

(See “Continuing Disclosure
of Information” herein)

OFFICIAL STATEMENT
Dated June 18, 2020

NEW ISSUE - BOOK-ENTRY-ONLY

Moody’s: “Aa2”
Fitch: “AA”
See “Ratings”

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Series 2020A Bonds is excludable from gross income for federal income tax purposes under existing statutes, court decisions, regulations and published rulings. See “TAX MATTERS – Series 2020A Bonds” for a discussion of the opinion of Bond Counsel.

\$59,475,000

**BOARD OF REGENTS OF THE UNIVERSITY OF NORTH TEXAS SYSTEM
REVENUE FINANCING SYSTEM REFUNDING BONDS,
SERIES 2020A**

Dated: July 2, 2020 (Interest Accrues from Date of Delivery)

Due: April 15, as shown herein

The Board of Regents of the University of North Texas System Revenue Financing System Refunding Bonds, Series 2020A (the “Series 2020A Bonds”) are special obligations of the Board of Regents (the “Board”) of the University of North Texas System (the “University System”). The Series 2020A Bonds shall be issued pursuant to an Amended and Restated Master Resolution adopted by the Board on February 12, 1999 (the “Master Resolution”) and a Twenty-Eighth Supplemental Resolution to the Master Resolution adopted by the Board on August 16, 2019 (the “Twenty-Eighth Supplement”). The Series 2020A Bonds are payable from and secured solely by the Pledged Revenues (as defined herein) of the University of North Texas Revenue Financing System (the “Revenue Financing System”), subject to the lien on the Pledged Revenues securing the Prior Encumbered Obligations (as defined herein). Currently, there are no Prior Encumbered Obligations outstanding. The Series 2020A Bonds are Parity Obligations (as defined herein). THE SERIES 2020A BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE BOARD, THE UNIVERSITY SYSTEM OR ANY COMPONENT THEREOF, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF. THE BOARD HAS NO TAXING POWER AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE SERIES 2020A BONDS. See “SECURITY FOR THE BONDS.”

The proceeds from the sale of the Series 2020A Bonds will be used for the purposes of: (i) refunding a portion of the Board’s outstanding bonds listed on Schedule I hereto to achieve debt service savings; and (ii) paying certain costs of issuing the Series 2020A Bonds. See “PLAN OF FINANCING.”

Interest on the Series 2020A Bonds will accrue from the Date of Delivery (defined below) and is calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Series 2020A Bonds is payable on October 15, 2020, and each April 15 and October 15 thereafter until maturity or prior redemption. The Series 2020A Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Series 2020A Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Series 2020A Bonds will be made to the purchasers thereof. Interest on and principal of the Series 2020A Bonds will be payable by BOKF, NA, Dallas, Texas, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Series 2020A Bonds. See “DESCRIPTION OF THE BONDS – Book-Entry-Only System and Global Clearance Procedures.”

MATURITY SCHEDULE

See schedule on page ii

CUSIP Prefix: 914729

The Series 2020A Bonds will mature, bear interest, and have initial prices or yields as shown on page ii of this Official Statement.

The Series 2020A Bonds are subject to redemption as provided herein. See “DESCRIPTION OF THE BONDS - Redemption.”

Concurrently with the issuance of the Series 2020A Bonds, the Board is issuing its Revenue Financing System Refunding Bonds, Taxable Series 2020B (the “Series 2020B Bonds”) pursuant to the Master Resolution and the Twenty-Eighth Supplement. A separate cover page for the Series 2020B Bonds follows this cover page. The Series 2020A Bonds and the Series 2020B Bonds are referred to in this Official Statement collectively as the “Bonds.”

The Series 2020A Bonds are offered when, as, and if issued, subject to approval of legality by the Attorney General of the State of Texas and the approving opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas and Kassahn & Ortiz, P.C., San Antonio, Texas. The Series 2020A Bonds are expected to be available for delivery through DTC on or about July 2, 2020 (the “Date of Delivery”).

J.P. MORGAN

FROST BANK

SIEBERT WILLIAMS SHANK & CO., LLC

RAYMOND JAMES

UBS

MATURITY SCHEDULE

CUSIP PREFIX: 914729⁽¹⁾

**\$59,475,000
Revenue Financing System Refunding Bonds,
Series 2020A**

Maturity Date 4/15	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
2021	\$8,435,000	5.00%	0.35%	UX4
2022	11,240,000	5.00%	0.40%	UY2
2023	6,775,000	5.00%	0.45%	UZ9
2024	5,130,000	5.00%	0.54%	VA3
2024	2,000,000	2.00%	0.54%	VB1
2025	4,435,000	5.00%	0.64%	VC9
2026	2,245,000	5.00%	0.80%	VD7
2027	2,360,000	5.00%	0.95%	VE5
2028	2,480,000	5.00%	1.05%	VF2
2029	2,600,000	5.00%	1.15%	VG0
2030	2,735,000	5.00%	1.22%	VH8
2031	2,870,000	5.00%	1.32% ⁽²⁾	VJ4
2032	3,010,000	5.00%	1.41% ⁽²⁾	VK1
2033	3,160,000	5.00%	1.50% ⁽²⁾	VL9

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the services provided by CGS. CUSIP numbers are included solely for the convenience of the purchasers of the Series 2020A Bonds. The Board, the Financial Advisor and the Underwriters are not responsible for the selection or the correctness of the CUSIP numbers shown herein.

⁽²⁾ Yield to first optional call date (April 15, 2030).

REDEMPTION. . . The Series 2020A Bonds are subject to optional redemption prior to stated maturity. See “DESCRIPTION OF THE BONDS - Redemption”.

SEPARATE ISSUES. . . The Series 2020A Bonds and the Series 2020B Bonds are each separate and distinct securities offerings being issued and sold independently except for the use of this common Official Statement, and, while the Series 2020A Bonds and the Series 2020B Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the terms for payment, the rights of holders, and other features. The sale and delivery of each series of Bonds is not dependent upon the sale and delivery of the other series of Bonds.

OFFICIAL STATEMENT
Dated June 18, 2020

NEW ISSUE - BOOK-ENTRY-ONLY

Moody's: "Aa2"
Fitch: "AA"
See "Ratings"

The Series 2020B Bonds are not obligations described in section 103(a) of the Internal Revenue Code of 1986. See "TAX MATTERS – Series 2020B Bonds."

\$55,240,000
BOARD OF REGENTS OF THE UNIVERSITY OF NORTH TEXAS SYSTEM
REVENUE FINANCING SYSTEM REFUNDING BONDS,
TAXABLE SERIES 2020B

Dated: July 2, 2020 (Interest Accrues from Date of Delivery)

Due: April 15, as shown herein

The Board of Regents of the University of North Texas System Revenue Financing System Refunding Bonds, Taxable Series 2020B (the "Series 2020B Bonds") are special obligations of the Board of Regents (the "Board") of the University of North Texas System (the "University System"). The Series 2020B Bonds shall be issued pursuant to an Amended and Restated Master Resolution adopted by the Board on February 12, 1999 (the "Master Resolution") and a Twenty-Eighth Supplemental Resolution to the Master Resolution adopted by the Board on August 16, 2019 (the "Twenty-Eighth Supplement"). The Series 2020B Bonds are payable from and secured solely by the Pledged Revenues (as defined herein) of the University of North Texas Revenue Financing System (the "Revenue Financing System"), subject to the lien on the Pledged Revenues securing the Prior Encumbered Obligations (as defined herein). Currently, there are no Prior Encumbered Obligations outstanding. The Series 2020B Bonds are Parity Obligations (as defined herein). THE SERIES 2020B BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE BOARD, THE UNIVERSITY SYSTEM OR ANY COMPONENT THEREOF, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF. THE BOARD HAS NO TAXING POWER AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE SERIES 2020B BONDS. See "SECURITY FOR THE BONDS."

The proceeds from the sale of the Series 2020B Bonds will be used for the purposes of: (i) refunding a portion of the Board's outstanding bonds listed on Schedule I hereto to achieve debt service savings; (ii) refunding a portion of the Board's outstanding Series B Commercial Paper Notes (as defined herein); and (iii) paying certain costs of issuing the Series 2020B Bonds. See "PLAN OF FINANCING."

Interest on the Series 2020B Bonds will accrue from the Date of Delivery (defined below) and is calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Series 2020B Bonds is payable on October 15, 2020, and each April 15 and October 15 thereafter until maturity or prior redemption. The Series 2020B Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Series 2020B Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Series 2020B Bonds will be made to the purchasers thereof. Interest on and principal of the Series 2020B Bonds will be payable by BOKF, NA, Dallas, Texas, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Series 2020B Bonds. See "DESCRIPTION OF THE BONDS – Book-Entry-Only System and Global Clearance Procedures."

MATURITY SCHEDULE
See schedule on page iv
CUSIP Prefix: 914729

The Series 2020B Bonds will mature, bear interest, and have initial prices or yields as shown on page iv of this Official Statement.

The Series 2020B Bonds are subject to redemption as provided herein. See "DESCRIPTION OF THE BONDS - Redemption."

Concurrently with the issuance of the Series 2020B Bonds, the Board is issuing its Revenue Financing System Refunding Bonds, Series 2020A (the "Series 2020A Bonds") pursuant to the Master Resolution and the Twenty-Eighth Supplement. A separate cover page for the Series 2020A Bonds precedes this cover page. The Series 2020A Bonds and the Series 2020B Bonds are referred to in this Official Statement collectively as the "Bonds."

The Series 2020B Bonds are offered when, as, and if issued, subject to approval of legality by the Attorney General of the State of Texas and the approving opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas and Kassahn & Ortiz, P.C., San Antonio, Texas. The Series 2020B Bonds are expected to be available for delivery through DTC on or about July 2, 2020 (the "Date of Delivery").

J.P. Morgan

Frost Bank

Siebert Williams Shank & Co., LLC

Raymond James

UBS

MATURITY SCHEDULE

CUSIP PREFIX: 914729⁽¹⁾

**\$55,240,000
Revenue Financing System Refunding Bonds,
Taxable Series 2020B**

Maturity Date 4/15	Principal Amount*	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
2021	\$620,000	0.645%	0.645%	UF3
2022	550,000	0.795%	0.795%	UG1
2023	1,860,000	0.904%	0.904%	UH9
2024	4,425,000	1.060%	1.060%	UJ5
2025	4,470,000	1.130%	1.130%	UK2
2026	4,305,000	1.475%	1.475%	UL0
2027	4,370,000	1.625%	1.625%	UM8
2028	4,440,000	1.797%	1.797%	UN6
***	***	***	***	***
2031	4,705,000	2.047%	2.047%	UQ9
2032	4,795,000	2.147%	2.147%	UR7
2033	2,360,000	2.247%	2.247%	US5
2034	735,000	2.347%	2.347%	UT3
2035	425,000	2.397%	2.397%	UU0

\$9,135,000 2.000% Term Bonds due April 15, 2030 Priced to Yield 2.000%; CUSIP No. 914729UP1⁽¹⁾

\$2,300,000 2.902% Term Bonds due April 15, 2040 Priced to Yield 2.902%; CUSIP No. 914729UV8⁽¹⁾

\$5,745,000 3.002% Term Bonds due April 15, 2050 Priced to Yield 3.002%; CUSIP No. 914729UW6⁽¹⁾

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the services provided by CGS. CUSIP numbers are included solely for the convenience of the purchasers of the Series 2020B Bonds. The Board, the Financial Advisor and the Underwriters are not responsible for the selection or the correctness of the CUSIP numbers shown herein.

REDEMPTION. . . The Series 2020B Bonds are subject to optional and mandatory sinking fund redemption prior to stated maturity. See “DESCRIPTION OF THE BONDS - Redemption”.

SEPARATE ISSUES. . . The Series 2020A Bonds and the Series 2020B Bonds are each separate and distinct securities offerings being issued and sold independently except for the use of this common Official Statement, and, while the Series 2020A Bonds and the Series 2020B Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the terms for payment, the rights of holders, and other features. The sale and delivery of each series of Bonds is not dependent upon the sale and delivery of the other series of Bonds.

Board of Regents of the University of North Texas System

<u>Name</u>	<u>Residence</u>	<u>Term Expiration⁽¹⁾</u>
Laura Wright (Chair)	Dallas	May 22, 2021
Brint Ryan	Dallas	May 22, 2021
A.K. Mago	Dallas	May 22, 2021
Milton B. Lee (Vice Chair)	San Antonio	May 22, 2023
Mary Denny	Denton	May 22, 2023
Carlos Munguia	Dallas	May 22, 2023
Melisa Denis	Southlake	May 22, 2025
Daniel Feehan	Fort Worth	May 22, 2025
John Scott, Jr.	Keller	May 22, 2025

⁽¹⁾ The expiration date of the term is the earlier of (i) the date a successor is appointed and qualified and (ii) last day of the first regular session of the State Legislature that begins after the expiration of the term.

Principal Administrators

<u>Name</u>	<u>Title</u>	<u>Years of Service within University System</u>
Lesa Roe	Chancellor (University System)	2
Dr. Rosemary R. Haggett	Vice Chancellor for Academic Affairs and Student Success (University System)	10
Dan Tenney	Vice Chancellor for Finance and Chief Financial Officer (University System)	< 1
Alan Stucky	Vice Chancellor and General Counsel (University System)	15
Dr. Neal J. Smatresk	President (University)	6
Dr. Jennifer Cowley	Provost and Vice President for Academic Affairs (University)	3
Bob Brown	Senior Vice President for Finance and Administration (University)	6
Dr. Michael R. Williams	President (Health Science Center)	7
Dr. Charles Taylor	Provost (Health Science Center)	3
Gregory Anderson	Executive Vice President for Finance and Operations (Health Science Center)	4
Bob Mong	President (UNT-Dallas)	4
Betty Stewart	Provost and Executive Vice President for Academic Affairs (UNT-Dallas)	3
James Main	Executive Vice President for Administration and Chief Financial Officer (UNT-Dallas)	2

Consultants

Financial Advisor
Hilltop Securities Inc.
Dallas, Texas

Bond Counsel
McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

For additional information regarding the University System, please contact:

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Vice Chancellor for Finance
and Chief Financial Officer
University of North Texas System
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Dallas, Texas 75201
(214) 243-1768

Ms. Mary M. Williams
Hilltop Securities, Inc.
1201 Elm Street, 35th Floor
Dallas, Texas, 75270
(214) 953-4021

Ms. Ester Flores
Hilltop Securities Inc.
1201 Elm Street, 35th Floor
Dallas, Texas 75270
(214) 953-8863

SALE AND DISTRIBUTION OF THE BONDS

Use of Official Statement

No dealer, broker, salesman or other person has been authorized by the Board or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Board or the Underwriters. The price and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy the Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board or other matters described herein since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

CUSIP numbers have been assigned to this issue by CUSIP Global Services for the convenience of the owners of the Bonds. Neither the Board nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown on pages ii and iv of this Official Statement.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

THE BOARD MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION WAS FURNISHED BY DTC. THE BOARD MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING EUROCLEAR BANK S.A./N.V., AS OPERATOR OF THE EUROCLEAR SYSTEM ("EUROCLEAR") AND CLEARSTREAM BANKING, SOCIETE ANONYME, LUXEMBOURG ("CLEARSTREAM BANKING"), AS SUCH INFORMATION WAS FURNISHED BY EUROCLEAR AND CLEARSTREAM BANKING, RESPECTIVELY.

Marketability

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Board assumes no responsibility for the registration or qualification for sale or other disposition of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements. See "FORWARD-LOOKING STATEMENTS."

**INFORMATION CONCERNING OFFERING RESTRICTIONS
IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES**

REFERENCES IN THIS SECTION TO THE “ISSUER” MEAN THE BOARD AND REFERENCES TO “BONDS” OR “SECURITIES” MEAN BOARD OF REGENTS OF THE UNIVERSITY OF NORTH TEXAS SYSTEM REVENUE FINANCING SYSTEM REFUNDING BONDS, TAXABLE SERIES 2020B OFFERED HEREBY. **NEITHER THE BOARD NOR THE UNDERWRITERS ASSUME ANY RESPONSIBILITY FOR THE CONTENTS OF THIS SECTION.**

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

**NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN
ECONOMIC AREA (“EEA”) OR THE UNITED KINGDOM**

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR THE UNITED KINGDOM. FOR THESE PURPOSES, A “RETAIL INVESTOR” MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE “INSURANCE DISTRIBUTION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (AS AMENDED, THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA OR IN THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR IN THE UNITED KINGDOM MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 1(4) OF THE PROSPECTUS REGULATION FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE BONDS. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA OR THE UNITED KINGDOM OF THE BONDS SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE UNDERWRITERS TO PROVIDE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE UNDERWRITERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE BONDS CONTEMPLATED IN THIS OFFICIAL STATEMENT.

THE OFFER OF ANY BONDS WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN THE EEA OR THE UNITED KINGDOM, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A “QUALIFIED INVESTOR” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN “QUALIFIED INVESTORS” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION), SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER OR THE ISSUER FOR ANY SUCH OFFER; OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 1(4) OF THE PROSPECTUS REGULATION; PROVIDED THAT NO SUCH OFFER OF THE BONDS SHALL REQUIRE THE ISSUER OR ANY UNDERWRITER TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS REGULATION OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 23 OF THE PROSPECTUS REGULATION.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN “OFFER OF SECURITIES TO THE PUBLIC” IN RELATION TO THE BONDS IN ANY MEMBER STATE OF THE EEA OR THE UNITED KINGDOM MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE BONDS OR SUBSCRIBE FOR THE BONDS.

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS IN THE OFFERING LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” AS DEFINED IN THE PROSPECTUS REGULATION. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (“FSMA”) AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA. THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE “FINANCIAL PROMOTION ORDER”), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

THIS OFFICIAL STATEMENT IS NOT INTENDED TO CONSTITUTE AN OFFER OR SOLICITATION TO PURCHASE OR INVEST IN THE BONDS. THE BONDS MAY NOT BE PUBLICLY OFFERED, DIRECTLY OR INDIRECTLY, IN SWITZERLAND WITHIN THE MEANING OF THE SWISS FINANCIAL SERVICES ACT (“FINS”) AND NO APPLICATION HAS OR WILL BE MADE TO ADMIT THE BONDS TO TRADING ON ANY TRADING VENUE (EXCHANGE OR MULTILATERAL TRADING FACILITY) IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS CONSTITUTES A PROSPECTUS PURSUANT TO THE FINS, AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND.

THE BONDS DO NOT CONSTITUTE COLLECTIVE INVESTMENTS WITHIN THE MEANING OF THE SWISS FEDERAL ACT ON COLLECTIVE INVESTMENT SCHEMES (“CISA”). ACCORDINGLY, HOLDERS OF THE BONDS DO NOT BENEFIT FROM PROTECTION UNDER THE CISA OR FROM THE SUPERVISION OF THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY. INVESTORS ARE EXPOSED TO THE DEFAULT RISK OF THE ISSUER.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER OF THE BONDS. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFICIAL STATEMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THIS OFFICIAL STATEMENT HAS NOT BEEN, AND WILL NOT BE, REGISTERED AS A PROSPECTUS (AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CHAPTER 32 OF THE LAWS OF HONG KONG)) IN HONG KONG (THE “C(WUMP)O”) NOR HAS IT BEEN APPROVED BY THE SECURITIES AND FUTURES COMMISSION OF HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) (THE “SFO”). ACCORDINGLY, THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENT, AND THIS OFFICIAL STATEMENT MUST NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN HONG KONG, OTHER THAN (A) TO ‘PROFESSIONAL INVESTORS’ AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THE SFO; OR (B) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENT BEING A “PROSPECTUS” AS DEFINED IN THE C(WUMP)O OR WHICH DO NOT CONSTITUTE AN OFFER TO

THE PUBLIC WITHIN THE MEANING OF THE C(WUMP)O. IN ADDITION, NO PERSON MAY ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO THE BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY (A) TO PERSONS OUTSIDE HONG KONG, OR (B) TO 'PROFESSIONAL INVESTORS' AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THE SFO.

NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (ACT NO. 25 OF 1948, AS AMENDED, THE "FIEA"). NEITHER THE BONDS NOR ANY INTEREST THEREIN MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (AS DEFINED UNDER ITEM 5, PARAGRAPH 1, ARTICLE 6 OF THE FOREIGN EXCHANGE AND FOREIGN TRADE ACT (ACT NO. 228 OF 1949, AS AMENDED)), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEA AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FIEA. AS IT IS A PRIMARY OFFERING, IN JAPAN, THE BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE BENEFIT OF CERTAIN QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED IN THE FIEA ("QIIS") IN RELIANCE ON THE QIIS-ONLY PRIVATE PLACEMENT EXEMPTION AS SET FORTH IN ITEM 2(I), PARAGRAPH 3, ARTICLE 2 OF THE FIEA. A QII WHO PURCHASED OR OTHERWISE OBTAINED THE BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY, THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN AND/OR OTHER REGULATORY AUTHORITY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS, AND THE BONDS MAY NOT BE OFFERED, ISSUED OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE REGISTRATION OR FILING WITH OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN. THE BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE BY INVESTORS RESIDING IN TAIWAN (EITHER DIRECTLY OR THROUGH PROPERLY LICENSED TAIWAN INTERMEDIARIES), BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY. ANY SUBSCRIPTIONS OF BONDS SHALL ONLY BECOME EFFECTIVE UPON ACCEPTANCE BY THE ISSUER OR THE RELEVANT DEALER OUTSIDE TAIWAN AND SHALL BE DEEMED A CONTRACT ENTERED INTO IN THE JURISDICTION OF INCORPORATION OF THE ISSUER OR RELEVANT DEALER, AS THE CASE MAY BE, UNLESS OTHERWISE SPECIFIED IN THE SUBSCRIPTION DOCUMENTS RELATING TO THE BONDS SIGNED BY THE INVESTORS.

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All pages between the cover page and this page, inclusive, the schedule and appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT

relating to

BOARD OF REGENTS OF THE UNIVERSITY OF NORTH TEXAS SYSTEM

\$59,475,000
REVENUE FINANCING SYSTEM
REFUNDING BONDS,
SERIES 2020A

\$55,240,000
REVENUE FINANCING SYSTEM
REFUNDING BONDS,
TAXABLE SERIES 2020B

INTRODUCTION

General. This Official Statement, which includes the cover pages, Schedule and Appendices hereto, provides certain information regarding the issuance by the Board of Regents (the “Board”) of the University of North Texas System (the “University System”), acting separately and independently for and on behalf of the University of North Texas (the “University”), the University of North Texas at Dallas (“UNT-Dallas”), and the University of North Texas Health Science Center at Fort Worth (the “Health Science Center”), of its bonds, entitled “Revenue Financing System Refunding Bonds, Series 2020A” (the “Series 2020A Bonds”) and “Revenue Financing System Refunding Bonds, Taxable Series 2020B” (the “Series 2020B Bonds,” and together with the Series 2020A Bonds, the “Bonds”). Except as otherwise permitted herein, capitalized terms used in this Official Statement and not otherwise defined have the same meanings assigned to such terms in “Appendix C, SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION.”

References to website addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless otherwise specified, references to websites and the information or links contained therein are not incorporated into, and are not a part of, this Official Statement.

This Official Statement contains summaries and descriptions of the plan of financing, the Master Resolution (as defined herein), the Bonds, the Board, the University, the Health Science Center, UNT-Dallas and other related matters. All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Dan Tenney, Vice Chancellor for Finance and Chief Financial Officer, University of North Texas System, 1901 Main Street, Dallas, Texas 75201.

The University System. The University and the Health Science Center were established pursuant to the provisions of the Constitution and the laws of the State of Texas (the “State”) as institutions of higher education. At its July 23, 1999 meeting, the Texas Higher Education Coordinating Board approved the administration of the University and the Health Science Center as a “University System.” On April 30, 2009, the Texas Higher Education Coordinating Board certified that the UNT-Dallas reached full-time equivalent enrollment of 1,000. In 2009, legislation was enacted adding the UNT-Dallas College of Law as a component of the University System. The legislation provided that until UNT-Dallas had been administered as a general academic teaching institution for five years, the Board shall administer the UNT-Dallas College of Law as a professional school of the University System. UNT-Dallas has operated as a general academic teaching institution since Fall 2010. On September 1, 2015, the UNT-Dallas College of Law became a professional school of UNT-Dallas. For the 2019 Fall semester, the University had a total enrollment of 39,192 students, UNT-Dallas had a total enrollment of 4,059 students, and the Health Science Center had a total enrollment of 2,219 students. For a description of the University, UNT-Dallas, and the Health Science Center, see “Appendix A, DESCRIPTION OF THE PARTICIPANTS.”

Pursuant to an Amended and Restated Master Resolution adopted by the Board on February 12, 1999 (the “Master Resolution”), the Board created the University of North Texas Revenue Financing System (the “Revenue Financing System”) for the purpose of providing a financing structure for revenue-supported indebtedness to reduce costs, increase borrowing capacity, provide additional security to the credit markets and provide the Board with greater financial flexibility. See “Appendix C, SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION.” Initially, the University and the Health Science Center were the only Participants in the Revenue Financing System. UNT-Dallas was added as a Participant in 2004 pursuant to the terms of the Tenth Supplemental Resolution to the Master Resolution, adopted by the Board on May 20, 2004, as amended and restated by the Board on May 8, 2008 and December 5, 2013 (the “Tenth Supplement”). Pursuant to the Master Resolution, the Board has, with certain exceptions, combined all of the revenues, funds and balances attributable to any Participant in the

Revenue Financing System that may lawfully be pledged to secure the payment of revenue-supported debt obligations and has pledged those sources as Pledged Revenues to secure the payment of revenue-supported debt obligations of the Board incurred as Parity Obligations under the Master Resolution subject to the lien on the Pledged Revenues securing Prior Encumbered Obligations. See “SECURITY FOR THE BONDS - The Revenue Financing System” and “Appendix C, SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION.” Currently, there are no Prior Encumbered Obligations outstanding.

State Appropriations. THE OPERATIONS OF THE UNIVERSITY SYSTEM AND THE PARTICIPANTS OF THE REVENUE FINANCING SYSTEM ARE HEAVILY DEPENDENT ON STATE APPROPRIATIONS. THE BOARD AND THE PARTICIPANTS HAVE NO ASSURANCE THAT STATE APPROPRIATIONS TO THE PARTICIPANTS WILL CONTINUE AT THE SAME LEVEL AS IN PREVIOUS YEARS. See “Appendix A, DESCRIPTION OF THE PARTICIPANTS – Funding for the Participants – State Appropriations.”

COVID-19 Disclosure. The outbreak of 2019 Novel Coronavirus Disease (“COVID-19”), a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally. On March 13, 2020, the Governor of the State (the "Governor") responded to an increase in the number of confirmed cases of COVID-19 in the State by declaring a state of disaster and authorized the use of all available resources of State government and of political subdivisions that are reasonably necessary to cope with this disaster. Since the week of March 16, 2020, undergraduate and graduate course instruction has been conducted through virtual means. Most students have vacated their respective campuses, with those that remain subject to “social distancing” measures and reduced on-campus services. The University System is coordinating its response with local public health agencies, as well as the Texas Department of Health, and is providing public information through <https://www.untsystem.edu/covid-19> and direct communications to the University System community and stakeholders. The information contained on (or accessed through) such website is not incorporated by reference, either expressly or by implication, into this Official Statement, nor are any materials on such website.

As of June 11, 2020, the Texas Department of State Health Services (“DSHS”) has reported over 81,000 cases of individuals in the State diagnosed with COVID-19. DSHS is the lead agency in the State responding to and coordinating the State’s response to COVID-19 and has provided information available at <https://www.dshs.texas.gov/coronavirus/>. The information contained on (or accessed through) such website is not incorporated by reference, either expressly or by implication, into this Official Statement, nor are any materials on such website.

As it relates to the coronavirus (COVID-19) threat, the University of North Texas System and its member institutions are committed to the well-being and safety of its students, faculty and staff. In responsibly planning the immediate future, UNT System leadership teams have spent significant hours preparing to safely begin reopening aspects of our campuses and office facilities. A cross-institutional team of experts from all UNTS institutions and system headquarters worked with the Chancellor and Presidents to provide several system-wide guidelines. Current UNT System guidelines, applicable to all member institutions, can be found below and will be updated regularly as circumstances change. For information specific to a UNT System institution, please visit the COVID-19 web sites for <https://healthalerts.unt.edu/>, <https://www.unthsc.edu/coronavirus/>, and <https://www.untDallas.edu/covid-19-knowledge-center>.

Summer courses at the University System’s academic institutions will continue to be conducted online without students being charged for on-campus housing, parking and meal plans. However, the University System is still evaluating the possibility of some labs and other on-campus offerings reopening later in the 2020 Summer II semester, which begins on July 6, 2020. Currently, 2020 Summer semester enrollment for the University of North Texas is up approximately 11% from the 2019 Summer semester. The University of North Texas waived the athletics, medical services, recreation center, student union and transportation fees for Summer courses. The University System is currently planning to conduct in person classes on-campus for the 2020 Fall semester with health and safety considerations as the first priority.

The University of North Texas announced that the 2020 Fall semester will begin as scheduled on August 24th with in person classes to be conducted on-campus until Thanksgiving and the remainder of the 2020 Fall Semester to be conducted remotely. For the 2019 Fall semester, the University System’s academic institutions enrolled approximately 2,400 international students, and a substantial decrease in international student enrollment for the 2020 Fall semester is expected as part of a nationwide trend. Such decrease could have a negative impact on

academic revenues. However, the University System at this time cannot predict what the ultimate impact the COVID-19 pandemic will be on actual student enrollment and on revenues.

From March 22, 2020 until April 22, 2020, the State was under an executive order that required all licensed healthcare providers and facilities in the State, including those of the University System, to postpone all surgeries and procedures that were not “immediately medically necessary to correct a serious medical condition of, or to preserve the life of, a patient who without immediate performance of the surgery or procedure would be at risk for serious adverse medical consequences or death.” There can be no assurances that the Governor will not issue executive orders in the future with similar restrictions. The University System expects that its compliance with such executive order and the COVID-19 pandemic generally will have an adverse impact on the revenues and expenses, with additional personal protective equipment needs, of the University of North Texas Health Science Center for the second half of fiscal year 2020. While the University System cannot predict the exact impact, it currently estimates that gross revenue losses for clinical practices at the University of North Texas Health Science Center will be approximately \$2.9 million, excluding any offsets from CARES Act (as defined herein) funding described below. The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020, also provided for funds that benefit the University System. Under the CARES Act, \$35.1 million is available to University System institutions, with \$16.4 million half for direct emergency payments to students and half for institutional costs associated with COVID-19. Such funds are expected to help offset losses incurred by the University System's academic institutions but are not expected to cover all such losses.

In response to the outbreak of the coronavirus (COVID-19), the University of North Texas System implemented significant cost controlling measures in March 2020 across the entire University System. These short-term cost controls include a hiring freeze with exceptions for the most critical positions, limiting procurement and contracts, reducing planned travel by approximately 90%, delaying various maintenance projects, reductions to administrative and support costs, and reducing student and hourly employees consistent with essential work. The University System has been able to continue its major ongoing capital improvement projects but has placed \$4.2 million of capital projects on hold at this time. To date, the Board has not made any formal revisions to its current CIP (defined herein), but the duration and extent of the COVID-19 pandemic could lead to future revisions in the CIP.

On May 20, 2020, the Governor of the State directed every State agency and institution of higher education to achieve savings in the current biennium to offset current year revenue losses for the State. The Governor requested each State agency and institution of higher education submit a plan identifying savings that will reduce general and general revenue related appropriations by five percent for the 2020-2021 biennium to the Legislative Budget Board and the Office of the Governor by June 15, 2020. To support the State’s response to COVID-19 and the continuity of critical government functions the following were excluded from the five percent reduction: (1) Appropriations to the Texas Division of Emergency Management, the Texas Department of State Health Services, the Texas Workforce Commission, the Texas Military Department, and the Texas Department of Public Safety; (2) Funding for debt service requirements and bond authorizations; (3) Current law requirements for the Foundation School Program and school safety; (4) Funding for Child Protective Services; (5) Benefits and eligibility levels in Medicaid programs, the Children’s Health Insurance Program, the foster care program, the adoption subsidies program, the permanency care assistance program, and services for individuals with intellectual or developmental disabilities; (6) Funding for behavioral health service programs; (7) Appropriations for Correctional Security Operations and Correctional Managed Health Care at the Texas Department of Criminal Justice; (8) Appropriations to Health Related Institutions and Community Colleges; and (9) Employer Contributions to the Teacher Retirement System and Employees Retirement System funds and to Social Security.

The Comptroller has stated that an official updated revenue estimate for the State's fiscal years 2020 and 2021 is currently expected to be released sometime this summer and that such estimate is expected to be significantly lower than the Comptroller's prior revenue estimate released in October 2019. Such downward revision is anticipated by the Comptroller to be at least several billion dollars, to an extent that cannot yet be reliably estimated, and could be material. According to the Comptroller, the extent of the reduction in State revenues forecasted will depend on a number of factors, including whether increased economic activity in the State can continue to be permitted in stages or must be restricted due to a continued or renewed spread of COVID-19, the extent to which consumer confidence and economic activity rebounds, resulting changes in crude oil prices and exploration and development activity, and other factors beyond the State’s control. Current economic conditions in the State may result in decreases to State appropriations to the University System, either through a reduction in appropriations for the 2020-21 biennium which may be implemented by the Governor or by the State Legislature in the next legislative session. The University System can make no assurances as to any such future actions with respect to legislative appropriations.

The continued spread of COVID-19 and its impact on social interaction, travel, commerce and financial markets may adversely impact the University System's financial condition and operations, including the ability of the University System to conduct its operations and/or the cost of its operations. The continued spread of COVID-19 and its impact on social interaction, travel, commerce and financial markets could also adversely affect financial markets and consequently adversely affect the returns on and value of the University System's investments and the secondary market for and value of the Bonds. Other adverse consequences of COVID-19 may include, but are not limited to, decline in enrollment, postponement or cancellation of athletic events, decline in demand for University System housing, parking and dining, decline in demand for University System programs that involve travel or that have international connections, and changes in the delivery of health care.

