increased registration collections for the 40th Annual San Antonio Breast Cancer Symposium; and a \$6.0 million increase in other operating revenues from new DSRIP 2.0 funding. These increases in operating revenues were partially offset by a decrease of \$23.3 million in gifts for operations from the San Antonio Cancer Foundation (formerly Cancer Therapy Research Center) and a pledge from the Long Foundation which were both received in the prior year. 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 \$0.8 million from U. T. Rio Grande Valley to UTHSC-San Antonio is included in operating revenues for purposes of this analysis.

*Cash on Hand Ratio* - UTHSC-San Antonio's cash on hand ratio decreased from 6.3 months in 2017 to 6.0 months in 2018 due to a decrease in the amount of unrestricted funds invested in the Intermediate Term Fund (ITF) combined with the increase in total operating expenses as discussed above.

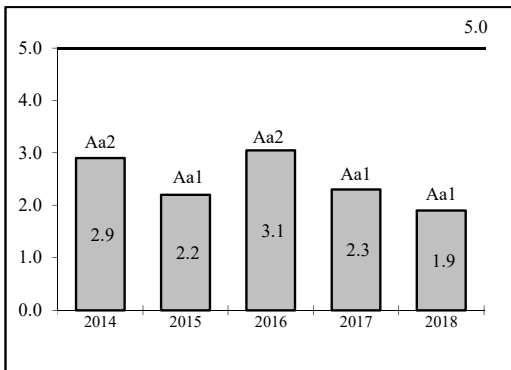
*Spendable Cash & Investments to Total Debt Ratio* - UTHSC-San Antonio's spendable cash and investments to total debt ratio increased from 2.8 times in 2017 to 3.1 times in 2018 and exceeded the minimum threshold of 0.9 times as provided by the Office of Finance. The increase in this ratio was attributable to both the growth in total cash and cash equivalents and investments (net of total nonexpendable net position) of \$21.6 million and a decrease of \$19.1 million in the amount of debt outstanding.

*Debt Service to Operations Ratio* - UTHSC-San Antonio's debt service to operations ratio increased slightly from 3.4% in 2017 to 3.5% in 2018 and remained below the maximum threshold of 5.0% as provided by the Office of Finance. The increase in this ratio was a result of the increase in debt service payments of \$2.1 million due to a full year of payment for the Professional Administrative Resource Center and UT Health Physicians Hill Country ambulatory facilities.

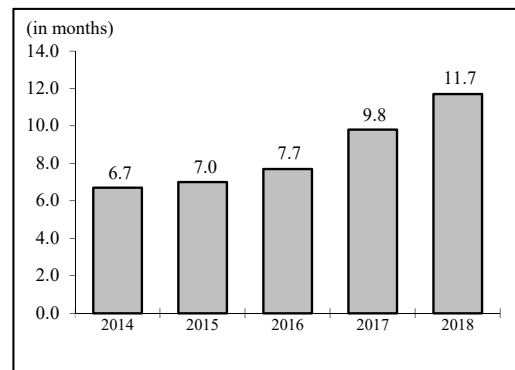
**The University of Texas M. D. Anderson Cancer Center  
2018 Summary of Financial Condition**

Financial Condition: **Satisfactory**

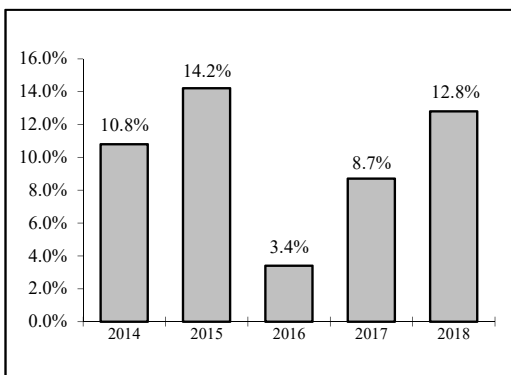
**Overall Scorecard Rating**



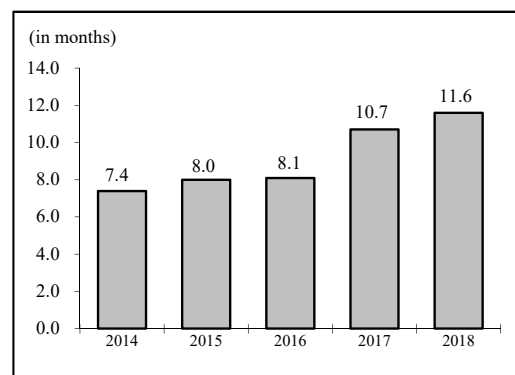
**Operating Expense Coverage**



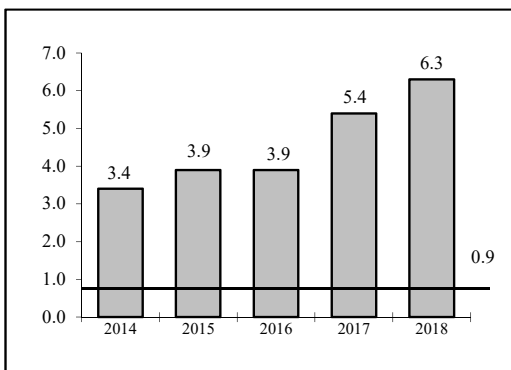
**Annual Operating Margin**



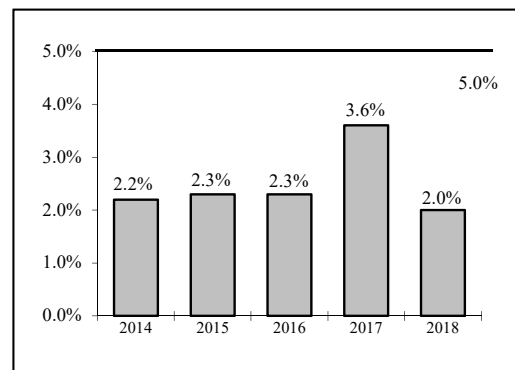
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



**Debt Service to Operations**



Note: FY 2017 was restated for the implementation of GASB 81.

**The University of Texas M. D. Anderson Cancer Center**  
**2018 Summary of Financial Condition**

*Operating Expense Coverage Ratio* - M. D. Anderson's operating expense coverage ratio increased from 9.8 months in 2017 to 11.7 months in 2018 due to the growth in total unrestricted net position of \$831.9 million. The increase in total unrestricted net position was primarily attributable to the following: a new unrestricted investment in the Long-term Fund (LTF) of approximately \$500.0 million in educational and general funds; an increase in patient care support in designated funds; and an increase in unrestricted funding for capital projects in unexpended plant funds.

*Annual Operating Margin Ratio* - M. D. Anderson's annual operating margin ratio increased from 8.7% for 2017 to 12.8% for 2018 as the growth in total operating revenues of \$377.8 million far exceeded the growth in total operating expenses (including interest expense) of \$135.7 million. The increase in total operating revenues was primarily due to the following: a \$341.5 million increase in net sales and services of hospitals driven by increased inpatient and outpatient volumes; a \$32.7 million increase in net investment income (excluding realized gains and losses); a \$19.0 million increase in sponsored programs revenue (including nonexchange sponsored programs) as a result of 159 new research projects awarded by the National Institutes of Health, including awards under the newly established Beau Biden Cancer Moon Shots program; and an \$8.3 million increase in other operating revenues generated by revenue from the U. T. System Supply Alliance and increased revenue from the Delivery System Reform Incentive Payment (DSRIP) activities associated with the Medicaid Section 1115 Demonstration. These increases in operating revenues were partially offset by the following: a decrease of \$12.0 million in net professional fees as a result of increases in the discounts netted against professional fees, which was primarily related to a year-end adjustment to accounts receivable; and a \$12.0 million decrease in gifts for operations.

The increase in total operating expenses was primarily due to the following: a \$104.0 million increase in materials and supplies driven by an increase in patient chargeable drugs directly related to increased volumes, as well as an increase in pharmacy costs for drug expenses associated with Yescarta/Kymriah (CAR-T); a \$56.5 million increase in salaries and wages and payroll related costs resulting from merit increases; a \$13.0 million increase in other contracted services mostly due to purchased services in Thoracic Head and Neck Research and Clinical Nutrition departments, as well as increased expenses for advertising and administrative fees for the U. T. System Supply Chain Alliance; and a \$4.8 million increase in travel attributable to an overall increase in both domestic and foreign travel as travel expenses were restricted in 2017. These increases in operating expenses were partially offset by the following: a \$26.5 million decrease in impairment of capital assets as M. D. Anderson wrote-off a portion of the Oncology Expert Advisor Project in 2017 and there was no such impairment in 2018; a \$12.6 million decrease in depreciation and amortization due to several assets that were in their final year of depreciation in 2017 causing depreciation expense to decrease in 2018; a \$3.0 million decrease in fees and other charges as a result of a reduction in collection agency fees, the lack of Legacy collections for both insurance recovery and self-pay bad debt in 2018, an early termination fee paid to Elekta in the prior year for purchased oncology products, and a decrease in credit card bank fees; and a \$2.7 million decrease in interest expense on capital asset financings.

*Cash on Hand Ratio* - M. D. Anderson's cash on hand ratio increased from 10.7 months in 2017 to 11.6 months in 2018 due to an increase the Intermediate Term Fund (ITF) unrestricted balances of \$620.0 million. The increase in the ITF was attributable to additional funds invested in the ITF in 2018, combined with the market appreciation on those funds.

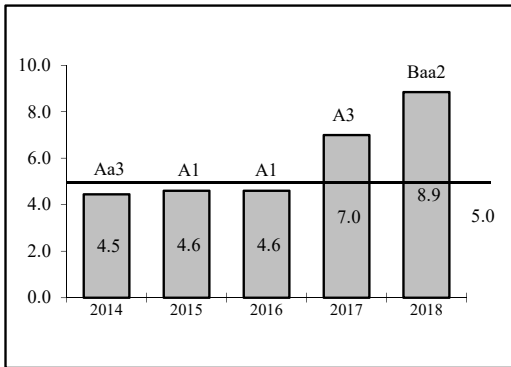
*Spendable Cash & Investments to Total Debt Ratio* - M. D. Anderson's spendable cash and investments to total debt ratio increased from 5.4 times in 2017 to 6.3 times in 2018 and remained well above the minimum threshold of 0.9 times as provided by the Office of Finance. The increase in this ratio resulted from the growth in total cash and cash equivalents and investments (net of total nonexpendable net position) of \$1.0 billion.

*Debt Service to Operations Ratio* - M. D. Anderson's debt service to operations ratio decreased from 3.6% in 2017 to 2.0% in 2018 and was below the maximum threshold of 5.0% as provided by the Office of Finance. The decrease in this ratio was due to a decrease in debt service payments of \$68.8 million combined with the growth in total operating expenses as discussed above.

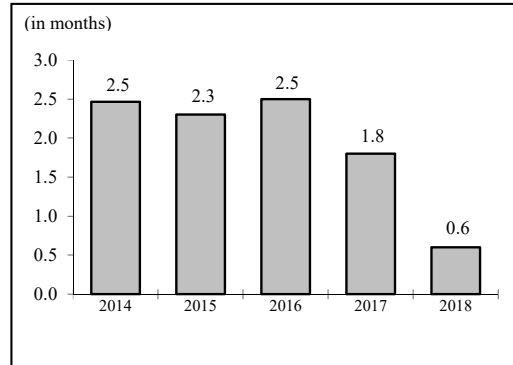
**The University of Texas Health Science Center at Tyler  
2018 Summary of Financial Condition**

Financial Condition: **Watch**

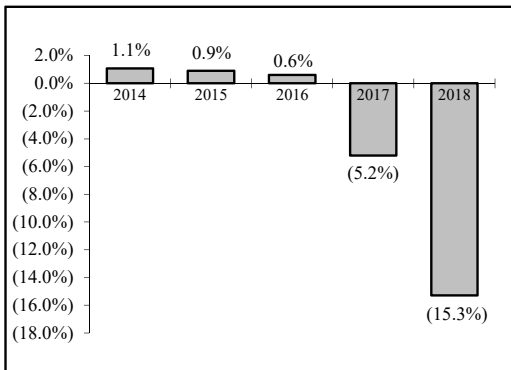
**Overall Scorecard Rating**



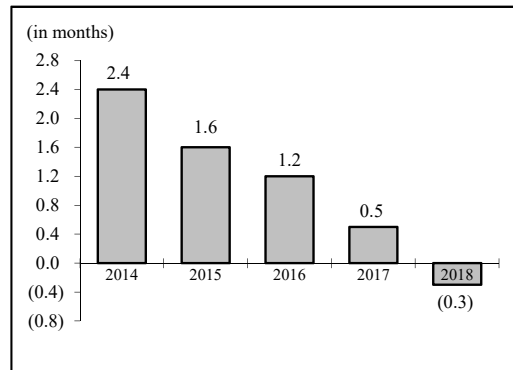
**Operating Expense Coverage**



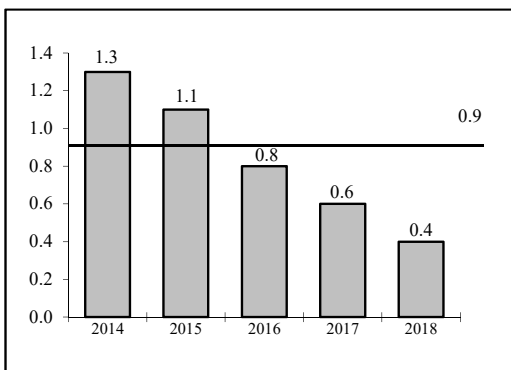
**Annual Operating Margin**



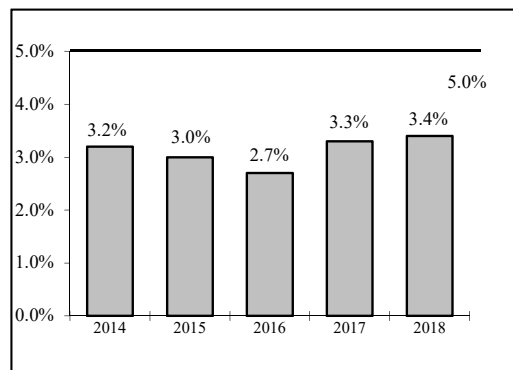
**Cash on Hand**



**Spendable Cash & Investments  
to Total Debt**



**Debt Service to Operations**



Note: FY 2017 was restated for the implementation of GASB 81.