At this time, the University System cannot predict (i) the duration or extent of the COVID-19 pandemic; (ii) the duration or expansion of travel restrictions and restrictions on assemblies or gatherings; (iii) what effect any COVID-19 or any other outbreak/pandemic-related restrictions or warnings may have on demand for higher education, (iv) whether and to what extent the COVID-19 pandemic may disrupt the State, national or global economy, or whether any such disruptions may adversely impact the University System's operations or revenues; or (v) whether any of the foregoing may have a material adverse effect on the financial condition or operations of the University System and the Participants in the Revenue Financing System. However, the University System currently anticipates that the COVID-19 pandemic and the related responsive measures will not impair the Board's ability to pay debt service on Parity Debt and to comply with the other terms thereof. See "Funding for the Participants."

PLAN OF FINANCING

Purpose. The proceeds from the sale of the Series 2020A Bonds will be used for the purposes of: (i) refunding a portion of the Board's outstanding bonds listed on Schedule I hereto (the "Refunded Bonds") to achieve debt service savings; and (ii) paying certain costs of issuing the Series 2020A Bonds. The proceeds from the sale of the Series 2020B Bonds will be used for the purposes of: (i) refunding a portion of the Refunded Bonds to achieve debt service savings; (ii) refunding a portion of the Board's outstanding Series B Commercial Paper Notes (as defined herein), converting interim financing into permanent financing; and (iii) paying certain costs of issuing the Series 2020B Bonds. See "- Refunded Bonds," "- Refunded Commercial Paper Notes," "SOURCES AND USES OF FUNDS" and "SCHEDULE I – SCHEDULE OF REFUNDED BONDS."

Refunded Bonds. A portion of the proceeds from the issuance and sale of the Bonds will be applied to refund the Refunded Bonds. The refunding will result in the defeasance of the Refunded Bonds in accordance with the terms thereof and the laws of the State.

The principal and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates and the respective redemption dates of such Refunded Bonds from funds to be deposited pursuant to an escrow agreement (the "Escrow Agreement") between the Board and BOKF, NA, as escrow agent (the "Escrow Agent"). The Board will deposit, from proceeds of the Bonds, with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account established under the Escrow Agreement (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the respective Refunded Bonds.

Causey Demgen & Moore P.C., a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the respective series of the Refunded Bonds. Such maturing principal of and interest on the Federal Securities will not be available to pay the Bonds of either series. See "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS".

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the Board will have effected the defeasance of all of the Refunded Bonds in accordance with law. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed to be outstanding obligations of the Board payable from the Pledged Revenues.

Refunded Commercial Paper Notes. A portion of the proceeds of the Series 2020B Bonds will be used to refund and retire \$14,650,000 of outstanding Series B Commercial Paper Notes issued by the Board under authority

of the Twenty-Fourth Supplement (as defined herein). The Series B Commercial Paper Notes were issued to provide interim financing for projects under the Revenue Financing System and will be retired concurrently with or within 90 days of the issuance of the Bonds. Moneys will be deposited with U.S. Bank National Association, New York, New York, the “Issuing and Paying Agent” for the Series B Commercial Paper Notes and will be held in the “Note Payment Fund” established by the Twenty-Fourth Supplement for the sole purpose of retiring the refunded Series B Commercial Paper Notes.

Authority for Issuance of the Bonds. The Bonds are being issued in accordance with the general laws of the State, including particularly Chapter 55, Texas Education Code, and Chapters 1207 and 1371, Texas Government Code, as amended. The Bonds are being issued pursuant to the Master Resolution and a Twenty-Eighth Supplemental Resolution to the Master Resolution adopted by the Board on August 16, 2019 (the “Twenty-Eighth Supplement”). The Master Resolution and the Twenty-Eighth Supplement are referred to herein collectively as the “Resolution.” Following the issuance of the Bonds there will be \$829,970,000 in aggregate principal amount of outstanding Parity Obligations payable from the Pledged Revenues, including Commercial Paper Notes (as defined herein) outstanding in the principal amount of \$54,465,000, issued both as taxable and tax-exempt obligations. See “Appendix A, DESCRIPTION OF THE PARTICIPANTS - Outstanding Indebtedness” and “Appendix B, THE AUDITED CONSOLIDATED ANNUAL FINANCIAL REPORT OF THE UNIVERSITY OF NORTH TEXAS SYSTEM FOR THE YEAR ENDED AUGUST 31, 2019 – Note 6: Bonded Indebtedness.”

The Twenty-Eighth Supplement authorized the issuance of bonds, in one or more series, in an aggregate principal amount not to exceed \$300,000,000. The Bonds constitute the first and second installments of bonds issued under authority of the Twenty-Eighth Supplement. The authority to sell the authorized but unissued bonds remaining after the delivery of the Bonds expires on August 28, 2020. There is no present intention of approving the issuance any of the remaining authorized but unissued bonds on or before August 28, 2020.

The Master Resolution permits additional Parity Obligations to be issued in the future. See “SECURITY FOR THE BONDS - Additional Obligations,” “SECURITY FOR THE BONDS - The Revenue Financing System” and “Appendix A, DESCRIPTION OF THE PARTICIPANTS - Outstanding Indebtedness.”

Authority for Issuance of Commercial Paper Notes. The Board has the ability to issue, as Parity Obligations, commercial paper notes. The System has established two commercial paper programs pursuant to which commercial paper notes may be issued. On May 8, 2008, the Board approved the Tenth Supplemental Resolution to the Master Resolution, giving it the ability to issue, as Parity Obligations, commercial paper notes (the “Series A Commercial Paper Notes”). On December 6, 2013, the Board approved the Second Amended and Restated Tenth Supplemental Resolution to the Master Resolution, governing the issuance of Series A Commercial Paper Notes (referred to herein as the “Tenth Supplement”). Series A Commercial Paper Notes may be issued as either tax-exempt or taxable obligations. Pursuant to the Tenth Supplement, the Board established (i) the authority to issue from time to time and at any one time Series A Commercial Paper Notes in an amount not to exceed \$100,000,000 (subject to the requirements of the Twenty-Fourth Supplement and the 2018 Resolution (as defined herein) discussed below), and (ii) that the payment of the Series A Commercial Paper Notes may be, but is not required to be, supported by either a credit facility or a liquidity facility issued pursuant to the terms of a “Credit Agreement” (as defined in the Master Resolution). See “Table 2 - DEBT SERVICE REQUIREMENTS.” Under the terms of the Tenth Supplement, the Board covenanted to maintain available funds plus any available bank loan commitment issued under the terms of a Credit Agreement in an amount equal to the total principal amount of outstanding Series A Commercial Paper Notes plus interest to accrue thereon for the following 90 days. Acting upon the authority originally granted by the Tenth Supplement, the Board provides its own liquidity in support of the Series A Commercial Paper Notes then and thereafter outstanding. No credit facility or liquidity facility has been executed to provide credit or liquidity support for the Series A Commercial Paper Notes.

On November 18, 2016, the Board approved the Twenty-Fourth Supplemental Resolution to the Master Resolution (the “Twenty-Fourth Supplement”), giving it the ability to issue, as Parity Obligations, extendible commercial paper notes (the “Series B Commercial Paper Notes” and, together with the Series A Commercial Paper Notes, the “Commercial Paper Notes”) under the terms of the Master Resolution and the Twenty-Fourth Supplement. Series B Commercial Paper Notes may be issued as either tax-exempt or taxable obligations. Pursuant to the Twenty-Fourth Supplement, the Board established (i) the authority to issue from time to time and at any one time Series B Commercial Paper Notes in an amount not to exceed \$75,000,000 and (ii) that the payment of the Series B Commercial Paper Notes may be, but is not required to be, supported by either a credit facility or a liquidity facility issued pursuant to the terms of a “Credit Agreement” (as defined in the Master Resolution). See “Table 2 - DEBT SERVICE REQUIREMENTS.” Under the terms of the Twenty-Fourth Supplement, the interest rate on the Series B Commercial Paper Notes can be reset to a formula rate, not to exceed a maximum rate of the lesser of (i)

9.00% per annum and (ii) the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the Board in the exercise of its borrowing powers, which currently is 15%, if Series B Commercial Paper Notes mature and are not successfully remarketed by the dealer for the Series B Commercial Paper Note program. The holder of the matured Series B Commercial Paper Note agrees to hold the Series B Commercial Paper Note with a new maturity, which would be for a period equal to the difference between 270 days and the maturity of the Series B Commercial Paper Notes that matured and were not remarketed (e.g., if the maturity of the Series B Commercial Paper Notes that matured and were not remarketed was 30 days, the Series B Commercial Paper Notes would bear interest at the formula rate for 240 days), and will be paid interest on the retained Series B Commercial Paper Notes at the formula rate until maturity or redemption prior to maturity. The Board has covenanted to provide funds, or in good faith endeavor to sell a sufficient principal amount of Parity Obligations or other obligations of the Board in order to have funds available, together with other available funds of the University System, to pay the Series B Commercial Paper Notes and the interest thereon, upon maturity or prior redemption, including, without limitation, to pay the increased interest rate to be borne by the Series B Commercial Paper Notes. The Twenty-Fourth Supplement also restricts the Board's ability to issue Series A Commercial Paper Notes to \$75,000,000 in principal amount at any one time and from time to time outstanding. On May 18, 2018, the Board approved a resolution (the "2018 Resolution") further restricting the Board's ability to issue Series A Commercial Paper Notes to \$50,000,000 in principal amount at any one time and from time to time outstanding.

Under the terms of the Tenth Supplement and the Twenty-Fourth Supplement (together, the "Commercial Paper Supplements"), to the extent that the "Dealer" (as defined in each of the Commercial Paper Supplements) for the Board's commercial paper program cannot sell Commercial Paper Notes to renew or refund outstanding Commercial Paper Notes on their maturity, the Board covenanted to use lawfully available funds to purchase Commercial Paper Notes issued to renew and refund maturing Commercial Paper Notes. Under the terms of the Commercial Paper Supplements, such payment, issuance and purchase is not intended to constitute an extinguishment of the obligation represented by any Commercial Paper Notes held by the Board, and the Commercial Paper Supplements provide that the Board may issue Commercial Paper Notes to renew and refund the Commercial Paper Notes held by it when the Dealer is again able to sell Commercial Paper Notes. The commercial paper program established under the terms of the Tenth Supplement expires on December 31, 2038, and the commercial paper program established under the terms of the Twenty-Fourth Supplement expires on December 31, 2047.

In connection with providing self-liquidity in support of the Series A Commercial Paper Notes, the Board has established a failed remarketing policy, where the Dealer for the Series A Commercial Paper Notes will provide notice to the Board of its inability to remarket maturing Series A Commercial Paper Notes and the Board will then take steps to provide funds either from available cash or through the liquidation of Short/Intermediate Term Investment Fund assets in a manner sufficient to provide for the timely payment due to holders of maturing Series A Commercial Paper Notes. See "Appendix A, DESCRIPTION OF THE PARTICIPANTS - Investment Policies and Procedures."

Issuance of Additional Bonds. The Board may issue additional Parity Obligations to provide funds for new construction, renovation of existing facilities, and acquisition of equipment and to refund outstanding Debt. See "SECURITY FOR THE BONDS - Additional Obligations."

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SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied as follows:

<u>Sources of Funds</u>	<u>Series 2020A Bonds</u>	<u>Series 2020B Bonds</u>	<u>Total</u>
Par Amount of Bonds	\$59,475,000.00	\$55,240,000.00	\$114,715,000.00
Premium	<u>10,582,959.20</u>	<u>--</u>	<u>10,582,959.20</u>
Total Sources of Funds	\$70,057,959.20	\$55,240,000.00	\$125,297,959.20

Applications of Funds

Deposit to Escrow Fund	\$69,680,292.86	\$40,178,972.44	\$109,859,265.30
Refunding of Commercial Paper Notes ⁽¹⁾	--	14,650,000.00	14,650,000.00
Costs of Issuance ⁽²⁾	<u>377,666.34</u>	<u>411,027.56</u>	<u>788,693.90</u>
Total Uses of Funds	\$70,057,959.20	\$55,240,000.00	\$125,297,959.20

⁽¹⁾ Includes interest.

⁽²⁾ Includes Underwriters' discount (see "UNDERWRITING" below), other costs of issuance and rounding amounts.

DESCRIPTION OF THE BONDS

General. The Bonds of each series will be issued only as fully registered bonds, without coupons, in any integral multiple of \$5,000 principal amount within a stated maturity and series, will be dated, will accrue interest from their date of delivery, and will bear interest at the per annum rates shown on pages ii and iv of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds is payable on October 15, 2020, and each April 15 and October 15 thereafter until maturity or prior redemption. The Bonds of each series mature on the respective dates and in the principal amounts set forth on pages ii and iv of this Official Statement.

In the event that any date for payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized by law or executive order to close in the city where the Designated Trust Office (as hereinafter defined) of BOKF, NA (the "Paying Agent/Registrar"), is located, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close (a "Business Day"). Payment on such later date will not increase the amount of interest due and will have the same force and effect as if made on the original date payment was due.

Transfer, Exchange, and Registration. The Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at its designated trust office, initially its office in Dallas, Texas (the "Designated Trust Office"). Such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the Designated Trust Office of the Paying Agent/Registrar, or sent by United States mail, first-class postage prepaid, to the new registered owner or title designee thereof. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount and like series as the Bond or Bonds surrendered for exchange or transfer.

Limitation on Transfer of Bonds Called for Redemption. Neither the Board nor the Paying Agent/Registrar shall be required to make any transfer or exchange (i) during a period beginning with the close of business on any Record Date (as defined herein) and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

Record Date for Interest Payment. The record date (“Record Date”) for the interest payable on any interest payment date means the close of business on the last Business Day of the month next preceding each interest payment date.

Redemption.

Optional Redemption

The Bonds of either series scheduled to mature on and after April 15, 2031 are subject to redemption prior to maturity at the option of the Board on April 15, 2030 or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if in part, the particular Bonds or portion thereof to be redeemed shall be selected by the Board) at a price of par plus accrued interest to the redemption date.

Selection of Bonds to be Redeemed

If less than all of the Bonds of either series are to be redeemed, the particular maturities of Bonds to be redeemed at the option of the Board will be determined by the Board in its sole discretion.

During any period in which ownership of the Series 2020A Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Series 2020A Bonds of the same maturity and series and bearing the same interest rate are to be redeemed, the particular Series 2020A Bonds of such maturity and series and bearing such interest rate shall be selected in accordance with the arrangements between the Board and the securities depository. See “DESCRIPTION OF THE BONDS – Book-Entry-Only System and Global Clearance Procedures” below.

If the Series 2020B Bonds are registered in book-entry-only form and so long as a securities depository is the sole registered owner of such Series 2020B Bonds, if less than all of the Series 2020B Bonds of a maturity are called for prior redemption, the particular Series 2020B Bonds or portions thereof to be redeemed shall be allocated on a *pro rata pass-through distribution of principal* basis pursuant to the procedures and operational arrangements of the securities depository or (2) if the securities depository’s procedures or operational arrangement at such time do not allow for redemption on a pro-rata pass-through distribution of principal basis, by such method as may be acceptable to the Paying Agent/Registrar and to the securities depository in accordance with its operating procedures in effect at such time. See “DESCRIPTION OF THE BONDS — Book-Entry-Only System and Global Clearance Procedures.”

The Board intends that redemption allocations of Series 2020B Bonds made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Board nor the Underwriters can provide any assurance that DTC, DTC’s direct and indirect participants or any other intermediary will allocate the redemption of Series 2020B Bonds on such basis.

In connection with any repayment of principal, including payments of scheduled mandatory sinking fund payments, the Paying Agent/Registrar will direct DTC to make a pass-through distribution of principal to the holders of the Series 2020B Bonds. For purposes of calculation of the “pro rata pass-through distribution of principal,” “pro rata” means, for any amount of principal to be paid, the application of a fraction to each denomination of the respective Series 2020B Bonds of a maturity where (a) the numerator is equal to the amount due to the respective bondholders on a payment date and (b) the denominator is equal to the total original par amount of the respective Series 2020B Bonds of such maturity.

If the Series 2020B Bonds are no longer registered in book-entry-only form, each owner will receive an amount of Series 2020B Bonds equal to the original face amount then beneficially held by that owner, registered in such investor’s name. Thereafter, any redemption of less than all of the Series 2020B Bonds of any maturity will continue to be paid to the registered owners of such Series 2020B Bonds on a pro-rata basis, based on the portion of the original face amount of any such Series 2020B Bonds to be redeemed.

Mandatory Redemption

Series 2020B Bonds. The Series 2020B Bonds maturing April 15 in the years 2030, 2040 and 2050 are subject to mandatory sinking fund redemption prior to their scheduled maturity and shall be redeemed by the Board, in part, prior to their scheduled maturity, with the particular Series 2020B Bonds or portions thereof to be redeemed to be selected and designated by the Board (provided that a portion of a Series 2020B Bond may be redeemed only

in an integral multiple of \$5,000), at a redemption price equal to the par or principal amount thereof plus accrued interest to the date of redemption, on the dates, and in the principal amounts set forth below:

Redemption Date <u>(April 15)</u>	<u>Principal Amount</u>
2029	\$4,520,000
2030*	4,615,000

* Scheduled Maturity.

Redemption Date <u>(April 15)</u>	<u>Principal Amount</u>
2036	\$435,000
2037	445,000
2038	460,000
2039	475,000
2040*	485,000

* Scheduled Maturity.

Redemption Date <u>(April 15)</u>	<u>Principal Amount</u>
2041	\$500,000
2042	515,000
2043	530,000
2044	550,000
2045	565,000
2046	580,000
2047	600,000
2048	615,000
2049	635,000
2050*	655,000

* Scheduled Maturity.

Subject to the optional redemption of Term Bonds on a pro rata pass-through distribution of principal basis in accordance with DTC procedures summarized under “– Selection of Bonds to be Redeemed” above, the principal amount of the Series 2020B Bonds required to be redeemed on each such redemption date pursuant to the foregoing operation of the mandatory sinking fund shall be reduced, at the option of the Board, by the principal amount of any Series 2020B Bonds, which, at least 45 days prior to the mandatory sinking fund redemption date, (1) shall have been acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been acquired and canceled by the Paying Agent/Registrar at the direction of the Board, in either case at a price not exceeding the par or principal amount of such Series 2020B Bonds, or (3) have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against mandatory sinking fund redemption.

Notice of Redemption.

Not less than 30 days prior to a redemption date, a notice of redemption of any Bond prior to its maturity will be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to each registered owner of a Bond to be redeemed in whole or in part at the address of each such owner appearing on the registration books of the Paying Agent/Registrar on the 45th day prior to such redemption date, to each registered securities depository, and to any national information service that disseminates redemption notices. Any notice sent to the registered securities depositories or national information services shall be sent so that they are received at least two days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to any registered owner who has not submitted Bonds for redemption 60 days after the redemption date.

All redemption notices shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the series, the dates of issue, the interest rates, the maturity dates, the CUSIP numbers, and the amounts called, the publication and mailing dates for the notices, the dates of redemption, the redemption prices, the

name of the Paying Agent/Registrar, and the address at which the Bonds may be redeemed including a contact person and telephone number.

With respect to any optional redemption of the Bonds of either series, unless certain prerequisites to such optional redemption required by the Twenty-Eighth Supplement have been met and money sufficient to pay the principal of, premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to giving such notice, such notice may state that the optional redemption will, at the option of the Board, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied, such notice will be of no force and effect, the Board will not redeem such Bonds and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds will not be redeemed.

Paying Agent/Registrar. In the Twenty-Eighth Supplement, the Board reserves the right to replace the Paying Agent/Registrar. The Board covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and any successor Paying Agent/Registrar shall be a competent and legally qualified bank, trust company, financial institution, or other qualified agency. In the event that the entity at any time acting as Paying Agent/Registrar should resign or otherwise cease to act as such, the Board covenants to promptly appoint a competent and legally qualified bank, trust company, financial institution or other qualified agency to act as Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar, the Board agrees to promptly cause a written notice thereof to be sent to each registered owner of Bonds by United States mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Defeasance. The Master Resolution provides for the procedure to effect the defeasance of the Bonds. See “Appendix C, SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION-Defeasance.”

Book-Entry-Only System and Global Clearance Procedures.

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee’s name.

The information in this section concerning DTC, Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme, Luxembourg (“Clearstream Banking”) (DTC, Euroclear and Clearstream Banking together, the “Clearing Systems”), and DTC’s book-entry-only system has been provided by DTC, Euroclear and Clearstream Banking for use in disclosure documents such as this Official Statement.

DTC will act as the initial securities depository for the Bonds. Euroclear and Clearstream Banking are participants of DTC and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.

The information set forth below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect and the Board expressly disclaims any responsibility to update this Official Statement to reflect any such changes. The information herein concerning the Clearing Systems has been obtained from sources that the Board believes to be reliable, but neither the Board nor the Underwriters take any responsibility for the accuracy or completeness of the information set forth herein. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The Board will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Board cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to participants of the Clearing Systems (“Participants”) (2) Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC or the other Clearing Systems will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the U.S. Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC Book-Entry-Only System. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of: "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede &

Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or the Paying Agent/Registrar, on such payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participants and not of DTC nor its nominee, the Paying Agent/Registrar, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Board or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board and the Underwriters take no responsibility for the accuracy thereof.

In the event that the book-entry-only system is discontinued by DTC or the Board, the following provisions will be applicable to the Bonds: Bonds may be exchanged for an equal aggregate principal amount of Bonds in authorized denominations and of the same maturity upon surrender thereof at the Principal Office for Payment of the Paying Agent/Registrar. The transfer of any Bond may be registered on the books maintained by the Paying Agent/Registrar for such purpose only upon the surrender of such Bond to the Paying Agent/Registrar with a duly executed assignment in form satisfactory to the Paying Agent/Registrar. For every exchange or transfer of registration of Bonds, the Paying Agent/Registrar and the Board may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Board shall pay the fee, if any, charged by the Paying Agent/Registrar for the transfer or exchange. The Paying Agent/Registrar will not be required to transfer or exchange any Bond after its selection for redemption. The Board and the Paying Agent/Registrar may treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes, whether such Bond is overdue or not, including for the purpose of receiving payment of, or on account of, the principal of, and interest on, such Bond.

Euroclear and Clearstream Banking. Euroclear and Clearstream Banking have advised the Board as follows:

Euroclear and Clearstream Banking each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream Banking provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream Banking also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream Banking have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream Banking customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream Banking is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures. Any Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, for the account of its participants, including but not limited to

Euroclear and Clearstream Banking. If the investors are participants in Clearstream Banking and Euroclear in Europe, or indirectly through organizations that are participants in the Clearing Systems, Clearstream Banking and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking's and Euroclear's names on the books of their respective depositories. In all cases, the record holder of the Bonds will be DTC's nominee and not Euroclear or Clearstream Banking. The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream Banking or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream Banking or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream Banking or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream Banking participant on that business day. Cash received in Clearstream Banking or Euroclear as a result of sales of securities by or through a Clearstream Banking participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream Banking or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream Banking or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream Banking participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Banking participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream Banking participants or Euroclear participants may not deliver instructions directly to the depositories.

The Board will not impose any fees in respect of holding the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

Initial Settlement. Interests in the Bonds will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream Banking accounts will follow the settlement procedures applicable thereto and applicable to DTC. Book-entry interests in the Bonds will be credited by DTC to Euroclear and Clearstream Banking participants' securities clearance accounts on the business day following the date of delivery of the Bonds against payment (value as on the date of delivery of the Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Bonds following confirmation of receipt of payment to the Board on the date of delivery of the Bonds.

Secondary Market Trading. Secondary market trades in the Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream Banking or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Bonds may be transferred within Euroclear and within Clearstream Banking and between Euroclear and Clearstream Banking in accordance with procedures established for these purposes by Euroclear and Clearstream Banking. Book-entry interests in the Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Bonds between Euroclear or Clearstream Banking and DTC shall be effected in accordance with procedures established for this purpose by Euroclear, Clearstream Banking and DTC.

Special Timing Considerations. Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Bonds through Euroclear or Clearstream Banking on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream Banking and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Bonds, or to receive or

make a payment or delivery of Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream Banking is used, or Brussels if Euroclear is used.

Clearing Information. The Board and the Underwriters expect that the Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream Banking.

General. None of Euroclear, Clearstream Banking or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

Neither the Board, the Underwriters nor any of their agents will have any responsibility for the performance by Euroclear, Clearstream Banking or DTC or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

Limitations. For so long as the Bonds are registered in the name of DTC or its nominee, Cede & Co., the Board and the Paying Agent/Registrar will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Bonds for all purposes, including payments, notices and voting. So long as Cede & Co. is the registered owner of the Bonds, references in this Official Statement to registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

Because DTC is treated as the owner of the Bonds for substantially all purposes, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of Beneficial Owners is unknown to the Board or DTC, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Bonds that may be transmitted by or through DTC.

The Board will have no responsibility or obligation with respect to:

- the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any Beneficial Ownership interest in any Bonds;
- the delivery to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Trustee, of any notice with respect to any Bonds including, without limitation, any notice of redemption with respect to any Bonds;
- the payment to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Trustee, of any amount with respect to the principal of, premium, if any, or interest on, any Bonds; or
- any consent given by DTC or its nominee as registered owner.

Prior to any discontinuation of the book entry only system hereinabove described, the Board and the Paying Agent/Registrar may treat Cede & Co. (or such other nominee of DTC) as, and deem Cede & Co. (or such other nominee) to be, the absolute registered owner of the Bonds for all purposes whatsoever, including, without limitation:

- the payment of principal, premium, if any, and interest on the Bonds;
- giving notices of redemption and other matters with respect to the Bonds;
- registering transfers with respect to the Bonds; and
- the selection of Bonds for redemption.

SECURITY FOR THE BONDS

The Revenue Financing System. The Master Resolution created the Revenue Financing System to provide a financing structure for revenue-supported indebtedness of the University and the Health Science Center

and other entities which may be included in the future, by Board action, as Participants in the Revenue Financing System. The Board designated UNT-Dallas as an additional Participant in the Tenth Supplement and designated the UNT-Dallas College of Law as an additional Participant in the Fifteenth Supplement. Subsequently, UNT-Dallas was given administrative control over UNT-Dallas College of Law, and UNT-Dallas College of Law is no longer a Participant. The Revenue Financing System is intended to facilitate the assembling of all of the Participants' revenue-supported debt capacity into a single financing program in order to provide a cost-effective debt program to Participants and to maximize the financing options available to the Board. The Master Resolution provides that once a university or agency becomes a Participant, the lawfully available revenues, income, receipts, rentals, rates, charges, fees, including interest or other income, and balances attributable to that entity and pledged by the Board become part of the Pledged Revenues; provided, however, that, if at the time an entity becomes a Participant it has outstanding obligations secured by such sources, such obligations will constitute Prior Encumbered Obligations under the Master Resolution and the pledge of such sources as Pledged Revenues will be subject and subordinate to such outstanding Prior Encumbered Obligations. Thereafter, the Board may issue bonds, notes, commercial paper, contracts, or other evidences of indebtedness, including credit agreements, on behalf of such institution, on a parity, as to payment and security, with the Outstanding Parity Obligations, subject only to the outstanding Prior Encumbered Obligations, if any, with respect to such Participant. Upon becoming a Participant, an entity may no longer issue obligations having a lien on Pledged Revenues prior to the lien on the Outstanding Parity Obligations. Generally, Prior Encumbered Obligations are those bonds or other obligations issued on behalf of a Participant which were outstanding on the date such entity became a Participant in the Revenue Financing System. The Board has reserved the right in the Master Resolution to refund Prior Encumbered Obligations with Parity Obligations and to issue obligations to refund any Prior Encumbered Obligations and to secure the refunding obligations with the same source or sources securing the Prior Encumbered Obligations being refunded. Currently, no Prior Encumbered Obligations are outstanding. As of June 12, 2020, there was \$831,055,000 in principal amount of Parity Obligations outstanding (including \$32,530,000 of Series A Commercial Paper Notes, and \$31,935,000 of Series B Commercial Paper Notes, \$14,650,000 of which will be refunded by the Series 2020B Bonds). See "PLAN OF FINANCING – Refunded Commercial Paper Notes," "Table 2 - DEBT SERVICE REQUIREMENTS" and Appendix A, "DESCRIPTION OF THE PARTICIPANTS - Outstanding Indebtedness." The Board does not currently anticipate adding Participants to the Revenue Financing System which would result in the assumption of Prior Encumbered Obligations.

Pledge Under Master Resolution. Under the Master Resolution, the Board has, with certain exceptions, combined all of the revenues, funds, and balances attributable to Participants of the Revenue Financing System and lawfully available to secure revenue-supported indebtedness into a system-wide pledge to secure the payment of Parity Obligations from time to time issued and outstanding under the Master Resolution (referred to herein collectively as "Parity Obligations"). The Parity Obligations are special obligations of the Board equally and ratably secured solely by and payable solely from a pledge of and lien on the Pledged Revenues as described below.

The Pledged Revenues consist of, subject to the provisions of the Prior Encumbered Obligations (of which currently there are none), the Revenue Funds, including all of the funds and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Revenue Financing System which are lawfully available to the Board for payments on Parity Obligations; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a Supplement to the Master Resolution: (a) amounts received by the University, the Health Science Center, or UNT-Dallas under Article VII, Section 17 of the State Constitution (generally, a provision of the State Constitution currently providing for an annual Higher Education Fund ("HEF") appropriation to be allocated among eligible agencies and institutions of higher education for the purpose of providing funds for acquisition of capital assets and the construction of capital improvements), including the income therefrom and any fund balances relating thereto; and (b) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the State Legislature. The "Revenue Funds" are defined in the Master Resolution to include the "revenue funds" of the Board (as defined in Section 55.01 of the Texas Education Code to mean the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by an institution of higher education, including interest or other income from those funds) derived by the Board from the operations of the Participants; provided that Revenue Funds do not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, rates, fees, or other charges attributable to any student in a category which, at the time of adoption of the Supplement relating to such Parity Obligations, is exempt by law from paying such tuition, rentals, rates, fees, or other charges. All legally available funds of the Participants, including unrestricted fund and reserve balances, are pledged to the payment of the Parity Obligations. For a more detailed description of the types of revenues and expenditures of the University, UNT-Dallas, and the Health Science Center, see "Appendix A, DESCRIPTION OF THE PARTICIPANTS."

The following table sets forth the Pledged Revenues under the Revenue Financing System for each of the five most recent fiscal years:

**TABLE 1
PLEGGED REVENUES
Fiscal Years Ended August 31**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Available Pledged Revenues Not Including Fund Balances ⁽¹⁾⁽²⁾	\$526,622,724	\$582,918,676	\$625,218,365	\$697,655,638	\$711,636,275
Pledgeable Unappropriated Funds Fund and Reserve Balances ⁽²⁾	217,474,734	190,178,542	205,913,527	250,539,595	334,228,791
Total Pledged Revenues ⁽²⁾	<u>\$744,097,458</u>	<u>\$773,097,218</u>	<u>\$831,131,889</u>	<u>\$948,195,234</u>	<u>\$1,045,865,066</u>

⁽¹⁾ Available Pledged Revenues include the gross revenues of the Revenue Financing System, the student union fee, pledged general tuition (which includes general use fees), and investment income or monies held for the payment of debt service.

⁽²⁾ Pledged Revenues do not include: (a) State appropriations for the reimbursement of debt service on Tuition Revenue Bonds (as defined herein) of the University System (equal to \$33,182,778 for Fiscal Year 2020); (b) amounts appropriated to any Participant from the HEF under Article VII, Section 17 of the State Constitution (equal to \$56,766,916 in Fiscal Year 2020); and (c) except to the extent so appropriated, general revenue funds appropriated to the University System..

Pledged Revenues do not include: (a) State appropriations for the reimbursement of debt service on Tuition Revenue Bonds (as defined herein) of the University System (equal to \$33,182,778 for Fiscal Year 2020); (b) amounts appropriated to any Participant from the HEF under Article VII, Section 17 of the State Constitution (equal to \$56,766,916 in Fiscal Year 2020); and (c) except to the extent so appropriated, general revenue funds appropriated to the University System. See “Appendix A, DESCRIPTION OF THE PARTICIPANTS - Funding for the Participants – State Appropriations” and “-Tuition Revenue Bonds.”

Pledged Revenues not utilized to pay debt service on Parity Obligations are available to pay other costs of operating the University System. Continued operation of the University System at current levels is dependent upon general revenue appropriations from the State. See “APPENDIX A – DESCRIPTION OF THE PARTICIPANTS – Funding for the Participants – State Appropriations.”

The Board has covenanted in the Master Resolution that in each Fiscal Year it will use its reasonable efforts to collect revenues sufficient to meet all financial obligations of the Board relating to the Revenue Financing System, including all deposits or payments due on or with respect to outstanding Parity Obligations for such Fiscal Year. The Board has also covenanted in the Master Resolution that it will not incur any debt secured by Pledged Revenues unless such debt constitutes a Parity Obligation or is junior and subordinate to the Parity Obligations. The Board intends to issue most of its revenue-supported debt obligations which benefit members of the University System as Parity Obligations under the Master Resolution.

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE UNIVERSITY SYSTEM OR ANY COMPONENT THEREOF, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION OF THE STATE. THE BOARD HAS NO TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE, IS PLEDGED AS SECURITY FOR THE BONDS. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE BOARD, THE UNIVERSITY, THE HEALTH SCIENCE CENTER OR UNT-DALLAS.

Additional Obligations. The Board may issue additional Parity Obligations to provide funds for new construction, renovation of existing facilities, and acquisition of equipment and to refund outstanding Debt. See “PLAN OF FINANCING - Authority for Issuance of Commercial Paper Notes” and “CAPITAL IMPROVEMENT PLANS.”

Parity Obligations. As of June 12, 2020, the Board will have outstanding Commercial Paper Notes and twelve series of Revenue Financing System Bonds that were issued as Parity Obligations (see Appendix A, “DESCRIPTION OF THE PARTICIPANTS - Outstanding Indebtedness”).

The Board has reserved the right to issue or incur additional Parity Obligations for any purpose authorized by law pursuant to the provisions of the Master Resolution and a Supplemental Resolution. The Board may incur, assume, guarantee, or otherwise become liable with respect to any Parity Obligations if the Board has determined that it will have sufficient funds to meet the financial obligations of the Participants, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System. The Master Resolution provides that the Board will not issue or incur additional Parity Obligations unless (i) the Board determines that the Participant for whom the Parity Obligations are being issued or incurred possesses the financial capacity to satisfy its respective Direct Obligations, after taking into account the then proposed additional Parity Obligations, and (ii) a Designated Financial Officer delivers to the Board a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Master Resolution and any Supplemental Resolution and is not in default in the performance and observance of any of the terms, provisions, and conditions thereof.

Nonrecourse Debt and Subordinated Debt. The Master Resolution provides that Non-Recourse Debt and Subordinated Debt may be incurred by the Board without limitation. No such Non-Recourse Debt or Subordinated Debt has been issued by the Board on behalf of any Participant, and there are no plans to do so.

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TABLE 2
DEBT SERVICE REQUIREMENTS

The following table is a summary of the debt service requirements of all Parity Obligations outstanding following the issuance of the Bonds. See “Appendix A, DESCRIPTION OF THE PARTICIPANTS – Outstanding Indebtedness.”

Fiscal Year 8/31	Total Current Debt Service ⁽¹⁾⁽²⁾	Less Refunded Bonds Debt Service ⁽³⁾	Series 2020A Bonds			Series 2020B Bonds			Total Annual Debt Service
			Principal	Interest	Total	Principal	Interest	Total	
2021	\$ 80,673,608	\$15,894,882	\$8,435,000	\$2,290,531	\$10,725,531	\$620,000	\$816,406	\$1,436,406	\$76,940,664
2022	80,657,001	15,900,289	11,240,000	2,492,000	13,732,000	550,000	1,034,539	1,584,539	80,073,251
2023	73,970,274	13,265,217	6,775,000	1,930,000	8,705,000	1,860,000	1,030,166	2,890,166	72,300,224
2024	73,077,528	13,274,360	7,130,000	1,591,250	8,721,250	4,425,000	1,013,352	5,438,352	73,962,771
2025	69,865,265	10,517,060	4,435,000	1,294,750	5,729,750	4,470,000	966,447	5,436,447	70,514,402
2026	66,963,661	7,870,503	2,245,000	1,073,000	3,318,000	4,305,000	915,936	5,220,936	67,632,094
2027	67,290,046	7,877,165	2,360,000	960,750	3,320,750	4,370,000	852,437	5,222,437	67,956,068
2028	64,934,195	7,874,250	2,480,000	842,750	3,322,750	4,440,000	781,425	5,221,425	65,604,119
2029	64,308,419	7,871,758	2,600,000	718,750	3,318,750	4,520,000	701,638	5,221,638	64,977,049
2030	58,839,586	7,883,039	2,735,000	588,750	3,323,750	4,615,000	611,238	5,226,238	59,506,535
2031	58,369,807	7,878,190	2,870,000	452,000	3,322,000	4,705,000	518,938	5,223,938	59,037,555
2032	54,907,256	7,872,290	3,010,000	308,500	3,318,500	4,795,000	422,626	5,217,626	55,571,093
2033	40,270,031	5,329,962	3,160,000	158,000	3,318,000	2,360,000	319,678	2,679,678	40,937,747
2034	28,472,361	327,758	-	-	-	735,000	266,649	1,001,649	29,146,252
2035	27,885,198	-	-	-	-	425,000	249,398	674,398	28,559,597
2036	26,735,334	-	-	-	-	435,000	239,211	674,211	27,409,545
2037	25,907,259	-	-	-	-	445,000	226,587	671,587	26,578,846
2038	25,716,075	-	-	-	-	460,000	213,673	673,673	26,389,748
2039	24,487,885	-	-	-	-	475,000	200,324	675,324	25,163,209
2040	20,941,135	-	-	-	-	485,000	186,540	671,540	21,612,674
2041	13,060,259	-	-	-	-	500,000	172,465	672,465	13,732,723
2042	12,872,527	-	-	-	-	515,000	157,455	672,455	13,544,982
2043	12,690,545	-	-	-	-	530,000	141,995	671,995	13,362,540
2044	12,518,313	-	-	-	-	550,000	126,084	676,084	13,194,397
2045	12,334,582	-	-	-	-	565,000	109,573	674,573	13,009,155
2046	6,365,400	-	-	-	-	580,000	92,612	672,612	7,038,012
2047	6,361,600	-	-	-	-	600,000	75,200	675,200	7,036,800
2048	6,354,400	-	-	-	-	615,000	57,188	672,188	7,026,588
2049	5,983,600	-	-	-	-	635,000	38,726	673,726	6,657,326
2050	3,338,400	-	-	-	-	655,000	19,663	674,663	4,013,063
Total	\$1,126,151,552	\$129,636,723	\$59,475,000	\$14,701,031	\$74,176,031	\$55,240,000	\$12,558,167	\$67,798,167	\$1,138,489,028

⁽¹⁾ Includes the Refunded Bonds. Does not include debt service on outstanding Series A Commercial Paper Notes and Series B Commercial Paper Notes, which the Board has authorized to be issued as Parity Obligations in the maximum outstanding aggregate amount of \$125,000,000 for both series. Following the issuance of the Bonds, Series A Commercial Paper Notes will be outstanding in the amount of \$32,530,000 and Series B Commercial Paper Notes will be outstanding in the amount of \$21,935,000.

⁽²⁾ All or a portion of these bonds constitute Tuition Revenue Bonds. Tuition Revenue Bonds qualify the University System to be reimbursed from State appropriations for debt service payments made from Revenue Financing System revenues on all of the outstanding Tuition Revenue Bonds (in the aggregate amount of \$33,182,778 during Fiscal Year 2020). Future reimbursement by the State Legislature in each subsequent State biennium is subject to appropriation of funds by the State for such purpose. See “APPENDIX A, DESCRIPTION OF THE PARTICIPANTS - Funding for the Participants – State Appropriations,” “- Tuition Revenue Bonds” and “- Outstanding Indebtedness.”

⁽³⁾ See Schedule I – “Schedule of Refunded Bonds.”

CAPITAL IMPROVEMENT PLANS

The University System anticipates issuing additional new money bonds in the next two fiscal years. Based on current plans, the University System estimates issuing approximately \$140 million of additional bonds in the next three to five fiscal years.

ABSENCE OF LITIGATION

Neither the Board nor any Participant is a party to any litigation or other proceeding pending or, to the knowledge of such parties, threatened, in any court, agency, or other administrative body (either state or federal) which, if decided adversely to such parties, would have a material adverse effect on the Pledged Revenues, and no litigation of any nature has been filed or, to their knowledge, threatened that would affect the provisions made for the use of the Pledged Revenues to secure or pay the principal of or interest on the Bonds, or in any manner questioning the validity of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Twenty-Eighth Supplement, the Board has made the following agreement for the benefit of the holders and beneficial owners of each series of the Bonds. The Board is required to observe its agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Board will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports. The information to be updated includes all quantitative financial information and operating data with respect to the University System of the general type included in this Official Statement under Tables 1 and 2, in Tables A-1 through A-10 and A-13 through A-18, in Appendix A, and in Appendix B. The Board will update and provide this information within six months after the end of each fiscal year ending in or after 2020. The Board will provide the updated information to the MSRB.

The Board may provide updated information in full text or may incorporate by specific reference to any document available to the public on the MSRB's Internet web site or filed with the United States Securities and Exchange Commission (the "SEC"), in accordance with the provisions of Rule 15c2-12, promulgated by the SEC ("SEC Rule 15c2-12"). The updated information will include audited financial statements, if the Board commissions an audit and it is completed by the time required. If the Board commissions an audit and the audit is not completed within twelve months after the end of each fiscal year ending in or after 2020, the Board will provide unaudited financial statements by the end of the twelve-month period and audited financial statements for the applicable fiscal year to the MSRB, when and if they become available. Any such financial statements are to be prepared in accordance with generally accepted accounting principles or such other accounting principles as the Board may be required to employ from time to time pursuant to state law or regulation.

The State's current fiscal year end is August 31. Accordingly, the Board must provide updated information within six months following August 31 of each year, unless the State changes its fiscal year. If the State changes its fiscal year, the Board will notify the MSRB of the change. Annually, not later than November 20, an unaudited financial report dated as of August 31, prepared from the books of the Participants, must be delivered to the Governor and the State Comptroller of Public Accounts.

Disclosure Event Notices. The Board will also provide timely notices of certain events to the MSRB, not in excess of ten Business Days after the occurrence of the event. The Board will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Board; (13) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the University System, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its

terms, if material; (14) the appointment of a successor or additional Paying Agent/Registrar or the change of name of the Paying Agent/Registrar, if material; (15) incurrence of a Financial Obligation (as defined herein) of the Obligated Person (as defined herein), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar event under the terms of a Financial Obligation of the Obligated Person, and which reflect financial difficulties. In addition, the Board will provide timely notice of any failure by the Board to provide information, data, or financial statements in accordance with its agreement described above under “CONTINUING DISCLOSURE OF INFORMATION – Annual Reports.” The Resolution makes no provision for debt service reserves or credit or liquidity facilities for the Bonds.

For the purposes of the event numbered 12 in the preceding paragraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

For the purposes of the events numbered 15 and 16 above, the term “Financial Obligation” means: (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii), however, the term Financial Obligation shall not include Municipal Securities as to which a final official statement has been provided to the MSRB consistent with the Rule; the term "Municipal Securities" means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a state or any political subdivision thereof, or any agency or instrumentality of a state or any political subdivision thereof, or any municipal corporate instrumentality of one or more states and any other Municipal Securities described by Section 3(a)(29) of the Securities Exchange Act of 1934, as the same may be amended from time to time; and the term "Obligated Person" means the University System.

Availability of Information from MSRB. The Board has agreed to provide the foregoing information only to the MSRB pursuant to its Electronic Municipal Market Access (“EMMA”) system. The information provided to the MSRB will be available to the public without charge and investors will be able to access continuing disclosure information with the MSRB at www.emma.msrb.org.

Limitations and Amendment. The Board has agreed to update information and to provide notices of certain events only as described above. The Board has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Board makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The Board disclaims any contractual or tort liability of damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the Board to comply with its agreement.

The Board may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the Board (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Board may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of said rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If the Board so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the

reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Agreements. During the past five years, the Board has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

LEGAL MATTERS

Legal matters relating to the Bonds of each series are subject to approval of legality by the Attorney General of the State, and of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Board, whose opinions will be delivered at the closing of the sale of the Bonds in substantially the forms attached hereto as Appendix D. Bond Counsel was not requested to participate in, and did not take part in, the preparation of this Official Statement except as hereinafter noted, and such firm has not assumed any responsibility with respect thereto or undertaken to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information relating to the Bonds, the Resolution and the Revenue Financing System contained in this Official Statement under the captions “PLAN OF FINANCING,” “DESCRIPTION OF THE BONDS” (other than information under the subcaption “Book-Entry-Only System and Global Clearance Procedures”), “SECURITY FOR THE BONDS,” “CONTINUING DISCLOSURE OF INFORMATION” (other than information under the subcaption “Compliance with Prior Agreements”), “TAX MATTERS,” “LEGAL INVESTMENTS IN TEXAS” and “REGISTRATION AND QUALIFICATION OF BONDS FOR SALE” and in Appendix C and Appendix D and such firm is of the opinion that the information contained under such captions and in such Appendices is a fair and accurate summary of the information purported to be shown therein and is correct as to matters of law. The payment of legal fees to Bond Counsel is contingent upon the sale and delivery of the Bonds. In connection with the transactions described in this Official Statement, Bond Counsel represents only the Board. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas and Kassahn & Ortiz, P.C., San Antonio, Texas.

TAX MATTERS

Certain Federal Income Tax Considerations

General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Bonds and is based on the Internal Revenue Code of 1986 (the “Code”), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service (“IRS”) and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to branch profits tax or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the “U.S. dollar”. This summary is further limited to investors who will hold the Bonds as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term “U.S. Holder” means a beneficial owner of a Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise

primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term “Non-U.S. Holder” means a beneficial owner of a Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER’S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BEFORE DETERMINING WHETHER TO PURCHASE BONDS. THE FOLLOWING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 (the “Foreign Account Tax Compliance Act” or “FATCA”) or backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Series 2020A Bonds

Opinion.

On the date of initial delivery of the Series 2020A Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) for federal income tax purposes, interest on the Series 2020A Bonds will be excludable from the “gross income” of the holders thereof and (2) the Series 2020A Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2020A Bonds. See APPENDIX D - Forms of Opinions of Bond Counsel.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the Board, including information and representations contained in the Board’s federal tax certificate related to the Series 2020A Bonds, (b) covenants of the Board contained in the 2020A Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Series 2020A Bonds and the property financed or refinanced therewith, and (c) the report of Causey Demgen & Moore P.C. (see “VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS”). Failure by the Board to observe the aforementioned representations or covenants could cause the interest on the Series 2020A Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2020A Bonds in order for interest on the Series 2020A Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Series 2020A Bonds to be included in gross income retroactively to the date of issuance of the Series 2020A Bonds. The opinion of Bond Counsel is conditioned on compliance by the Board

with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Series 2020A Bonds.

Bond Counsel's opinion regarding the Series 2020A Bonds represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion related to the Series 2020A Bonds is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Series 2020A Bonds.

A ruling was not sought from the IRS by the Board with respect to the Series 2020A Bonds or the property financed or refinanced with proceeds of the Series 2020A Bonds or the obligations refunded with proceeds of the Series 2020A Bonds. No assurances can be given as to whether the IRS will commence an audit of the Series 2020A Bonds, or as to whether the IRS would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the IRS is likely to treat the Board as the taxpayer and the holders have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount.

The initial public offering price to be paid for one or more maturities of the Series 2020A Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any U.S. Holder who has purchased a Series 2020A Bond as an Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such U.S. Holder in excess of the basis of such Original Issue Discount Bond in the hands of such U.S. Holder (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

All U.S. Holders of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences.

Under section 6012 of the Code, U.S. Holders of tax-exempt obligations, such as the Series 2020A Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Series 2020A Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Future and Proposed Legislation.

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2020A Bonds under Federal or state law and could affect the market price or marketability of the Series 2020A Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Series 2020A Bonds should consult their own tax advisors regarding the foregoing matters.

Series 2020B Bonds

Certain U.S. Federal Income Tax Consequences to U.S. Holders.

Periodic Interest Payments and Original Issue Discount. The Series 2020B Bonds are not obligations described in section 103(a) of the Code. Accordingly, the stated interest paid on the Series 2020B Bonds or original issue discount, if any, accruing on the Series 2020B Bonds will be includable in “gross income” within the meaning of section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Series 2020B Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Series 2020B Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner’s tax basis in the Series 2020B Bonds. Generally, a U.S. Holder’s tax basis in the Series 2020B Bonds will be the owner’s initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Series 2020B Bonds has been held for more than one year.

Defeasance of the Taxable Bonds. Defeasance of any Series 2020B Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

State, Local and Other Tax Consequences. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Series 2020B Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Series 2020B Bonds. PROSPECTIVE PURCHASERS OF THE SERIES 2020B BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders.

A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Series 2020B Bond, will not be subject to U.S. federal income or withholding tax in respect of such Series 2020B Bond, provided that such Non-U.S. Holder complies, to

the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Series 2020B Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

LEGAL INVESTMENTS IN TEXAS

The Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries and trustees, and for the sinking funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are eligible to secure deposits of public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. The Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) provides that a city, county, or school district may invest in the Bonds provided that Bonds have received a rating of not less than "A" from a nationally recognized investment rating firm. No investigation has been made of other laws, regulations, or investment criteria which might limit the ability of such institutions or entities to invest in the Bonds, or which might limit the suitability of the Bonds to secure the funds of such entities. No review by the Board has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

RATINGS

The Bonds are rated "Aa2" by Moody's Investors Service, Inc. ("Moody's") and "AA" by Fitch Ratings, Inc. ("Fitch").

An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings will reflect only the views of such organizations at the time such ratings are given, and the Board makes no representation as to the appropriateness of the ratings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either Moody's or Fitch, if, in their respective judgement, circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Bonds.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by Hilltop Securities, Inc. ("Hilltop"), on behalf of the Board relating to (a) computation of forecasted receipts of principal and interest on the Federal Securities and the forecasted payments of principal and interest to redeem the Refunded Bonds and (b) computation of the yields of the Series 2020A Bonds and the restricted Federal Securities were verified by Causey Demgen & Moore P.C., certified public accountants. Such computations were based solely on assumptions and information supplied by Hilltop on behalf of the Board. Causey Demgen & Moore P.C. has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

FINANCIAL ADVISOR

Hilltop is engaged as Financial Advisor (the "Financial Advisor") to the Board in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the Board for the investment of Bond proceeds or other funds of the Board upon the request of the Board.

The Financial Advisor to the Board has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Board and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

J.P. Morgan Securities LLC (“JPMS”), as Representative of the Underwriters of the Bonds (the “Underwriters”), has agreed, subject to certain customary conditions to delivery, to purchase the Series 2020A Bonds from the Board at price equal to the principal amount of the Series 2020A Bonds plus a reoffering premium of \$10,582,959.20 and less an underwriting discount of \$188,758.47. The Underwriters will be obligated to purchase all of the Series 2020A Bonds if any Series 2020A Bonds are purchased. The Series 2020A Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

JPMS, as Representative of the Underwriters, has agreed, subject to certain customary conditions to delivery, to purchase the Series 2020B Bonds from the Board at price equal to the principal amount of the Series 2020B Bonds less an underwriting discount of \$234,027.20. The Underwriters will be obligated to purchase all of the Series 2020B Bonds if any Series 2020B Bonds are purchased. The Series 2020B Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

Each of the Underwriters of the Bonds of either series and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the University System for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the University System.

JPMS, one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, if applicable to this transaction, each of CS&Co. and LPL will purchase Bonds from JPMS at the original issue price less a negotiated portion.

JP Morgan Chase Bank, N.A. (“Chase”) is the purchaser of a portion of the Refunded Bonds. Accordingly, Chase, an affiliate of JPMS, will be receiving a portion of the proceeds of the Series 2020A Bonds related to the defeasance of such portion of the Refunded Bonds.

UBS Financial Services Inc. (“UBS FSI”), one of the Underwriters of the Bonds, has entered into a distribution and service agreement with its affiliate UBS Securities LLC (“UBS Securities”) for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to such agreement, UBS FSI will share a portion of its underwriting compensation with respect to the Bonds with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2), and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The Board assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the Board, that are not purely historical, are forward-looking statements, including statements regarding the Board's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Board on the date hereof, and the Board assumes no obligation to update any such forward-looking statements. It is important to note that the Board's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Board. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from the Board's records, annual financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Twenty-Eighth Supplement authorizes the approval of the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorizes its further use in the reoffering of the Bonds by the Underwriters.

/s/ Dan Tenney
Vice Chancellor for Finance and Chief Financial Officer
The University of North Texas System

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SCHEDULE I – SCHEDULE OF REFUNDED BONDS

Bonds Refunded with Proceeds of Series 2020A Bonds

**Board of Regents of The University of North Texas System
Revenue Financing System Refunding Bonds, Series 2010**

Original Issue Date	Original Maturity Date	Interest Rate	Principal Amount Being Refunded	Date of Redemption	Redemption Price
08/01/2010	04/15/2021	5.00%	\$7,160,000	07/28/2020	100%
08/01/2010	04/15/2022	5.00%	7,520,000	07/28/2020	100%
08/01/2010	04/15/2023	5.00%	2,490,000	07/28/2020	100%
08/01/2010	04/15/2024	5.00%	2,620,000	07/28/2020	100%
			<u>\$19,790,000</u>		

**Board of Regents of The University of North Texas System
Revenue Financing System Refunding Bonds, Series 2015**

Original Issue Date	Original Maturity Date	Current Interest Rate	Principal Amount Being Refunded	Date of Redemption	Redemption Price
04/30/2015	04/15/2025	1.95%	\$12,465,000	07/28/2020	100%

**Board of Regents of The University of North Texas System
Revenue Financing System Refunding Bonds, Series 2015C**

Original Issue Date	Original Maturity Date	Current Interest Rate	Principal Amount Being Refunded	Date of Redemption	Redemption Price
03/01/2015	04/15/2033	2.446% ⁽¹⁾	\$36,815,000	07/28/2020	100%

⁽¹⁾ On April 15, 2026, the interest rate will reset through maturity or prior redemption to the lesser of (1) 65% of the 7-year Treasury Rate plus 135 basis points (1.35%) or (2) 10.00%.

Bonds Refunded with Proceeds of Series 2020B Bonds

**Board of Regents of The University of North Texas System
Revenue Financing System Refunding and Improvement Bonds, Series 2012A**

Original Issue Date	Original Maturity Date	Current Interest Rate	Principal Amount Being Refunded	Date of Redemption	Redemption Price
05/01/2012	04/15/2023	5.00%	\$2,560,000	04/15/2022	100%
05/01/2012	04/15/2024	5.00%	2,685,000	04/15/2022	100%
05/01/2012	04/15/2025	4.50%	2,815,000	04/15/2022	100%
05/01/2012	04/15/2026	5.00%	2,945,000	04/15/2022	100%
05/01/2012	04/15/2027	5.00%	3,095,000	04/15/2022	100%
05/01/2012	04/15/2028	5.00%	3,245,000	04/15/2022	100%
05/01/2012	04/15/2029	5.00%	3,410,000	04/15/2022	100%
05/01/2012	04/15/2030	5.00%	3,585,000	04/15/2022	100%
05/01/2012	04/15/2031	5.00%	3,760,000	04/15/2022	100%
05/01/2012	04/15/2032	5.00%	3,945,000	04/15/2022	100%
05/01/2012	04/15/2033	5.00%	1,605,000	04/15/2022	100%
			<u>\$33,650,000</u>		

**Board of Regents of The University of North Texas System
Revenue Financing System Refunding Bonds, Taxable Series 2012B**

Original Issue Date	Original Maturity Date	Interest Rate	Principal Amount Being Refunded	Date of Redemption	Redemption Price
05/01/2012	04/15/2023	3.20%	\$210,000	04/15/2022	100%
05/01/2012	04/15/2028	3.65%	1,160,000	04/15/2022	100%
05/01/2012	04/15/2034	4.05%	1,710,000	04/15/2022	100%
			\$3,080,000		

APPENDIX A

DESCRIPTION OF THE PARTICIPANTS

General.

University of North Texas System.

The institutions of the University of North Texas System (the “University System”), which is the only public university system located in and primarily serving the North Texas region, serve over 45,000 students, of which the majority of headcount enrollment comes from Denton, Dallas, Collin and Tarrant counties. Over the past five years, System-wide headcount enrollment has increased at a faster rate in areas outside of this four-county region; thus enrollment is becoming more geographically diverse. The component institutions include the flagship campus, the University of North Texas; the University of North Texas Health Science Center at Fort Worth; and the University of North Texas at Dallas, which includes under its control the University of North Texas at Dallas College of Law.

University of North Texas.

The University of North Texas (the “University”) was established in 1890 as a teacher education facility with the name Texas Normal College and Teacher Training Institute. In 1961, it moved from college to university status with the name North Texas State University. It became the University of North Texas in May 1988, when the Texas Legislature recognized the University’s expanding role in graduate education and research. As it evolved into a public research university, several significant changes helped identify the institution as one of the leading universities in Texas and the leading university in the North Texas region. In 1935, the graduate division was formed, and the college offered its first master’s degrees in 1936. In 1949, the college was separated from the state teachers college system, and a separate governing board was named. In 1950, the new board authorized offerings for the degree of Doctor of Education and for the Doctor of Philosophy in music. The college awarded its first doctorate three years later.

Today, the University is one of the nation’s largest universities and is a student-focused public research university, helping to power the North Texas region as the most comprehensive university in the Dallas-Fort Worth area. The University is divided into 14 colleges and schools (College of Business; College of Education; College of Engineering; College of Health and Public Service; College of Information; College of Liberal Arts and Social Sciences; College of Merchandising, Hospitality and Tourism; College of Music; College of Science; College of Visual Arts and Design; New College at Frisco; Honors College; Toulouse Graduate School; and the Frank W. and Sue Mayborn School of Journalism).

With 39,000 students, the University serves students from nearly every state in the nation, as well as approximately 2,400 international students representing 129 countries. The University offers diverse degree programs, high-quality research and creative activities, and partnerships with the public and private sectors. The University offers 103 bachelor’s, 86 master’s and 38 doctoral degree programs. Ranked a Tier One research university by the Carnegie Classification, the University has a long track record of excellence in education, music, the arts, business and social sciences with growing strengths in science and engineering. Students and faculty earn top awards for their academic, research and civic achievements. The University has been named one of *America’s 100 Best College Buys*® for 22 consecutive years, a ranking based on having a high-achieving freshman class and affordable tuition. *The Princeton Review* continually names the University as a “Best in the West” school and *Forbes* has listed the University as an America’s Top College for nine consecutive years.

The University is located in Denton, Texas, which is part of one of the fastest growing metropolitan areas in the nation, the Dallas-Fort Worth area. With a current population of more than 7.1 million, the North Texas Region is one of the nation’s largest metropolitan areas. The University has a nearly 900-acre main campus in Denton, a 300-acre research park, Discovery Park, a developing branch campus in Frisco, New College at Frisco and a total of 173 buildings. The University’s physical plant and equipment have a book value net of accumulated depreciation in excess of \$920,000,000 as of August 31, 2019.

The New College at Frisco, an off-site instructional facility established in January 2016, is providing a workforce of business, tech, and people savvy leaders and problem-solvers who can take their companies to the next level. Students are taught in a collaborative learning environment with classrooms powered by the latest technology used by leading companies – including a dynamic, multi-wall canvas capable of immersing students in live video, applications and document sharing. Programs from across all of the colleges – including business, education, and health and public service – are offered each semester.

University of North Texas at Dallas.

The first and only public university in the City of Dallas, the University of North Texas at Dallas (UNT-Dallas) emerged in January 1999 when the Texas Higher Education Coordinating Board granted permission to the University of North Texas to open the University System Center in Dallas. (In September of 1998, the University of North Texas had been selected as the educational partner for UNT-Dallas.) With the fall 2000 semester, the institution began offering degree-related academic programs at temporary quarters in a Dallas business park.

On May 8, 2001, Senate Bill 576 was signed by Governor Rick Perry. The measure formally created an independent University of North Texas at Dallas—once total enrollment reached 1,000 students. Needing a permanent home for the University, UNT-Dallas had acquired approximately 200 scenic acres of land through a generous donation from the City of Dallas. Additionally, the University of North Texas System purchased another 57 acres adjacent to the donated acreage. The campus is located just north of I-20 on University Hills Boulevard, in the heart of Dallas’ southern sector. The hilltop campus offers an astounding view of the downtown Dallas skyline.

In April 2005, after eighteen months of work, a master plan was completed for the property, and in January 2006, construction was completed on the campus’s first structure - a 75,000 sq. ft., three-story academic building. A companion building, named Founders Hall, was completed in 2010. It has been awarded the LEED (Leadership in Energy and Environmental Design) Gold Certification from the U.S. Green Building Council.

By April 2009, UNT-Dallas had reached the 1,000-student threshold, achieving official status as an independent, general academic institution. UNT-Dallas welcomed its first freshman class in the Fall of 2010. In 2013, UNT-Dallas received accreditation by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) allowing UNT-Dallas to build a unique identity with independent accreditation. In May 2013, UNT-Dallas presented degrees to its first graduating class.

Also, in 2009, legislation was passed and signed into law establishing the first public college of law in North Texas, the UNT-Dallas College of Law. The legislature appropriated \$5 million in start-up funding which was received from federal appropriations under the American Recovery and Reinvestment Act of 2009 (ARRA). In 2015, SACSCOC, approved the UNT-Dallas College of Law joining UNT-Dallas effective September 2015. The UNT-Dallas College of Law admitted their third cohort Fall 2016. UNT-Dallas College of Law is provisionally approved by the American Bar Association’s Council of the Section of Legal Education and Admissions to the Bar. Provisional accreditation is effective June 3, 2017. Graduates of a provisionally approved law school are considered by the ABA to be graduates of an ABA-approved law school and are eligible to sit for most state bar exams, including in the State of Texas.

UNT-Dallas students are provided a diverse selection of degrees, majors, and certificates. UNT-Dallas offers 21 undergraduate and 6 graduate degrees in high-demand fields such as criminal justice, teacher education, business, sociology, psychology, and counseling. The campus expects continued growth with the addition of: a 120-bed residence hall to include classroom space, a 153,000 square foot student learning and success center, amphitheater, and an intramural sports program. Additionally, a Dallas Area Rapid Transit (DART) station that links UNT-Dallas to the downtown Dallas corridor and the rest of the city has opened recently. UNT-Dallas strives to build upon and continually improve the student life experience at UNT-Dallas.

Today, UNT-Dallas is truly a “metropolitan university,” not simply because it is located in a large city, but because its student body reflects the social makeup and diversity of Dallas and the surrounding region. In fact, the UNT-Dallas student body is among the most diverse in the nation. As a metropolitan university, UNT-Dallas practices an educational mission that pushes its efforts beyond the traditional walls of the university into the

community. Through service learning, UNT-Dallas attracts students to higher education in order to produce thoughtful, contributing citizens who can help build educational legacies in families and communities.

University of North Texas Health Science Center at Fort Worth.

Established in 1970, the University of North Texas Health Science Center (the “Health Science Center”) is located on 33 acres in the heart of Fort Worth’s Cultural District and is comprised of the Texas College of Osteopathic Medicine (TCOM), the Graduate School of Biomedical Sciences (GSBS), the School of Public Health (SPH), the School of Health Professions (SHP) and the University of North Texas System College of Pharmacy, as well as a medical practice plan. With employees totaling 1,181 full-time equivalents (FTEs), of which 284 FTEs are faculty members, the Health Science Center is one of the nation’s distinguished academic medical centers, dedicated to the advancement of all three disciplines of medical science - education, discovery/research, and health care. The Health Science Center is committed to developing collaborative, practice-ready health professionals by emphasizing team-oriented, evidence-based best practices, quality-improvement approaches and informatics across all five of its schools and colleges.

TCOM is Texas’ only public college of osteopathic medicine and remains committed to its role in primary care delivery. Among all of Texas’ health-related institutions, TCOM has the highest percentage of graduates entering primary care. With the future of health care headed towards preventative medicine and wellness, the Health Science Center anticipates that more than 900 current medical students will pursue primary care careers, although their training prepares them to aspire to any specialty, from aerospace medicine to heart transplant surgery.

The Health Science Center has three additional graduate schools: The Graduate School of Biomedical Sciences, the School of Public Health and the School of Health Professions. Combined, these schools enroll approximately 1,000 students who will be prepared to be effective health care professionals, with careers in fields that are among the most sought-after.

The University of North Texas System College of Pharmacy, the newest school, is the first pharmacy school in North Texas and the first to be located on an academic health science center campus. The college was accredited by the Accreditation Council for Pharmacy Education (ACPE) in 2018 for two years, which is the maximum for new schools, allowing the school, comprised of an inaugural 82-member class and 17 faculty members, to begin in August 2013. In May of 2017, the College of Pharmacy graduated its first class of 68 students, now totaling 390 who will be expected to provide patient care, including medication management, and become an integral part of the health care teams that take care of Texans.

Despite considerable national cutbacks in funding by the National Institutes of Health (NIH) and other federal agencies, research activities totaling over \$44 million in annual research expenditures has been maintained.

Additionally, the Health Science Center continues to achieve the milestones for its 1115 Healthcare Transformation Waiver programs and has the necessary infrastructure in place for its Delivery System Reform Incentive Payment (DSRIP) projects. These programs are funded through the Centers for Medicare and Medicaid (CMS) and are designed to establish innovative health care delivery models that support the Institute for Healthcare’s Triple Aim: improve the patient’s care experience, improve the health of populations, and reduce the per-capita cost of health care.

Since 2006, the Health Science Center has partnered with the non-profit technology incubator TECH Fort Worth to bring new technologies to the market. Firms get a boost from the Health Science Center’s Accelerator Lab Program and Executives-in-Residence, who act as mentors and offer advice from their years of experience in the pharmaceutical industry. With acceleration labs and grant-funded biomedical and translational research, the Health Science Center offers opportunities for extraordinary research.

Faculty members of the Health Science Center’s medical, health professions, and pharmacy school constitute the UNTHSC Clinical Practice Group, a multi-specialty medical group practice. Over 80 physicians, pharmacists, and advanced practice providers practice in 9 medical and surgical specialties and subspecialties, including allergy/immunology, cardiology, gastroenterology, geriatrics, pediatrics, and dermatology.

Approximately 120,000 encounters are logged each year by patients seeking everything from pre-natal to geriatric care.

The Health Science Center specializes in patient safety, aging and Alzheimer's Disease, and forensic genetics. The Institute for Patient Safety and Preventable Harm focuses on patient safety problems and preventable medical errors through professional and community education, research and quality improvement projects. Meanwhile, the institution is a statewide leader in both aging and Alzheimer's Disease research, making significant advances in prevention, treatment and care. The Health Science Center is also home to the Texas Missing Persons DNA Database, a database for solving crimes, identifying missing persons, and combatting human trafficking; the DNA ProKids program, an international program that utilizes genetic testing to fight human trafficking; and the National Missing and Unidentified Persons System for the Department of Justice (NamUs), a national clearinghouse for missing person cases, unidentified remains, unidentified living individuals, and unclaimed bodies.

On July 6, 2015, the Health Science Center entered into a memorandum of understanding with Texas Christian University to create a new MD school, with its first class commenced in the 2019-2020 school year. The MD School has received preliminary accreditation from the Liaison Committee on Medical Education and is working towards full accreditation as is normal and customary for a new medical school in its first year of operations. Plans for the MD school include utilizing existing educational, research and training facilities, along with faculty from both institutions, allowing start-up costs to be minimized and privately funded.

Governance and Administration.

The Participants are governed, managed, and controlled by the nine-member University of North Texas System Board of Regents. Each Regent is appointed by the Governor of the State subject to confirmation by the State Senate. Each Regent serves a six-year term, with three new appointments made to the Board every two years. A Regent may be reappointed to serve on the Board and may continue to serve upon the expiration of the Regent's term until the earlier of (i) the date a successor is appointed and qualified or (ii) the last day of the first regular session of the State Legislature that begins after the expiration of the term. The members of the Board elect one of the Regents to serve as Chair of the Board and may elect any other officers they deem necessary. The Regents serve without pay except for reimbursement for actual expenses incurred in the performance of their duties, subject to the approval of the Chair of the Board.