## **The University of Texas Health Science Center at Tyler 2018 Summary of Financial Condition**

*Operating Expense Coverage Ratio* - UTHSC-Tyler's operating expense coverage ratio decreased from 1.8 months in 2017 to 0.6 months in 2018 due to a reduction in total unrestricted net position of \$20.1 million combined with an increase in total operating expenses (including interest expense) of \$16.2 million. The decrease in total unrestricted net position was primarily attributable to the high one-time costs of entering into the new UT Health East Texas joint venture with AHS East Texas Health System, LLC and significant workforce restructuring costs incurred in 2018. The increase in total operating expenses was directly related to the decrease in unrestricted net position: there was a \$7.1 million increase in professional fees and services driven by one-time consulting and legal expenses related to the entrance into the UT Health East Texas joint venture; a \$5.1 million increase in salaries and wages and payroll related costs attributable to a larger employee base in the earlier part of the year followed by lump-sum payments associated with both voluntary and involuntary separation incentive programs to reduce the number of employees; a \$3.4 million increase in materials and supplies generated by increased medical supplies expense, predominately for oncology drug purchases associated with the growth in Cancer Center services, as well as noncapitalized furniture and supplies for recently completed space renovations; a \$1.3 million increase in other contracted services related to expenses for grant funds and expenses related to Delivery System Reform Incentive Payments (DSRIP) program subcontracts to carry out program objectives; and a \$1.3 million increase in depreciation and amortization expense due to buildings, building improvements and new software systems placed into service in 2018.

*Annual Operating Margin Ratio* - UTHSC-Tyler's annual operating margin ratio dropped from (5.2%) for 2017 to (15.3%) for 2018 as total operating expenses (including interest expense) grew by \$16.2 million, as discussed above, while total operating revenues decreased by \$3.5 million. The decrease in total operating revenues was primarily attributable to a decrease in state appropriations of \$3.3 million (including the tuition revenue bond supplemental funding received in 2017).

It is important to note the sizeable impact net DSRIP had on UTHSC-Tyler's operating results. UTHSC-Tyler recognized \$11.0 million of net DSRIP revenue in 2018 as compared to \$12.0 million in 2017. If the net DSRIP revenue had not been recognized in 2018, then UTHSC-Tyler's annual operating margin would have been (\$41.1) million or (23.2%). Participation in the UT Health East Texas joint venture, including the contributed operations of the DSRIP program, is designed to pave a path toward lesser reliance on DSRIP revenue and provide greater diversification of clinical operations revenue streams as part of a larger hospital system.

*Cash on Hand Ratio* - UTHSC-Tyler's cash on hand ratio decreased from 0.5 months in 2017 to (0.3) months in 2018. The U. T. System Board of Regents approved a \$35.0 million internal line of credit to UTHSC-Tyler, implemented as a cash overdraft arrangement to support the high one-time expenses and workforce restructuring initiatives associated with the UT Health East Texas joint venture. Thus, UTHSC-Tyler's unrestricted cash and cash equivalents were negative at year-end. Additionally, UTHSC-Tyler sold all investments in the Intermediate Term Fund in 2018. These factors resulted in negative cash on hand in 2018.

*Spendable Cash & Investments to Total Debt Ratio* - UTHSC-Tyler's spendable cash and investments to total debt ratio decreased from 0.6 times in 2017 to 0.4 times in 2018 and was below the minimum threshold of 0.9 times as provided by the Office of Finance. The decrease in this ratio was the result of a decrease in total cash and cash equivalents and investments (net of total nonexpendable net position) of \$11.6 million. The reductions in cash and cash equivalents and investments is discussed in the cash on hand ratio above.

*Debt Service to Operations Ratio* - UTHSC-Tyler's debt service to operations ratio increased slightly from 3.3% in 2017 to 3.4% in 2018 due to an increase in debt service payments of \$0.7 million. This ratio was below the maximum threshold of 5.0% as provided by the Office of Finance.

## Appendix A - Definitions of Evaluation Factors

1. **Overall Scorecard Rating** – The Overall Scorecard Rating has four broad factors.

- 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 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 rating. See Appendix B for each institution’s calculation. The maximum scorecard rating is 5.0.

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

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

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

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

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.

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

5. **Spendable Cash & 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.

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

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%.

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

7. **Full-Time Equivalent (FTE) Student Enrollment** (academic institutions only) - 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. Medical students are excluded because course numbers do not include a credit hour value.

## 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. The Office of Finance uses the 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%. The Office of Finance has established a maximum standard of 5.0 for the overall scorecard rating. 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 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 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 Overall Scorecard Rating  
Academic Institutions  
As of August 31, 2018**

<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%	655.11	Aa	0.45
Annual Change in Operating Revenues	5%	0.71%	Ba	0.60
<i>Total Weighted Market Profile</i>				<u>1.05</u>
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	16.62%	Aa	0.60
Max. Single Revenue Contribution	10%	55.32%	A	0.60
<i>Total Weighted Operating Performance</i>				<u>1.20</u>
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	703.82	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	1.00	Aa	0.30
Monthly Days Cash on Hand (in days)	5%	356.60	Aaa	0.05
<i>Total Weighted Wealth &amp; Liquidity</i>				<u>0.80</u>
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	1.73	Aa	0.30
Total Debt to Cash Flow	10%	3.22	Aaa	0.10
<i>Total Weighted Leverage</i>				<u>0.40</u>
<b>U. T. Arlington - Overall Rating &amp; Numeric Score</b>			<b>Aa2</b>	<b>3.5</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%	2,863.68	Aaa	0.15
Annual Change in Operating Revenues	5%	4.92%	A	0.30
<i>Total Weighted Market Profile</i>				<u>0.45</u>
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	17.03%	Aa	0.60
Max. Single Revenue Contribution	10%	28.91%	Aaa	0.10
<i>Total Weighted Operating Performance</i>				<u>0.70</u>
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	6,020.34	Aaa	0.15
Spendable Cash & Inv. to Operating Exp.	10%	1.45	Aaa	0.10
Monthly Days Cash on Hand (in days)	5%	210.11	Aa	0.15
<i>Total Weighted Wealth &amp; Liquidity</i>				<u>0.40</u>
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	2.31	Aa	0.30
Total Debt to Cash Flow	10%	3.53	Aaa	0.10
<i>Total Weighted Leverage</i>				<u>0.40</u>
<b>U. T. Austin - Overall Rating &amp; Numeric Score</b>			<b>Aa1</b>	<b>2.0</b>



**Appendix B - Calculation of Overall Scorecard Rating  
Academic Institutions  
As of August 31, 2018**

<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%	607.75	Aa	0.45
Annual Change in Operating Revenues	5%	2.86%	Baa	0.45
<i>Total Weighted Market Profile</i>				0.90
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	14.18%	Aa	0.60
Max. Single Revenue Contribution	10%	58.79%	A	0.60
<i>Total Weighted Operating Performance</i>				1.20
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	849.85	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.91	Aa	0.30
Monthly Days Cash on Hand (in days)	5%	183.98	Aa	0.15
<i>Total Weighted Wealth &amp; Liquidity</i>				0.90
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	0.86	Aa	0.30
Total Debt to Cash Flow	10%	7.74	Aa	0.30
<i>Total Weighted Leverage</i>				0.60
<b>U. T. Dallas - Overall Rating &amp; Numeric Score</b>			<b>Aa3</b>	<b>3.6</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%	395.70	A	0.90
Annual Change in Operating Revenues	5%	5.77%	A	0.30
<i>Total Weighted Market Profile</i>				1.20
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	10.96%	A	1.20
Max. Single Revenue Contribution	10%	40.74%	Aa	0.30
<i>Total Weighted Operating Performance</i>				1.50
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	415.37	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.72	Aa	0.30
Monthly Days Cash on Hand (in days)	5%	105.93	A	0.30
<i>Total Weighted Wealth &amp; Liquidity</i>				1.05
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	1.13	Aa	0.30
Total Debt to Cash Flow	10%	5.79	Aa	0.30
<i>Total Weighted Leverage</i>				0.60
<b>U. T. El Paso - Overall Rating &amp; Numeric Score</b>			<b>Aa3</b>	<b>4.4</b>

**Appendix B - Calculation of Overall Scorecard Rating  
Academic Institutions  
As of August 31, 2018**

<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%	116.65	A	0.90
Annual Change in Operating Revenues	5%	27.09%	Aaa	0.05
<i>Total Weighted Market Profile</i>				0.95
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	37.16%	Aaa	0.20
Max. Single Revenue Contribution	10%	36.15%	Aa	0.30
<i>Total Weighted Operating Performance</i>				0.50
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	76.10	A	0.90
Spendable Cash & Inv. to Operating Exp.	10%	0.44	A	0.60
Monthly Days Cash on Hand (in days)	5%	86.36	A	0.30
<i>Total Weighted Wealth &amp; Liquidity</i>				1.80
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	0.25	A	0.60
Total Debt to Cash Flow	10%	3.92	Aaa	0.10
<i>Total Weighted Leverage</i>				0.70
<b>U. T. Permian Basin - Overall Rating &amp; Numeric Score</b>			<b>Aa3</b>	<b>4.0</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%	443.99	Aa	0.45
Annual Change in Operating Revenues	5%	-0.11%	B	0.75
<i>Total Weighted Market Profile</i>				1.20
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	9.05%	A	1.20
Max. Single Revenue Contribution	10%	32.25%	Aaa	0.10
<i>Total Weighted Operating Performance</i>				1.30
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	247.31	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.49	A	0.60
Monthly Days Cash on Hand (in days)	5%	162.87	Aa	0.15
<i>Total Weighted Wealth &amp; Liquidity</i>				1.20
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	1.40	Aa	0.30
Total Debt to Cash Flow	10%	3.92	Aaa	0.10
<i>Total Weighted Leverage</i>				0.40
<b>U. T. Rio Grande Valley - Overall Rating &amp; Numeric Score</b>			<b>Aa3</b>	<b>4.1</b>

**Appendix B - Calculation of Overall Scorecard Rating  
Academic Institutions  
As of August 31, 2018**

<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%	518.52	Aa	0.45
Annual Change in Operating Revenues	5%	4.43%	A	0.30
<i>Total Weighted Market Profile</i>				0.75
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	14.65%	Aa	0.60
Max. Single Revenue Contribution	10%	48.18%	Aa	0.30
<i>Total Weighted Operating Performance</i>				0.90
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	507.13	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.78	Aa	0.30
Monthly Days Cash on Hand (in days)	5%	238.70	Aa	0.15
<i>Total Weighted Wealth &amp; Liquidity</i>				0.90
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	1.20	Aa	0.30
Total Debt to Cash Flow	10%	4.31	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>3.2</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%	144.40	A	0.90
Annual Change in Operating Revenues	5%	3.80%	Baa	0.45
<i>Total Weighted Market Profile</i>				1.35
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	15.51%	Aa	0.60
Max. Single Revenue Contribution	10%	42.36%	Aa	0.30
<i>Total Weighted Operating Performance</i>				0.90
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	159.29	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.82	Aa	0.30
Monthly Days Cash on Hand (in days)	5%	208.15	Aa	0.15
<i>Total Weighted Wealth &amp; Liquidity</i>				0.90
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	0.80	Aa	0.30
Total Debt to Cash Flow	10%	6.53	Aa	0.30
<i>Total Weighted Leverage</i>				0.60
<b>U. T. Tyler - Overall Rating &amp; Numeric Score</b>			<b>Aa3</b>	<b>3.8</b>

**Appendix B - Calculation of Overall Scorecard Rating**  
**Health Institutions**  
**As of August 31, 2018**

<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%	3,120.02	Aaa	0.15
Annual Change in Operating Revenues	5%	6.10%	Aa	0.15
<i>Total Weighted Market Profile</i>				<u>0.30</u>
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	11.43%	Aa	0.60
Max. Single Revenue Contribution	10%	41.93%	Aa	0.30
<i>Total Weighted Operating Performance</i>				<u>0.90</u>
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	3,049.27	Aaa	0.15
Spendable Cash & Inv. to Operating Exp.	10%	0.80	Aa	0.30
Monthly Days Cash on Hand (in days)	5%	154.71	Aa	0.15
<i>Total Weighted Wealth &amp; Liquidity</i>				<u>0.60</u>
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	2.09	Aa	0.30
Total Debt to Cash Flow	10%	3.19	Aaa	0.10
<i>Total Weighted Leverage</i>				<u>0.40</u>
<b>Southwestern - Overall Rating &amp; Numeric Score</b>			<b>Aa1</b>	<b>2.2</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%	2,131.86	Aa	0.45
Annual Change in Operating Revenues	5%	1.85%	Ba	0.60
<i>Total Weighted Market Profile</i>				<u>1.05</u>
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	8.24%	A	1.20
Max. Single Revenue Contribution	10%	56.03%	A	0.60
<i>Total Weighted Operating Performance</i>				<u>1.80</u>
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	1,148.03	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.38	A	0.60
Monthly Days Cash on Hand (in days)	5%	93.60	A	0.30
<i>Total Weighted Wealth &amp; Liquidity</i>				<u>1.35</u>
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	1.05	Aa	0.30
Total Debt to Cash Flow	10%	4.46	Aa	0.30
<i>Total Weighted Leverage</i>				<u>0.60</u>
<b>UTMB - Overall Rating &amp; Numeric Score</b>			<b>A1</b>	<b>4.8</b>

**Appendix B - Calculation of Overall Scorecard Rating**  
**Health Institutions**  
**As of August 31, 2018**

<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%	1,669.69	Aa	0.45
Annual Change in Operating Revenues	5%	4.44%	A	0.30
<i>Total Weighted Market Profile</i>				<u>0.75</u>
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	5.32%	A	1.20
Max. Single Revenue Contribution	10%	26.14%	Aaa	0.10
<i>Total Weighted Operating Performance</i>				<u>1.30</u>
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	1,214.76	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.58	Aa	0.30
Monthly Days Cash on Hand (in days)	5%	132.21	A	0.30
<i>Total Weighted Wealth &amp; Liquidity</i>				<u>1.05</u>
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	3.37	Aaa	0.10
Total Debt to Cash Flow	10%	3.23	Aaa	0.10
<i>Total Weighted Leverage</i>				<u>0.20</u>
<b>UTHSC-Houston - Overall Rating &amp; Numeric Score</b>			<b>Aa2</b>	<b>3.3</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%	873.15	Aa	0.45
Annual Change in Operating Revenues	5%	3.47%	Baa	0.45
<i>Total Weighted Market Profile</i>				<u>0.90</u>
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	7.83%	A	1.20
Max. Single Revenue Contribution	10%	24.78%	Aaa	0.10
<i>Total Weighted Operating Performance</i>				<u>1.30</u>
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	1,110.63	Aa	0.45
Spendable Cash & Inv. to Operating Exp.	10%	0.83	Aa	0.30
Monthly Days Cash on Hand (in days)	5%	185.20	Aa	0.15
<i>Total Weighted Wealth &amp; Liquidity</i>				<u>0.90</u>
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	3.07	Aaa	0.10
Total Debt to Cash Flow	10%	3.43	Aaa	0.10
<i>Total Weighted Leverage</i>				<u>0.20</u>
<b>UTHSC-San Antonio - Overall Rating &amp; Numeric Score</b>			<b>Aa2</b>	<b>3.3</b>

**Appendix B - Calculation of Overall Scorecard Rating**  
**Health Institutions**  
**As of August 31, 2018**

<b>M. D. Anderson</b>	<b>Weight</b>	<b>Value</b>	<b>Rating</b>	<b>Weighted Scale</b>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	5,203.51	Aaa	0.15
Annual Change in Operating Revenues	5%	7.69%	Aa	0.15
<i>Total Weighted Market Profile</i>				<u>0.30</u>
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	21.77%	Aaa	0.20
Max. Single Revenue Contribution	10%	70.73%	Baa	0.90
<i>Total Weighted Operating Performance</i>				<u>1.10</u>
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	6,805.13	Aaa	0.15
Spendable Cash & Inv. to Operating Exp.	10%	1.31	Aaa	0.10
Monthly Days Cash on Hand (in days)	5%	355.06	Aaa	0.05
<i>Total Weighted Wealth &amp; Liquidity</i>				<u>0.30</u>
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	6.27	Aaa	0.10
Total Debt to Cash Flow	10%	0.82	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>1.9</b>
<b>UTHSC-Tyler</b>	<b>Weight</b>	<b>Value</b>	<b>Rating</b>	<b>Weighted Scale</b>
<i>Market Profile:</i>				
Operating Revenue (\$ in millions)	15%	196.57	A	0.90
Annual Change in Operating Revenues	5%	-1.78%	B	0.75
<i>Total Weighted Market Profile</i>				<u>1.65</u>
<i>Operating Performance:</i>				
Operating Cash Flow Margin	20%	-7.79%	C	3.60
Max. Single Revenue Contribution	10%	31.79%	Aaa	0.10
<i>Total Weighted Operating Performance</i>				<u>3.70</u>
<i>Wealth &amp; Liquidity:</i>				
Total Cash & Investments (\$ in millions)	15%	54.85	A	0.90
Spendable Cash & Inv. to Operating Exp.	10%	0.09	Baa	0.90
Monthly Days Cash on Hand (in days)	5%	(8.45)	D	1.00
<i>Total Weighted Wealth &amp; Liquidity</i>				<u>2.80</u>
<i>Leverage:</i>				
Spendable Cash & Inv. to Total Debt	10%	0.40	A	0.60
Total Debt to Cash Flow	10%	(3.44)	Aaa	0.10
<i>Total Weighted Leverage</i>				<u>0.70</u>
<b>UTHSC-Tyler - Overall Rating &amp; Numeric Score</b>			<b>Baa2</b>	<b>8.9</b>

**Appendix C - Scorecard Outcome Scale**

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

**Appendix D - Calculation of Annual Operating Margin  
Academic Institutions  
As of August 31, 2018  
(In Millions)**

Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Less: Nonoperating Items				Margin From SRECNP	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.	ILP Funds Transfer	Hazelwood & NRUF Transfers	Interest Expense	
U. T. Arlington	\$ 49.4	0.5	(3.7)	(0.3)	2.3	50.5	(0.5)	-	-	0.4	(12.0)	39.4
U. T. Austin	23.6	28.1	(45.2)	(21.7)	237.0	(174.7)	0.1	357.8	-	1.6	(62.7)	121.8
U. T. Dallas	25.0	3.6	(0.8)	(0.5)	34.2	(11.6)	2.0	6.2	-	8.0	(26.0)	(25.4)
U. T. El Paso	21.6	-	(1.6)	(0.5)	13.7	10.0	0.3	-	-	0.5	(9.0)	1.2
U. T. Permian Basin	27.2	0.6	-	(0.6)	1.9	25.3	0.2	-	1.6	0.0	(6.7)	19.9
U. T. Rio Grande Valley	(1.2)	-	(0.8)	-	2.4	(2.8)	-	0.7	-	0.5	(6.0)	(7.7)
U. T. San Antonio	33.4	10.1	(1.4)	-	3.2	21.5	2.9	-	0.4	1.6	(13.6)	7.1
U. T. Tyler	8.8	-	-	(0.1)	3.4	5.5	-	-	-	0.2	(4.5)	1.1

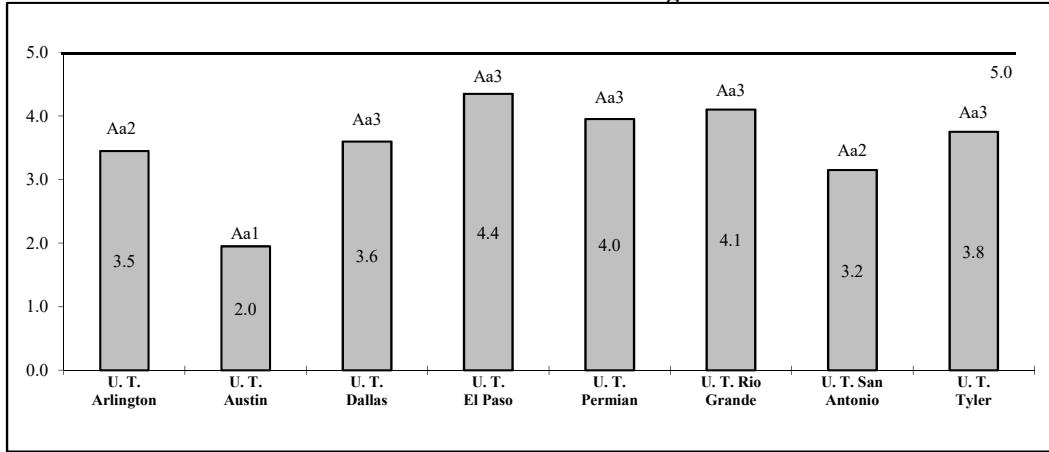


**Appendix D - Calculation of Annual Operating Margin  
Health Institutions  
As of August 31, 2018  
(In Millions)**

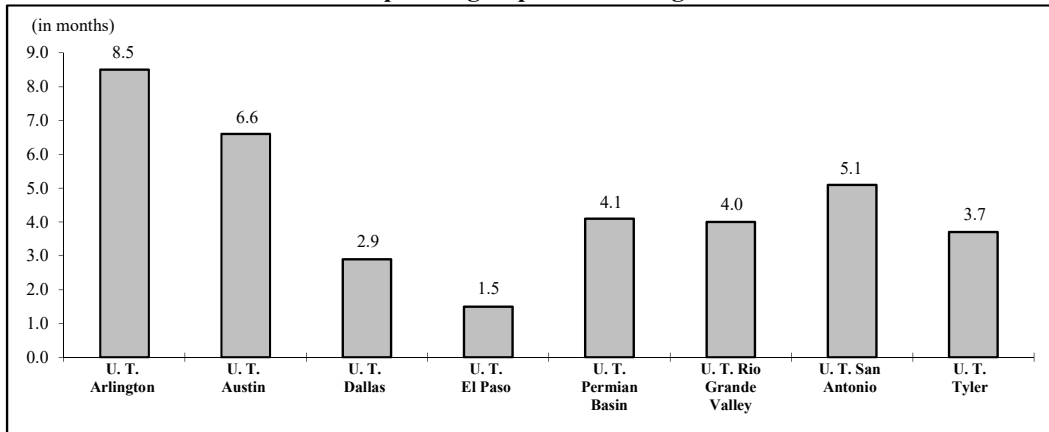
Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Less: Nonoperating Items				Margin From SRECNP	Other Adjustments				Annual Operating Margin
		Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.		Minus: Realized Gains/ (Losses)	Plus: GEF Transfer	Plus: Other	Plus: Interest Expense	
Southwestern	\$ 213.9	0.3	(7.8)	(3.2)	39.9	184.6	22.8	-	-	(33.1)	128.8
UTMB	60.2	12.3	(4.1)	(2.9)	26.8	28.2	0.7	-	0.1	(24.0)	3.5
UTHSC-Houston	38.5	-	(3.0)	(0.4)	10.6	31.3	10.4	-	1.5	(10.1)	12.2
UTHSC-San Antonio	26.6	-	(5.9)	(0.5)	26.1	6.8	2.0	-	0.9	(8.5)	(2.8)
M. D. Anderson	786.9	5.4	(3.9)	(0.5)	64.3	721.7	36.8	-	-	(31.6)	653.3
UTHSC-Tyler	(26.2)	-	-	(0.3)	2.4	(28.4)	0.4	-	0.2	(1.5)	(30.2)