The Board is legally responsible for the establishment and control of policy for the University, the Health Science Center and UNT-Dallas. The Board appoints a Chancellor who directs the operations of the University, the Health Science Center, UNT-Dallas and the University System, and is responsible for carrying out policies determined by the Board. Also, the Office of the Chief Audit Executive, UNTS Internal Audit reports to the Board.

The Chancellor directs the operations of the University System and is assisted by the Vice Chancellor for Academic Affairs and Student Success; the Vice Chancellor for Finance and Chief Financial Officer; the Vice Chancellor/General Counsel; the Vice Chancellor for Facilities; and the Vice Chancellor for Governmental Relations.

The President of the University directs the operations of the University and is assisted by the Provost and Vice President for Academic Affairs; the Vice President for Finance and Administration; the Vice President for Research and Economic Development; the Vice President for Enrollment; the Vice President for Student Affairs; the Vice President for Advancement; the Vice President for University Relations and Planning; the Vice President for Institutional Equity and Diversity; and the Director of Athletics.

The President of the Health Science Center directs the operations of the Health Science Center and is assisted by the Interim Provost; the Executive Vice President for Finance and Operations; the Vice President for Institutional Advancement; the Vice President for Governmental Affairs; Senior Vice President for Innovation and Brand; Vice President for Research; Executive Vice President for Health System Partnerships & Clinical Affairs; Chief of Staff Office of the President; Executive Vice President Strategy and Performance; and Chief Compliance and Integrity Officer.

The President of the University of North Texas at Dallas directs the operations of UNT-Dallas and is assisted by the Provost and Senior Vice President for Academic Affairs, the Vice President for Finance and Administration, and the Vice President for University Advancement.

A list of the current members of the Board and certain principal administrative officers of the University System, the University, the Health Science Center and UNT-Dallas appears on page (v) of this Official Statement. Set forth below is biographical information for the principal administrative officers of the University System, the University, the Health Science Center and UNT-Dallas appearing on page (v) of this Official Statement:

Lesa Roe was named Chancellor of the University System in October 2017. Chancellor Roe is the chief executive officer and the first woman to lead the University System. She is responsible for all aspects of the University System's operations including general oversight of 10,000+ employees and the three University System campuses – the University in Denton, the Health Science Center in Fort Worth and UNT-Dallas. Prior to her arrival at the University System, Chancellor Roe spent 33 years with the National Aeronautics and Space Administration (NASA) – a federal agency that received \$19.6 billion in government funding in 2017 and oversees \$31 billion in assets. As acting Deputy Administrator, she was responsible for general oversight of 17,000 NASA employees and 10 field centers across the nation. She also directed program and project teams on product/mission delivery, acquisition strategy, partnership and international strategy, and risk management. Chancellor Roe holds a Bachelor of Science degree in Electrical Engineering from the University of Florida and a Master of Science degree in Electrical Engineering from the University of Central Florida.

Dr. Rosemary R. Haggett joined the University System in June 2010 as Vice Chancellor for Academic Affairs and Student Success, a newly created position directing the University System's academic planning, reporting, and campus support. Prior to joining the University System, Dr. Haggett served as Provost and Executive Vice President for Academic Affairs at the University of Toledo for nearly three years. Before that, she was Acting Division Director of the Division of Graduate Education and Senior Adviser of the Education and Human Resources Directorate of the National Science Foundation. Dr. Haggett was the second woman in the United States to serve as a College of Agriculture dean when she was appointed Dean of the West Virginia University College of Agriculture, Forestry, and Consumer Sciences in 1994. Dr. Haggett performed postdoctoral work at Northwestern University and earned a bachelor's degree in biology from the University of Bridgeport.

Dan Tenney joined the University System in September 2019 as Vice Chancellor for Finance and Chief Financial Officer after spending 27 years with the National Aeronautics and Space Administration (NASA). Mr. Tenney served NASA for more than 27 years, most recently as Associate Administrator, Mission Support — the senior most official in the federal agency responsible for institutional and business functions, including areas such as procurement, human resources, facilities, partnerships, and protective services. He oversaw an annual budget of \$3.5 billion, 7,500 employees and 5,000 highly technical facilities. As NASA's Associate Administrator for Mission Support, Mr. Tenney led a significant effort that moved the agency from an independent operating model with redundant capabilities across 10 field centers to an enterprise approach with a geographically dispersed workforce. Mr. Tenney holds a bachelor's degree from Christopher Newport University and an MBA from Averett University. He also completed Harvard's Senior Executive Fellows program and received the Presidential Rank Award from the federal government in 2018.

Alan Stucky serves the University System as Vice Chancellor and General Counsel. Mr. Stucky leads the UNT System Office of General Counsel, which represents the UNT System, its Board of Regents and its universities in all legal matters. Mr. Stucky joined the UNT System in 2004 and previously served as Senior Associate General Counsel. Mr. Stucky previously served as in-house counsel and risk manager for Hillcrest Health System in Waco, and was also in private practice with Dunnam & Dunnam, LLP, in Waco, and with Brown & Fortunato, P.C., in Amarillo, with a legal practice in the areas of real estate, business, corporate, construction, and health care law. He received his J.D. from Baylor University Law School, and his B.S. from Bethel College. Prior to attending law school, Mr. Stucky worked for the Dallas County Juvenile Department. Mr. Stucky taught real estate law at Amarillo College for several years, and taught business law in UNT's College of Business Administration 2006-2019.

Dr. Neal J. Smatresk began his term as President of the University in February 2014. Before joining the University, Dr. Smatresk led the University of Nevada, Las Vegas, as president for five years and provost for two

years. Prior to UNLV, he served as Vice Chancellor for Academic Affairs and Deputy to the Chancellor at the University of Hawaii at Manoa from 2004 to 2007. Dr. Smatresk started his academic career at the University of Texas at Arlington and spent 22 years there, serving as Dean of Science from 1998 to 2004; Chair of the Department of Biology from 1994 to 1998; and Professor of Biology from 1982 to 2004. Dr. Smatresk was a Postdoctoral Trainee at University of Pennsylvania School of Medicine after earning his Ph.D. in zoology from the University of Texas at Austin, Port Aransas Marine Laboratory. He earned his master's and bachelor's degrees in biology from State University of New York at Buffalo.

Dr. Jennifer Evans-Cowley began her term as Provost of the University in July 2017. A native of Arlington, Texas, and a University alumna, Evans-Cowley previously served as vice provost for capital planning and regional campuses at The Ohio State University since 2014. Prior to entering the higher education field, Evans-Cowley worked in city government in College Station and Amarillo and also has experience working with the Environmental Protection Agency. She taught at Texas A&M University and then at Ohio State. While at Ohio State, she chaired City and Regional Planning in the Knowlton School before being promoted to associate dean for academic affairs and administration in the College of Engineering. Evans-Cowley holds a Bachelor of Science in political science, a master's of urban planning and a Ph.D. in urban and regional science from Texas A&M University, and a master's of public administration from the University.

Bob Brown has served as Senior Vice President for Finance and Administration since April 2018. He was hired as Vice President for Finance and Administration in May 2014, leading the University's budget, finance and administrative operations. He is a Certified Public Accountant. Mr. Brown is responsible for ensuring that the University is a good steward of taxpayers' dollars and provides a safe, secure environment for its campus community. He is a University alumnus and has more than 30 years of experience as the chief business officer in various higher education institutions. Mr. Brown received the Nation's Outstanding Chief Business Officer award from the Community College Business Officers organization in 1996; the Distinguished Service Award from the Southern Association of College and University Business Officers in 2008; and was named an Innovator of the Year in 1990 and in 2003 by the League for Innovation in the Community College. He brings a wealth of experience to the University after serving as Vice President for Business and Administration at Texas A&M-Commerce for eight years. Prior to joining Texas A&M-Commerce, Mr. Brown served at Dallas County Community College District, North Harris Montgomery Community College District in Houston and Central Piedmont Community College in Charlotte, North Carolina.

Dr. Michael R. Williams was named President of the Health Science Center in July of 2013. He previously practiced anesthesiology and critical care medicine in Texas for more than twenty years. He then served as CEO at Hill Country Memorial Hospital from 2008 - 2013, during which time the hospital won numerous state and national awards and became a Truven Top 100 U.S. Hospital in 2012, 2013. Under his leadership the hospital was also awarded the 2013 Malcolm Baldrige Best Practice for Leadership Award, and named a Top 10 Finalist for the 2013 Malcolm Baldrige National Presidential Quality Award. The hospital went on to win the 2014 Malcolm Baldrige National Presidential Quality Award. Dr. Williams completed his anesthesiology and critical care training at the University of Texas Southwestern Medical School in Dallas and the Texas Heart Institute in Houston. Dr. Williams holds board certifications in both anesthesiology and critical care medicine by the American Board of Anesthesiology. He holds an MBA from Duke University, and a Master's in Health Care Management from Harvard University. He has been named a Fellow of the American College of Health Care Executives and a Fellow of the American College of Chest Physicians. In 2013, Dr. Williams was named to the *U.S. News and World Report's* Advisory Council for the annual Hospital of Tomorrow Conference and remains an active member.

Dr. Charles Taylor was named Provost and Executive Vice President of Academic Affairs at the Health Science Center in July of 2018. He originally joined the Health Science Center in June of 2017 as Dean of the College of Pharmacy. Prior to joining the University of North Texas Health Science Center, Dr. Taylor served as Dean and Vice President of Academic Affairs at Northeast Ohio Medical University, where he was involved in academic leadership, financial planning, philanthropic development, public-private partnerships and diversity initiatives. He also was Associate Dean for Clinical Affairs at the St. Louis College of Pharmacy and Senior Associate Dean at the University of Minnesota College of Pharmacy. He graduated from Auburn University with a Doctor of Pharmacy degree in 1996 and undertook post-graduate residency training at Duke University Medical Center.

Gregory R. Anderson, Executive Vice President for Finance and Operations, joined the Health Science Center in June of 2016 as Interim Chief Financial Officer. Prior to joining the Health Science Center, Mr. Anderson was the Chief Financial Officer of Kalon Biotherapeutics, LLC (“Kalon”). As a member of Kalon Executive team, Mr. Anderson oversaw all financial activities of the company including internal and external reporting, accounting, treasury and tax matters, as well as financial planning, budgeting and analysis. Prior to joining Kalon in December 2013, Mr. Anderson served as the Chief Financial Officer and Treasurer for The Texas A&M University System (the “TAMU System”) with over twenty-seven years of experience. As the Chief Financial Officer and Treasurer for the TAMU System, Mr. Anderson was responsible for all financial matters and major construction for the TAMU System including system wide financial accounting and reporting oversight, the annual operating budgeting process, investment management, debt management, the direction of tax and fiscal activities, and financial activities.

Robert Mong became President of the University of North Texas at Dallas in August 2015. Before taking up his responsibilities at UNT-Dallas, Mr. Mong completed a 36-year career at the Dallas Morning News that included service as the paper’s managing editor and later as editor in chief. Mr. Mong has dedicated most of his volunteer activities to higher education. His volunteer work includes serving on the journalism advisory board at SMU and Chair of the LSU Manship School of Communication board of visitors. Mr. Mong helped start the Mayborn Literacy Non Fiction Conference at the University and was an active member of the school’s journalism dean search committee. In 2004, he won the national Empathy Award, sponsored by the Volunteers of America. The award each year recognizes a journalist who has made their community a better place to live. Mr. Mong is a graduate of Haverford College and attended Stanford University’s Executive Program in the Graduate School of Business.

Betty Stewart began as the Provost, Executive Vice President for Academic Affairs, and tenured chemistry professor at UNT-Dallas in February 2017. She was selected to attend numerous leadership training programs including the American Association of State Colleges and Universities Millennium Leadership Initiative; Harvard Institutes for Higher Education, Management Development Program; Bryn Mawr College and HERS, Mid-America, Summer Institute for Women in Higher Education Administration; and the Project Kaleidoscope Leadership Institute. Currently, she serves as a member of the HERS Alumnae STEM Advisory Group. Prior to her time with UNT-Dallas, Dr. Stewart served as provost for Midwestern State University (MSU), where a science lab was named in her honor. At MSU, she implemented new core curriculum standards, new academic programs, Commission on Colleges of the Southern Association of Colleges and Schools (SACSCOC) accreditation, and launched a quality enhancement plan. She started a summer research program that paired students with professors, helped institute a mechanical engineering program and oversaw the construction of a new building on campus. She also served as vice president for academic affairs and dean of faculty at Eckerd College in St. Petersburg, Florida; as a dean of the College of Science and Mathematics at Midwestern State University; and as department chair and professor of chemistry at Austin College in Sherman, Texas. Dr. Stewart received her bachelor’s degree in biochemistry from Mississippi State University and earned her Ph.D. in biochemistry and biological sciences from Carnegie-Mellon University.

James Main joined UNT-Dallas as Executive Vice President for Administration & Chief Financial Officer in June 2018. Prior to joining the University, Main served the University of Nebraska from 1988 to 2005, most recently as Assistant Vice Chancellor for Business and Finance. After leaving Nebraska, subsequent positions included: Vice President Finance/Administration at Southern Oregon University; Vice President Administration/CFO at Cal State Monterrey Bay; and Sr. Vice President Administration, Finance and Chief Operating Officer at the Charles R. Drew University of Medicine and Science. He received both his bachelor’s degree in Education and his master’s degree in Education Administration from the University of Connecticut.

Enrollment.

Set forth below is the Fall semester headcount undergraduate enrollment at the University, UNT-Dallas and the Health Science Center for each of the last five years.

**Table A-1
Headcount Undergraduate Enrollment Information (Fall Semester)**

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
The University	30,503	31,209	31,405	31,347	32,126
UNT-Dallas	1,952	2,295	2,727	3,006	3,278
The Health Science Center	-	-	-	-	-
Total	<u>32,455</u>	<u>33,504</u>	<u>34,132</u>	<u>34,533</u>	<u>35,404</u>

Set forth below is the Fall semester headcount graduate enrollment at the University, UNT-Dallas and the Health Science Center for each of the last five years.

**Table A-2
Headcount Graduate Enrollment Information (Fall Semester)**

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
The University	6,672	6,770	6,676	6,740	7,066
UNT-Dallas	536	735	782	751	781
The Health Science Center	<u>2,382</u>	<u>2,366</u>	<u>2,270</u>	<u>2,258</u>	<u>2,219</u>
Total	9,590	9,871	9,728	9,749	10,066

Set forth below is the Fall semester full time equivalent graduate and undergraduate enrollment at the University, UNT-Dallas and the Health Science Center for each of the last five years.

**Table A-3
Full-Time Equivalent Undergraduate and Graduate Enrollment Information (Fall Semester)**

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
The University	29,882	30,460	30,583	30,558	31,387
UNT-Dallas	1,840	2,287	2,626	2,797	3,044
The Health Science Center	<u>2,612</u>	<u>2,607</u>	<u>2,568</u>	<u>2,624</u>	<u>2,547</u>
Total	34,334	35,354	35,777	35,979	36,978

Admissions and Matriculation.

The University. Set forth below is Fall semester information relating to undergraduate and graduate admissions, matriculation and transfers for the University for each of the last five years.

**Table A-4
University Undergraduate Admissions and Matriculation (Fall Semester)**

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
Applications Submitted	16,254	16,826	18,560	19,767	21,551
Applications Accepted	11,394	12,053	13,405	14,080	15,883
Matriculation	4,661	4,774	4,905	4,791	5,510
% Accepted	70.1%	71.6%	72.2%	71.2%	73.6%
% Matriculated	40.9%	39.6%	36.6%	34.0%	34.7%

**Table A-5
University Graduate Admissions and Matriculation (Fall Semester)**

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
Applications Submitted	6,763	6,886	6,191	6,247	6,896
Applications Accepted	3,326	3,236	3,037	3,289	3,625
Matriculation	1,870	1,698	1,712	1,853	1,987
% Accepted	49.2%	47.0%	49.0%	52.6%	52.6%
% Matriculated	56.2%	52.5%	56.3%	56.3%	54.8%

**Table A-6
University New Undergraduate Transfers (Fall Semester)**

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
New Undergraduate Transfers	4,037	4,032	3,944	3,971	4,156

UNT-Dallas. Set forth below is Fall semester information relating to undergraduate and graduate admissions, matriculation and transfers for UNT-Dallas for the years shown.

**Table A-7
UNT-Dallas Undergraduate Admissions and Matriculation (Fall Semester)**

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
Applications Submitted	2,001	1,863	1,483	1,670	1,556
Applications Accepted	1,169	1,270	1,097	1,388	1,262
Matriculation	228	280	316	365	424
% Accepted	58.4%	68.2%	74.0%	83.1%	81.1%
% Matriculated	19.5%	22.0%	28.8%	26.3%	33.5%

**Table A-8
UNT-Dallas Graduate Admissions and Matriculation (Fall Semester)**

	<u>2015-2016⁽¹⁾</u>	<u>2016-2017⁽¹⁾</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
Applications Submitted	803	1,046	884	1,329	1,262
Applications Accepted	365	463	440	447	474
Matriculation	218	249	243	266	296
% Accepted	45.5%	44.3%	49.8%	33.6%	37.5%
% Matriculated	59.7%	53.8%	55.2%	59.5%	62.4%

(1) 2015-16 and 2016-17 graduate admissions and matriculation numbers include law students at UNT-Dallas.

**Table A-9
UNT-Dallas New Undergraduate Transfers (Fall Semester)**

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
New Undergraduate Transfers	435	555	568	584	639

The Health Science Center. Set forth below is Fall semester information relating to graduate admissions and matriculation for the Health Science Center for each of the last five years.

Table A-10
Health Science Center Graduate Admissions and Matriculation (Fall Semester)

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
Applications Submitted	7,518	8,766	8,765	8,785	8,413
Applications Accepted	1,306	1,283	1,111	1,109	954
Matriculation	685	651	547	564	520
% Accepted	17.4%	14.6%	12.7%	12.6%	11.3%
% Matriculated	52.5%	50.7%	49.2%	50.8%	54.5%

Degrees Awarded.

The University. Set forth below is a listing of the degrees awarded by the University during each of the last five years.

Table A-11
University Degrees Awarded

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
Baccalaureate	6,384	6,728	7,133	7,287	7,507
Masters	1,564	1,671	1,767	1,900	1,809
Doctoral	280	307	258	280	312
Total	8,228	8,706	9,185	9,467	9,628

UNT-Dallas. Set forth below is a listing of the degrees awarded by UNT-Dallas during each of the last five years.

Table A-12
UNT-Dallas Degrees Awarded

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
Baccalaureate	391	489	435	561	638
Masters	84	78	165	102	150
Doctoral – Profession Practice	-	-	32	145	113
Total	475	567	632	808	901

The Health Science Center. Set forth below is a listing of the degrees awarded by the Health Science Center during each of the last five years.

Table A-13
Health Science Center Degrees Awarded

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
Masters	377	411	418	421	351
Doctoral	64	79	130	151	172
Doctor of Osteopathic Medicine	222	222	218	218	226
Total	663	712	766	790	749

Faculty and Employees.

Set forth below are the numbers of full-time equivalent faculty and employees employed by the University System as of Fall 2019.

**Table A-14
Faculty and Employees (Fall 2019)**

	<u>University</u>	<u>UNT-Dallas</u>	<u>Health Science Center</u>	<u>System Administration</u>	<u>Total</u>
Faculty	1,675	273	293	-	2,241
Employees	2,627	232	965	426	4,295
Total	4,347	505	1,258	426	6,536

Accreditation.

The institutions, agencies, and services comprising the Participants are members of the following professional associations and fully accredited by those which apply accreditation standards: Commission on Colleges of the Southern Association of Colleges and Schools. In addition, the University, the Health Science Center and UNT-Dallas offer programs approved by the following organizations:

AACSB International – The Association to Advance Collegiate Schools of Business
Accreditation Board for Engineering and Technology
Accreditation Commission for Programs in Hospitality Administration
Accreditation Council for Continuing Medical Education
Accreditation Council for Pharmacy Education
Accreditation Review Commission on the Education of the Physician Assistant (ARC-PA)
Accrediting Council on Education in Journalism and Mass Communications
American Academy of Forensic Sciences
American Chemical Society
American Library Association
American Psychological Association Commission on Accreditation
American Speech-Language-Hearing Association
ANSI-ASQ National Accreditation Board
Association for Assessment and Accreditation of Laboratory Animal Care International
Association for Behavior Analysis International
Commission on Accreditation in Physical Therapy Education
Commission on Accreditation of Healthcare Management Education
Commission on English Language Program Accreditation
Commission on Osteopathic College Accreditation
Computing Accreditation Commission of the Accreditation Board for Engineering and Technology
Council for Accreditation of Counseling and Related Educational Programs
Council for the Accreditation of Educator Programs
Council for Interior Design Accreditation
Council on Education for Public Health
Council on Osteopathic Postdoctoral Training Institution
Council on Rehabilitation Education
Council on Social Work Education
Joint Commission on Accreditation of Healthcare Organizations
National Association of Schools of Art and Design
National Association of Schools of Music
National Association of Schools of Public Affairs and Administration
National Commission for Health Education Credentialing
National Council for Accreditation of Teacher Education

State Board of for Educator Certification
Technology Accreditation Commission of the Accreditation Board for Engineering and Technology
Texas Department of Public Safety – DPS (Center for Human Identification)

Financial Statements.

Annually, not later than November 20, an unaudited financial report dated as of August 31, prepared from the books of the Participants, must be delivered to the Governor and the State Comptroller of Public Accounts. Each year, the State Auditor must certify the financial statements of the State as a whole, inclusive of the Participants, and in so doing examines the financial records of the Participants. No outside audit in support of this detailed review is required or obtained by the Participants.

The State issues audited financial statements, prepared in accordance with generally accepted accounting principles for the State government as a whole. The statements are prepared by the Comptroller of Public Accounts and are audited by the State Auditor’s Office. The State Auditor expresses an opinion on the financial statements of the State but does not express an opinion on the financial statements of individual component units including those of the Participants. The scope of the State Auditor’s audit includes tests for compliance with the covenants of general obligation and revenue bond issues of the State and its component agencies and institutions. Supplementary schedules are included in the State financial statements providing, for each bond issue, information related to the pledged revenues and expenditures, coverage of debt service requirements, restricted account balances, and/or other relevant information that may be feasibly incorporated. The State Auditor does not express an opinion on such schedules in relation to the basic financial statements taken as a whole. Any material compliance exceptions related to bond covenants are addressed in the overall management letter for the State audit. The final report of the State Auditor is normally available in April of the year following the prior fiscal year.

The Participants’ combined primary financial reports cover all financial operations of the Participants. Amounts due between Participants and other duplications in reporting are eliminated in combining the individual financial reports.

Attached to this Official Statement as “APPENDIX B, THE AUDITED CONSOLIDATED ANNUAL FINANCIAL REPORT OF THE UNIVERSITY OF NORTH TEXAS SYSTEM FOR THE YEAR ENDED AUGUST 31, 2019,” are the most recent primary statements of the audited consolidated annual financial reports of the Participants (with Management’s Discussion and Analysis and the Notes to the audited consolidated annual financial reports), for the Participants’ Fiscal Year ended August 31, 2019, from the 2019 Combined Annual Financial Report of the University of North Texas System. The Participants’ consolidated primary financial statements consist of the Statement of Net Assets as of August 31, 2019, the Combined Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended August 31, 2019, and the Combined Statement of Cash Flows for the Year Ended August 31, 2019. In compliance with GASB 39 – Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14, financial statements and notes of the University of North Texas Foundation are reported as a discrete component. See “APPENDIX B, THE AUDITED CONSOLIDATED ANNUAL FINANCIAL REPORT OF THE UNIVERSITY OF NORTH TEXAS SYSTEM FOR THE YEAR ENDED AUGUST 31, 2019.”

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The following table reflects the Condensed Combined Statement of Net Position of the University of North Texas System for fiscal years 2015- 2019 (audited).

Condensed Combined Statement of Net Position as of August 31 (in Thousands)					
	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Assets and Deferred Outflow of Resources:					
Current Assets	\$ 603,004	\$ 643,213	\$ 733,234	\$ 544,986	\$ 498,910
Capital Assets, Net	1,393,139	1,245,030	1,070,890	1,025,005	1,004,303
Other Non-Current Assets	370,261	341,753	324,759	233,584	223,979
Deferred Outflow of Resources	491,095	46,494	43,570	25,854	22,298
Total Assets and Deferred Outflow of Resources:	<u>\$ 2,857,499</u>	<u>\$ 2,276,490</u>	<u>\$ 2,172,453</u>	<u>\$ 1,829,429</u>	<u>\$ 1,749,490</u>
Liabilities and Deferred Inflow of Resources:					
Current Liabilities	\$ 511,031	\$ 429,499	\$ 435,674	\$ 407,949	\$ 376,985
Bonded Indebtedness	819,475	682,832	731,380	514,046	362,782
Other Non-Current Liabilities	615,153	296,601	144,960	142,377	282,173
Deferred Inflow of Resources	192,255	62,894	34,634	22,123	32,034
Total Liabilities and Deferred Inflow of Resources:	<u>\$ 2,137,914</u>	<u>\$ 1,471,826</u>	<u>\$ 1,346,648</u>	<u>\$ 1,086,495</u>	<u>\$ 1,053,974</u>
Net Position:					
Net Investment in Capital Assets	\$ 472,338	\$ 438,058	\$ 483,233	\$ 465,252	\$ 457,329
Restricted					
Expendable	32,475	32,610	26,655	18,161	16,475
Non-Expendable	55,359	53,248	47,683	46,960	45,615
Other Restricted	53,265	47,593	40,247	39,135	33,550
Unrestricted	106,148	233,155	227,987	173,426	142,547
Total Net Position	<u>\$ 719,585</u>	<u>\$ 804,664</u>	<u>\$ 825,805</u>	<u>\$ 742,934</u>	<u>\$ 695,516</u>
Liabilities and Net Position	<u>\$ 2,857,499</u>	<u>\$ 2,276,490</u>	<u>\$ 2,172,453</u>	<u>\$ 1,829,429</u>	<u>\$ 1,749,490</u>

For more detailed information, see “APPENDIX B, THE AUDITED CONSOLIDATED ANNUAL FINANCIAL REPORT OF THE UNIVERSITY OF NORTH TEXAS SYSTEM FOR THE YEAR ENDED AUGUST 31, 2019- Combined Statement of Net Assets as of August 31, 2019.”

The table below presents the Condensed Combined Statement of Revenues, Expenses and Changes in Net Position of the University of North Texas System for fiscal years 2015-2019 (audited).

**Condensed Combined Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended August 31
(In Thousands)**

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Operating Revenues	\$ 657,617	\$ 654,363	\$ 619,860	\$ 631,994	\$ 600,222
Operating Expenses	<u>1,143,705</u>	<u>1,003,806</u>	<u>951,772</u>	<u>934,303</u>	<u>887,364</u>
Operating Income (Loss)	(486,088)	(349,443)	(331,912)	(302,309)	(287,142)
Nonoperating Revenues (Expenses)	<u>339,252</u>	<u>364,447</u>	<u>336,694</u>	<u>308,123</u>	<u>269,198</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	(146,836)	15,004	4,782	5,814	(17,944)
Other Revenues, Expenses, Gains, Losses and Transfers	<u>63,752</u>	<u>64,676</u>	<u>78,089</u>	<u>41,604</u>	<u>34,333</u>
Change in Net Position	<u>(83,084)⁽¹⁾</u>	<u>79,680</u>	<u>82,871</u>	<u>47,418</u>	<u>16,389</u>
Net Position, Beginning of Year	804,664	825,805	742,934	695,516	796,263
Restatements	<u>(1,995)⁽²⁾</u>	<u>(100,821)⁽³⁾</u>	-	-	<u>(117,136)⁽⁴⁾</u>
Restated Net Position, Beginning of Year	<u>802,669</u>	<u>724,984</u>	<u>742,934</u>	<u>695,516</u>	<u>679,127</u>
Net Position, End of Year	<u>\$ 719,585</u>	<u>\$ 804,664</u>	<u>\$ 825,805</u>	<u>\$ 742,934</u>	<u>\$ 695,516</u>

⁽¹⁾ Change in Net Position was impacted by two non-cash increases to operating expense related to GASB 68 and 75. For additional detail see “Fiscal Year 2019 Operating Expense Considerations.”

⁽²⁾ Net Asset adjustment for fiscal year 2019 resulted from the implementation of GASB Statement No. 83 and a GASB Statement No. 75 OPEB adjustment.

⁽³⁾ Net Asset adjustment for fiscal year 2015 resulted from the implementation of GASB Statement No. 75.

⁽⁴⁾ Net Asset adjustment for fiscal year 2015 resulted from the implementation of GASB Statements No. 68 and No. 71.

For more detailed information, see “APPENDIX B, THE AUDITED CONSOLIDATED ANNUAL FINANCIAL REPORT OF THE UNIVERSITY SYSTEM FOR THE YEAR ENDED AUGUST 31, 2019 - Combined Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended August 31, 2019.”

The table below presents the Condensed Combined Statement of Cash Flows of the University of North Texas System for fiscal years 2015-2019 (audited).

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Cash Provided (Used) by:					
Operating Activities	\$ (289,386)	\$ (245,948)	\$ (247,886)	\$ (239,775)	\$ (156,909)
Noncapital Financing Activities	326,374	306,271	315,499	268,445	237,220
Capital and Related Financing Activities	(72,012)	(197,789)	177,107	(32,031)	(61,657)
Investing Activities	7,013	128,955	(137,965)	(40,326)	7,325
Net Change in Cash and Cash Equivalents	\$ (28,011)	\$ (8,511)	\$ 106,754	\$ (43,687)	\$ 25,979
Cash and Cash Equivalents at Beginning of Year	301,898	310,409	203,654	247,341	221,361
Restatement to Beginning Cash and Cash Equivalents	-	-	-	-	-
Cash, Beginning of Year	301,898	310,409	203,654	247,341	221,361
Cash, End of Year	\$ 273,887	\$ 301,898	\$ 310,409	\$ 203,654	\$ 247,341

For more detailed information, see “APPENDIX B, THE AUDITED CONSOLIDATED ANNUAL FINANCIAL REPORT OF THE UNIVERSITY OF NORTH TEXAS SYSTEM FOR THE YEAR ENDED AUGUST 31, 2019 - Combined Statement of Cash Flows.”

Funding for the Participants.

State Appropriations. The operations of the Participants are heavily dependent upon the continued support of the State through appropriations of general revenue pursuant to the biennial appropriations process initiated by the Texas Legislature. In the last regular session ending on May 27, 2019, the State Legislature adopted a budget for the 2020-21 biennium beginning September 1, 2019. Appropriations for the biennium are \$230,927,387 for the University, \$186,518,534 for the Health Science Center, \$49,016,047 for UNT-Dallas and \$12,303,045 for the University System Administration. Future levels of State support are dependent upon the ability and willingness of the State Legislature to make appropriations to the Participants taking into consideration the availability of financial resources and other potential uses of such resources. State appropriations for the University in the 2020-21 biennium, including funds to be received pursuant to Article VII, Section 17 of the Texas Constitution, are expected to comprise approximately 24% of the revenues for the University, 42% of the revenues of UNT-Dallas and 47% of the revenues of the Health Science Center.

Included in the 2020-21 biennium appropriation to the University is a Research Development Fund appropriation in the amount of \$2,437,730 each year. These appropriated funds may be used for the support and maintenance of educational and general activities, including research and student services, that promote increased research capacity at the institution (Texas Education Code §62.097).

The 84th Legislature adopted a significant restructuring of how research funds are allocated to General Academic Institutions in House Bill 1000 (HB 1000) and the new structure is reflected in appropriations for the 2016-17 biennium. The University is one of eight Emerging Research Universities (ERUs) that have a chance to compete for extra state funding to build up research programs, endowments and other efforts that define great research campuses. The bill created a new research fund, the Core Research Support (CRS) Fund, for the ERUs to promote increased research capacity. One-half of the CRS fund is allocated based on the three-year average amount of restricted research expenditures and the remaining one-half is allocated based on the three-year average amount of total research expenditures. ERUs remain eligible for Texas Research Incentive Program (TRIP) funding originated by the 81st Legislature, and the University of North Texas will receive \$3,252,705 in TRIP funding for 2020-21.

In addition to the appropriation of general revenues of the State, the University System receives a portion of an annual appropriation of funds made by the State Legislature pursuant to the provisions of Article VII, Section 17 of the State Constitution (the “Higher Education Assistance Funds” or “HEF”). The allocation of HEF is made by the State in accordance with an equitable allocation formula. The Constitution also allows the Legislature to adjust the decennial allocations every five years. The 85th Legislature exercised this authority by enacting Senate Bill 709 (“SB 709”), which adjusted the formula allocation for the HEF funds for fiscal years 2016 through 2020. The University System may use the Higher Education Assistance Funds for capital improvements and renovations to the campus facilities, other than auxiliary enterprises. In addition, the University System may issue bonds against such Higher Education Assistance Funds and pledge up to 50% of the appropriation to secure the debt service payments due on such bonds.

The University and the Health Science Center each receives a portion of an annual appropriation of funds made by the State Legislature pursuant to the provisions of Article VII, Section 17 of the State Constitution. SB 709 adjusted the allocations as follows: in fiscal year 2021 the University will receive \$37,346,563, the Health Science Center will receive \$15,125,502, and UNT-Dallas will receive \$3,354,441. The University, the Health Science Center, and UNT-Dallas may use the appropriation for capital improvements and renovations to the campus facilities (other than auxiliary enterprises), library books and materials, and equipment. In addition, the University and the Health Science Center may issue bonds against such appropriation and pledge up to 50% of the appropriation to secure the debt service payments due on such bonds. See “-Higher Education Fund Bonds” below.

In its 1999 regular session, the State Legislature passed, and the Governor signed into law, House Bill 1945 (“HB 1945”), which establishes and funds certain endowment funds that will benefit the Health Science Center. See “Investment and Endowment Income” below.

Tuition Revenue Bonds. Pursuant to Chapter 55, Texas Education Code, revenue bonds issued by a revenue financing system may be equally secured by and payable from a pledge of all or a portion of certain revenue funds of that system, and all of the Parity Obligations of the Revenue Financing System, including the Bonds, are secured solely by and payable solely from a pledge of and levy on Pledged Revenues (see “SECURITY FOR THE BONDS”). Historically, the State Legislature has appropriated general revenue funds in the State’s budget each biennium to reimburse institutions of higher education for an amount equal to all or a portion of revenue funds of that system used to pay debt service on certain revenue bonds (“Tuition Revenue Bonds”) issued pursuant to specific statutory authorizations for individual institutions and projects identified in Chapter 55 of the Texas Education Code.