**Appendix E - Academic Institutions' Evaluation Factors  
2018 Analysis of Financial Condition**

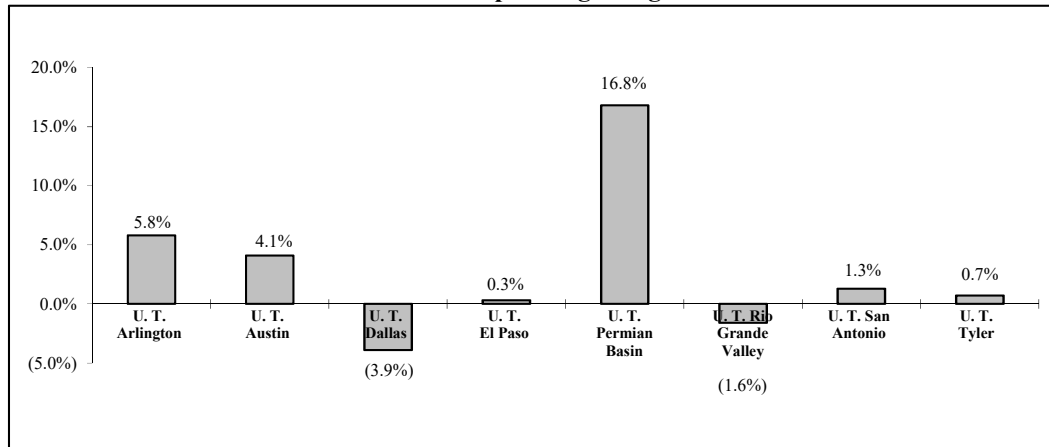
**Overall Scorecard Rating**



**Operating Expense Coverage**

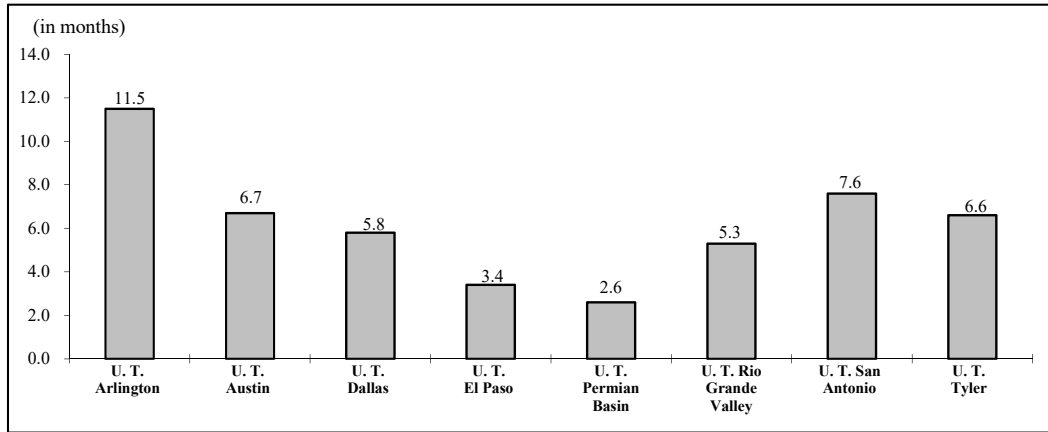


**Annual Operating Margin**

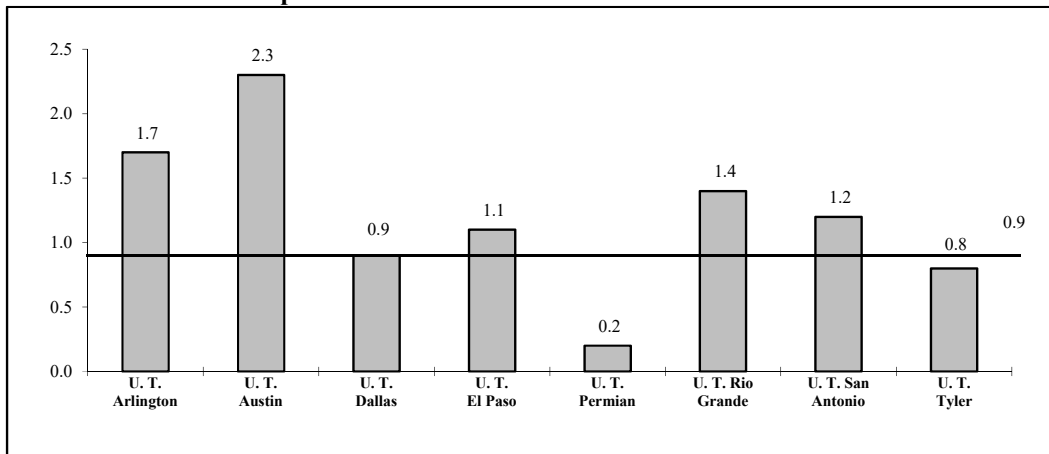


**Appendix E - Academic Institutions' Evaluation Factors  
2018 Analysis of Financial Condition**

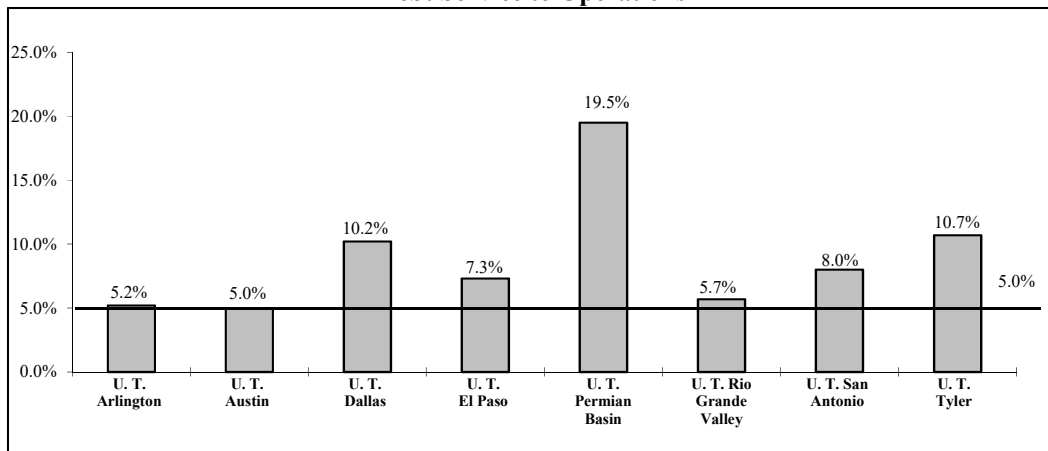
**Cash on Hand**



**Spendable Cash and Investments to Total Debt**

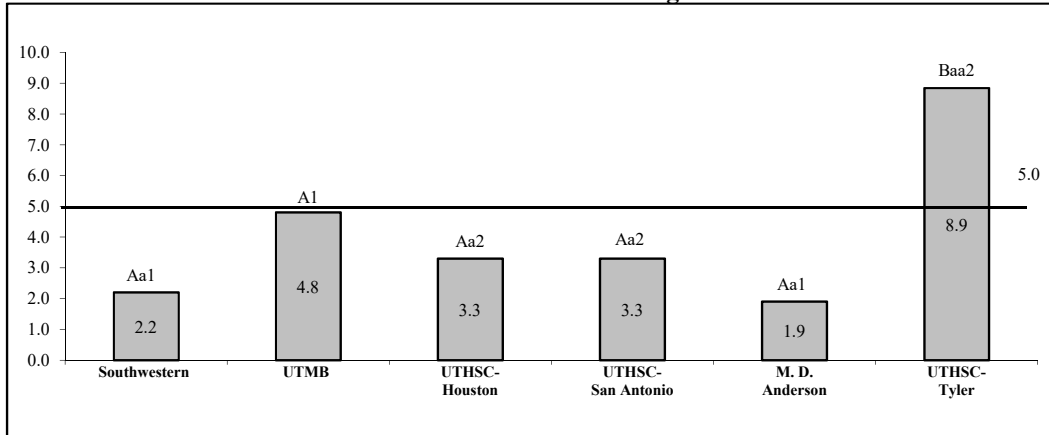


**Debt Service to Operations**

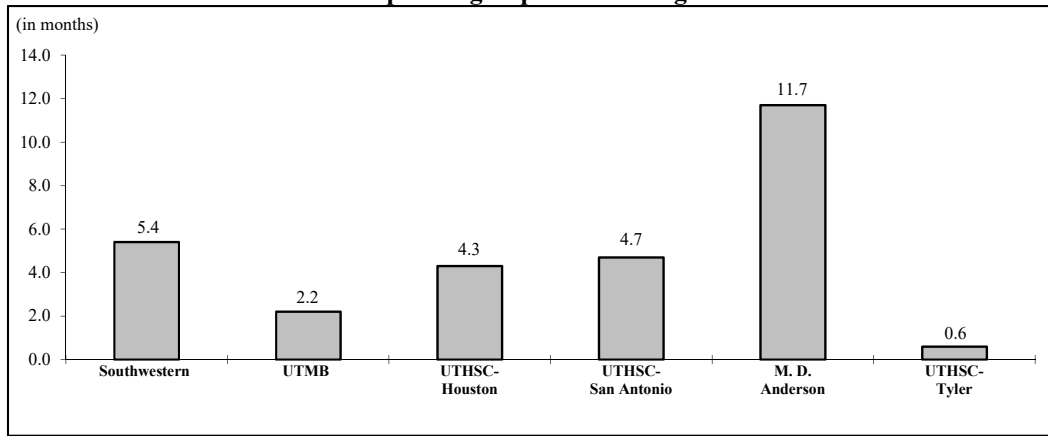


**Appendix E - Health Institutions' Evaluation Factors  
2018 Analysis of Financial Condition**

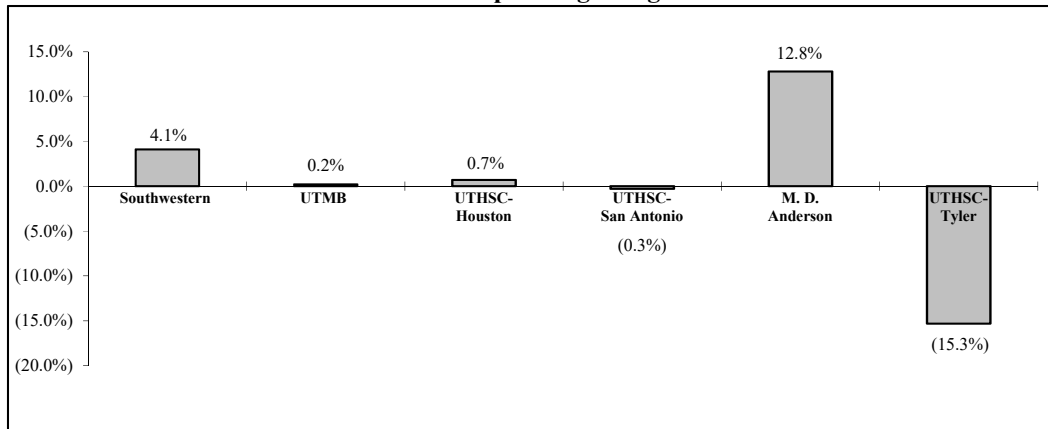
**Overall Scorecard Rating**



**Operating Expense Coverage**

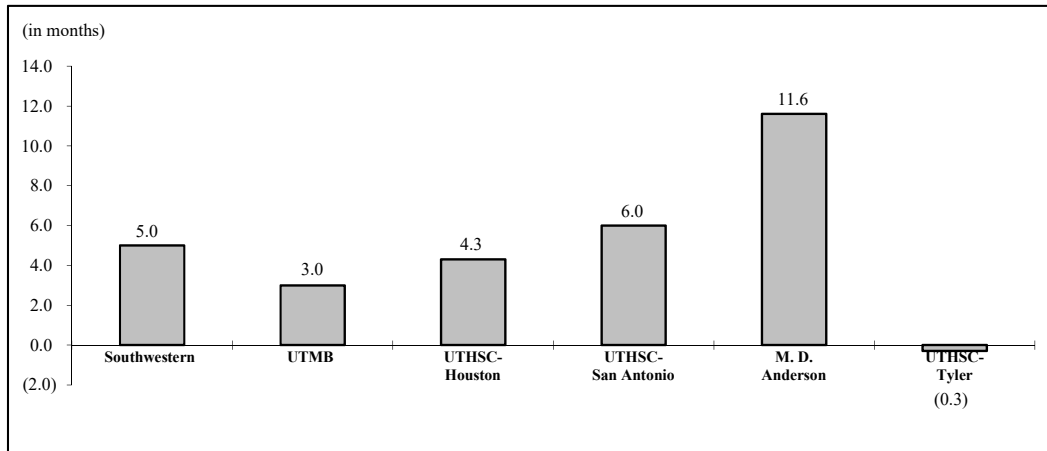


**Annual Operating Margin**

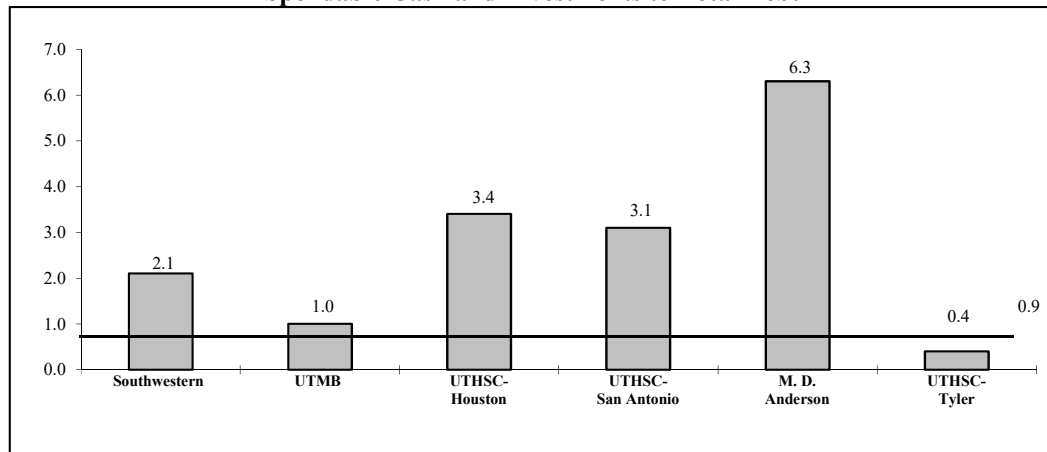


**Appendix E - Health Institutions' Evaluation Factors  
2018 Analysis of Financial Condition**

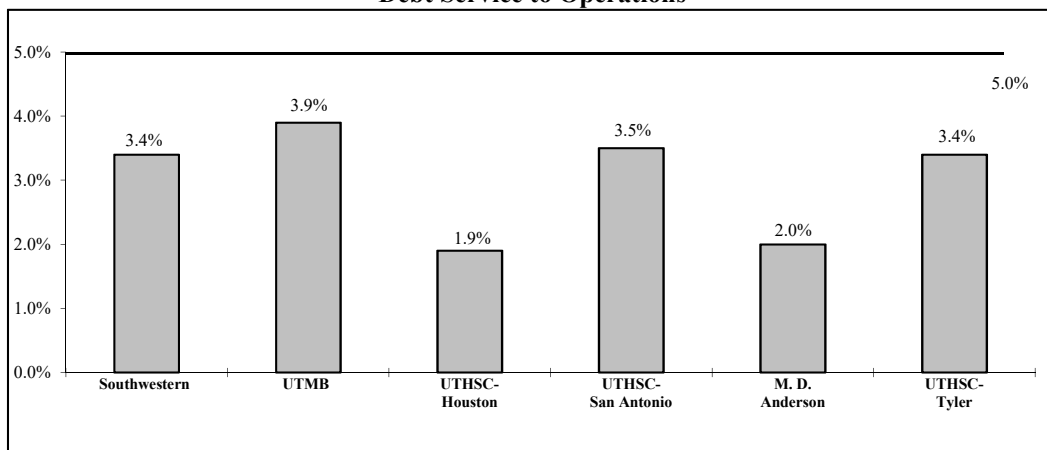
**Cash on Hand**



**Spendable Cash and Investments to Total Debt**

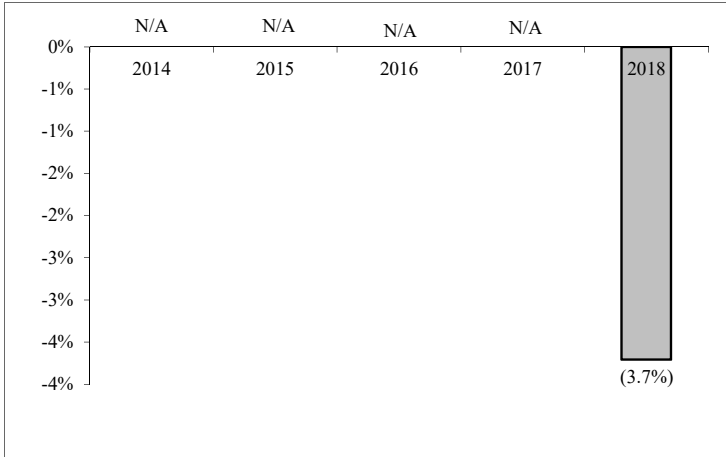


**Debt Service to Operations**



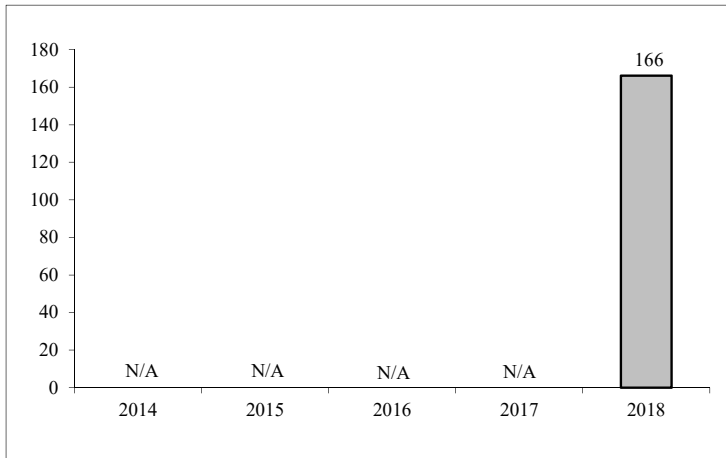
**Appendix F - Key MSRDP Operating Factors  
The University of Texas at Austin**

**Annual Operating Margin Ratio**



The physician practice plan became effective October 2017. The annual operating margin ratio of (3.7%) for 2018 was impacted by a number of challenges faced by a start-up faculty practice plan. The challenge of the lack of payor contracts at the commencement of the practice plan was the primary factor contributing to the unfavorable annual operating margin ratio.