The reimbursement of the payment of debt service on Tuition Revenue Bonds does not constitute a debt of the State, and the State is not obligated to continue making any such appropriations in the future. Furthermore, the State Legislature is prohibited by the State Constitution from making any appropriations for a term longer than two years. Accordingly, the State Legislature’s appropriations for the reimbursement of revenue funds used to pay debt service on Tuition Revenue Bonds may be reduced or discontinued at any time after the current biennium, and the State Legislature is under no legal obligation to continue such appropriations in any future biennium.

A portion of the Parity Obligations of the Revenue Financing System constitute Tuition Revenue Bonds. Tuition Revenue Bonds issued by the Revenue Financing System carry no additional pledge or security and constitute Parity Obligations of the Revenue Financing System which are equally and ratably secured by and payable from a pledge of and lien on Pledge Revenues on a parity with all other Parity Obligations of the Revenue Financing System. The University System is obligated to pay debt service on outstanding Tuition Revenue Bonds regardless of whether the State Legislature appropriates funds for the reimbursement of revenue funds of the University System used to pay debt service.

The State Legislature has appropriated funds to reimburse the Revenue Financing System in an amount equal to all or a portion of the debt service on the Revenue Financing System’s Tuition Revenue Bonds, including \$33,182,778 for the fiscal year ending August 31, 2020 and \$33,171,433 for the fiscal year ending August 31, 2021. The University System can provide no assurances with respect to any future appropriations by the State Legislature. Future levels of State appropriations are dependent upon the ability and willingness of the State Legislature to make appropriations to the Revenue Financing System taking into consideration the availability of financial resources and other potential uses of such resources.

Tuition and Fees. Each Participant granting degrees charges tuition and fees as set by the State Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. Total tuition charges are comprised of “State Mandated tuition,” “Board Designated tuition,” and “Board Authorized tuition,” as further described below.

State Mandated Tuition. Section 54.0512, Texas Education Code, currently permits (i) undergraduate tuition applicable to state residents to be charged up to \$50 per semester credit hour; and (ii) tuition of a nonresident student at a general academic teaching institution or medical and dental unit to be increased to an amount equal to the average of the nonresident undergraduate tuition charged to a resident of the State at a public state university in each of the five most populous states other than the State (the amount of which would be computed by the Coordinating Board for each academic year). For the 2012-2013 academic year, the Coordinating Board has computed \$401 per semester credit hour for nonresident undergraduate tuition. The tuition rates described above are referred to in this Official Statement as “State Mandated tuition.” Section 56.033 of the Texas Education Code requires that not less than 15% of each resident student’s tuition charge and 3% of each non-resident student’s tuition charge be set aside for Texas Public Education Grants. Section 56.095 of the Texas Education Code authorizes each institution to set aside \$2 for each semester hour for which a doctoral student is enrolled pursuant to the Doctoral Loan Incentive Program. State Mandated tuition for a resident student enrolled in a program leading to an M.D. or D.O. degree is \$6,550 per academic year. State Mandated tuition for a nonresident student enrolled in a program leading to an M.D. or D.O. degree is an amount per year equal to three times the rate that a resident student enrolled in a program leading to an M.D. or D.O. degree would pay during the corresponding academic year.

Board Designated Tuition. During the regular session of the 78th Texas Legislature that ended June 2, 2003, the Texas Legislature approved and the Governor signed into law House Bill 3015, which provided for the deregulation of a portion of tuition that a governing board of an institution of higher education, such as the Board, has the authority to charge under Section 54.0513 of the Texas Education Code. Prior to the amendment to Section 54.0513, Texas Education Code, the amount of tuition that a board of regents could independently charge students was capped at the levels described above with respect to State Mandated tuition. Effective with the tuition that was charged for the Fall 2003 semester, a governing board may charge any student an amount (referred to herein as “Board Designated Tuition”) that it considers necessary for the effective operation of the institution. This legislation also granted authority to the governing board to set a different tuition rate for each program and course level offered by the institution. This authority offers more opportunity for the Participants to develop a tuition schedule that assists in meeting their strategic objectives in terms of access, affordability, effective use of campus resources, and improvement of graduation rates. The Board will authorize any changes in Board Designated tuition only after they have been thoroughly evaluated by the Chancellor of the University System and the administration of each Participant. The Board has authorized the Board Designated tuition rate, beginning with the 2012 Fall semester, at \$166.24 per semester credit hour for undergraduate students and \$191.24 for graduate students enrolled at the University and \$185.00 per semester credit hour for all UNT-Dallas students. For Board Designated tuition applicable to Health Science Center students, see Table A-16. No less than 20% of the Board Designated tuition charged to resident undergraduate students in excess of \$46 per semester hour will be set aside to provide financial assistance to resident undergraduate students, consistent with the provisions of Texas Education Code, Section 56.011. No less than 15% of the Board Designated tuition charged to resident graduate students in excess of \$46 per semester credit hour will be set aside to provide financial assistance to resident graduate and UNT-Dallas students, consistent with the provisions of Texas Education Code Section 56.012.

Board Authorized Tuition. Section 54.008 of the Texas Education Code permits the governing board of each institution to set tuition for graduate programs for that institution at a rate that is at least equal to that of the State Mandated tuition, but that is not more than twice that rate. Between the maximum and minimum rates, the Board may set the differential tuition among programs offered by an institution of higher education. The Board has set graduate tuition at an additional \$50 per semester hour for both resident and nonresident graduate University and UNT-Dallas students. For Board Authorized tuition applicable to Health Science Center students, see Table A-17.

Beginning in the 2014-15 academic year, the Board adopted guaranteed tuition and fee rates at its academic institutions allowing students to pay the same rate of tuition for up to four years with certain variances for fees approved at individual campuses and tuition requirements for certain programs. In 2014, the Board adopted its guaranteed tuition and fee rates for students entering in the 2015-16 academic year with amounts varying by campus. For the Fall 2019 term, approximately 23% of the University students accepted the guaranteed tuition and fee option.

Set forth below is a table showing the State Mandated tuition, Board Designated tuition, mandatory fees, and the amount set aside for financial assistance to resident and non-resident students at the University for the 2019-20 academic year based on 15 semester credit hours per semester for undergraduate students and 9 semester credit hours per semester for graduate students.

**Table A-15
Tuition and Fees for Academic Year 2019-2020
The University**

	State Mandated Tuition	Board Designated Tuition⁽¹⁾	Board Authorized Tuition	Mandatory Fees	Total Tuition and Fees	Financial Assistance Set-Aside⁽²⁾
Resident Undergraduate	\$ 750.00	\$ 3,451.65	\$ -	\$ 1,423.53	\$ 5,625.18	\$ 526.75
Non-Resident Undergraduate	7,080.00	3,451.65	-	1,423.53 ⁽³⁾	11,955.18	212.40
Resident Masters	450.00	2,050.11	450.00	944.07 ⁽⁴⁾	3,894.18	312.92
Non-Resident Masters	4,248.00	2,050.11	450.00	944.07 ⁽⁴⁾	7,692.18	127.44
Resident Doctoral	450.00	2,050.11	450.00	944.07	3,894.18	312.92
Non-Resident Doctoral	4,248.00	2,050.11	450.00	944.07	7,692.18	127.44

- ⁽¹⁾ Board designated tuition rate for resident and non-resident undergraduates is for the Traditional Tuition plan. Board designated tuition for resident and non-resident masters and doctoral students includes the board designated graduate tuition rate.
- ⁽²⁾ Total tuition and fees includes amounts required to be set aside for financial assistance in accordance with applicable provisions of the Texas Education Code. The set-aside amounts are calculated as follows: from State mandated tuition (Section 54.051) not less than 15% nor more than 20% of each resident student's tuition charge and 3% of each non-resident student's tuition charge is set aside for Texas Public Education Grants (Section 56.033); from Board Designated tuition no less than 15% charged to resident undergraduate students in excess of \$46 per semester hour (Section 56.011) and no less than 15% charged to resident graduate students in excess of \$46 per semester hour is set aside for financial assistance (Section 56.012).
- ⁽³⁾ A fixed international student fee of \$115.00 is charged to all non-immigrant visa students for each term in which they enroll in the University.
- ⁽⁴⁾ A master's advising fee of \$49.50 is charged each term to all students in the Colleges of Engineering; Health & Public Service; Merchandising, Hospitality and Tourism; Education; and Information; as well as programs offered by the Toulouse Graduate School (Advanced Data Analytics, Interdisciplinary Studies, graduate non-degree seeking and graduate preparation programs).

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Set forth below is a table showing the State Mandated tuition, Board Designated tuition, mandatory fees, and the amount set aside for financial assistance to resident and non-resident students enrolled at UNT-Dallas for the 2019-20 academic year based on 15 semester credit hours per semester for undergraduate students and 9 semester credit hours per semester for graduate students.

Table A-16
Tuition and Fees for Academic Year 2019-2020
UNT-Dallas

	State Mandated Tuition	Board Designated Tuition	Board Authorized Tuition	Mandatory Fees	Total Tuition and Fees	Financial Assistance Set-Aside⁽¹⁾
Resident Undergraduate	\$ 750.00	\$ 3,169.65	\$ -	\$ 275.00	\$ 4,194.65	\$ 484.45
Non-Resident Undergraduate	6,975.00	3,169.65	-	275.00 ⁽²⁾	10,419.65	209.25
Resident Masters	450.00	1,901.79	450.00	205.00	3,006.79	358.17
Non-Resident Masters	4,185.00	1,901.79	450.00	205.00	6,741.79	139.05
Resident Doctoral	720.00	2,020.86	2,160.00	205.00	5,105.86	673.03
Non-Resident Doctoral	4,185.00	2,471.40	2,160.00	205.00	9,021.40	190.35

⁽¹⁾ Total tuition and fees includes amounts required to be set aside for financial assistance in accordance with applicable provisions of the Texas Education Code. The set-aside amounts are calculated as follows: from State mandated tuition not less than 15% nor more than 20% of each resident student's tuition charge and 3% of each non-resident student's tuition charge is set aside for Texas Public Education Grants (Section 56.033); from Board Designated tuition no less than 15% charged to resident undergraduate students in excess of \$46 per semester hour (Section 56.011) and no less than 15% charged to resident graduate students in excess of \$46 per semester hour is set aside for financial assistance (Section 56.012).

⁽²⁾ A fixed international student fee of \$75.00 is charged to all non-immigrant visa students for each term in which they enroll in the UNT-Dallas.

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Set forth below is a table showing the State Mandated tuition, Board Designated tuition, Board Authorized tuition and mandatory fees for full-time resident and non-resident students at the Health Science Center, including Doctor of Osteopath (D.O.), Physician's Assistant (P.A.), and graduate programs per semester credit hour (SCH) for the 2019-20 academic year.

Table A-17
Tuition and Fees for the Academic Year 2019-2020
The Health Science Center

	State Mandated Tuition	Board Designated Tuition	Board Authorized Tuition	Mandatory Fees	Total Tuition and Fees	Financial Assistance Set-Aside ⁽¹⁾
TCOM						
D.O. Resident						
Year 1	\$ 6,550.00	\$ 6,529.00	n/a	\$ 6,234.25	\$ 19,313.25	\$ 994.08
Year 2	6,550.00	6,529.00	n/a	4,540.25	17,619.25	1,002.07
Year 3	6,550.00	6,529.00	n/a	3,992.25	17,071.25	994.80
Year 4	6,550.00	6,529.00	n/a	1,766.25	14,845.25	1,006.20
D.O. Non-Resident						
Year 1	19,650.00	9,117.00	n/a	6,234.25	35,157.50	589.50
Year 2	19,650.00	9,117.00	n/a	4,540.25	33,270.55	589.50
Year 3	19,650.00	9,117.00	n/a	3,992.25	32,064.05	589.50
Year 4	19,650.00	9,117.00	n/a	1,766.25	30,374.55	589.50
	Per 1 SCH	Per 1 SCH	Per 1 SCH	Per 9 SCH	Per 9 SCH	Per 9 SCH
Graduate School of Biomedical Sciences						
Biomedical Science - MS						
Resident	50.00	69.00	29.00	7,759.50	7,907.50	10.95
Non-Resident	472.00	156.00	10.00	7,759.50	8,397.50	14.16
Biomedical Science - PhD						
Resident	50.00	23.00	29.00	6,125.50	6,227.50	7.50
Non-Resident	472.00	35.00	10.00	6,125.50	6,642.50	14.16
School of Health Professions						
SHP - MPAS - Resident						
Year 1 (46 SCH)	2,300.00	5,060.00	828.00	6,220.25	14,408.25	354.60
Year 2 (51 SCH)	2,300.00	5,060.00	828.00	3,883.73	12,071.73	354.60
Year 3 (37 SCH)	1,750.00	3,850.00	630.00	2,439.21	8,669.21	272.10
SHP - MPAS - Non Resident						
Year 1 (46 SCH)	21,712.00	8,694.00	n/a	6,220.25	36,626.25	651.36
Year 2 (51 SCH)	21,712.00	8,694.00	n/a	3,883.73	34,289.73	651.36
Year 2 (37 SCH)	16,520.00	6,615.00	n/a	2,439.21	25,574.21	495.60
SHP - DPT - Resident						
Year 1 (43 SCH)	2,200.00	7,656.00	n/a	6,266.25	16,122.25	349.20
Year 2 (39 SCH)	1,950.00	6,786.00	n/a	3,289.25	11,276.71	311.70
Year 3 (17 SCH)	800.00	2,784.00	n/a	2,229.25	5,813.25	139.20
SHP - DPT - Non Resident						
Year 1 (43 SCH)	20,768.00	7,656.00	n/a	6,266.25	33,788.21	623.04
Year 2 (39 SCH)	18,408.00	6,786.00	n/a	3,289.25	27,461.71	55.24
Year 3 (17 SCH)	7,552.00	2,784.00	n/a	2,229.25	12,565.25	226.56

(1) Total Tuition and Fees includes amounts required to be set aside for financial assistance per Texas Education Code. The set-aside amounts are calculated as follows: from State Mandated tuition not less than 15% of each resident student's tuition charge and 3% of each non-resident student's tuition charge is set aside for Texas Public Educational Grants (Section 56.033); designated tuition not less than 20% of any amount of tuition charged to a resident undergraduate student under Section 54.0513 in excess of \$46 per semester credit hour.

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Table A-17
Tuition and Fees for the Academic Year 2019-2020
The Health Science Center (cont'd.)

	State Mandated Tuition	Board Designated Tuition	Board Authorized Tuition	Mandatory Fees	Total Tuition and Fees	Financial Assistance Set-Aside ⁽¹⁾
School of Public Health						
Public Health - MS						
Resident	50.00	85.00	29.00	6,904.50	7,068.50	13.35
Non-Resident	472.00	185.00	11.00	6,904.50	7,572.50	14.16
Public Health - PhD						
Resident	50.00	23.00	29.00	6,904.50	7,006.50	7.50
Non-Resident	472.00	35.00	11.00	6,904.50	7,422.50	14.16
UNT System College of Pharmacy						
Doctor of Pharmacy						
Year 1 Resident (40 SCH)	2,000.00	8,480.00	4,000.00	6,071.31	20,551.31	324.90
Year 1 Non-Resident (40 SCH)	18,800.00	8,480.00	4,000.00	6,071.31	37,431.31	566.40
Year 2 Resident (34 SCH)	1,800.00	7,632.00	3,600.00	3,998.94	17,030.94	294.90
Year 2 Non-Resident (34 SCH)	16,992.00	7,632.00	3,600.00	3,998.94	32,222.94	509.76
Year 3 Resident (44 SCH)	2,200.00	9,328.00	4,400.00	4,091.47	20,019.47	354.90
Year 3 Non-Resident (44 SCH)	20,768.00	9,328.00	4,400.00	4,091.47	38,587.47	623.04
Year 4 Resident (34 SCH)	1,800.00	7,632.00	3,600.00	5,157.30	18,189.30	294.90
Year 4 Non-Resident (34 SCH)	16,992.00	7,632.00	3,600.00	5,157.30	33,381.30	509.76

(1) Total Tuition and Fees includes amounts required to be set aside for financial assistance per Texas Education Code. The set-aside amounts are calculated as follows: from State Mandated tuition not less than 15% of each resident student's tuition charge and 3% of each-non-resident student's tuition charge is set aside for Texas Public Educational Grants (Section 56.033); designated tuition not less than 20% of any amount of tuition charged to a resident undergraduate student under Section 54.0513 in excess of \$46 per semester credit hour.

Gifts, Grants, and Contracts. The Participants receive federal, state, and local grants and contracts for research which incorporate an overhead component for use in defraying operating expenses. This overhead component is treated as unrestricted current funds revenues while the balance of the grant or contract is treated as restricted current funds revenues. Indirect cost recovery rates used in calculating the overhead component are negotiated periodically with the United States Department of Health and Human Services.

Investment and Endowment Income. Investment and endowment income is received on both a restricted and unrestricted basis. In the legislative session that ended May 31, 1999, the State Legislature passed, and the Governor signed into law, HB 1945, which creates two separate endowment funds that benefit the Health Science Center: a permanent health fund for higher education (the "Permanent Health Fund") that benefits 10 state health related institutions of higher education and a separate permanent endowment fund specifically for the Health Science Center (the "Permanent Endowment Fund"). The Permanent Health Fund is established for the benefit of 10 institutions of higher education, including the Health Science Center. On August 30, 1999, the effective date of HB 1945, the State Comptroller of Public Accounts (the "Comptroller") transferred \$350,000,000 to the Permanent Health Fund. Distributions from the Permanent Health Fund may only be appropriated for programs that benefit medical research, health education, or treatment programs. The Board of the University of Texas System administers the Permanent Health Fund and is required to determine the amounts available for distribution from the Permanent Health Fund. Distributions will be made by the Comptroller on a quarterly basis to each of the institutions based on a formula set out in HB 1945. The Permanent Endowment Fund is established for the exclusive benefit of the Health Science Center. On August 30, 1999, the effective date of HB 1945, the Comptroller transferred \$25,000,000 to the Permanent Endowment Fund. The Permanent Endowment Fund will be managed by the Board of the University unless they elect to have the Comptroller administer the fund. The Permanent Endowment Fund is to be invested in a manner that preserves the purchasing power of the fund's assets and the fund's annual distributions. Annual distributions from the Permanent Endowment Fund may only be appropriated for research and other programs that are conducted by the Health Science Center and that benefit the public health.

Operating Revenues. Collection of non-pledged fees and sales of goods and services were collected for the first time in 2004. These revenues are included as Pledged Revenues on Table 1 in the Official Statement.

Sales and Services. Other educational activities and auxiliary enterprises generate revenue from sales and services which is unrestricted.

Other Interest Income. Each Participant generates interest from the investment of cash pursuant to investment policies adopted by the Board in accordance with State law. See “-Investment Policies and Procedures” below.

Other Sources. All miscellaneous revenues including rents, fees, fines, sales, and other receipts not categorized above have been grouped together as “other sources.”

Investment Policies and Procedures.

Management of Investments. Pursuant to a separate written investment policy for all components, the Board is responsible for the investment of the University System, the University, UNT-Dallas, and the Health Science Center funds held outside the State Treasury. The University System Investment Regulation assigns to the “University Investment Officers”— the Vice Chancellor for Finance and her or his designees — the responsibility for investment of funds.

The University System’s Internal Audit Department is required to perform an annual compliance audit of management controls and adherence to the Investment Policy and to present the results of the audit to the Board and the State Auditor’s Office. The Investment Officers are additionally required to prepare and submit to the Board a quarterly investments report prepared in accordance with generally accepted accounting principles which details changes in book and market values, dates of maturity and accrued interest. The quarterly reports prepared by the Investment Officers are to be formally reviewed by the Internal Audit Departments in conjunction with the annual compliance audit and such results are to be reported to the Board.

Investment Officers are required to exercise the judgment and care that a prudent person would exercise in the management of their own personal affairs and are required, along with each member of the Board, to attend at least one training session within 6 months after taking office or assuming duties. Additionally, the Investment Officers are required to attend training at least once every 2 years. If an Investment Officer has a personal business relationship, as defined in the Public Funds Investment Act (Chapter 2256, Texas Government Code, and referred to herein as the “PFIA”), with a business organization offering to engage in an investment transaction with the Health Science Center, the University System, UNT-Dallas or the University, respectively, the Investment Officer is required to file a statement with the Board and the Texas Ethics Commission disclosing such personal business interest.

Objectives. The foremost objective of the Investment Regulation is safety of principal followed by liquidity, current income, appreciation, and diversification. The Investment Regulation provides that each investment transaction shall seek to first ensure that capital losses are avoided. Investment decisions should not incur unreasonable risks in order to obtain current investment income and the investment portfolio shall remain sufficiently liquid to meet all operating requirements which might be reasonably anticipated. The Investment Regulation also provides that investments will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. The investments shall provide liquidity for the University System’s commercial paper program as authorized by the Board and outlined in the University System’s Failed Remarketing Plan.

Investment Strategy. Investments are required to be diversified among a variety of authorized investment vehicles. The Investment Regulation provides that funds are normally invested in and are considered suitable to the financial requirements of the Health Science Center, the University System, UNT-Dallas and the University as follows:

Short Term Pool. Funds needed to meet daily or short term operating requirements will usually be held in an approved local government investment pool. Other options for the short term pool include collateralized money

market funds, money market mutual funds, commercial paper that is rated not less than “A-1” or “P-1” and collateralized certificates of deposit.

Intermediate Investment Pool. The University System transferred the management of the Intermediate Investment Pool to DiMeo Schneider and Associates with an effective date of September 1, 2018. DiMeo Schneider and Associates managed the Intermediate Investment Pool under an outsourced chief investment officer model in accordance with the University System investment policy, which is reviewed and adopted by the Board at least annually. Funds held in the Intermediate Investment Pool were combined into the Long Term Investment Pool February 2019 and are now managed as a combined pool of assets.

Long Term Pool. Funds not needed for daily liquidity requirements may be held in the Long Term Pool. The University System transferred the management of the Long Term Investment Pool to DiMeo Schneider and Associates with an effective date of September 1, 2018. DiMeo Schneider and Associates manages the Long Term Pool under an outsourced chief investment officer model and invests the Long Term Pool in accordance with the University System investment policy, which is reviewed and adopted by the Board at least annually.

Endowment Funds. Each institution of the University System adopts an endowment investment policy that must be reviewed and approved by the Board annually. Each institution’s endowments are managed by their respective foundation. The investment policy authorizes the following types of investments: U.S. Government obligations, U.S. Government Agency obligations, other government obligations, corporate obligations, corporate asset and mortgage backed securities, equity, international obligations, international equity, certificates of deposit, banker’s acceptances, money market mutual funds, mutual funds, repurchase agreements, private equity, hedge funds, Real Estate Investment Trusts (REITs), derivatives, energy and real estate. The majority of the Health Science Center’s endowment funds are invested in the Health Science Center’s Permanent Endowment Fund as described above in “APPENDIX A, DESCRIPTION OF THE PARTICIPANTS – Funding for the Participants – Investment and Endowment Income.”

Investment of Bond Proceeds. In compliance with the Investment Regulation, bond proceeds and reserves may be invested in a manner consistent with requirements and restrictions stated in the Master Resolution or the applicable supplement thereto.

Safekeeping and Custody. The Investment Regulation provides that all assets should be secured through independent third-party custody and safekeeping procedures. The Internal Auditor conducts annual and surprise audits of the safekeeping and custodial systems.

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Set forth below is a description of investments by general category, for the University, UNT-Dallas and the Health Science Center as of March 31, 2020.

Table A-18
Investments
(as of March 31, 2020)⁽¹⁾

Description	Percentage Allocation	Book Value	Fair Value ⁽²⁾
Bank Deposits	28.07%	\$ 142,899,020	\$ 142,899,020
Money Market Fund	2.25%	11,445,670	11,445,670
TexPool Daily Fund	0.47%	2,403,197	2,403,197
Texas TERM Daily Fund	0.48%	2,443,847	2,443,847
TexStar Daily Fund	0.39%	1,961,734	1,961,734
TexasCLASS Daily Fund	0.75%	3,824,990	3,824,990
Long Term Investment Pool	41.78%	212,711,119	212,711,119
Endowments Managed by UNT Foundation	9.39%	47,804,157	53,084,653
UNTH Endowments Managed by J.P.Morgan	14.23%	72,472,326	74,833,071
UNTH Malpractice Fund-Invested with J.P.Morgan	2.20%	11,197,404	11,105,585
Total	100.00%	\$509,163,464	\$516,712,886

- (1) Unaudited. Excludes agency funds. Also, excludes endowments managed by the UNT Student Investment Group, which management views as immaterial.
- (2) Statement No. 31 of the Governmental Accounting Standards Board generally defines fair values as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Management of Funds Held in the State Treasury. The Texas Education Code requires that the University, UNT-Dallas and the Health Science Center deposit into the State Treasury all funds except those derived from auxiliary enterprises and noninstructional services, agency funds, designated and restricted funds, endowment and other gift funds, and student loan funds. All such funds held in the State Treasury are administered by the Comptroller of Public Accounts of the State (the “Comptroller”). The Comptroller invests money in the State Treasury in authorized investments consistent with applicable law and the Texas State Treasury Investment Policy, dated August 1993. The Comptroller pools funds within the State Treasury for investment purposes and allocates investment earnings on pooled funds proportionately among the various State agencies whose funds are so pooled. Currently, most pooled funds are invested in the following instruments: repurchase agreements; reverse repurchase agreements; obligations of the United States and its agencies and instrumentalities; commercial paper having the highest credit rating; and fully-collateralized deposits in authorized State depositories. All State Treasury investments are marked to market daily using an external financial service. The Comptroller, acting primarily through a special purpose trust company, also holds approximately 20 separate accounts outside the State Treasury. The largest such accounts are local government investment pools, known as TexPool and TexPool Prime. TexPool was established in 1989 as an investment alternative for local governments in the State. TexPool and TexPool Prime operate on a \$1 net asset value basis and allow same day or next day redemptions and deposits. Interest is allocated daily based on portfolio earnings and account balance. As of December 31, 2019, TexPool’s portfolio had a weighted average maturity of thirty-five (35) days and total assets of approximately \$23.5 billion. As of such date, TexPool Prime had a weighted average maturity of thirty-five (35) days and total assets of approximately \$6.6 billion.

Endowments.

Although not pledged to the payment of debt obligations, the Board controls or is benefited by endowments at fair value on August 31, 2019 of approximately \$233,350,440. Each component of an endowment is subject to various restrictions as to application and use.

Set forth below is the fair value of endowments controlled by or benefiting the Board as of the end of fiscal years 2015 through 2019:

Table A-19
Endowments (Fair Value)⁽¹⁾

	2015	2016	2017	2018	2019
Endowments at Fair Value	\$187,794,180	\$196,201,039	\$221,919,034	\$218,653,565	\$233,350,440

⁽¹⁾ Includes the endowments from UNT Foundation and HSC Foundation.

Debt Management.

Financial debt management of the Participants is the responsibility of the Vice Chancellor for Finance and Chief Financial Officer. Debt is issued pursuant to debt capacity analyses and annual funding requirements in accordance with the capital budgets of the University, UNT-Dallas and the Health Science Center. Issuance of debt requires approval of the Board. As a general rule, the Participants issue debt on a project-by-project basis pursuant to the institution’s master plan for facilities. Prior to the issuance of debt, a Participant must furnish the Board, for its review and approval, information describing the proposed project, and the need therefor, estimated costs of construction, financial analysis, and feasibility, if expected to generate sources of revenues for operation and maintenance, and status of student-approved fee increases if required to pay debt service or operation and maintenance expenses.

The University, the Health Science Center and UNT-Dallas are required to make reports to the Board during each fiscal year quarter regarding status of construction projects.

Higher Education Fund Bonds.

Pursuant to Article VII, Section 17 of the State Constitution, the University and the Health Science Center are eligible to receive an annual allocation from amounts constitutionally appropriated to certain institutions of higher education for capital improvements (except those for auxiliary enterprises) (See “Funding for the Participants - *State Appropriations*” above). Under this constitutional provision, the Board is authorized to issue bonds and notes to finance permanent improvements at the institutions and to pledge up to 50% of its allocation to secure the payment of principal and interest on the bonds and notes. Currently, none of the Participants has any outstanding Higher Education Fund bonds or notes, and the Participants have no plans to issue any. See “Funding for Participants - *State Appropriations.*”

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Outstanding Indebtedness.

Following the delivery of the Bonds, the Board will have the following described indebtedness:

Parity Obligations - Revenue Financing System

Revenue Financing System Refunding and Improvement Bonds, Series 2012A	\$ 8,435,000 ⁽²⁾
Revenue Financing System Refunding Bonds, Taxable Series 2012B	\$ 405,000 ⁽²⁾
Revenue Financing System Refunding and Improvement Bonds, Series 2015A	\$ 101,925,000
Revenue Financing System Refunding Bonds, Taxable Series 2015B	\$ 51,545,000
Revenue Financing System Refunding and Improvement Bonds, Series 2017A	\$ 171,820,000 ⁽¹⁾
Revenue Financing System Refunding and Improvement Bonds, Taxable Series 2017B	\$ 140,735,000 ⁽¹⁾
Revenue Financing System Refunding Bonds, Forward Delivery Series 2018	\$ 17,565,000 ⁽¹⁾
Revenue Financing System Refunding and Improvement Bonds, Series 2018A	\$ 149,365,000
Revenue Financing System Refunding and Improvement Bonds, Taxable Series 2018B	\$ 18,995,000
Revenue Financing System Refunding Bonds, Series 2020A	\$ 59,475,000
Revenue Financing System Refunding Bonds, Taxable Series 2020B	<u>\$ 55,240,000</u>
Sub-total Fixed Rate Parity Obligations	<u>\$ 775,505,000⁽¹⁾</u>
Series A Commercial Paper Notes	\$ 32,530,000 ⁽³⁾
Series B Commercial Paper Notes	<u>\$ 21,935,000⁽⁴⁾</u>
Sub-total Commercial Paper Notes	<u>\$ 54,465,000</u>
Grand Total of Parity Obligations	<u>\$ 829,970,000⁽¹⁾⁽²⁾</u>

⁽¹⁾ All or a portion of these bonds constitute Tuition Revenue Bonds. The Fiscal Year 2020 Tuition Revenue Bond appropriation to reimburse Revenue Financing System debt service is \$33,182,778 for Fiscal Year 2020. Future reimbursement by the State Legislature in each subsequent State biennium is subject to appropriation of funds by the State for such purpose. See “Appendix A, DESCRIPTION OF THE PARTICIPANTS - Funding for the Participants - Tuition Revenue Bonds”).

⁽²⁾ Excludes the Refunded Bonds. See “SCHEDULE I – SCHEDULE OF REFUNDED BONDS.”

⁽³⁾ The Board has authorization to issue Series A Commercial Paper Notes, as Parity Obligations, currently in the maximum amount of \$50 million. See “PLAN OF FINANCING - Refunded Commercial Paper Notes.”

⁽⁴⁾ The Board has authorization to issue Series B Commercial Paper Notes, as Parity Obligations, currently in the maximum amount of \$75 million. Excludes \$14,650,000 of Series B Commercial Paper Notes that will be retired with proceeds from the issuance of the Series 2020B Bonds. See “PLAN OF FINANCING - Refunded Commercial Paper Notes.”

Insurance.

The laws of the State of Texas allow public agencies, including institutions of higher education supported by State appropriations, to purchase commercial insurance to finance identified risks. The University System and its component institutions purchase various lines of insurance pursuant to this authorization, including policies to

finance or mitigate risk associated with losses related to real and personal property, certain personal injuries, employee dishonesty, and certain types of claims and litigation.

The University System maintains commercial property insurance for buildings used for Educational and General (E&G) purposes and for those capital assets used to support auxiliary enterprises. The insurance covers real property, building contents, loss of tuition and educational fees, and other expenses associated with returning E&G buildings to normal operation.

Buildings used for auxiliary enterprises, such as residence halls, student dining facilities, the University recreation center, student union and student health clinic, also are covered under this policy. As with E&G buildings, the University System's commercial property insurance covers building content, the loss of business income, and other expenses associated with returning auxiliary buildings to normal business operation. The University System has insured both its E&G and auxiliary buildings continuously since fiscal year 2005, and the current property insurance policy is in effect through mid-fiscal year 2021 (policy period April 30, 2020 to May 1, 2021).

It is the general practice of the State Office of Risk Management, the agency statutorily responsible for administering insurance services obtained by agencies of the State of Texas, as well as the practice of the University System not to procure commercial general liability insurance for personal injury and property damage caused by employee negligence. Financial liability for these types of claims is capped by state law and state sovereign immunity laws further limit financial responsibility associated with these risks.

The University System annually procures other lines of liability insurance to mitigate financial risks. The University System purchases commercial automobile insurance to cover vehicles and certain mobile equipment that is used when conducting official business; professional liability coverage for student interns, health care professionals who provide services at the University Student Health and Wellness Center and the University Autism Center, allied health professionals and Medical/Physician Assistant students at the Health Science Center, including those who participate in clinical rotations outside of the State of Texas, and health care professionals who provide services for the University intercollegiate athletic programs; commercial crime insurance for the University System; and directors and officers and employment practices liability coverage for University System officials, employees, and volunteers. The Health Science Center operates a professional liability self-insurance program that cover its physicians and employed allied. In addition, the University System purchases various inland marine policies, one which has a general liability component for a special program (Elm Fork Education Center); liability coverage for vehicles used by UNT employees and students when traveling outside the United States; accident/medical policies to cover individuals who attend camps sponsored by component institutions; and a worker's compensation policy that covers employees who reside and work outside the State of Texas.

Employees of the University System are provided workers' compensation coverage through a state-wide self-insured program administered by the State Office of Risk Management. The University System Administration, University of North Texas, the Health Science Center, and UNT-Dallas each are assessed an annual amount for payment into the state-wide program. The annual assessment is calculated based on the injury claims history over the three-year period prior to the assessment; and takes into account each component's total annual payroll, total number of full-time employees and equivalents, cost of claims, and number of claims. The State Office of Risk Management uses an Injury Frequency Rate (IFR) Modifier formula in determining the annual assessment. All members of the state-wide program with an average IFR over 7.5 percent pay five (5) percent more per annual assessment, whereas members with an IFR of under 3.5 percent pay five (5) percent less. The University System Administration, the University, the Health Science Center, and UNT-Dallas IFR rates are historically below two (2%) percent; and were below two (2%) percent for fiscal year 2020, using claims data from 2016 through 2018. Injury Frequency Rate data for fiscal year 2021, which will be available in October or November, is expected to be within the historical rates for all components of the University System.

Retirement Plans.

Teacher Retirement System. The State has joint contributory retirement plans for the majority of its employees. One of the primary plans in which the University System participates is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the Teacher Retirement System (TRS) of Texas.

All University System personnel working on a half time or greater basis that is projected to last for 4½ months or more are eligible for membership in the TRS retirement plan. However, students employed in positions that require student status as a condition of employment do not participate. Members with at least five years of service have a vested right to unreduced retirement benefits at age 65 or provided they have a combination of age plus years of service totaling 80 or more. However, members who began TRS participation on or after September 1, 2007 must be age 60 to retire and members who are not vested in the TRS plan on August 31, 2014, must be age 62 to retire under the second option. Members are fully vested after five years of service and are entitled to any reduced benefits for which the eligibility requirements have been met prior to meeting the eligibility requirements for unreduced benefits.

TRS contribution rates for both employers and employees are not actuarially determined but are legally established by the State Legislature. During the measurement period of 2018 for fiscal 2019 reporting, the amount of the University System’s contributions recognized by the plan was \$11,732,351.00. The contribution rates are based on a percentage of the monthly gross compensation for each member. Contributions by employees were 7.7 percent of gross earnings during the measurement period of 2018. Depending upon the source of funding for the employee’s compensation, the State or the University System contributes a percentage of participant salaries totaling 6.8 percent of annual compensation during the measurement period of 2018.

Optional Retirement Program (ORP). The State also has established the Optional Retirement Program (ORP), a defined contribution plan, for institutions of higher education. Participation in ORP is in lieu of participation in the TRS retirement plan and is available to certain eligible employees who hold faculty positions and other professional positions including but limited to director-level and above, librarians and coaches. The ORP provides for the purchase of annuity contracts and mutual funds and is administered by a variety of investment firms. Employees are immediately vested in their own contributions and earnings on those contributions and become vested in the employer contributions after one year and one day of service. Depending upon the source of funding for the employee’s compensation, the University System may be required to make the employer contributions in lieu of the State. Since these are individual annuity contracts, the State and the University System have no additional or unfunded liability for this program.

The State provides an option for a local supplement in addition to the state base rate. Each institution within the University System can decide to adopt and fund a local supplement each year to provide each ORP employee the maximum employer rate. The chancellor then approves the employer rates each fiscal year. The contributions made by participants (6.65 percent of annual compensation) and the employer (6.6 percent state base rate for 2019 plus any local supplement for a maximum 8.50 percent of annual compensation) for the fiscal year ended August 31, 2019, is provided in the following table:

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

Fiscal Year 2019 Operating Expense Considerations.

Fiscal year 2019 reflects two non-cash increases to Operating Expense, pertaining to GASB 68 and GASB 75 accounting entries for pensions and Other Postemployment Benefits (OPEB), respectively. For more information on the pension and OPEB plans, please refer to the Fiscal Year 2019 audited financial statements, footnotes 8 and 9.

Note, any changes in the GASB 68 and GASB 75 calculations do not impact the actual cash payments made by the university system for pension and OPEB employer contributions. Rather, policy changes to plan provisions such as contribution requirements or changes in staffing would impact those true expenses.

Details describing the amounts and reasons for increases to Pension and OPEB expense are described below:

Pensions: Pension expense for FY19 was \$20.4 million, compared to \$8.4 million in FY18. The primary reason for the increase in pension expense in FY19 is due to changes in the investment return assumption and discount rate. At its July 2018 board meeting, the TRS Board of Trustees voted to lower the investment return assumption from 8.00% to 7.25% for the pension plan, per recommendation from an actuarial experience study. In addition, the discount rate changed from 8.000% as of Aug. 31, 2017 to 6.907% as of Aug. 31, 2018 measurement years.

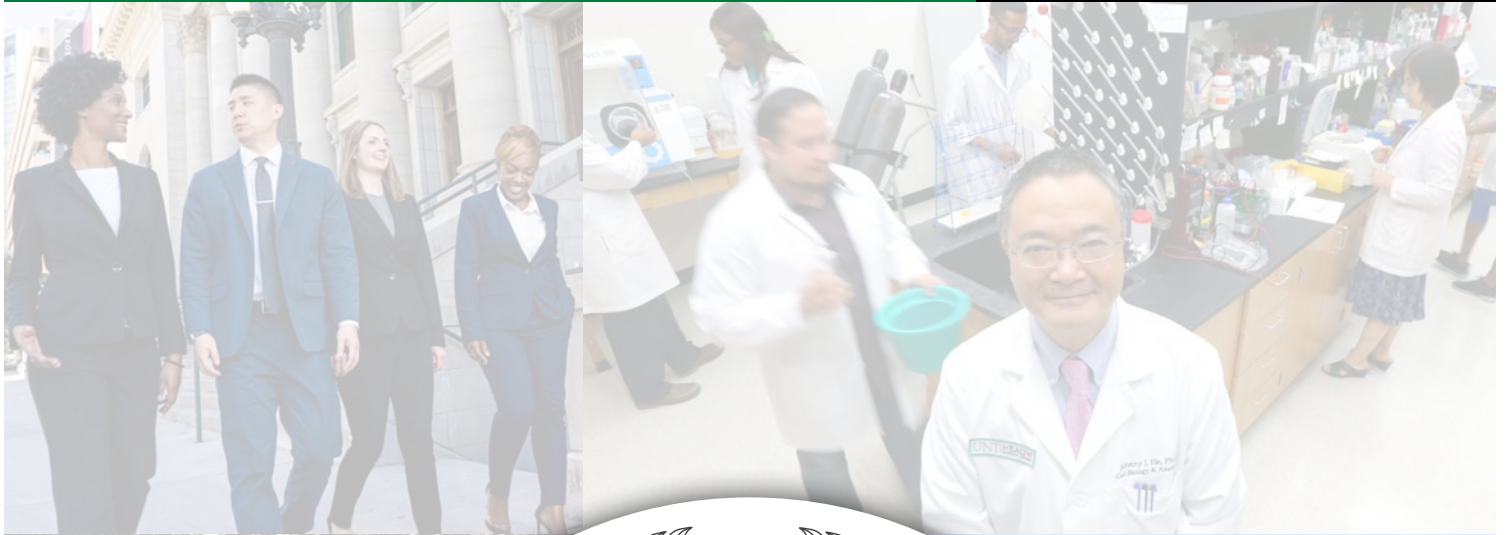
OPEB: OPEB expense for FY19 was \$79.5 million, compared to \$4.6 million in FY18. FY19 included a large employer specific adjustment of \$81.9M in additional OPEB expense due to a change in accounting methodology. This adjustment was due to a change in proportion and contribution difference. In FY18, the proportionate share was determined based on retiree contributions only. In FY19 and going forward, the proportionate share is determined based on active and retiree contributions. This change in accounting of proportionate share calculation resulted in a large one-time adjustment that was reflected in OPEB expense during FY19 for all members of the OPEB plan. Assuming no additional changes in the methodology, we do not anticipate a similar large employer specific adjustment in FY20.

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APPENDIX B

**THE AUDITED CONSOLIDATED ANNUAL FINANCIAL REPORT
OF THE UNIVERSITY OF NORTH TEXAS SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2019
INCLUDING MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
& INDEPENDENT AUDITORS' REPORT**
FOR THE YEAR ENDED AUGUST 31, 2019

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**UNIVERSITY OF NORTH TEXAS
SYSTEM**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORT**

For the fiscal year ended August 31, 2019

DALLAS, TEXAS

Lesa Roe, Chancellor

UNT | SYSTEM™

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UNIVERSITY OF NORTH TEXAS SYSTEM

ORGANIZATIONAL DATA

August 31, 2019

BOARD OF REGENTS

Rusty Reid (Term expired 5-22-19)* Fort Worth

Brint Ryan (Term expires 5-22-21) Dallas

A.K. Mago (Term expires 5-22-21) Dallas

Laura Wright (Term expires 5-22-21) Dallas

Mary Denny (Term expires 5-22-23) Aubrey

Milton B. Lee (Term expires 5-22-23) San Antonio

Carlos Munguia (Term expires 5-22-23) University Park

Daniel Feehan (Term expires 5-22-25) Fort Worth

John Scott, Jr., D.O. (Term expires 5-22-25) Keller

STUDENT REGENT

Alexandra Harrel (Term expires 5-31-20) Corpus Christi

OFFICERS OF THE BOARD

Laura Wright Chairman

Milton B. Lee Vice Chairman

Rosemary R. Haggett Secretary

ADMINISTRATIVE OFFICERS

Lesa Roe Chancellor

Daniel Tenney Vice Chancellor for Finance

* As of the time of print, the Governor of Texas had not yet made a new Regent appointment.

UNT | SYSTEM™

December 19, 2019

Laura Wright, Chairman, UNT System Board of Regents
Milton B. Lee, Vice Chairman, UNT System Board of Regents
Mary Denny, Chairman, Audit Committee
Board of Regent Members
University of North Texas System
1901 Main Street
Dallas, Texas 75201

Dear Chairman Ryan, Vice Chairman Wright, Chairman Denny and Board of Regents,

We are pleased to submit the audited Comprehensive Annual Financial Report (CAFR) of the University of North Texas System (UNTS) for the fiscal year ended August 31, 2019. This report is in compliance with TEX. GOV'T CODE ANN 2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts and Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Responsibility for both the accuracy of the data presented, as well as the completeness and fairness of the presentation, rests with the management and those charged with governance of each UNT System member institution. To the best of our knowledge, the information presented is accurate in all material respects, and all disclosures necessary for a reasonable understanding of the system's financial activities are included. The management's discussion and analysis (MD&A) in the financial section provides an overview of the System's financial activities reported in the comprehensive financial statements.

The UNT System is reaching new heights as we collectively strive to transform the future of North Texas and beyond. We are setting records in almost every critical measurement of success including enrollment, fundraising, research, legislative funding, academic excellence and athletic excellence. Strategic efforts have yielded impressive results and many firsts for UNT World:

- More than 45,000 students attended UNT System institutions last Fall, a record for UNT World enrollment.
- In the last academic year, UNT System institutions awarded more than 11,000 degrees.
- UNT World combined research expenditures in fiscal year 2019 eclipsed \$120 million for the first time.
- Philanthropic dollars raised via foundation and institutional gifts eclipsed a combined record total of \$71.5 million in fiscal year 2019. Combined endowments have also reached a record high of \$300 million.

At UNT, we now have 77 programs ranked among the nation's Top 100 by various publications and services, including 19 programs ranked in the Top 100 by US New and World Report. The Carnegie Classification of Institutions of Higher Education™ reaffirmed UNT's standing as a Tier One research university in February 2019, an achievement recognizing the university's efforts to grow its research enterprise and commitment to rise in national prominence. UNT's Center for Agile & Adaptive Additive Manufacturing is transforming manufacturing technologies to better develop complex 3-D objects to create viable market-based solutions that impact almost every industry from operating rooms to oil fields. The 86th Texas Legislature recognized the impact this program can make on our region and state by awarding \$10 million in funding to the center. Our flagship is also bringing the power of a UNT degree to new populations through its expansion in Frisco. A master plan has been approved

for what will eventually become a 100-acre campus in fast-growing Collin County, and provide practical experience into each of our degree programs at UNT Frisco.

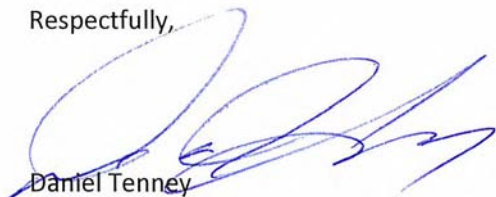
In Fort Worth, the UNT Health Science Center is committed to improving the human condition through a shared passion for innovation and teamwork. The TCU and UNTHSC School of Medicine is now open and has been lauded for its creative private/public partnerships between universities. Fort Worth's new MD school achieved preliminary accreditation and welcomed its first class of students this summer for classes and research initiatives held in our new state-of-the-art Integrated Research Education Building, with added commitments for almost 700 new residency slots with health systems. The HSC Physician's Assistant Program ranks among the nation's Top 20 in US News and World Report and its Texas College of Osteopathic Medicine produces more primary care physicians than any medical school in Texas.

Our youngest institution, UNT Dallas, has become the state's fastest-growing public university, achieving record enrollment three years running. UNT Dallas is designated as a Minority Serving Institution by the U.S. Department of Education and offers the lowest tuition costs in DFW. UNT Dallas has grown programs based on industry needs across urban Dallas. This includes bilingual K-12 teaching, logistics, criminal justice, law, business analytics, mental health, and public health. We are working with foundational partners, businesses and the Dallas County Promise to reach more urban students than ever before and provide a pathway to social mobility.

The 86th Texas Legislature committed more special item support to the collective UNT System than ever before. In addition, the 86th Texas Legislature maintained or increased formula funding rates for the UNT System – this especially benefitted UNT Dallas, which had the biggest percent increase in formula funding among all universities in Texas. New initiatives funded by the Texas Legislature include UNT's Center for Agile & Adaptive Additive Manufacturing, UNT Dallas' student success initiative, and UNT Health Science Center's forensic genetics research program, which included additional funding to reduce the backlog of rape kit evidence for local Texas communities. UNT Dallas will also benefit from a small institution supplement of \$2.6 million over the next two fiscal years.

The preparation of the System's externally audited CAFR is overseen by the System Controller team but requires the collective efforts of financial personnel throughout each institution. Without all financial personnel and the hundreds of hours that were spent, this report would not be possible. We are committed to being good stewards of the resources entrusted to us by the State of Texas and by students and their families, and we hold ourselves accountable for the wise and appropriate use of those resources. This financial report serves as a testament to the work we have done to ensure that our stewardship, accountability, and financial viability are just as strong and as important to us as our academic services themselves.

Respectfully,



Daniel Tenney
Vice Chancellor for Finance, UNT System

cc: Lesa B. Roe, Chancellor
Dr. Neal Smatresk, President, UNT
Dr. Michael Williams, President, UNT Health Science Center
Robert Mong, President, UNT Dallas
Bob Brown, Senior Vice President for Finance and Administration, UNT
Greg Anderson, Executive Vice President for Finance and Operations, UNT Health Science Center
Jim Main, Executive Vice President of Administration and CFO, UNT Dallas
Tracy Grunig, Chief Audit Executive, UNT System
Alan Stucky, Interim Vice Chancellor and General Counsel, UNT System

GRANT THORNTON LLP

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Dallas, Texas 75201

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Regents
University of North Texas System

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of the University of North Texas System (the "System") as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of North Texas Foundation, Inc. or the University of North Texas Health Science Center Foundation, Inc. (collectively the "Foundations"), which collectively represents 100% of the assets, net assets, and revenues of the discretely presented component units of the System. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundations, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundations were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component units of the System as of August 31, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 13 through 22, and the Required Supplementary Information on pages 78 through 79 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

The Introductory Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 19, 2019, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion

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

Grant Thornton LLP

Dallas, Texas
December 19, 2019

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

Introduction

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

The System serves the North Texas area, boosting economic activity in the region by over \$5.2 billion annually. The UNT System has a \$1.1 billion annual consolidated budget and employs roughly 10,000 people at its various locations within the robust North Texas Region. In Fall 2018, over 46,000 students enrolled in undergraduate, graduate, and professional programs at UNT System institutions. The System is governed by a nine-member Board of Regents appointed by the Governor of Texas and confirmed by the Texas State Senate. Three members are appointed every odd-numbered year for six-year terms. In addition, the Governor annually appoints a non-voting Student Regent for a one-year term.

Financial Highlights and Overview of the Financial Statements

The objective of Management's Discussion and Analysis (the "MD&A") is to provide an overview of the financial position and activities of the System as of and for the year ended August 31, 2019, with selected comparative information as of and for the year ended August 31, 2018. The MD&A is prepared by management and should be read in conjunction with the accompanying financial statements and notes. The emphasis of discussion about these financial statements will focus on current year data. Unless otherwise indicated, years in the MD&A refer to the fiscal years ended August 31.

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

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

Financial Highlights

- Total assets and deferred outflows of resources of the System exceeded its total liabilities and deferred inflows of resources in 2019, resulting in a net position of \$719.6 million. Unrestricted net position, which may be used to meet the System's future obligations, was \$106.1 million, or 14.8% of total net position as of August 31, 2019.
- The System concluded the 2019 fiscal year with a reduction in net position of \$85.1 million, compared to a \$21.1 million reduction in 2018. The primary cause for the decrease is a change in accounting methodology used to calculate Other Postemployment Benefits ("OPEB"). Employees Retirement System of Texas ("ERS"), which provides the System's health insurance benefits, changed their method to calculate OPEB proportionate share by including both active and retired employee contributions for fiscal year 2019

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

reporting. In fiscal year 2018, OPEB proportionate share was calculated using retiree contributions only. The total impact of OPEB reporting was a \$76.5 million increase in payroll related costs over prior year.

- The 2019 change in net position before restatements was a reduction of net position of \$83.1 million, a decrease of \$162.8 million over the prior year. The decrease is primarily attributable to a \$139.9 million increase in operating expenses, comprised of salary and wages and payroll related costs due to increased faculty and staff to support enrollment growth, OPEB, and pensions. In addition, increased materials, utilities, and depreciation costs are due to multiple major construction projects placed in service in 2019. The System also had a \$25.2 million decrease in nonoperating revenue and expenses which contributed to the net position reduction, due primarily to increased interest expense and fiscal charges related to the issuance of Series 2018A & 2018B bonds in September 2018. The System also had a net decrease in the fair value of investments in fiscal year 2019.
- The System continues to make significant investments, \$236.4 million in 2019 alone, in numerous capital projects across all institutions to strategically benefit students, faculty, and staff. The System has also committed \$414.2 million to fund, with assistance from State supported debt financing and Higher Education Fund ("HEF") capital appropriations, future capital asset additions and improvements over the next several years. These projects are currently in various stages of completion. The "Capital Asset and Debt Administration" section of the MD&A provides more details pertaining to these strategic investments.

Overview of the Financial Statements

These statements are prepared applying the following principles and standards:

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

Statement of Net Position

The Statement of Net Position presents the financial position of the System at fiscal year-end. From the data presented, readers of this statement are able to determine the assets available to continue the operations of the System. They are also able to determine what the System owes to vendors, investors and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and the availability of resources to cover the expenses of the System. The change in net position is one indicator of whether the financial condition has improved or worsened during the fiscal year when considered with nonfinancial facts, such as enrollment levels and the condition of facilities.

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the System as of the end of the year. The net position section of the statement is reported by three major categories: 1) Net Investment in Capital Assets, 2) Restricted, and 3) Unrestricted. The Net Investment in Capital Assets section represents the System's equity in property, plant, and equipment, net of accumulated depreciation and amortization, capital asset related bonds and other debt items. Restricted Net Position is reported for amounts subject to constraints that are either externally imposed or imposed by law. Amounts that are permanently held for investment are divided into two categories: 1) Non-Expendable and 2) Expendable. Unrestricted Net Position is available for any lawful purpose of the System.

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

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

Condensed Comparative Statement of Net Position			
As of August 31, 2019 and 2018			
(in thousands of dollars)			
	2019	2018	% Increase (Decrease)
Assets and Deferred Outflows of Resources			
Current Assets	\$ 603,004	\$ 643,213	(6.3%)
Non-Current Assets:			
Capital Assets, Net	1,393,139	1,245,030	11.9%
Other Non-Current Assets	370,261	341,753	8.3%
Deferred Outflows of Resources	491,095	46,494	956.3%
Total Assets and Deferred Outflows of Resources	\$ 2,857,499	\$ 2,276,490	25.5%
Liabilities and Deferred Inflows of Resources			
Current Liabilities	\$ 511,031	\$ 429,499	19.0%
Non-Current Liabilities:			
Bonded Indebtedness	819,475	682,832	20.0%
Other Non-Current Liabilities	615,153	296,601	107.4%
Deferred Inflows of Resources	192,255	62,894	205.7%
Total Liabilities and Deferred Inflows of Resources	\$ 2,137,914	\$ 1,471,826	45.3%
Net Position			
Net Investment in Capital Assets	\$ 472,338	\$ 438,058	7.8%
Restricted:			
Funds Held as Permanent Investments:			
Non-Expendable	55,359	53,248	4.0%
Expendable	32,475	32,610	(0.4%)
Other Restricted	53,265	47,593	11.9%
Total Restricted	141,099	133,451	5.7%
Unrestricted	106,148	233,155	(54.5%)
Total Net Position	\$ 719,585	\$ 804,664	(10.6%)
Total Liabilities and Net Position	\$ 2,857,499	\$ 2,276,490	25.5%

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

Total Assets and Deferred Outflows

Current Assets

The System's current assets decreased \$40.2 million, or 6.3%, in 2019 primarily as a result of a \$45.4 million decrease in cash, cash equivalents and short-term investments from spending bond proceeds received in 2018, and offset by a \$3.3 million increase in legislative appropriation receivables.

Non-Current Assets: Net Capital Assets

Net capital assets increased \$148.1 million, or 11.9%, in 2019 as a result of an increase in capital and intangible assets. This increase is primarily attributable to \$236.4 million of capital improvements offset by depreciation and amortization expense of \$84.7 million. Major capital improvements included \$27.6 million for the new UNT Residence Hall, \$13.7 million for the UNT College of Visual Arts & Design Building, \$12.3 million for the Athletics Indoor Practice Facility, \$10.8 million for Discovery Park Bio Medical Addition, \$6.7 million for the HSC Interdisciplinary Research and Education Building, \$30.5 million for the UNT Dallas Student Learning and Success Center, \$20.5 million for renovating the Dallas Municipal Building, \$28.7 million in equipment, vehicle and library purchases, and \$25.0 million for capitalized Building and Software cost additions to depreciable capital assets.

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

Other Non-Current Assets

The System's other non-current assets increased by \$28.5 million, or 8.3%, primarily due to a \$27.7 million increase in investments related to increases in the long-term investment pool over the prior year. Additionally, restricted investments increased by \$1.6 million due to new investments from growth in permanent endowment contributions.

Deferred Outflows of Resources

Deferred outflows of resources increased \$444.6 million, or 956.3%, in 2019, primarily due to the recognition of deferred outflows of resources related to OPEB and pensions of \$375.1 million and \$68.6 million, respectively.

Total Liabilities and Deferred Inflows

Current Liabilities

The System's current liabilities increased \$81.5 million, or 19.0%, in 2019 primarily due to a \$47.1 million increase in short-term commercial paper, a \$10.9 million increase in OPEB liability, and a \$12.8 million increase in unearned revenues related to increased tuition coupled with higher enrollment.

Non-Current Liabilities

Non-current liabilities consist primarily of the non-current portion of revenue bonds payable, net pension and other postemployment benefits liability, and employees' compensable leave liability. In total, non-current liabilities increased \$455.2 million, or 46.5%, primarily due to a \$306.6 million increase in the net OPEB obligation and an \$84.6 million increase in net pension liability. The primary cause for the increase in OPEB liability is due to the ERS change in accounting methodology to include both active and retired employee contributions in the calculation of proportionate share for fiscal year 2019 reporting. The primary reason for the increase in the net pension liability was due to a decrease in the long term assumed rate of return from 8.00% to 7.25%. In addition, the discount rate for pensions decreased from 8.000% to 6.907% for fiscal year 2019 reporting. Revenue bonds payable increased \$136.6 million as a result of issuing \$172.1 million for Series 2018A & 2018B revenue bonds offset by 2019 debt service payments of \$44.5 million. In addition, there was a decrease of \$80.5 million in notes and loans payable related to commercial paper refunded for the 2018A & 2018B bond series.

Deferred Inflows of Resources

Deferred inflows of resources increased \$129.4 million, or 205.7%, in 2019 primarily due to a \$137.2 million increase related to OPEB, offset by a \$7.8 million decrease related to pensions.

Total Net Position

Total net position represents the residual interest in the System's total assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Net position decreased by \$85.1 million, or 10.6%, in 2019.

Net Investment in Capital Assets

Net investment in capital assets represents the System's capital and intangible assets, net of accumulated depreciation and amortization and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets. The net \$34.3 million, or 7.8%, increase in net investment in capital assets in 2019 primarily resulted from a \$148.1 million increase in net capital assets. This increase was offset by activity related to notes and bonds payable, capital lease obligations, and deferred outflows and inflows of resources related to unamortized gains and losses on refunded bonds.

Restricted Net Position

Restricted net position primarily includes the System's permanent investments subject to externally imposed restrictions governing their use. In total, restricted net position increased by \$7.6 million, or 5.7%, in 2019 primarily due to continued positive growth in restricted investments, investment income, and fundraising efforts resulting in an increase in restricted contributions across the System.

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

Unrestricted Net Position

Unrestricted net position decreased by \$127.0 million, or 54.5%, primarily due to an \$87.9 increase in OPEB and pension payroll related costs over prior year. In addition, increased materials, repairs and maintenance, utilities, and depreciation costs of \$27.5 million were incurred related to multiple major construction projects in 2019.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the System's revenues earned and the expenses incurred during 2019, regardless of when cash is received or paid. Activities are reported as either operating or nonoperating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the System, including a provision for depreciation and amortization on capital assets. Certain revenue sources the System relies on for operations include state appropriations, gifts, grants and investment income which are required by GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended, to be classified as nonoperating revenues. Revenues are reported by major source, and expenses are reported on the face of the statement by functional (programmatic) categories as defined by the National Association of College and University Business Officers ("NACUBO").

The following table reflects the System's Condensed Comparative Statement of Revenues, Expenses and Changes in Net Position for the years ended August 31, 2019 and 2018:

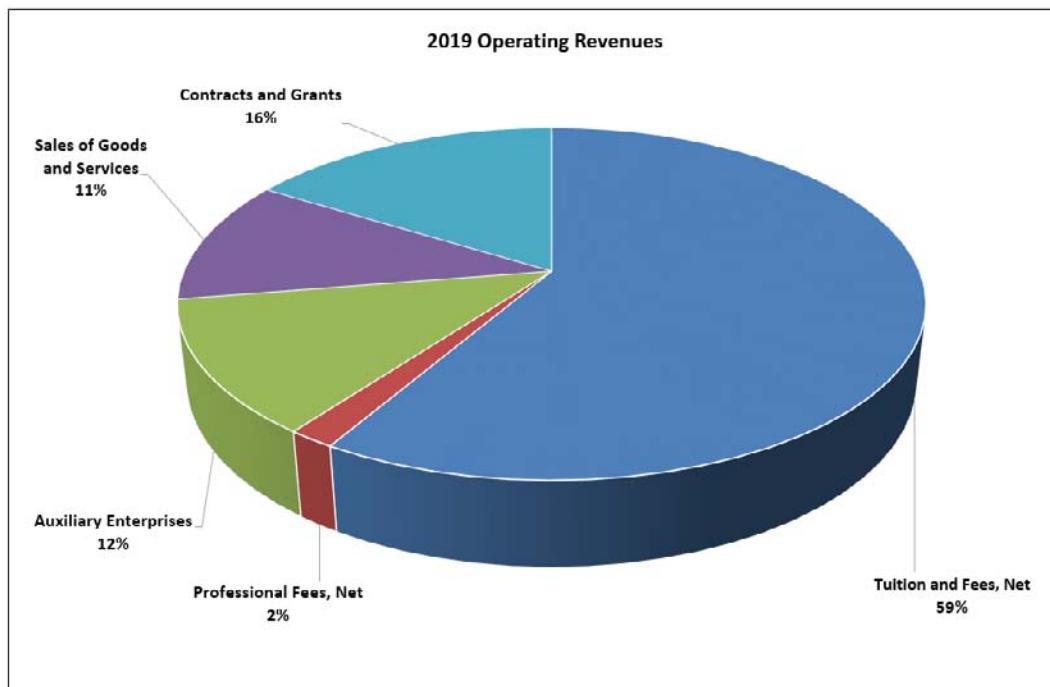
Condensed Comparative Statement of Revenues, Expenses and Changes in Net Position			
For the Years Ended August 31, 2019 and 2018			
(in thousands of dollars)			
	2019	2018	% Increase (Decrease)
Operating Revenues	\$ 657,617	\$ 654,363	0.5%
Operating Expenses	1,143,705	1,003,806	13.9%
Operating Income (Loss)	\$ (486,088)	\$ (349,443)	39.1%
Nonoperating Revenues (Expenses)	339,252	364,447	(6.9%)
Income (Loss) Before Other Revenues, Expenses and Transfers	\$ (146,836)	\$ 15,004	(1,078.7%)
Other Revenues, Expenses and Transfers	63,752	64,676	(1.4%)
Change in Net Position	\$ (83,084)	\$ 79,680	(204.3%)
Net Position, Beginning of Year	\$ 804,664	\$ 825,805	(2.6%)
Restatement	(1,995)	(100,821)	(98.0%)
Restated Net Position, Beginning of Year	802,669	724,984	10.7%
Net Position, End of Year	\$ 719,585	\$ 804,664	(10.6%)

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

Operating Revenues

Operating revenues totaled \$657.6 million in 2019, an increase of \$3.3 million, or 0.5%, over 2018. The System's primary sources of operating revenues are tuition and fees, and federal, state, local, and private grants. Net tuition and fees, representing 58.1% of operating revenues, are reflected in the financial statements with associated discounts and allowances shown separately. Net tuition and fees increased \$16.6 million as a result of increased enrollment and increased tuition rates throughout the System. Federal, state, local, and private grant revenues, representing 16.1% of operating revenues, are primarily from governmental and private sources and are related to research programs that normally provide for the recovery of direct and indirect costs. Grant related revenues decreased by \$3.6 million due to agreements that expired and were not renewed or replaced with similar agreements in 2019. Net professional fees revenue and other sales of goods and services revenue decreased \$13.9 million due to decreased medical and correctional services provided by HSC. Auxiliary enterprise revenue increased \$3.1 million as a result of increased parking, housing, and food service activity.

The chart below shows total operating revenues by major source for the year ended August 31, 2019:



Operating Expenses

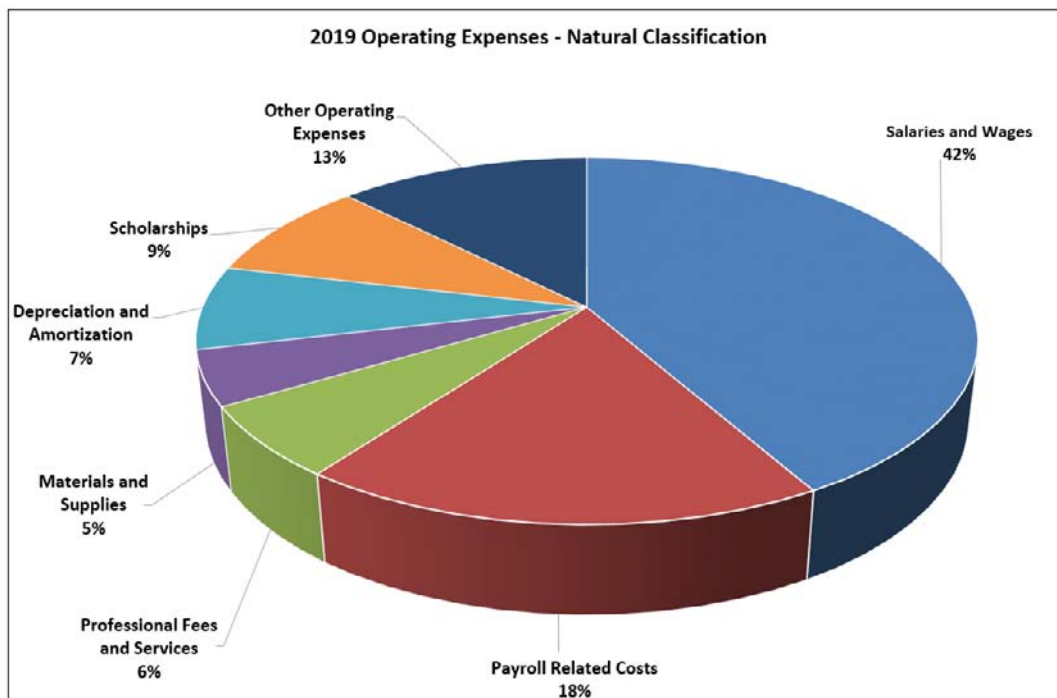
Operating expenses totaled \$1,143.7 million in 2019, an increase of \$139.9 million, or 13.9%, over 2018, primarily due to an \$87.9 million increase in OPEB and pension payroll related costs. There was also an increase of \$20.8 million in salaries, wages, and payroll related costs to provide qualified faculty and staff to meet enrollment growth and support System strategic goals. In addition, there were increased materials and supplies, repairs and maintenance, utilities, and depreciation costs of \$27.5 million incurred related to multiple major construction projects and new buildings placed in service during 2019.