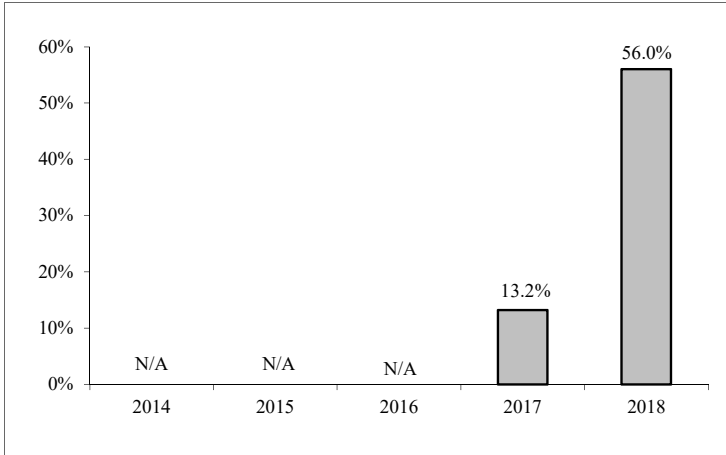
**Net Accounts Receivable (in days)**



Net accounts receivable of 166 days was driven by the inability to collect nearly 50% of the revenue base from the Community Care Collaborative (CCC), which did not pay until late in the year. The CCC contract was a new bundled payment value based contract and it took some time to set up an invoice process since this was not handled through normal claims processes.

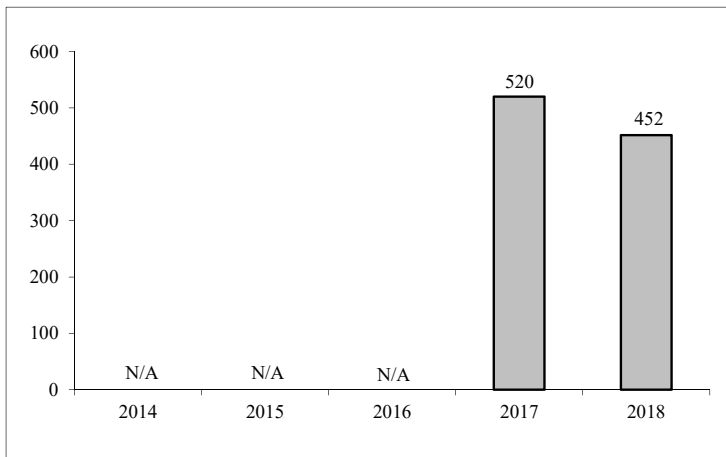
**Appendix F - Key MSRDP Operating Factors  
The University of Texas Rio Grande Valley**

**Annual Operating Margin Ratio**



The increase in the annual operating margin ratio from 13.2% for 2017 to 56.0% for 2018 resulted from a 90.0% increase in 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. Professional fees from the physician practice plan increased about 14.0%. While the physician practice plan experienced an increase in patient visits and billings as compared to 2017, these increases were offset by the adjustment of charges of Medicare collections from 300.0% to 200.0%.

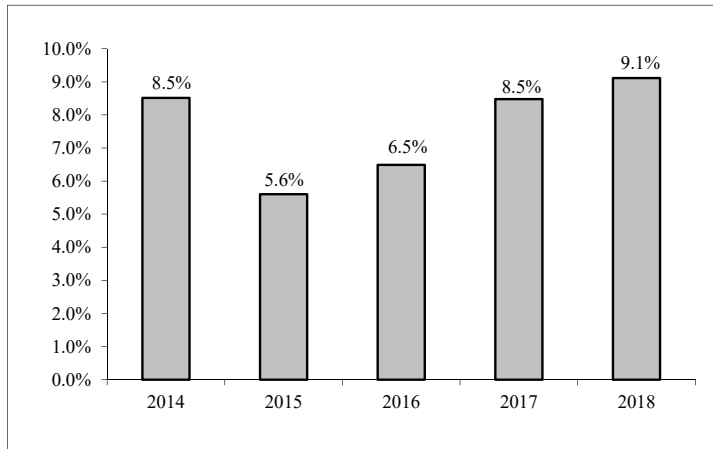
**Net Accounts Receivable (in days)**



Net accounts receivable days improved by 68 days from 520 to 452 days. This improvement is attributed to the consolidation of billing and collections activities from three billing and collections agencies to one and from the adjustment of charges from 300.0% to 200.0% of Medicare. Collections continue to be impacted by the high prevalence of an uncompensated and uninsured patient population. As of August 27, 2018, UTRGV implemented an electronic medical record system and transitioned billing and collections services as part of the implementation with a new vendor. Accounts receivable balances transitioned are under review and will be adjusted during the next year as needed.

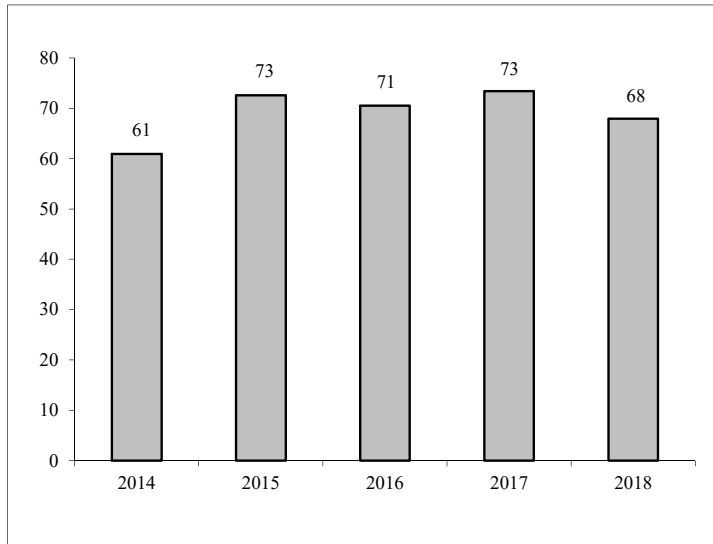
**Appendix F - Key Hospital Operating Factors  
The University of Texas Southwestern Medical Center**

**Annual Operating Margin Ratio**



The annual operating margin ratio increased from 8.5% for 2017 to 9.1% for 2018 as a result of year over year volume increases of 11.1%. Resources were added to meet the demands (a 7.6% increase) of those increased volumes. The increase in volumes, improved efficiencies, and accountability of personnel, agency and overtime costs resulted in an improved operating margin.

**Net Accounts Receivable (in days)**

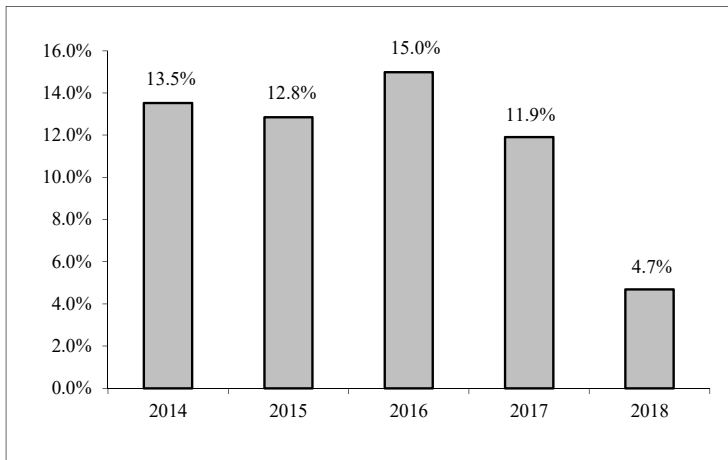


Net accounts receivable in days decreased from 73 days in 2017 to 68 days in 2018 due to an improvement in cash collections. Cash collections increased by 13.0% or \$147.0 million during 2018.



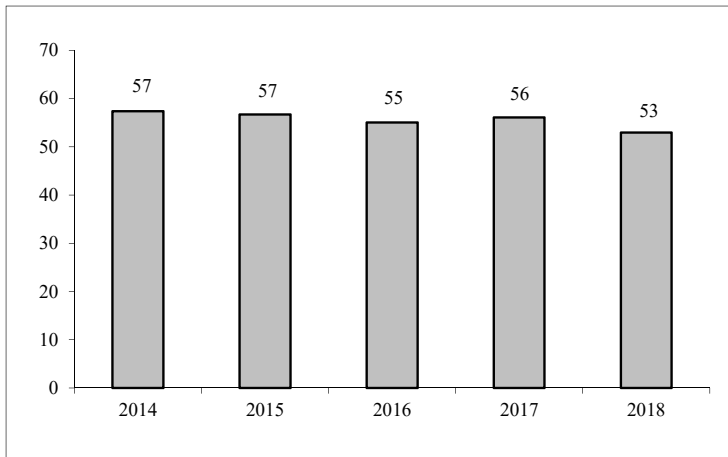
**Appendix F - Key MSRDP & NPHC Operating Factors  
The University of Texas Southwestern Medical Center**

**Annual Operating Margin Ratio**



The annual operating margin ratio decreased from 11.9% for 2017 to 4.7% for 2018 primarily due to the termination of the Dallas County Indigent Care Corporation contract of \$19.0 million, an inception to date true-up of reserves of uncompensated care funding of \$9.0 million, and a reduction of Network Access Improvement Program and Delivery System Reform Incentive Payment revenues of \$5.0 million.

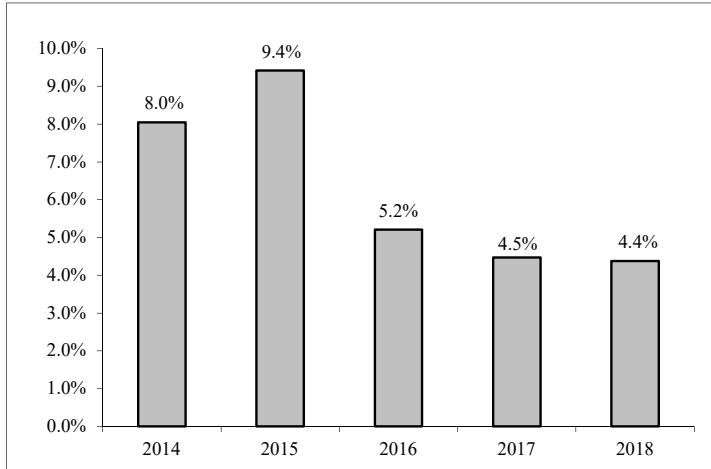
**Net Accounts Receivable (in days)**



The net accounts receivable in days decreased from 56 days in 2017 to 53 days in 2018 due to enhanced collections efforts on behalf of the billing office. Cash collections in 2018 were 10.0% greater than in the prior year while volumes in 2018 were 6.0% higher than in the prior year, thus cash outpaced volumes by 4.0%.

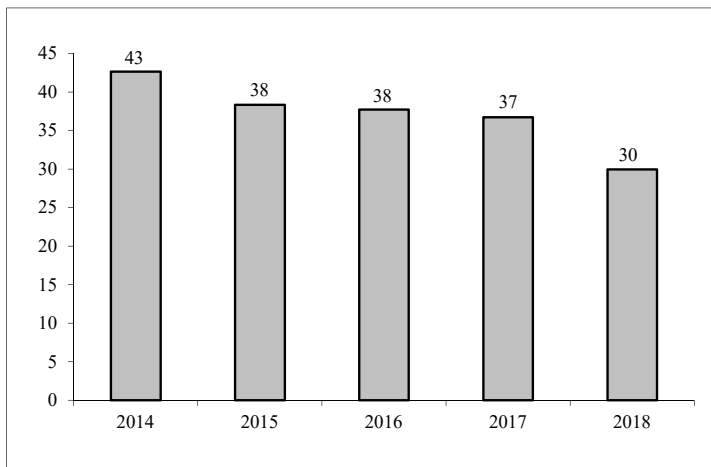
**Appendix F - Key Hospital Operating Factors  
The University of Texas Medical Branch at Galveston**

**Annual Operating Margin Ratio**



UTMB Hospitals and Clinics' annual operating margin ratio decreased from 4.5% for 2017 to 4.4% for 2018. Net patient care revenue increased due to an increase in discharges of 10.1% and an increase in outpatient encounters of 8.5% contributing to an overall 2.7% increase in revenue. The operating expense increase was slightly higher at 3.0% resulting in an operating margin decrease between years. The supply expense category, including medical supplies, medical implants, and cost of goods sold, incurred the largest percentage increase of 9.3% within operating expenses, which was impacted by increased volumes. Although operating revenues increased between years, UTMB Hospitals and Clinics' revenue was impacted by the Hurricane *Harvey* disruption, reductions in Medicaid rates and a change in mix of cases, which negatively impacted net patient care revenue. As a result, changes were implemented to reduce spending to align expenses more closely with revenues.

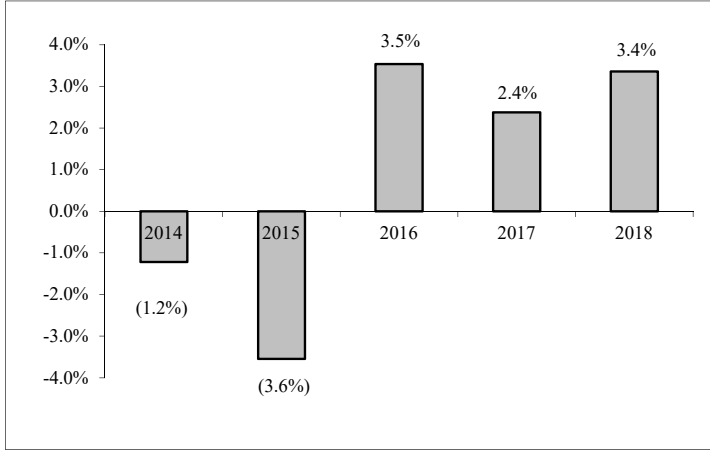
**Net Accounts Receivable (in days)**



Net accounts receivable in days decreased from 37 days for 2017 to 30 days for 2018 due to improvements implemented by the Revenue Cycle Operations team. These improvements specifically targeted decreasing denials and avoidable write-offs, as well as placed intense focus on timely filing, timely appeal, authorization, eligibility write-offs, and continued focus to resolve old accounts receivable.

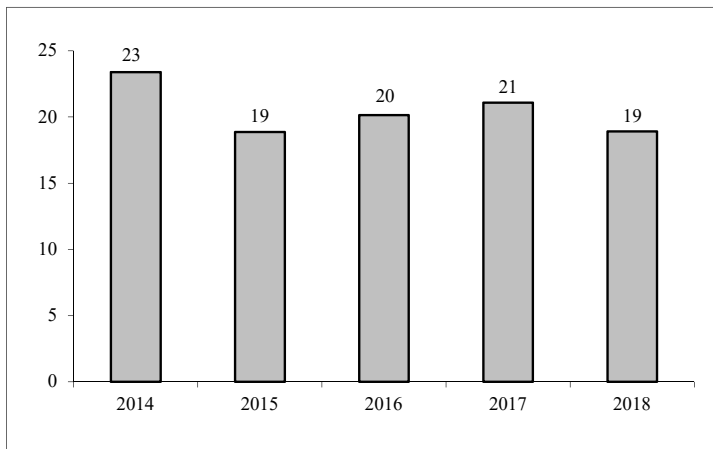
**Appendix F - Key MSRDP & NPHC Operating Factors  
The University of Texas Medical Branch at Galveston**

**Annual Operating Margin Ratio**



The annual operating margin ratio increased from 2.4% for 2017 to 3.4% for 2018. Overall total operating expenses decreased 0.8% while operating revenue remained fairly consistent between years. The operating expense decrease was primarily due to allocations of Institutional Support costs.

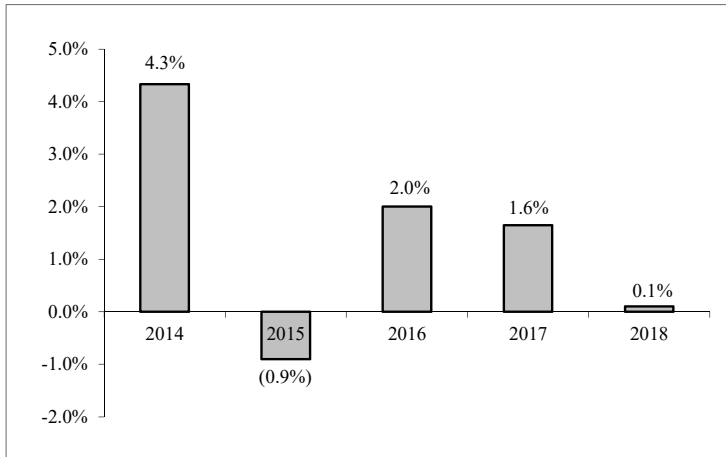
**Net Accounts Receivable (in days)**



Net accounts receivable in days decreased slightly from 21 days in 2017 to 19 days in 2018 due to improvements implemented by the Revenue Cycle Operations team. These improvements specifically targeted decreasing denials and avoidable write-offs, as well as placed intense focus on timely filing, timely appeal, authorization, eligibility write-offs, and continued focus to resolve old accounts receivable.

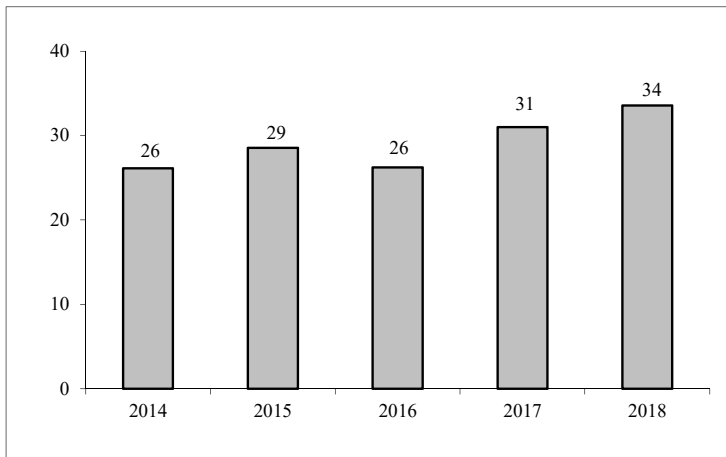
**Appendix F - Key Hospital Operating Factors**  
**The University of Texas Health Science Center at Houston**

**Annual Operating Margin Ratio**



The decrease in the annual operating margin ratio from 1.6% for 2017 to 0.1% for 2018 was attributable to increased overtime and locum tenens expense resulting from high turnover and vacancy rates in clinical staff and faculty.

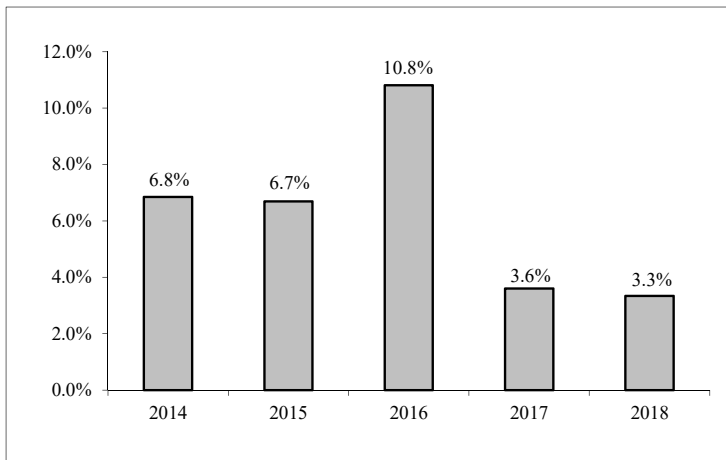
**Net Accounts Receivable (in days)**



Net accounts receivable in days 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.

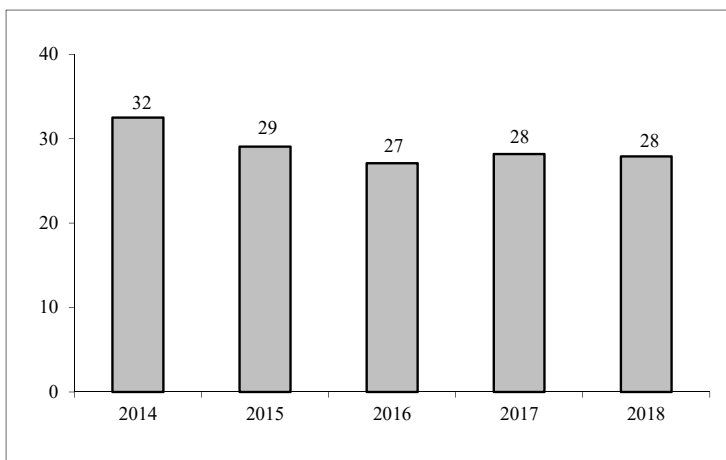
**Appendix F - Key MSRDP & NPHC Operating Factors**  
**The University of Texas Health Science Center at Houston**

**Annual Operating Margin Ratio**



The annual operating margin ratio decreased slightly from 3.6% for 2017 to 3.3% for 2018 mainly due to continued 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. Steps to decrease expenses in various areas helped to prevent a large decline in the annual operating margin ratio from 2017. For instance, the DSRIP margin decreased from a loss of \$15.4 million in 2017 to a loss of \$18.8 million in 2018, exclusive of related professional fee revenue. In addition to the diminishing margin associated with the HTI programs, uncompensated care (UC) funding again decreased in 2018 due to the overall reduction in the 1115 Waiver's UC pool and an increase in participants.

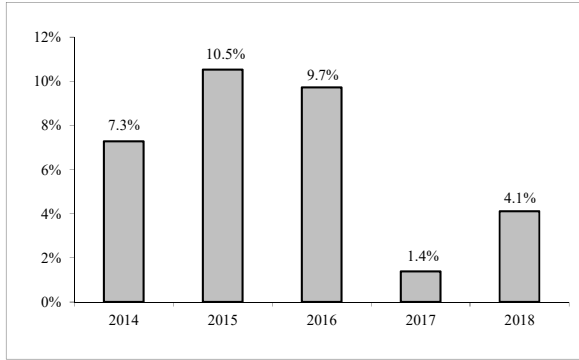
**Net Accounts Receivable (in days)**



Net accounts receivable in days remained unchanged at 28 days in 2018. The physician practice plan continued to be heavily focused on improving the revenue cycle. Much of the focus during 2018 was on the following: consolidating accounts receivable follow-up activities into a central team to cut costs and improve processes; consolidating a significant portion of the insurance verification to decrease eligibility denials/improve related processes; consolidating coding for several clinical departments to resolve unbilled charges; improving collection of data at the time of service to increase payments at that time; and upgrading workflows to provide timely and pertinent information to the appropriate parties.

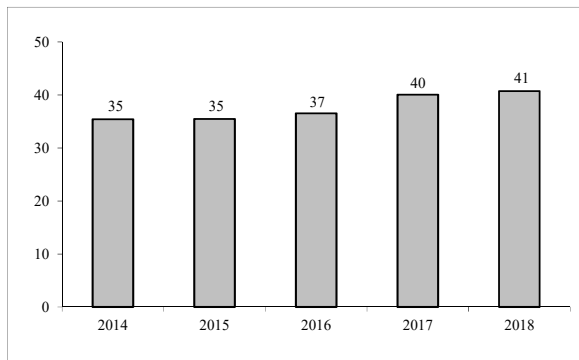
**Appendix F - Key MSRDP & NPHC Operating Factors  
The University of Texas Health Science Center at San Antonio**

**Annual Operating Margin Ratio**



The annual operating margin ratio comprises all medical clinical operations, including patient activities provided through the Cancer Center. The increase 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 experienced a \$12.7 million increase of net revenues over expenses from the prior year, while San Antonio DSRIP activities increased by \$3.4 million from the prior year. Although focus continues on strategic initiatives targeted at productivity standards and process improvements to enhance clinical performance, non-DSRIP activities experienced \$5.1 million less of net revenues over expenses from the prior year due to investments associated with the expansion of primary and cancer care, quality and population health strategies, clinical research across medicine, cancer and Alzheimer's, and recruitment efforts in nephrology, diabetes, and cancer. Non-DSRIP operating revenues increased by \$32.8 million over the prior year due to increased net patient fees for service revenue as a result of fully operational UT Health Physician sites including the Cancer Center, Hill Country, and Medical Arts and Research Center, and enhanced clinical contracts with University Health System. Non-DSRIP operating expenses increased by \$37.8 million over the prior year due to staffing increases to support the growth in service contracts and patient volumes, service delivery improvement costs associated with the M. D. Anderson and Cancer Center affiliation, and the expansion of primary care. UTHSC-San Antonio remains committed to reinvesting incremental operating revenues towards recruitment efforts, addressing faculty compensation issues, streamlining billing operations and patient services, and enhancing an infrastructure necessary to meet the goals and challenges of healthcare reform.

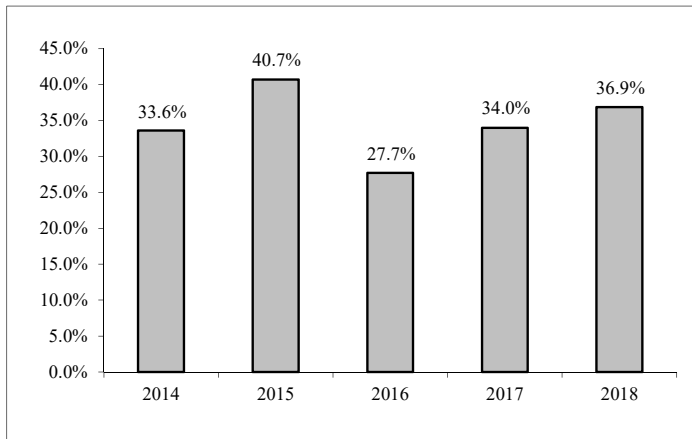
**Net Accounts Receivable (in days)**



The increase in days outstanding of net receivables was primarily the result of increased patient volumes and the mid-year integration of the oncology module, Beacon, into our electronic medical records system (EPIC), which temporarily disrupted collections activity. Additionally, UTHSC-San Antonio's commercial payors, who are more likely to deny claims than other payors, grew by 3.0% over the prior year resulting in collection delays as more of the cost became the patient's responsibility after insurance. Mitigating the increase in days outstanding was a policy change to the Dunning Cycle which became effective in March of 2018, and decreased delinquency notices from four to three statements before submitting accounts to a more effective third party collection agency (ACSI).