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

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

Operating Expenses - Natural Classification For the Years Ended August 31, 2019 and 2018 (in thousands of dollars)			
	<u>2019</u>	<u>2018</u>	<u>% Increase (Decrease)</u>
Operating Expenses			
Cost of Goods Sold	\$ 8,712	\$ 9,020	(3.4%)
Salaries and Wages	477,638	461,421	3.5%
Payroll Related Costs	210,694	118,204	78.2%
Professional Fees and Services	71,917	66,305	8.5%
Federal Pass-Through Expenses	677	1,259	(46.3%)
State Pass-Through Expenses	-	107	(100.0%)
Travel	14,060	14,006	0.4%
Materials and Supplies	55,148	47,416	16.3%
Communications and Utilities	23,554	20,332	15.8%
Repairs and Maintenance	44,597	39,515	12.9%
Rentals and Leases	14,297	14,727	(2.9%)
Printing and Reproduction	6,201	5,932	4.5%
Depreciation and Amortization	84,678	73,218	15.7%
Scholarships	101,366	100,982	0.4%
Asset Retirement Obligation	103	-	
Claims and Losses	(611)	(145)	321.4%
Other Operating Expenses	30,674	31,507	(2.6%)
Total Operating Expenses	<u>\$ 1,143,705</u>	<u>\$ 1,003,806</u>	<u>13.9%</u>

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

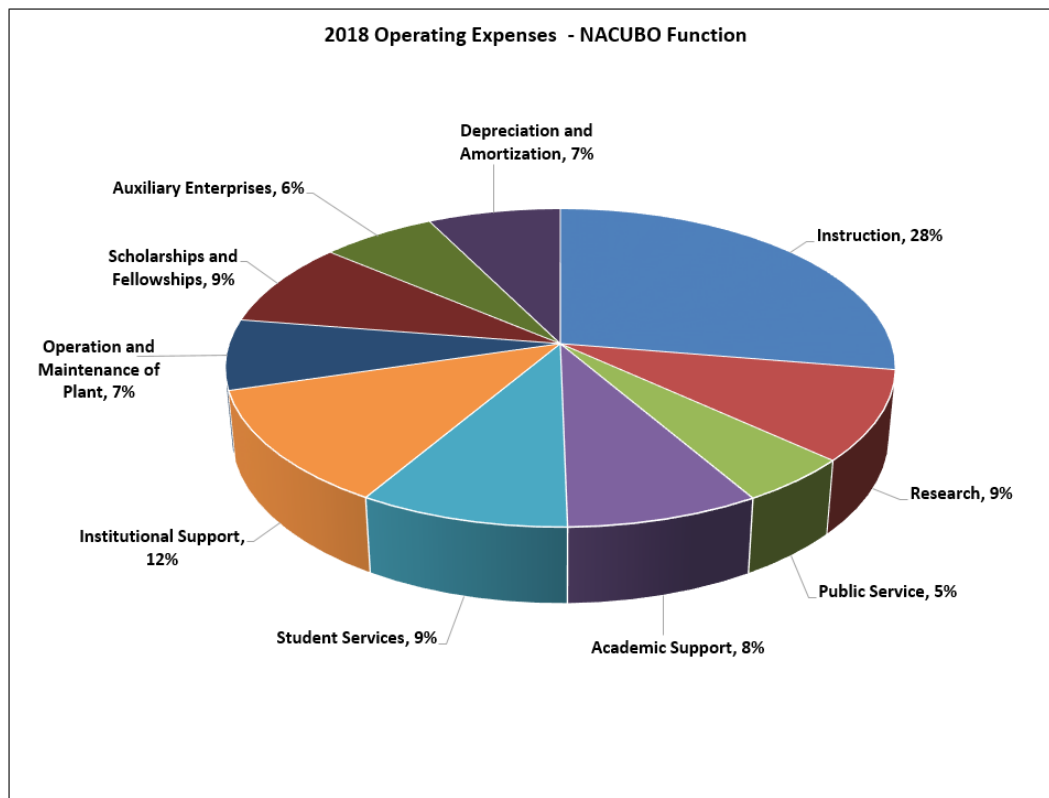


**UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2019**

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

Operating Expenses - NACUBO Function For the Years Ended August 31, 2019 and 2018 (in thousands of dollars)			
	2019	2018	% Increase (Decrease)
Operating Expenses			
Instruction	\$ 315,778	\$ 289,077	9.2%
Research	104,918	63,170	66.1%
Public Service	54,771	56,755	(3.5%)
Academic Support	92,996	84,313	10.3%
Student Services	100,969	90,460	11.6%
Institutional Support	135,028	114,148	18.3%
Operation and Maintenance of Plant	81,927	62,011	32.1%
Scholarships and Fellowships	99,279	98,362	0.9%
Auxiliary Enterprises	73,361	72,292	1.5%
Depreciation and Amortization	84,678	73,218	15.7%
Total Operating Expenses	\$ 1,143,705	\$ 1,003,806	13.9%

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



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

Nonoperating Revenues and Expenses

Certain significant recurring revenues and expenses are considered nonoperating. The System's primary nonoperating revenues come from state appropriations, federal Pell Grant revenue, gifts, investment income, and net increase in fair market value of investments. The System's primary nonoperating expenses are interest expense and fiscal charges and other nonoperating expenses. The total nonoperating revenues and expenses decreased \$25.2 million, or 6.9%, over the prior year. The variance is primarily due to an \$11.6 million increase in interest expense and fiscal charges related to Series 2018A & 2018B bonds issued early in the fiscal year and an \$8.8 million increase in the net decrease in fair market value of investments. The System recognized a \$2.1 million increase in loss on sale of capital assets related to the retirement and transfer of shuttle buses to the Denton County Transit Authority. Additionally, other nonoperating expenses increased by \$2.9 million over the prior year due to an increase in debt issuance costs and recognition of expense related to the wind down of the Perkins loan program.

Other Revenues, Expenses, and Transfers

Other revenues, expenses, and transfers comprised of capital and endowment related additions and transfers decreased \$900 thousand, or 1.4%, in 2019. HEF comprises the majority of the activity in this category. Annual HEF-related revenue totaled \$56.8 million, no change from 2018, and is reported as capital appropriations rather than operating or nonoperating revenue. Capital contributions increased \$1.6 million due to increased gifts for capital construction projects. Contributions to permanent endowments decreased \$2.7 million, primarily the result of a planned reduction in the second year of an endowment contract.

Capital Asset and Debt Administration

Investments in capital asset additions were \$236.4 million in 2019. Major capital project activity included:

- Building Improvements (UNT) – College of Visual Arts and Design Building and UNT Residence Hall
- Building Improvements (HSC) – Interdisciplinary Research and Education Building
- Building Improvements (UNTD) – Dallas Student Learning and Success Center
- Building Improvements (System Administration) – Dallas Municipal Building

The System has committed \$414.2 million to capital asset additions and improvements that are currently in various stages of completion. These additions and improvements primarily consist of new buildings or renovations to existing buildings, including the Interdisciplinary Research Building at HSC, the College of Visual Arts and Design at UNT, residence and dining halls at UNT, the Dallas Municipal Building for the future use by UNT Dallas College of Law, and the Student Learning and Success Center at UNT Dallas. More detailed information regarding the System's capital additions and commitments is provided in Note 2, *Capital Assets*, and Note 12, *Contingencies and Commitments*, in the Notes to the Comprehensive Financial Statements.

Revenue bonds payable represents the largest portion of the System's liabilities. Current and non-current revenue bonds payable increased \$139.0 million to \$870.5 million in 2019. All bonds related to financing of current and prior years' construction needs reflect "Aa2" and "AA" credit ratings from two major bond rating agencies, Moody's and Fitch, respectively. More detailed information regarding the System's bonded indebtedness is provided in Note 5, *Long-Term Liabilities*, and Note 6, *Bonded Indebtedness*, in the accompanying Notes to the Comprehensive Financial Statements.

Economic Outlook

The System's primary sources of revenue are tuition and fees and legislative appropriations. Enrollment growth, program expansion, and new campus buildings contributed to a positive outlook for the System.

For 2020, net tuition and fees revenues are budgeted at an increase of \$11.5 million, or 2.8%, over 2019. This revenue increase is the result of full-time student equivalent enrollment growth, nominal tuition rate increases, and the implementation of differential tuition plans. Between fall 2015 and fall 2019, enrollment increased 8.5% system-wide.

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

In the recently concluded session, the 86th Texas Legislature passed a budget that included \$15.85 billion in funding for higher education for the 2020-2021 biennium, a \$942 million (6.3%) increase over the 2018-2019 biennium. Much of the increase is attributable to growth in formula funding, non-formula items (formerly special items), and research funding. Formula funding for General Academic Institutions was increased by \$201.4 million from prior biennium levels. Non-formula support items were again a topic of discussion and the state allocated more than \$200 million in new non-formula support items for 2020-2021. The session culminated in a two-year appropriations increase to the System institutions of \$34.1 million from 2018-2019 levels.

Fiscal year 2020 budgeted legislative appropriation revenues for the System are \$22.6 million higher than 2019. Budgeted amounts include continued funding for specialized initiatives and unique programs recognized as deserving state support. These areas of excellence include the University of North Texas Health Science Center's Institute for Patient Safety and Preventable Harm, HSC's Texas Missing Persons and Human Identification Program, University of North Texas' Texas Academy of Mathematics and Science, and the University of North Texas Dallas College of Law ("College of Law").

Construction projects at System institutions supported by the 84th Legislature have been completed and are open for their intended use. These include the Interdisciplinary Research Building at the HSC, Student Success and Learning Center at UNTD, College of Visual Arts and Design facility at UNT, and the renovation of the historic Dallas Municipal Building in downtown Dallas for the College of Law. These projects have all been supported with State funds to continue growth, educational excellence, and research capacity at System institutions. The System continues to maintain a 'stable' outlook from Fitch and Moody's for debt financing which has enabled these construction projects to progress on schedule.

UNT is one of the state's largest public universities and one of the nation's 115 top-tier research universities by the Carnegie Classification. UNT awarded a record 9,628 degrees in fiscal year 2019 and anticipates exceeding that number in 2020. Strategic initiatives for growth and revenue include expanding off-site educational opportunities for working professionals—delivering UNT degrees in new locations and modalities. UNT's New College at Frisco is progressing in its efforts to build a \$100 million facility near the heart of Frisco, one of the fastest growing cities in the country. This new campus will house 5,000 students able to receive full or partial degrees in a number of different disciplines without the need to commute to the main campus Frisco and the surrounding area is home to many corporations including Toyota, the Dallas Cowboys, Texas Instruments, and many more, offering opportunities for collaboration and employment for UNT students.

UNTD had record enrollment in Fall 2019 of 4,059 students and its record growth is expected to continue its current pace. Construction on the new Student Learning and Success Center ("SLSC") completed and it now serves as a one-stop-shop for student support services. The SLSC houses such services as advising, registration, financial aid, and tutoring, as well as providing additional space for large events and a modern library. The UNTD College of Law continues efforts in its bid for full accreditation and recently welcomed the first class into the historic Dallas Municipal Building after completing a \$72 million renovation.

The HSC continues to expand some of its most recent initiatives, including achieving preliminary accreditation for and welcoming the first class into the Fort Worth M.D. School, an innovative partnership with Texas Christian University ("TCU"); launching a first-of-its-kind national clinical trial aimed at determining if a simple blood test could be used to diagnose Alzheimer's disease; and expanded DNA work for the state, which is focused on reducing the sexual assault case backlog and increasing efforts to identify victims of human trafficking. The Interdisciplinary Research and Education Building has completed construction and is now home to the UNT System College of Pharmacy, the North Texas Eye Research Institute, and the TCU and UNTHSC School of Medicine. Additionally, UNTHSC plans to create even more residency positions through partnerships with regional health care systems.

**COMPREHENSIVE
FINANCIAL STATEMENTS**

of the

UNIVERSITY OF NORTH TEXAS SYSTEM

DALLAS, TEXAS

For the Year Ended August 31, 2019

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

	August 31,
	2019
ASSETS	
Current Assets	
Cash and Cash Equivalents:	
Cash on Hand	\$ 105,603.94
Cash in Bank	20,585,662.70
Cash in State Treasury	15,465,629.67
Cash Equivalents	183,272,500.93
Restricted Cash and Cash Equivalents:	
Cash on Hand	13,238.52
Cash in Bank	4,804,521.87
Cash Equivalents	49,640,087.48
Legislative Appropriations	133,751,333.17
Receivables From:	
Accounts Receivable, net	100,048,055.32
Federal, net	10,318,786.12
Other Intergovernmental	858,127.37
Clinical Practice, net	2,937,821.08
Gifts, Pledges and Donations, net	435,663.81
Interest and Dividends	2,036,912.54
Other Receivables, net	6,300,403.31
Due From Other Agencies	7,934,508.76
Consumable Inventories	580,029.30
Merchandise Inventories	2,554,071.53
Prepaid Items	54,187,402.55
Loans and Contracts	6,918,965.05
Other Current Assets	254,790.00
Total Current Assets	\$ 603,004,115.02
Non-Current Assets	
Restricted Investments	\$ 80,799,617.16
Loans and Contracts	3,394,495.41
Investments	282,295,861.37
Gifts, Pledges and Donations	3,771,118.00
Capital Assets:	
Non-Depreciable or Non-Amortizable	160,007,733.41
Depreciable or Amortizable, Net	1,233,130,757.26
Total Non-Current Assets	\$ 1,763,399,582.61
Total Assets	\$ 2,366,403,697.63
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources	\$ 491,094,948.02
Total Deferred Outflows of Resources	\$ 491,094,948.02
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,857,498,645.65

Continued on Next Page

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

August 31,
2019

LIABILITIES

Current Liabilities

Payables From:

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

Total Current Liabilities \$ 511,030,577.86

Non-Current Liabilities

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

Total Non-Current Liabilities \$ 1,434,628,818.90

Total Liabilities \$ 1,945,659,396.76

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources	\$	192,254,537.12
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Total Deferred Inflows of Resources \$ 192,254,537.12

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES \$ 2,137,913,933.88

NET POSITION

Net Investment in Capital Assets	\$	472,337,888.32
Restricted For:		
Funds Held as Permanent Investments		
Non-Expendable		55,359,275.49
Expendable		32,475,438.18
Other Restricted		53,264,612.71
Unrestricted		106,147,497.07

Total Net Position \$ 719,584,711.77

See Accompanying Notes to the Comprehensive Financial Statements

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

	August 31, 2019	August 31, 2018
ASSETS		
Cash and Cash Equivalents	\$ 16,105,036	\$ 13,206,667
Investments	223,221,634	355,984,317
Contributions Receivable, Net	11,315,540	6,718,043
Real Property	31,623	33,164
Other Assets	8,198	7,500
Cash Value - Life Insurance Policies	559,217	551,315
Assets Held Under Split-Interest Agreements	5,786,927	5,589,186
Total ASSETS	\$ 257,028,175	\$ 382,090,192
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 154,602	\$ 2,001,924
Agency Funds	397,555	460,317
Liabilities Under Split-Interest Agreements	2,287,548	2,477,704
Assets Held for Others	58,798,098	217,024,679
Total LIABILITIES	\$ 61,637,803	\$ 221,964,624
NET ASSETS		
Without Donor Restrictions:		
Undesignated	\$ 1,334,283	\$ 942,704
Board Designated Endowments	608,078	390,000
Board Designated for Reserves	2,008,584	1,869,728
Total Without Donor Restrictions	\$ 3,950,945	\$ 3,202,432
With Donor Restrictions:		
Purpose Restrictions	\$ 12,600,877	\$ 9,782,376
Perpetual in Nature	179,137,259	147,321,025
Fair value of Endowments Below Historical Cost	(298,709)	(180,265)
Total With Donor Restrictions	\$ 191,439,427	\$ 156,923,136
Total NET ASSETS	\$ 195,390,372	\$ 160,125,568
Total LIABILITIES & NET ASSETS	\$ 257,028,175	\$ 382,090,192

See Accompanying Notes to the Financial Statements

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

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

See Accompanying Notes to the Financial Statements

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

	<u>August 31,</u> <u>2019</u>
OPERATING REVENUES	
Tuition and Fees	\$ 500,762,381.66
Discounts and Allowances	(118,490,709.11)
Professional Fees	25,430,549.34
Discounts and Allowances	(14,012,392.80)
Auxiliary Enterprises	80,314,772.07
Sales of Goods and Services	74,251,110.52
Federal Grant Revenue	61,065,611.93
Federal Pass-Through Revenue	1,593,216.10
State Grant Revenue	2,175,603.91
State Grant Pass-Through Revenue	31,002,310.92
Other Contracts and Grants	10,110,224.47
Other Operating Revenues	3,414,748.64
Total Operating Revenues	<u>\$ 657,617,427.65</u>
OPERATING EXPENSES ⁽¹⁾	
Instruction	\$ 315,778,027.47
Research	104,917,404.44
Public Service	54,771,124.98
Academic Support	92,996,011.60
Student Services	100,968,889.88
Institutional Support	135,027,705.61
Operation and Maintenance of Plant	81,927,237.65
Scholarships and Fellowships	99,279,170.99
Auxiliary Enterprises	73,361,219.05
Depreciation and Amortization	84,678,390.86
Total Operating Expenses	<u>\$ 1,143,705,182.53</u>
Operating Loss	<u>\$ (486,087,754.88)</u>
NONOPERATING REVENUES (EXPENSES)	
Legislative Appropriations (GR)	\$ 222,116,175.00
Additional Appropriations (GR)	48,920,108.59
Federal Revenue	65,868,749.08
Gifts	18,947,681.79
Investment Income	22,136,002.53
Interest Expense and Fiscal Charges	(29,983,896.01)
Loss on Sale of Capital Assets	(2,188,613.59)
Net Decrease in Fair Value of Investments	(4,235,573.76)
Other Nonoperating Revenues	812,476.86
Other Nonoperating Expenses	(3,141,282.00)
Total Nonoperating Revenues (Expenses)	<u>\$ 339,251,828.49</u>
Loss Before Other Revenues, Expenses and Transfers	<u>\$ (146,835,926.39)</u>
OTHER REVENUES, EXPENSES AND TRANSFERS	
Capital Contributions	\$ 3,068,530.66
Capital Appropriations (HEF)	56,766,916.00
Contributions To Permanent and Term Endowments	2,225,871.45
Interagency Transfers of Capital Assets-Decrease	(7,517.16)
Transfers From Other State Agencies	631,224.00
Transfers To Other State Agencies	(12,706.07)
Legislative Transfers In	1,083,604.00
Legislative Appropriation Lapses	(3,895.82)
Total Other Revenues, Expenses and Transfers	<u>\$ 63,752,027.06</u>
CHANGE IN NET POSITION	<u>\$ (83,083,899.33)</u>
Beginning Net Position	\$ 804,663,888.39
Restatement	(1,995,277.29)
Beginning Net Position, as Restated	<u>\$ 802,668,611.10</u>
ENDING NET POSITION	<u>\$ 719,584,711.77</u>

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

UNIVERSITY OF NORTH TEXAS SYSTEM
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2019

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

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Statements Of Activities
For the Years Ended August 31, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Gifts	\$ 45,198	\$ 40,626,375	\$ 40,671,573
Grant Revenue	-	597,917	597,917
Net Investment Return	(68,389)	1,253,781	1,185,392
Other Income	-	191,408	191,408
Change in Value of Split-Interest Agreements	-	152,072	152,072
Change in Cash Value of Life Insurance Policies	-	7,902	7,902
Asset Management Fee Income	2,132,223	-	2,132,223
Release of Donor Restrictions	8,314,214	(8,314,214)	-
Transfers/Changes in Donor Restrictions	(1,050)	1,050	-
Total REVENUES, GAINS AND OTHER SUPPORT	\$ 10,422,196	\$ 34,516,291	\$ 44,938,487
EXPENSES:			
PROGRAM SERVICES:			
Support of UNT:			
Distributions to UNT	\$ 3,232,601		\$ 3,232,601
Scholarships & Awards	2,307,249		2,307,249
Grant Support to UNT	597,917		597,917
Board Designated Grants to University	173,250		173,250
Services/Expenses for Programs	599,331		599,331
Internal Mangement Fees	1,559,067		1,559,067
Other Support Provided	15,550		15,550
Distributions to Other Institutions	17,000		17,000
Total PROGRAM SERVICES	\$ 8,501,965		\$ 8,501,965
MANAGEMENT and GENERAL EXPENSES:			
Salaries and Benefits	\$ 953,690		\$ 953,690
Administrative Expenses	20,197		20,197
Professional Development & Travel	36,112		36,112
Consulting Services	51,794		51,794
Professional Fees	58,037		58,037
Office, Computer Equipment and Software	17,341		17,341
Bank Charges and Credit Card Discount	5,953		5,953
Insurance	20,719		20,719
Strategic Planning	7,875		7,875
Total MANAGEMENT and GENERAL EXPENSES	\$ 1,171,718		\$ 1,171,718
Total EXPENSES	\$ 9,673,683		\$ 9,673,683
CHANGE IN NET ASSETS	\$ 748,513	\$ 34,516,291	\$ 35,264,804
Net Assets, Beginning of Year	3,202,432	156,923,136	160,125,568
NET ASSETS, END OF YEAR	\$ 3,950,945	\$ 191,439,427	\$ 195,390,372

See Accompanying Notes to the Financial Statements

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Statements Of Activities
For the Years Ended August 31, 2019 and 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Gifts	\$ 42,200	\$ 19,665,397	\$ 19,707,597
Grant Revenue	-	605,000	605,000
Net Investment Return	(108,168)	11,535,833	11,427,665
Other Income	-	166,803	166,803
Change in Value of Split-Interest Agreements	-	151,232	151,232
Change in Cash Value of Life Insurance Policies	-	100,406	100,406
Asset Management Fee Income	2,166,936	-	2,166,936
Release of Donor Restrictions	7,739,224	(7,739,224)	-
Transfers/Changes in Donor Restrictions	(462,461)	462,461	-
Total REVENUES, GAINS AND OTHER SUPPORT	\$ 9,377,731	\$ 24,947,908	\$ 34,325,639
EXPENSES:			
PROGRAM SERVICES:			
Support of UNT:			
Distributions to UNT	\$ 3,133,414		\$ 3,133,414
Scholarships & Awards	2,245,036		2,245,036
Grant Support to UNT	605,000		605,000
Board Designated Grants to University	133,000		133,000
Services/Expenses for Programs	278,827		278,827
Internal Mangement Fees	1,457,578		1,457,578
Other Support Provided	10,816		10,816
Distributions to Other Institutions	16,500		16,500
Total PROGRAM SERVICES	\$ 7,880,171		\$ 7,880,171
MANAGEMENT and GENERAL EXPENSES:			
Salaries and Benefits	\$ 938,639		\$ 938,639
Administrative Expenses	20,643		20,643
Professional Development & Travel	46,304		46,304
Consulting Services	56,469		56,469
Professional Fees	41,569		41,569
Office, Computer Equipment and Software	14,683		14,683
Bank Charges and Credit Card Discount	156		156
Insurance	20,670		20,670
Strategic Planning	14,490		14,490
Total MANAGEMENT and GENERAL EXPENSES	\$ 1,153,623		\$ 1,153,623
Total EXPENSES	\$ 9,033,794		\$ 9,033,794
CHANGE IN NET ASSETS	\$ 343,937	\$ 24,947,908	\$ 25,291,845
Net Assets, Beginning of Year	2,858,495	131,975,228	134,833,723
NET ASSETS, END OF YEAR	\$ 3,202,432	\$ 156,923,136	\$ 160,125,568

See Accompanying Notes to the Financial Statements

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Statements of Activities
Years Ended August 31, 2019 and 2018

	2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ -	\$ 7,291,694	\$ 7,291,694
Fundraising	-	493,060	493,060
Realized Gain on Investments	-	141,944	141,944
Unrealized Gain (Loss) on Investments	-	(226,337)	(226,337)
Investment Income, Net of Direct Expenses	(22,407)	504,920	482,513
Releases from Restriction	5,524,902	(5,524,902)	-
Total SUPPORT AND REVENUE	\$ 5,502,495	\$ 2,680,379	\$ 8,182,874
EXPENSES			
Program Expenses			
Gifts and Scholarships	\$ 4,591,883	\$ -	\$ 4,591,883
Supporting Services			
Management and General			
Professional Fees	93,912	-	93,912
Alumni & Student Expenses	52,333	-	52,333
Fundraising Expenses	323,974	-	323,974
Total EXPENSES	\$ 5,062,102	\$ -	\$ 5,062,102
CHANGE IN NET ASSETS	\$ 440,393	\$ 2,680,379	\$ 3,120,772
Net Assets, Beginning of Year, as Previously Reported	\$ 2,513,275	\$ 22,110,110	\$ 24,623,385
Prior Period Adjustment	-	-	-
Net Assets, Beginning of Year, as Restated	\$ 2,513,275	\$ 22,110,110	\$ 24,623,385
NET ASSETS, END OF YEAR	\$ 2,953,668	\$ 24,790,489	\$ 27,744,157

See Accompanying Notes to the Financial Statements

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Statements of Activities
Years Ended August 31, 2019 and 2018

	2018 (As Restated)		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ -	\$ 10,146,158	\$ 10,146,158
Fundraising	-	670,064	670,064
Realized Gain on Investments	-	1,759,867	1,759,867
Unrealized Gain (Loss) on Investments	-	(658,662)	(658,662)
Investment Income, Net of Direct Expenses	(91,702)	116,499	24,797
Releases from Restriction	5,829,655	(5,829,655)	-
Total SUPPORT AND REVENUE	\$ 5,737,953	\$ 6,204,271	\$ 11,942,224
EXPENSES			
Program Expenses			
Gifts and Scholarships	\$ 5,152,555	\$ -	\$ 5,152,555
Supporting Services			
Management and General			
Professional Fees	120,545	-	120,545
Alumni & Student Expenses	54,433	-	54,433
Fundraising Expenses	189,852	-	189,852
Total EXPENSES	\$ 5,517,385	\$ -	\$ 5,517,385
CHANGE IN NET ASSETS	\$ 220,568	\$ 6,204,271	\$ 6,424,839
Net Assets, Beginning of Year, as Previously Reported	\$ 2,292,707	\$ 15,475,572	\$ 17,768,279
Prior Period Adjustment	-	430,267	430,267
Net Assets, Beginning of Year, as Restated	\$ 2,292,707	\$ 15,905,839	\$ 18,198,546
NET ASSETS, END OF YEAR	\$ 2,513,275	\$ 22,110,110	\$ 24,623,385

See Accompanying Notes to the Financial Statements

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

	August 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Customers	\$ 88,625,335.88
Proceeds from Tuition and Fees	385,900,429.77
Proceeds from Research Grants and Contracts	114,808,128.43
Proceeds from Loan Programs	5,773.01
Proceeds from Auxiliaries	80,314,772.07
Proceeds from Other Revenues	3,192,316.91
Payments to Suppliers for Goods and Services	(257,477,878.94)
Payments to Employees	(568,128,987.07)
Payments for Loans Provided	(474,747.65)
Payments for Other Expenses	(136,151,473.79)
Net Cash Used by Operating Activities	\$ (289,386,331.38)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from State Appropriations	\$ 235,063,937.69
Proceeds from Gifts	20,551,512.50
Proceeds from Endowments	2,514,883.36
Proceeds from Transfers from Other Agencies	631,224.00
Proceeds from Legislative Transfers	1,083,604.00
Proceeds from Grant Receipts	65,868,749.08
Proceeds from Other Revenues	812,476.86
Payments for Transfers to Other Agencies	(12,706.07)
Payments for Legislative Appropriation Lapses	(3,895.82)
Payments for Other Uses	(135,432.60)
Net Cash Provided by Noncapital Financing Activities	\$ 326,374,353.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Sale of Capital Assets	\$ 110,032.16
Proceeds from State Appropriations	56,766,916.00
Proceeds from Debt Issuance	236,728,943.70
Proceeds from Capital Contributions	1,985,981.40
Payments for Additions to Capital Assets	(212,813,584.53)
Payments for Capital Leases	(2,115,934.28)
Payments of Principal on Debt Issuance	(123,910,000.00)
Payments of Other Costs of Debt Issuance	(1,156,437.77)
Payments of Interest on Debt Issuance	(27,607,872.30)
Net Cash Used by Capital and Related Financing Activities	\$ (72,011,955.62)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Investments	\$ 874,667,905.69
Proceeds from Interest and Investment Income	22,850,601.90
Payments to Acquire Investments	(890,505,351.18)
Net Cash Provided by Investing Activities	\$ 7,013,156.41
Net Decrease in Cash and Cash Equivalents	\$ (28,010,777.59)
Cash and Cash Equivalents, September 1, 2018	\$ 301,898,022.70
Cash and Cash Equivalents, August 31, 2019	\$ 273,887,245.11
Cash and Cash Equivalents	\$ 219,429,397.24
Restricted Cash and Cash Equivalents	54,457,847.87
Cash and Cash Equivalents, August 31, 2019	\$ 273,887,245.11

See Accompanying Notes to the Comprehensive Financial Statements

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

	<u>August 31,</u> <u>2019</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED	
BY OPERATING ACTIVITIES	
Operating Loss	\$ (486,087,754.88)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and Amortization Expense	\$ 84,678,390.86
Pension Expense	20,381,349.00
OPEB Expense	79,462,900.00
Asset Retirement Obligation Expense	103,139.90
Employee Benefits Paid by State	32,682,637.41
Changes in Assets and Liabilities:	
Decrease in Receivables	2,453,068.76
Increase in Inventories	(17,592.44)
Increase in Prepaid Expenses	(5,313,728.69)
Increase in Loans and Contracts	(468,974.64)
Increase in Other Assets	(178,765.00)
Increase in Deferred Outflows of Resources - Pensions	(68,555,919.00)
Increase in Deferred Outflows of Resources - OPEB	(375,071,797.00)
Decrease in Payables	(14,608,365.79)
Increase in Unearned Revenue	12,754,313.45
Decrease in Benefits Payable	(102,862,978.00)
Increase in Liabilities to Employees for Defined Benefit Pensions	84,552,669.00
Increase in Liabilities to Employees for Defined Benefit OPEB	317,491,473.00
Decrease in Other Liabilities	(246,590.32)
Decrease in Deferred Inflows of Resources - Pensions	(7,760,926.00)
Increase in Deferred Inflows of Resources - OPEB	137,227,119.00
Total Adjustments	<u>\$ 196,701,423.50</u>
Net Cash Used by Operating Activities	<u>\$ (289,386,331.38)</u>
NON-CASH TRANSACTIONS	
Net Change in Fair Value of Investments	\$ (4,235,573.76)
Donation of Capital Assets	1,082,549.26
Borrowing Under Capital Lease Purchase	5,365,029.84
Loss on Sale of Capital Assets	(2,188,613.59)
Amortization of Bond Premiums	6,208,161.35
Amortization of Deferred Inflows/Outflows from Refunding Bonds	(768,924.68)
Capital Assets Acquired with Payables	22,481,520.13
Interagency Transfer of Capital Assets	(7,517.16)

See Accompanying Notes to the Comprehensive Financial Statements

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**NOTES TO THE
COMPREHENSIVE FINANCIAL STATEMENTS**

of the

UNIVERSITY OF NORTH TEXAS SYSTEM

DALLAS, TEXAS

For the Year Ended August 31, 2019

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

Note 1: Summary of Significant Accounting Policies

Introduction

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

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

The System is composed of the System Administration and three academic institutions as follows: the University of North Texas (“UNT”), the University of North Texas Health Science Center at Fort Worth (“HSC”), and the University of North Texas at Dallas (“UNTD”). The System is governed by a nine member Board of Regents appointed by the Governor of Texas and confirmed by the Texas State Senate. Three members are appointed every odd-numbered year for six-year terms. In addition, the Governor appoints a nonvoting student Regent for a one-year term. The System has two discrete component units. Information on the component units can be found in Note 14, *Financial Reporting Entity*.

Basis of Accounting

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

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

The System follows the requirements and guidelines provided in GASB pronouncements. Standards newly effective for fiscal year 2019 are listed below:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, determines the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (“ARO”) and requires disclosure of information about the nature of a government’s AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This statement has minimal impact to the comprehensive financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires additional note disclosures relating to direct borrowings and direct placements and clarifies which liabilities governments should include when disclosing information related to such. Additional disclosures include unused lines of credit, assets pledged as collateral, and terms specified in debt agreements for significant events of default, termination, or subjective acceleration clauses with finance-related consequences. This statement has no impact to the comprehensive financial statement balances, as it is a disclosure only standard.

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

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, established accounting requirements for interest costs incurred before the end of a construction period. An interest cost incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred and is no longer capitalized as part of the historical cost of a capital asset. The statement will result in increased nonoperating expenses on the Statement of Revenues, Expenses, and Changes in Net Position.

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

Assets

Cash and Cash Equivalents

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

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

Legislative Appropriations

The appropriation of revenues by the Texas Legislature (the "Legislature") is in the form of general revenue. When the Legislature meets during the odd-numbered years, they approve a two-year budget (biennial) for all State agencies. The general revenue appropriation to the System supports the instruction, research and operation of the System. Appropriations also include payments made by the State on behalf of the System for benefits related to salaries funded by state appropriations. There is no assurance that the Legislature will continue its state appropriations to the System in future years; however, the System expects that the Legislature will continue to do so. Higher Education Funds ("HEF") are general revenue appropriations received from the State designated for the acquisition of certain capital assets and capital projects. As of August 31, 2019, the unexpended amount was approximately \$116.4 million.

Accounts and Other Receivables

Accounts receivable mainly consists of tuition and fee charges to students. Accounts receivable is shown net of an allowance for doubtful accounts, which is approximately \$41.8 million of the outstanding accounts receivable balance at August 31, 2019. The allowance for doubtful accounts on other receivables was approximately \$300 thousand at August 31, 2019. The System has adopted a policy of reserving for account receivables based on collections history over the previous five years. Any amount outstanding after five years is reserved at 100% per state requirements.

Federal receivables include federal grants and education scholarships. The allowance for doubtful accounts on federal receivables was approximately \$300 thousand at August 31, 2019.

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

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

Clinical Practice receivables are presented net of allowances for contractual discounts and bad debts. The contractual and bad debt allowances on clinical receivables were approximately \$2.0 million and \$900 thousand as of August 31, 2019. Clinical accounts receivable are subject to concentrations of patient accounts receivable credit risk. The mix of receivables (gross) from patients and third parties as of August 31, 2019 was as follows:

	Net	Gross
Medicaid	23%	27%
Medicare	39%	32%
Commercial	27%	28%
Self-pay	4%	8%
Other	7%	5%
Total	100%	100%

Gift receivables include amounts pledged to the System by donors, net of allowances. The allowance for gift pledges is approximately \$1.9 million at August 31, 2019. Multiyear gift pledges are reported at the discounted present value. At the beginning of each fiscal year, the System re-establishes the scale of discount rates applicable for present valuing multi-year gift pledges that are received during the new fiscal year.

Prepaid Items

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

Loans and Contracts

Current and noncurrent loans and contracts receivables, related to student loans, are shown net of allowances. The net allowance on loans and contracts at August 31, 2019 is approximately \$4.9 million.

Investments

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

Capital and Intangible Assets

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

Purchases of library books are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Outlays for construction in progress are capitalized as incurred. GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was implemented during fiscal year 2019. The statement established accounting requirements for interest costs incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred. Interest costs are no longer capitalized as part of the historical cost of a capital asset.