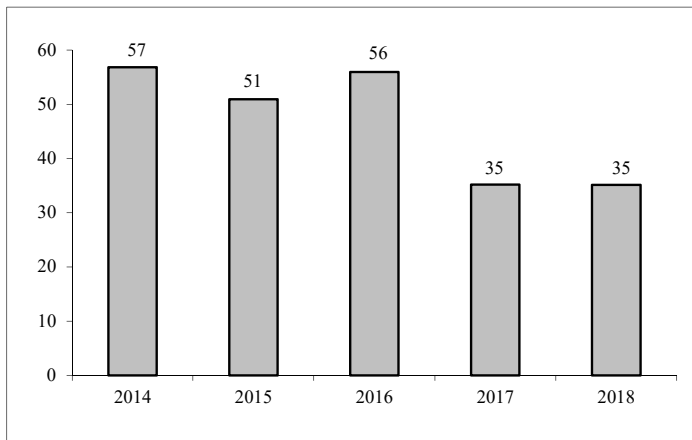
**Appendix F - Key Hospital Operating Factors  
The University of Texas M. D. Anderson Cancer Center**

**Annual Operating Margin Ratio**



The annual operating margin ratio increased from 34.0% for 2017 to 36.9% for 2018 as a result of improved net patient revenue driven by increased clinical volumes. In addition, M. D. Anderson continued to manage personnel and non-personnel costs throughout the year.

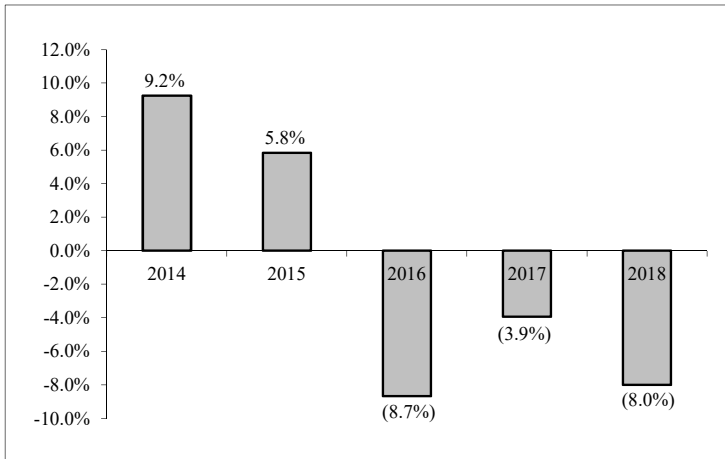
**Net Accounts Receivable (in days)**



Net accounts receivable in days remained at 35 days in 2018 as a result of efficiencies gained from the electronic health record system.

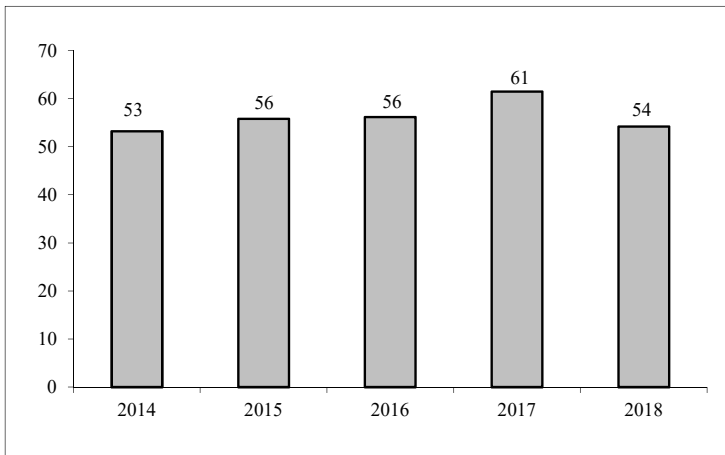
**Appendix F - Key MSRDP & NPHC Operating Factors  
The University of Texas M. D. Anderson Cancer Center**

**Annual Operating Margin Ratio**



The annual operating margin ratio decreased from (3.9%) for 2017 to (8.0%) for 2018 as a result of a combination of factors. Gross patient charges grew by 5.0% while deductions to gross patient charges increased by 9.0% primarily due to an accounts receivable year-end adjustment. Expenses were also higher due to incentive programs paid out at the maximum based upon institutional year-end performance.

**Net Accounts Receivable (in days)**

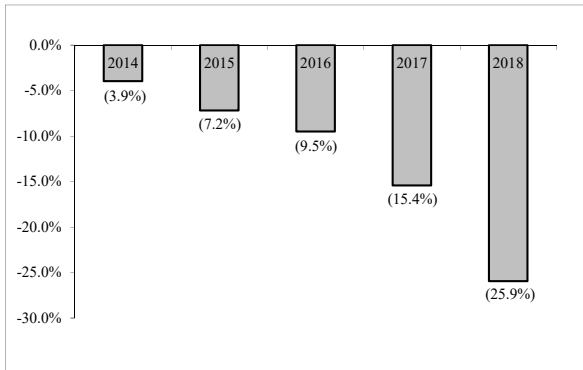


Days in net accounts receivable decreased from 61 days in 2017 to 54 days in 2018 due to continued improvements in the business office operations, an accounts receivable year-end adjustment, efficiencies gained with the implementation of the electronic health record system, and record cash collections for 2018.



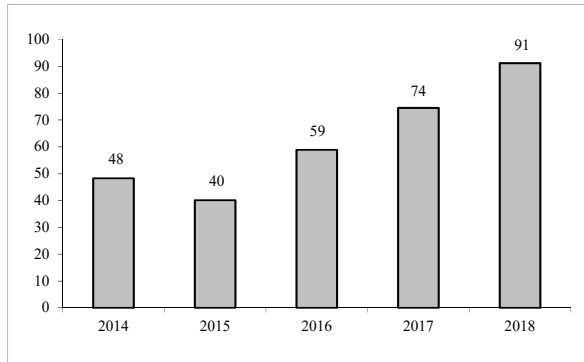
**Appendix F - Key Hospital Operating Factors**  
**The University of Texas Health Science Center at Tyler**

**Annual Operating Margin Ratio**



The annual operating margin ratio decreased from (15.4%) for 2017 to (25.9%) for 2018 as operating revenues declined by \$1.3 million, while operating expenses increased by \$11.6 million. The decrease in operating revenues was largely attributable to the consolidation and transfer of some inpatient service lines to the UT Health East Texas Tyler facility to accomplish staff efficiencies and other cost savings. Lower retail pharmacy revenue in 2018 associated with maturity of the Hepatitis C treatment protocols in comparison to 2017 also contributed to the decrease in operating revenues. The increase in operating expenses was largely attributable to increased salaries and wages and payroll related costs as a result of a larger employee base in the earlier part of the year, as well as an increase in expenses for medical supplies primarily associated with cancer-related pharmaceuticals. UTHSC-Tyler also incurred approximately \$10.9 million in one-time consulting, legal, and workforce restructuring costs in 2018, in combination with entrance into the UT Health East Texas joint venture, which is expected to be a key driver to restored profitability during 2019.

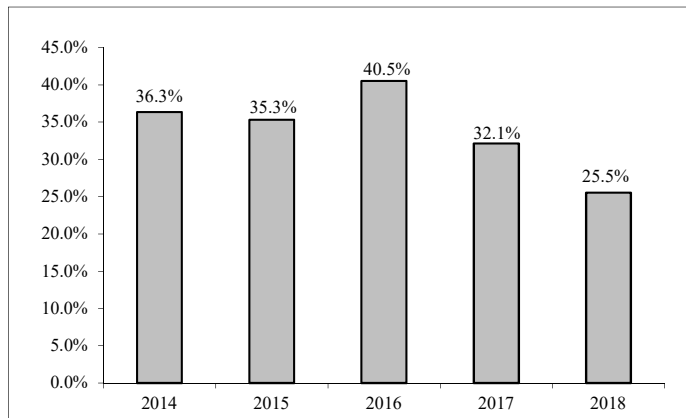
**Net Accounts Receivable (in days)**



Net accounts receivable increased by 17 days from 2017 to 2018 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 Medicare and Medicaid managed care, with their corresponding billing complexities, 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. During 2018 UTHSC-Tyler entered into a joint venture arrangement, UT Health East Texas, with the clinical enterprise now being part of a ten hospital system. Entrance into this joint venture brings both revenue cycle management expertise and economies of scale to the table in an effort to reverse this trend.

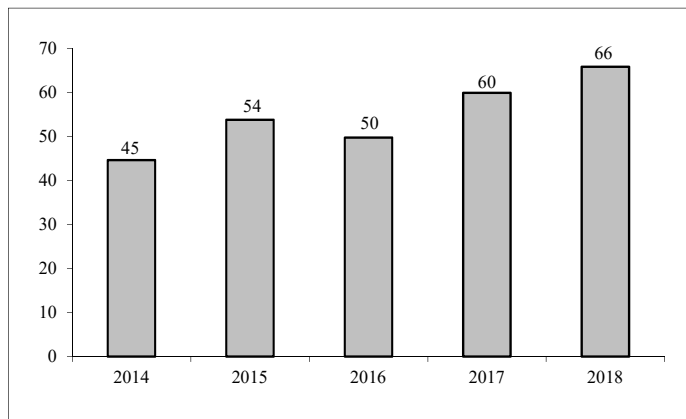
**Appendix F - Key MSRDP & NPHC Operating Factors  
The University of Texas Health Science Center at Tyler**

**Annual Operating Margin Ratio**



The annual operating margin ratio remained positive due to revenue of \$19.6 million received from the Delivery System Reform Incentive Payment (DSRIP) program in 2018. However, the DSRIP revenue received in 2018 was \$1.4 million lower than the DSRIP revenue of \$21.0 million received in 2017, contributing to the decline in the annual operating margin ratio from 32.1% to 25.5%. Additionally, net patient clinical revenue decreased between the two years by approximately \$0.8 million (4.4%) due to volume decreases in several areas, mostly related to the consolidation and transfer of some service lines to the UT Health East Texas Tyler facility to accomplish staff efficiencies and other cost savings. Clinical operating expenses decreased by approximately 0.9% from 2017 to 2018 primarily in the areas of clinical staff salaries and benefits associated with the workforce restructuring initiative.

**Net Accounts Receivable (in days)**



Net accounts receivable increased by 6 days from 2017 to 2018, in part due to a higher percentage of outstanding accounts receivable balances for the Medicare and Medicaid managed care segments relative to total accounts receivable with the corresponding billing complexities, as the health care insurance marketplace continues to shift in this direction. 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. During 2018 UTHSC-Tyler entered into a joint venture arrangement, UT Health East Texas, with the clinical enterprise now being part of a ten hospital system. Entrance into this joint venture brings both revenue cycle management expertise and economies of scale to the table in an effort to reverse this trend.

5. **U. T. System Board of Regents: The University of Texas/Texas A&M Investment Management Company (UTIMCO) Update**

REPORT

Mr. Britt Harris, President, Chief Executive Officer, and Chief Investment Officer, will present an update on The University of Texas/Texas A&M Investment Management Company (UTIMCO) using the PowerPoint presentation on the following pages.



# The University of Texas/ Texas A&M Investment Management Company

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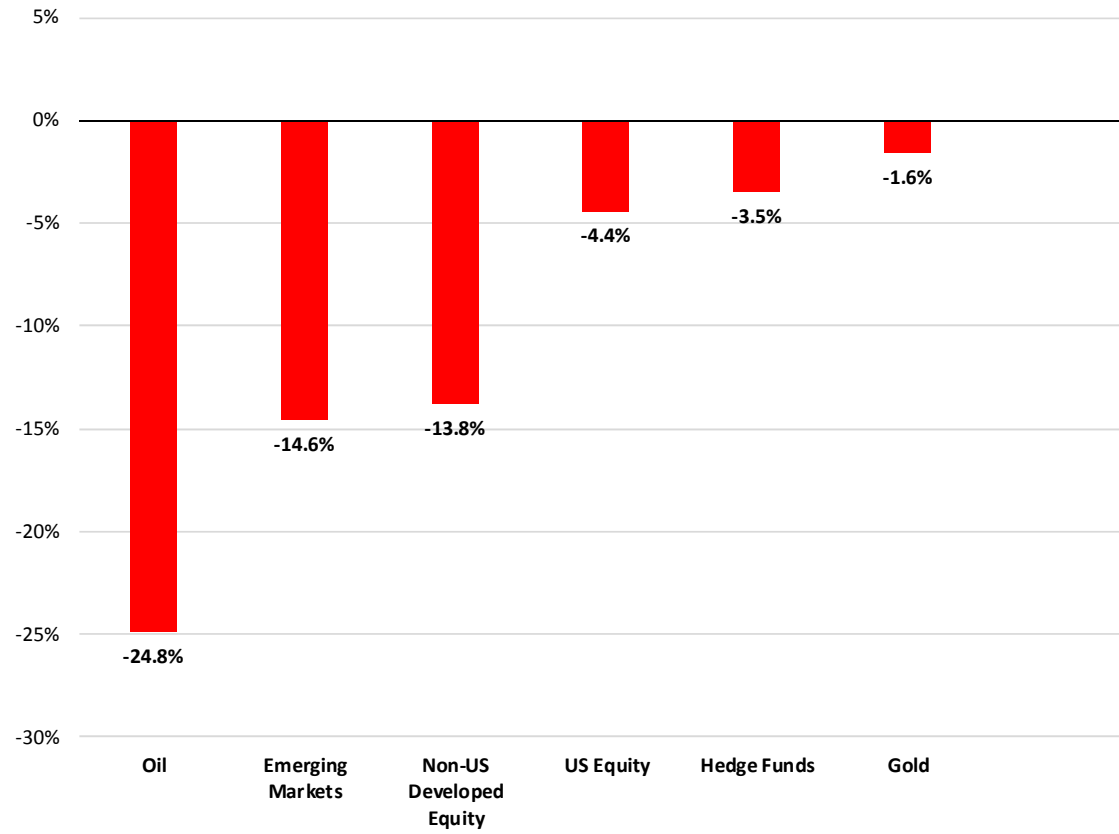
## **UTIMCO Update**

Mr. Britt Harris  
President, CEO and Chief Investment Officer

U. T. System Board of Regents' Meeting  
Finance and Planning Committee  
February 2019

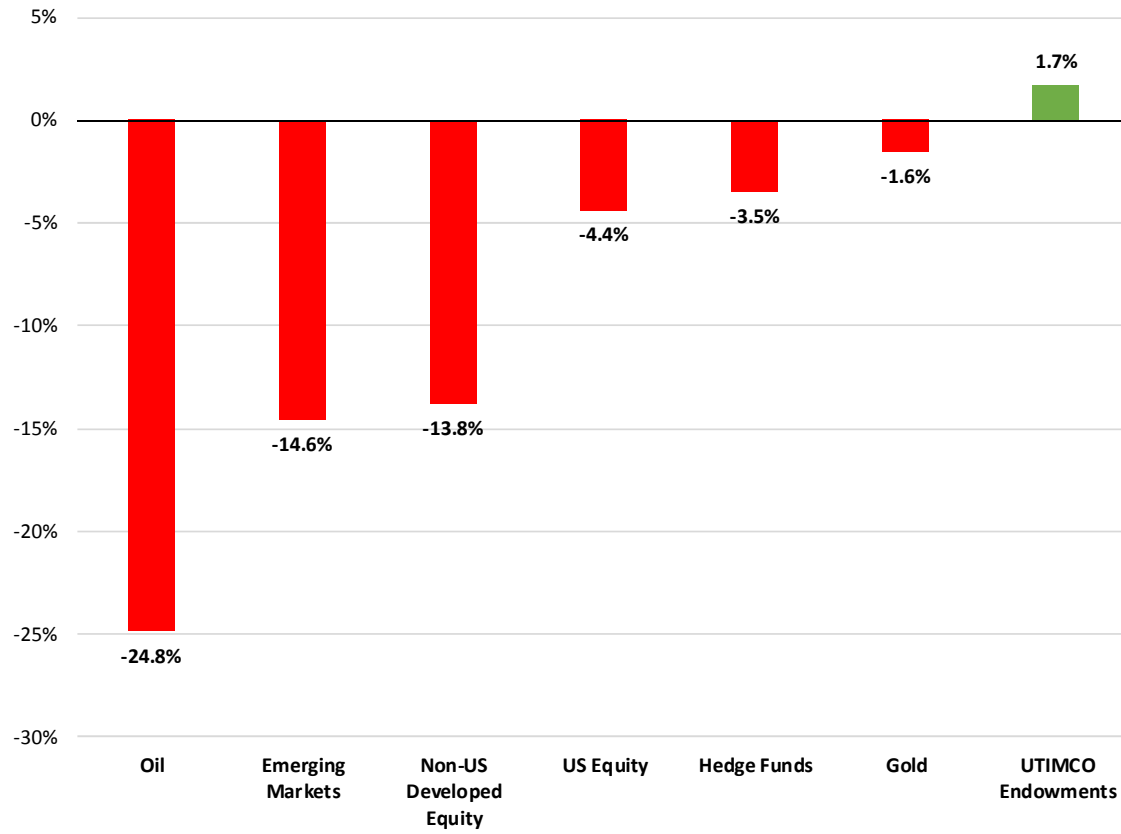


# Review of 2018





# Review of 2018





# Overview of Funds

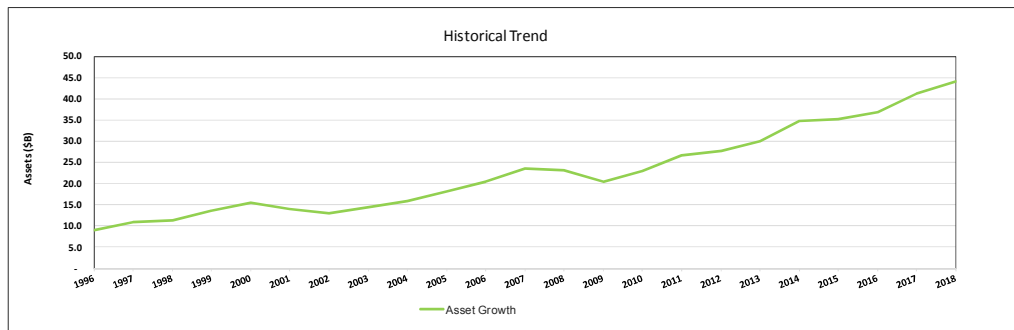
Periods Ending December 31, 2018

Endowment Funds	\$B	Returns					Alpha				
		QTR	1Y	3Y	5Y	10Y	QTR	1Y	3Y	5Y	10Y
PUF	\$ 21.5	(3.40)	1.68	7.63	5.99	8.70	(0.27)	0.11	0.66	0.89	1.45
PHF	\$ 1.1	(3.36)	1.87	7.87	6.13	8.75	(0.23)	0.30	0.90	1.03	1.50
LTF	\$ 9.8	(3.37)	1.87	7.87	6.14	8.76	(0.24)	0.30	0.90	1.04	1.51
Other	\$ 0.2	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 32.6</b>										

Operating Funds		QTR	1Y	3Y	5Y	10Y	QTR	1Y	3Y	5Y	10Y
ITF	\$ 9.2	(3.89)	(3.25)	4.00	2.42	6.16	0.46	0.96	0.56	0.72	1.54
Debt Proceeds	\$ 0.4	0.59	2.01	1.23	0.79	N/A	0.03	0.14	0.21	0.16	N/A
STF	\$ 1.8	0.58	1.95	1.12	0.70	0.47	0.02	0.08	0.10	0.07	0.09
<b>TOTAL</b>	<b>\$ 11.4</b>										

All Assets	\$	Increase
	\$ 44.0	\$ (1.4)
September 2018	\$ 45.4	\$ 0.8
June 2018	\$ 44.6	\$ 0.3
March 2018	\$ 44.3	\$ 1.1
December 2017	\$ 43.2	

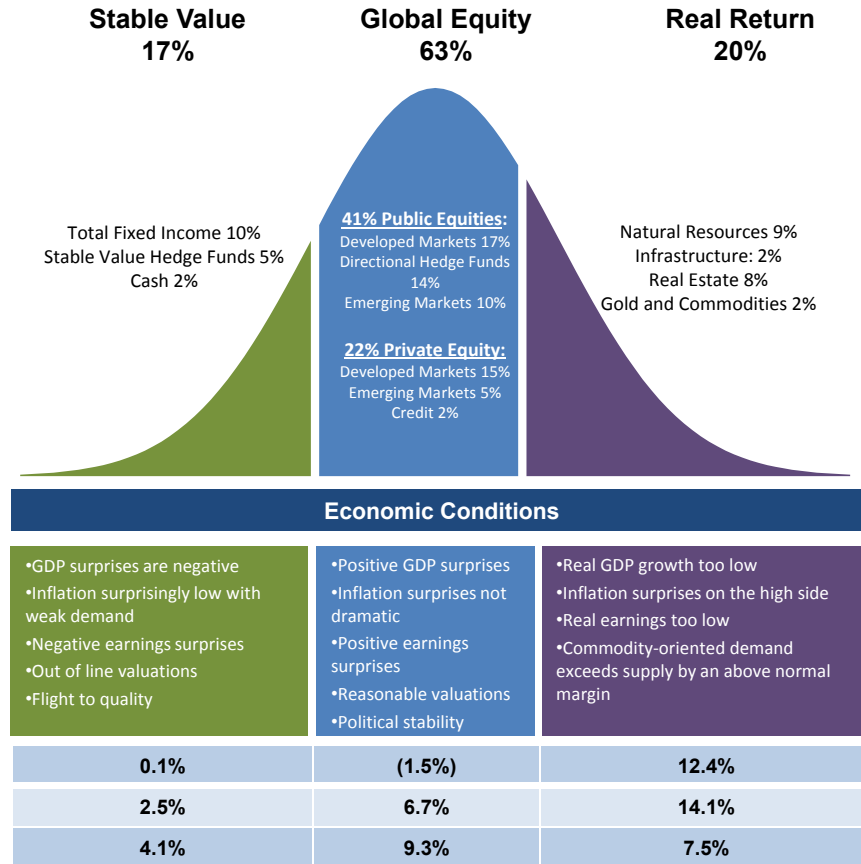
Income & Distributions (\$M)	Projected			
	8/31/2019	8/31/2018	8/31/2017	8/31/2016
PUF Land Contributions	\$ 953	\$ 1,032	\$ 689	\$ 512
PUF Distribution	(1,014)	(887)	(839)	(773)
Net Payout (\$M)	\$ (61)	\$ 145	\$ (150)	\$ (261)





# Investment Policy and Current Environment

As of December 31, 2018



Benchmark Returns <sup>1</sup>			
Time Horizon	Stable Value	Global Equity	Real Return
1 Year	-1.3%	-1.1%	11.5%
3 Year	2.6%	6.6%	10.3%
5 Year	1.5%	5.2%	6.8%
7 Year	1.9%	7.0%	7.2%
10 Year	3.3%	7.5%	8.6%

Correlations <sup>1</sup>			
Environment	Stable Value	Global Equity	Real Return
Stable Value	1.00	-0.14	-0.32
Global Equity		1.00	0.64
Real Return			1.00

<sup>1</sup> Returns and Correlations reflect quarterly benchmark returns and not actual UTIMCO returns (return data from 2008 – 2018)

\* Percentages may not add up due to rounding





# 2018 Endowment Returns & Diversification

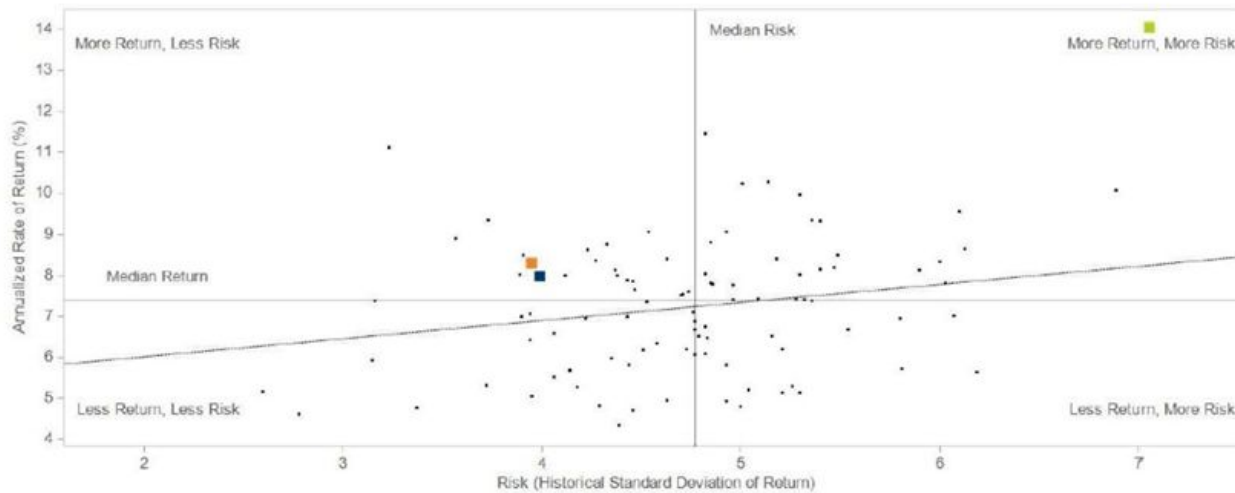
	<i>One Year</i>		
	Returns	Alpha	Allocation
<b>Positive</b>			
Real Estate	21.4%	+8.2%	7.8%
Infrastructure	21.3%	+6.0%	2.1%
Private Equity	15.1%	(-0.0%)	21.3%
Natural Resources	7.8%	(-5.7%)	9.2%
Stable Value Hedge Funds	5.3%	+8.2%	4.8%
Cash	1.9%	+0.1%	1.9%
			<u>47.1%</u>
<b>Negative</b>			
Fixed Income	-1.4%	(-1.2%)	9.7%
Directional Hedge Funds	-1.6%	+2.8%	14.0%
Gold	-1.7%	(-0.1%)	1.7%
Credit Related Fixed Income	-5.9%	(-1.8%)	0.1%
Global Developed Equity	-7.3%	+1.5%	7.9%
US Public Equity	-9.9%	(-4.8%)	6.0%
Emerging Markets Public Equity	-13.3%	+1.3%	10.2%
Non-US Developed Public Equity	-15.3%	(-1.2%)	3.5%
			<u>52.9%</u>
<b>TOTAL UTIMCO</b>			
	<b>1.7%</b>	<b>0.10%</b>	



# Risk / Return

PERIOD ENDING SEPTEMBER 30, 2018

For past five years, PUF and GEF have generated more returns for less risk



Alpha: 5.15  
Beta: 0.44  
R-Squared: 0.05

	Risk Value	Risk Rank	Return Value	Return Rank
GEF TOTAL FUND	3.97	84	8.20	26
PUF TOTAL FUND	4.01	83	7.89	36
S&P 500	7.07	1	13.95	1
Median	4.77		7.39	

Source: Wilshire Trust Universe Comparison Services



# Total Alignment