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

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, as amended, requires all intangible assets not specifically excluded by scope provisions to be classified as capital assets. The System has computer

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software that meets the criteria. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets is applied to computer software, as applicable.

Deferred Outflows of Resources

Deferred outflows of resources relate to unamortized losses on the refunding of debt, and certain amounts related to asset retirement obligation, pensions, and OPEB.

Deferred Outflows of Resources Related to Debt Refunding

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

Deferred Outflows of Resources Related to Asset Retirement Obligation

When an asset retirement obligation is recognized, the System must also recognize a corresponding deferred outflow of resources. At initial measurement of an ARO, the deferred outflows associated with an ARO is recorded at the amount of the corresponding liability. For subsequent measurement and recognition, the reduction of deferred outflows must be recognized and expensed in a systematic and rational manner over a period of time, such as over the useful life of the asset.

Deferred Outflows of Resources Related to Pensions

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

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

Deferred Outflows of Resources Related to OPEB

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

- System contributions for retirees subsequent to the measurement date of the net OPEB liability are recognized as a reduction in the OPEB liability in the following year.

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- Increases in the System's proportion of the collective net OPEB liability are amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- System contributions during the measurement period that are greater than its proportionate share of total contributions is amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- The effect on the System's proportionate share of the net OPEB liability of the difference between expected and actual earnings on investments is amortized as a component of OPEB expense using the straight-line method over a period of five years.

Liabilities

Accounts and Other Payables

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

Unearned Revenue

Unearned revenue represents assets received in advance of an exchange taking place in an exchange transaction or assets received prior to eligibility requirements (other than time requirements) being met in a nonexchange transaction. Unearned revenue includes \$250.6 million of tuition revenue related to the semesters that have not been completed as of August 31, 2019. Tuition revenue is recognized based on the number of class days as a percentage of total class days that fall within the fiscal year.

Revenue Bonds Payable

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

Claims and Judgments

Claims and judgments are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that were incurred but not reported. See Note 12, *Contingencies and Commitments*, and Note 13, *Risk Management*, for information on risk management, claims and judgments.

Employees' Compensable Leave

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

Capital Lease Obligations

Capital lease obligations represent the liability for future lease payments under capital lease contracts. Liabilities are reported separately as either current or non-current in the Statement of Net Position.

Funds Held for Others

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

Asset Retirement Obligation

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

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Net Pension Liability

The fiduciary net position of the TRS Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the TRS Plan, and additions to/deductions from the TRS Plan's fiduciary net position have been determined on the same basis as they are reported by TRS. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach.

Net OPEB Liability

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

Deferred Inflows of Resources

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

Deferred Inflows of Resources Related to Debt Refunding

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

Deferred Inflows of Resources Related to Pensions

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

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

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Deferred Inflows of Resources Related to OPEB

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

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

Net Position

Net Investment in Capital Assets

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

Restricted Net Position

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

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

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

Unrestricted Net Position

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

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

Revenues and Expenses

Operating Revenues and Expenses

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

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Professional Fees Revenue

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

Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements as prescribed by the National Association of College and University Business Officers ("NACUBO"). Certain aid (student loans, funds provided to students as awarded by third parties, and Federal Direct Lending) is accounted for as third party payments (credited to the student's account and reported as revenue as if the student made the payment). All other aid is reflected in the financial statements either as operating expense or as scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. The allowance is computed on an institution-wide basis by allocating cash payments to students, excluding payments for services, using the ratio of total aid to the aid not considered to be third party aid.

Nonoperating Revenues and Expenses

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

Use of Estimates

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

Upcoming Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. This statement will be implemented in fiscal year 2020. The System is in the process of evaluating the impact this will have to the comprehensive financial statements.

GASB Statement No. 87, *Leases*, creates a single model for lease accounting. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement will be implemented in fiscal year 2021. The System is in the process of analyzing current operating leases to assess the impact of this statement. The System anticipates moderate impact to the comprehensive financial statements.

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

Note 2: Capital Assets

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

	Balance September 1, 2018	Reclassification of Completed Construction In Progress	Increase Interagency Transfers	Decrease Interagency Transfers	Additions	Deletions	Balance August 31, 2019
Non-Depreciable or Non-Amortizable Assets:							
Land and Land Improvements	\$ 81,129,302.51	\$ 5,300.00	\$ -	\$ -	\$ 13,902,678.17	\$ -	\$ 95,037,280.68
Construction in Progress	293,151,433.07	(422,204,644.38)	-	-	168,673,818.23	-	39,620,606.92
Other Tangible Capital Assets	25,224,945.81	-	-	-	124,900.00	-	25,349,845.81
Total Non-Depreciable or Non-Amortizable Assets:	\$ 399,505,681.39	\$ (422,199,344.38)	\$ -	\$ -	\$ 182,701,396.40	\$ -	\$ 160,007,733.41
Depreciable Assets:							
Buildings and Building Improvements	\$ 1,157,556,509.38	\$ 408,761,080.54	\$ -	\$ -	\$ 24,530,960.76	\$ (1,487,159.86)	\$ 1,589,361,390.82
Infrastructure	67,744,818.74	1,969,704.86	-	-	-	-	69,714,523.60
Facilities and Other Improvements	128,036,992.05	10,220,691.25	-	-	-	(984,163.26)	137,273,520.04
Furniture and Equipment	169,384,329.39	847,295.06	59,738.00	(90,205.92)	21,843,889.87	(13,711,333.63)	178,333,712.77
Vehicles, Boats and Aircraft	13,718,438.23	-	-	-	868,191.26	(3,732,352.49)	10,854,277.00
Other Capital Assets	109,745,719.10	-	-	-	5,999,506.06	(784,888.90)	114,960,336.26
Total Depreciable Assets:	\$ 1,646,186,806.89	\$ 421,798,771.71	\$ 59,738.00	\$ (90,205.92)	\$ 53,242,547.95	\$ (20,699,898.14)	\$ 2,100,497,760.49
Less Accumulated Depreciation for:							
Buildings and Building Improvements	\$ (552,369,787.21)	\$ -	\$ -	\$ -	\$ (55,205,708.70)	\$ 1,429,643.97	\$ (606,145,851.94)
Infrastructure	(23,090,815.22)	-	-	-	(2,413,549.50)	-	(25,504,364.72)
Facilities and Other Improvements	(34,670,676.66)	-	-	-	(3,942,842.19)	761,299.19	(37,852,219.66)
Furniture and Equipment	(123,856,232.38)	-	(59,738.00)	82,688.76	(13,838,053.73)	11,640,777.56	(126,030,557.79)
Vehicles, Boats and Aircraft	(9,670,908.40)	-	-	-	(1,055,311.33)	2,473,943.54	(8,252,276.19)
Other Capital Assets	(67,784,279.36)	-	-	-	(4,927,712.58)	749,624.74	(71,962,367.20)
Total Accumulated Depreciation	\$ (811,442,699.23)	\$ -	\$ (59,738.00)	\$ 82,688.76	\$ (81,383,178.03)	\$ 17,055,289.00	\$ (875,747,637.50)
Total Depreciable Assets, Net	\$ 834,744,107.66	\$ 421,798,771.71	\$ -	\$ (7,517.16)	\$ (28,140,630.08)	\$ (3,644,609.14)	\$ 1,224,750,122.99
Amortizable Assets - Intangibles:							
Computer Software	\$ 33,505,813.82	\$ 400,572.67	\$ -	\$ -	\$ 495,249.43	\$ (88,830.00)	\$ 34,312,805.92
Total Amortizable Assets - Intangibles	\$ 33,505,813.82	\$ 400,572.67	\$ -	\$ -	\$ 495,249.43	\$ (88,830.00)	\$ 34,312,805.92
Less Accumulated Amortization for:							
Computer Software	\$ (22,725,788.82)	\$ -	\$ -	\$ -	\$ (3,295,212.83)	\$ 88,830.00	\$ (25,932,171.65)
Total Accumulated Amortization	\$ (22,725,788.82)	\$ -	\$ -	\$ -	\$ (3,295,212.83)	\$ 88,830.00	\$ (25,932,171.65)
Amortizable Assets - Intangibles, Net	\$ 10,780,025.00	\$ 400,572.67	\$ -	\$ -	\$ (2,799,963.40)	\$ -	\$ 8,380,634.27
Total Capital Assets, Net	\$ 1,245,029,814.05	\$ -	\$ -	\$ (7,517.16)	\$ 151,760,802.92	\$ (3,644,609.14)	\$ 1,393,138,490.67

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was implemented during fiscal year 2019. The statement established accounting requirements for interest costs incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred. Interest costs are no longer capitalized as part of the historical cost of a capital asset.

Note 3: Cash, Cash Equivalents and Investments

Deposits of Cash in Bank

As of August 31, 2019, the carrying amount of deposits was \$25,390,184.57 as presented below:

Cash in Bank Carrying Value	\$ 25,390,184.57
Cash in Bank per Statement of Net Position	\$ 25,390,184.57
Proprietary Funds Current Assets Cash in Bank	\$ 20,585,662.70
Proprietary Funds Current Assets Restricted Cash in Bank	4,804,521.87
Cash in Bank per Statement of Net Position	\$ 25,390,184.57

The carrying amount consists of all cash in local banks and is included on the Statement of Net Position as a portion of cash and cash equivalents. Assets classified as cash and cash equivalents include \$232,912,588.41 that is invested in cash equivalents. The remainder of the cash and cash equivalents balance of \$15,584,472.13 is comprised of cash on hand, cash in transit or reimbursement from the Treasury, and cash in the State Treasury.

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

The carrying amount of deposits for the System's discretely presented component unit, UNT Foundation, reported on the UNT Foundation Statement of Net Position as of August 31, 2019 was \$16,105,036. As of August 31, 2019, the total bank balance was \$987,633.72.

The carrying amount of deposits for the System's discretely presented component unit, UNTHSC Foundation, reported on the UNTHSC Foundation Statement of Net Position as of August 31, 2019 was \$1,305,137. As of August 31, 2019, the total bank balance was \$1,260,137.00.

Custodial Credit Risk - Deposits

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

As of August 31, 2019, the System had no bank balances that were exposed to custodial credit risk.

Investments

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

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

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

Investments and Cash Equivalents	As of August 31, 2019
U.S. Government Agency Obligations	\$ 5,006,599.17
Equity	82,263,665.07
Repurchase Accounts	55,744,342.97
Hedge Funds	31,644,281.31
Domestic Mutual Funds	76,921,047.91
International Mutual Funds	49,532,561.47
Fixed Income Money Market and Bond Mutual Funds	214,512,159.67
Other Commingled Funds	62,699,462.54
Other Commingled Funds (TexPool)	2,550,512.34
Real Estate Index Fund	11,232,793.61
Miscellaneous (limited partnerships, guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD)	3,900,640.88
Total Investments and Cash Equivalents	\$ 596,008,066.94

Credit Risk – Investments

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The System utilizes ratings assigned by Standard & Poor's for this purpose. The System's investment policy does not provide specific requirements and limitations regarding investment ratings. According to the authoritative literature from the GASB, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

As of August 31, 2019, the System's credit quality distribution for securities with credit risk exposure was as follows:

Fund Type	GAAP Fund	Investment Type	Standard and Poor's		
			AAA	Unrated	Total
05	0001	U.S. Government Agency Obligations	\$ 5,006,599.17	\$ -	\$ 5,006,599.17
05	0001	Equity	-	82,263,665.07	82,263,665.07
05	0001	Repurchase Accounts	-	55,744,342.97	55,744,342.97
05	0001	Hedge Funds	-	31,644,281.31	31,644,281.31
05	0001	Domestic Mutual Funds	-	76,921,047.91	76,921,047.91
05	0001	International Mutual Funds	-	49,532,561.47	49,532,561.47
05	0001	Fixed Income Money Market and Bond Mutual Funds	111,918,270.56	102,593,889.11	214,512,159.67
05	0001	Other Commingled Funds	62,699,462.54	-	62,699,462.54
05	0001	Commingled Funds (TEXPOOL)	2,550,512.34	-	2,550,512.34
05	0001	Real Estate Index Fund	-	11,232,793.61	11,232,793.61
05	0001	Private Equity	-	3,900,640.88	3,900,640.88
05	0001	Total	\$ 182,174,844.61	\$ 413,833,222.33	\$ 596,008,066.94

Concentration of Credit Risk

As of August 31, 2019, the System did not hold any direct investments in any one issuer of corporate or municipal bonds that were five percent or more of the market value of the System's fixed income investments. The System's investment regulation does not provide specific requirements and limitations regarding concentration of credit.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. State statutes and the System's investment regulation does not contain legal or policy

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requirements that would limit the exposure to custodial credit risk for investments. As of August 31, 2019, the System did not have investments that are exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of August 31, 2019, the System investments subject to interest rate risk – commingled funds, certificates of deposit, repurchase agreements and fixed income money market – have an average maturity of less than one year. The System’s investments in U.S. Government Agency Obligations have an average maturity of approximately three years and the investments in bond mutual funds have an average maturity of less than three years.

Foreign Currency Risk

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. As of August 31, 2019, the System’s investments were all denominated in U.S. dollars. The System’s investment policy does not provide specific requirements and limitations regarding investments in foreign currency.

Internal Investment Pools

UNT Foundation Internal Investment Pool

Prior to fiscal year 2019, certain System long-term assets were placed with the UNT Foundation and invested in the UNT Foundation's Consolidated Investment Pool (“UNT Foundation Pool”). The initial term of the agreement effective November 1, 2014 ended August 31, 2016, and contained a provision to automatically renew annually thereafter, as well as a provision for early termination as agreed by the parties. The System elected not to renew this agreement as of August 31, 2018, and the majority of funds have been transferred back to the System. Redemption instructions have been submitted for illiquid investments and remaining balances will be transferred to the System as they are liquidated.

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

As of August 31, 2019, total investments held by the UNT Foundation, including the System portion, consisted of the following investment types:

Investment	Fair Value
Equity	\$ 9,465,938.61
Domestic Mutual Funds	67,374,174.00
International Other Commingled Funds	21,016,500.56
International Mutual Funds	41,773,490.68
Fixed Income Money Market and Bond Mutual Funds	38,988,984.45
Hedge Funds	25,642,345.88
Private Debt/Equity	18,824,623.28
Miscellaneous	135,576.54
Total Investments	\$ 223,221,634.00

The System’s portion of the UNT Foundation Pool of investments as of August 31, 2019 is \$57,422,468.37.

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The UNT Foundation Pool's investments are not rated by Standard & Poor's. As of August 31, 2019, the UNT Foundation Pool did not hold any direct investments in any one issuer of corporate or municipal bonds that were five percent or more of the market value of the UNT Foundation Pool's investments. The UNT Foundation Pool did not have investments exposed to custodial credit risk. The UNT Foundation Pool's investments subject to interest rate risk – fixed income money market and bond mutual funds – have a weighted average maturity of less than one year and approximately eight years, respectively.

As of August 31, 2019, the System's investments in the UNT Foundation Pool consisted of the following investment types:

Equity

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

Domestic Mutual Funds

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

International Other Commingled Funds

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

International Mutual Funds

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

Fixed Income Money Market & Bond Mutual Funds

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

Alternative Investments

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

UNTHSC Foundation Internal Investment Pool

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

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UNTHSC Foundation can be obtained by writing to UNTHSC Foundation at 3500 Camp Bowie Boulevard Suite 802, Fort Worth, Texas, 76107.

As of August 31, 2019, total investments held by the UNTHSC Foundation, including the System portion, consisted of the following investment types:

Investment	Fair Value
Equity	\$ 43,765,350.80
Domestic Mutual Funds	28,647,718.75
Miscellaneous	2,339,197.00
Total Investments	\$ 74,752,266.55

The System's portion of the UNTHSC Foundation Pool of investments as of August 31, 2019 is \$54,258,416.30.

The UNTHSC Foundation Pool's investments are not rated by Standard & Poor's. As of August 31, 2019, the UNTHSC Foundation Pool did not hold any direct investments in any one issuer of corporate or municipal bonds that were five percent or more of the market value of the UNTHSC Foundation Pool's investments. The UNTHSC Foundation Pool did not have investments exposed to custodial credit risk. The UNTHSC Foundation Pool's investments subject to interest rate risk – fixed income money market and bond mutual funds – have a weighted average maturity of less than one year and approximately eight years, respectively.

As of August 31, 2019, the System's investments in the UNTHSC Foundation Pool consisted of the following investment types:

Equity

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

Domestic Mutual Funds

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

Alternative Investments

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

Fair Value Measurements

The System's investments are recorded at fair value as of August 31, 2019, and have been categorized based upon a fair value hierarchy in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The System categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure fair value of the assets. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value on a recurring basis:

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

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The System has the following recurring fair value measurements as of August 31, 2019:

	8/31/2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
U.S. Government Agency Obligations	\$ 5,006,599.17	\$ -	\$ 5,006,599.17	\$ -
Equity	47,890,694.89	22,925,832.30	24,964,862.59	-
Domestic Mutual Funds	37,736,997.20	37,736,997.20	-	-
International Mutual Funds	32,245,019.39	32,245,019.39	-	-
Fixed Income Money Market and Bond Mutual Funds	203,389,114.58	203,389,114.58	-	-
Real Estate Index Fund	11,232,793.61	11,232,793.61	-	-
Total Investments at Fair Value	<u>\$ 337,501,218.84</u>	<u>\$ 307,529,757.08</u>	<u>\$ 29,971,461.76</u>	<u>\$ -</u>
Investments and Cash Equivalents Measured at NAV				
Other Commingled Funds (TexStar)	\$ 9,460,792.69			
Externally Managed Investments - Foundation Managed Pools	111,680,884.67			
Total Investments at NAV	<u>\$ 121,141,677.36</u>			
Total Investments at Fair Value	<u>\$ 458,642,896.20</u>			
Investments and Cash Equivalents not Measured at Fair Value				
Repurchase Accounts	\$ 55,744,342.97			
Other Commingled Funds (TexTERM)	33,065,350.77			
Other Commingled Funds (TexPool)	2,550,512.34			
Other Commingled Funds	20,173,319.08			
Miscellaneous	25,831,645.58			
Total Investments not Measured at Fair Value	<u>\$ 137,365,170.74</u>			
Total Investments	<u>\$ 596,008,066.94</u>			

Investments classified in Level 1 of the fair value hierarchy, totaling \$307,529,757.08 for the year ended August 31, 2019, are valued using quoted prices in active markets.

U.S. government agency obligations totaling \$5,006,599.17 classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by pricing vendors. Matrix pricing is used to value securities based on benchmark quoted prices of assets with similar attributes. These prices are obtained from pricing sources by the System's custodial bank.

\$57,422,468.37 of the System's externally managed investments are managed by the UNT Foundation. The UNT Foundation Pool has the following recurring fair value measurements as of August 31, 2019:

	8/31/2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Equity	\$ 9,465,938.61	\$ 8,910,082.56	\$ 555,856.05	\$ -
Domestic Mutual Funds	67,374,174.00	67,374,174.00	-	-
International Other Commingled Funds	21,016,500.56	-	21,016,500.56	-
International Mutual Funds	41,773,490.68	41,773,490.68	-	-
Fixed Income Money Market and Bond Mutual Funds	38,988,984.45	-	38,988,984.45	-
Hedge Funds	25,642,345.88	-	13,233,385.35	12,408,960.53
Private Debt/Equity	18,824,623.28	-	-	18,824,623.28
Miscellaneous	135,576.54	-	135,576.54	-
Total Investments at Fair Value	<u>\$ 223,221,634.00</u>	<u>\$ 118,057,747.24</u>	<u>\$ 73,930,302.95</u>	<u>\$ 31,233,583.81</u>

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For the Year Ended August 31, 2019

\$54,258,416.30 of the System's externally managed investments are managed by the UNTHSC Foundation. The UNTHSC Foundation Pool has assets with the following recurring fair value measurements as of August 31, 2019:

	8/31/2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Equity - US Large Cap	\$ 20,479,543.44	\$ 20,479,543.44	\$ -	\$ -
Equity - US Mid Cap	6,585,944.51	6,585,944.51	-	-
Emerging Markets	3,162,997.65	3,162,997.65	-	-
Equity - Foreign	2,633,561.30	2,633,561.30	-	-
Equity - Global	10,903,303.90	10,903,303.90	-	-
Mutual Funds - Bonds	28,647,718.75	28,647,718.75	-	-
Total Investments at Fair Value	<u>\$ 72,413,069.55</u>	<u>\$ 72,413,069.55</u>	<u>\$ -</u>	<u>\$ -</u>
Investments and Cash Equivalents not Measured at Fair Value				
Cash Equivalents	\$ 1,402,134.00			
Alternative Investments	937,063.00			
Total Investments not Measured at Fair Value	<u>\$ 2,339,197.00</u>			
Total Investments	<u>\$ 74,752,266.55</u>			

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

Other Commingled Funds consists of funds invested with TexPool, TexStar, and TexTERM. These commingled funds were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. They are structured somewhat like money market mutual funds and allow shareholders the ability to deposit or withdraw funds on a daily basis. In addition, interest rates are also adjusted on a daily basis and the funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. The System reports its investment with TexStar of \$9,460,792.69 at fair value and reports its investment with TexPool and TexTERM of \$35,615,863.11 at amortized cost in accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Please refer to *the Investments Reported at NAV* section below for further information regarding commingled funds reported at fair value. For commingled funds reported at amortized cost, there are no limitations or restrictions on withdrawals and maximum transaction amounts.

Investments Reported at NAV

Other Commingled funds

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

Externally Managed Investments – UNT Foundation and UNTHSC Foundation managed endowments

The System records its unitized portion of the UNT Foundation and UNTHSC Foundation-held investments using NAV. As of August 31, 2019, \$111,680,884.67 of the System's externally managed investments are managed by the UNT Foundation and the UNTHSC Foundation.

Fair Value	Fair Value	Frequency Range - Low	Frequency Range - High	Notice Range - Low	Notice Range - High	Unfunded Commitment
Hedge Funds	\$ 7,169,738.73	Quarterly	Quarterly	45 Days	180 Days	\$0
Equity Funds	34,372,970.18	Daily	Monthly	1 Day	60 Days	0
Mutual Funds	67,594,637.88	Daily	Monthly	1 Day	60 Days	0
Private Debt	845,647.89	N/A	N/A	N/A	N/A	0
Miscellaneous	1,697,889.99	N/A	N/A	N/A	N/A	0
Total	<u>\$ 111,680,884.67</u>					

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For the Year Ended August 31, 2019

Note 4: Short-Term Debt

Commercial Paper

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

	<u>September 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>August 31, 2019</u>
Series A Commercial Paper	\$ 2,080,000.00	\$ 9,200,000.00	\$ -	\$ 11,280,000.00
Series B Commercial Paper	-	37,900,000.00	-	37,900,000.00
Total Commercial Paper	\$ 2,080,000.00	\$ 47,100,000.00	\$ -	\$ 49,180,000.00

The outstanding balance of commercial paper at August 31, 2019 was \$49,180,000.00 at an average interest rate of 1.74%. Average commercial paper maturity during the year ended August 31, 2019 was approximately 35 days. The System will provide liquidity support for \$50,000,000.00 in Series A Commercial Paper Notes by utilizing available funds of the System in lieu of or in addition to bank liquidity support. The maximum maturity for commercial paper is 270 days. In practice, the System rolls, pays off, and/or issues new commercial paper at each maturity. Commercial paper will continue to be used as interim funding until long-term bonds are approved and issued or gifts or institutional funds are received to retire the commercial paper debt.

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

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Notes to the Comprehensive Financial Statements
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Note 5: Long-Term Liabilities

Changes in Long-Term Liabilities

The following changes occurred in long-term liabilities during the year ended August 31, 2019:

	September 1, 2018	Additions	Reductions	Other Adjustments ⁽¹⁾	August 31, 2019	Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable:							
Revenue Bonds Payable	\$ 684,030,000.00	\$ 172,110,000.00	\$ 34,910,000.00	\$ (83,545,000.00)	\$ 737,685,000.00	\$ 37,940,000.00	\$ 699,745,000.00
Unamortized Net Premiums	47,494,484.58	17,518,943.70	6,208,161.35	-	58,805,266.93	5,920,223.18	52,885,043.75
Direct Placement Revenue Bonds Payable	-	-	9,560,000.00	83,545,000.00	73,985,000.00	7,140,000.00	66,845,000.00
Total Revenue Bonds Payable	\$ 731,524,484.58	\$ 189,628,943.70	\$ 50,678,161.35	\$ -	\$ 870,475,266.93	\$ 51,000,223.18	\$ 819,475,043.75
Capital Lease Obligations:							
Capital Lease Obligations	\$ 3,460,723.04	\$ -	\$ 793,977.25	\$ (1,272,796.00)	\$ 1,393,949.79	\$ 554,546.36	\$ 839,403.43
Direct Borrowing Capital Leases	-	5,365,029.84	1,321,957.03	1,272,796.00	5,315,868.81	1,324,755.17	3,991,113.64
Total Capital Lease Obligations	\$ 3,460,723.04	\$ 5,365,029.84	\$ 2,115,934.28	\$ -	\$ 6,709,818.60	\$ 1,879,301.53	\$ 4,830,517.07
Notes and Loans Payable:							
Notes and Loans Payable	\$ 81,520,000.00	\$ -	\$ 81,520,000.00	\$ -	\$ -	\$ -	\$ -
Claims and Judgments	1,464,977.00	-	630,434.00	-	834,543.00	511,259.00	323,284.00
Employees' Compensable Leave	25,767,064.24	3,355,055.57	2,847,786.65	-	26,274,333.16	4,853,883.62	21,420,449.54
Asset Retirement Obligation	-	2,427,750.00	-	-	2,427,750.00	-	2,427,750.00
Net Pension Liability	107,143,850.00	96,285,020.00	11,732,351.00	-	191,696,519.00	-	191,696,519.00
Net OPEB Liability	86,392,029.00	415,400,684.00	97,909,211.00	-	403,883,502.00	11,293,670.00	392,589,832.00
Other Non-Current Liabilities	-	1,865,423.54	-	-	1,865,423.54	-	1,865,423.54
Total Long-Term Liabilities	\$ 1,037,273,127.86	\$ 714,327,906.65	\$ 247,433,878.28	\$ -	\$ 1,504,167,156.23	\$ 69,538,337.33	\$ 1,434,628,818.90

⁽¹⁾ Amount reclassified per GASB 88 implementation.

Revenue Bonds Payable

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

Year	Principal	Interest	Total
2020	\$ 37,940,000.00	\$ 32,605,562.46	\$ 70,545,562.46
2021	40,550,000.00	31,278,406.34	71,828,406.34
2022	42,075,000.00	29,732,552.38	71,807,552.38
2023	37,055,000.00	28,065,497.84	65,120,497.84
2024	37,600,000.00	26,616,429.18	64,216,429.18
2025-2029	193,350,000.00	109,073,930.32	302,423,930.32
2030-2034	160,800,000.00	64,599,042.40	225,399,042.40
2035-2039	95,235,000.00	35,496,751.50	130,731,751.50
2040-2044	56,740,000.00	15,342,778.30	72,082,778.30
2045-2049	33,130,000.00	4,269,581.70	37,399,581.70
2050	3,210,000.00	128,400.00	3,338,400.00
Total	\$ 737,685,000.00	\$ 377,208,932.42	\$ 1,114,893,932.42

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Direct Placement Revenue Bonds Payable

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 7,140,000.00	\$ 1,712,389.65	\$ 8,852,389.65
2021	7,295,000.00	1,550,201.80	8,845,201.80
2022	7,465,000.00	1,384,448.65	8,849,448.65
2023	7,635,000.00	1,214,776.55	8,849,776.55
2024	7,820,000.00	1,041,099.55	8,861,099.55
2025-2029	24,040,000.00	6,897,656.00	30,937,656.00
2030-2034	12,590,000.00	2,870,000.00	15,460,000.00
Total	\$ 73,985,000.00	\$ 16,670,572.20	\$ 90,655,572.20

At August 31, 2019, the System had outstanding revenue bonds payable from direct placements of \$73,985,000.00. The bondholders have a security interest in the pledged revenues lawfully available to the Board of Regents of the System. For more information on total pledged revenues of \$1,045,865,065.65 as of August 31, 2019, refer to Note 6, *Bonded Indebtedness*. The direct placement revenue bonds do not have existing provisions related to early terminations or payment accelerations. As of August 31, 2019, the System has no unused lines of credit. The Series 2018 Bond includes the following provision: For so long as this bond is outstanding, if the issuer defaults in the timely payment of principal or interest on this bond when due, this bond shall bear interest at the rate of 8.00% per annum, until such time as the payment default is cured.

Total interest paid during 2019 for revenue bonds and direct placement revenue bonds amounted to \$32,667,444.89. Total interest and fiscal charges incurred for the year ended August 31, 2019 was \$35,423,132.68. In addition, the System recorded \$6,208,161.35 and (\$768,924.68) relating to the amortization of premiums and deferred outflows of resources from bond refundings, respectively. The remaining amount of \$29,983,896.01 was reported as interest expense and fiscal charges for the year ended August 31, 2019.

Capital Lease Obligations

See Note 7, *Leases*, for more information on capital lease obligations.

Direct Borrowing Capital Lease Obligations

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires the reclassification of certain capital leases as direct borrowings. Capital leases with a transfer of ownership or bargain purchase option are considered financed purchases, and are subject to this statement. For fiscal year 2019, the System has one lease that qualifies as a financed purchase, which is reclassified as a direct borrowing capital lease obligation for fiscal year 2019. See Note 7, *Leases*, for more information on direct borrowing capital lease obligations.

Notes and Loans Payable

In September 2018, the System refunded \$81,520,000.00 of commercial paper into long-term bonds. For fiscal year 2018 reporting, the System considered \$81,520,000.00 of commercial paper balance to be long-term debt, resulting in a beginning notes payable balance of that amount.

Claims and Judgments

As of August 31, 2019, the Claims and Judgments liability accrual is comprised of incurred but not reported (“IBNR”) activity associated with HSC. According to authoritative GASB guidance, liabilities should be recognized when the possibility of loss is probable and the amount of loss is reasonably estimable. See Note 12, *Contingencies and Commitments*, and Note 13, *Risk Management*, for more information on the claims and judgments against the System.

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For the Year Ended August 31, 2019

Employees' Compensable Leave

According to the Texas Human Resources Management Statutes Inventory provided by the State Auditor's Office, state agency employees who have accrued six months of continuous state employment are entitled to be paid for the accrued balance of the employee's vacation leave as of the date of separation if the employee is not reemployed by a state agency or institution of higher education with no break in state service to a position which accrues vacation leave. Substantially all full-time System employees earn between eight and twenty-one hours of annual leave per month depending upon the respective employee's years of state employment. State law permits employees to carry accrued leave forward from one fiscal year to another, up to a maximum of 532 hours for those employees with 35 or more years of state service. Eligible part-time employees' annual leave accrual rate and maximum carryover are proportional to the number of hours appointed to work. Employees with at least six months of continuous State service who terminate their employment are entitled to payment for all accumulated vacation leave. Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee is off due to personal or family illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid to an employee's estate is one-half of the employee's accumulated sick leave or 336 hours, whichever is less. Eligible part-time employees' sick leave accrual rate is proportional to the number of hours they are appointed to work. This obligation is generally paid from the same funding source as the employee's salary or wage compensation is paid. An expense and a liability are recorded as the benefits accrue to employees, and the liability is reduced as the accrued leave is taken. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Asset Retirement Obligation

As of August 31, 2019, the System held two radioactive material licenses associated with facilities at UNT and HSC. The estimated remaining useful life of the associated tangible capital assets is 263 months and 178 months, respectively. Licensing of Radioactive Materials is regulated by the State of Texas (Texas Administrative Code Title 25 Health Services, Part 289 Radiation Control, Subpart 252 Licensing of Radioactive Materials). The System estimated the obligation amount using best-estimate current value based on settlement amount and recorded the initial measurement as a deferred outflow and a non-current liability. The System will assess the ARO account balances annually for any significant changes in current value and make all necessary adjustments. ARO balances are reduced annually by the amount of actual expenditures to retire the asset. In accordance with TAX Title 25, Part 289, subpart 201(c), the System is exempted from posting the financial instruments specifically based upon being a state funded academic facility actively working to reduce the amount of radioactive material authorized on its licenses.

Net Pension Liability

See Note 1, *Summary of Significant Accounting Policies*, and Note 8, *Defined Benefit Pension Plan and Defined Contribution Plan*, for more information on the Net Pension Liability.

Net OPEB Liability

See Note 1, *Summary of Significant Accounting Policies*, and Note 9, *Postemployment Benefits Other Than Pensions*, for more information on the Net Pension Liability.

Other Non-Current Liabilities

The System reported balances in Other Non-Current Liabilities in fiscal year 2019 related to the wind down of the Perkins Loan Program. Specifically, the federal share to be returned in proportion to the total excess liquid capital of the Perkins Loan Program was recorded as an other non-current liability in 2019.

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Note 6: Bonded Indebtedness

At August 31, 2019, the System had revenue bonds principal outstanding of \$811,670,000.00. Revenue Financing System (“RFS”) debt is secured by and payable from pledged revenues as defined in the Master Resolution establishing the RFS. Pledged revenues consist of all lawfully available revenues, funds and balances, with certain exceptions, pledged to secure revenue-supported indebtedness issued under the Master Resolution as set forth by the State.

General information related to revenue bonds outstanding as of August 31, 2019 is summarized in the table below:

Bond	Purpose	Issue Date	Interest Rates	Amount Issued	Total Principal Outstanding as of 8/31/19
Public Offerings					
RFS Refunding Bonds, Series 2010	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2001, Revenue Financing System Bonds Series 2002, Revenue Financing System Bonds Series 2002A, and paying certain costs of issuing the bonds	7/23/2010	3.0000% - 5.0000%	\$ 57,625,000.00	\$ 26,670,000.00
RFS Refunding and Improvement Bonds, Series 2012A	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2003; a portion of the Board's outstanding commercial paper notes; for purchasing, constructing, improving, renovating, enlarging, and equipping property and infrastructure; and paying certain costs of issuing the bonds	6/1/2012	2.0000% - 5.0000%	75,890,000.00	46,005,000.00
RFS Refunding Bonds, Taxable Series 2012B	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2003B and paying certain costs of issuing the bonds	6/1/2012	0.5500% - 4.0500%	4,820,000.00	3,680,000.00
RFS Refunding Bonds, Series 2015A	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2014 Private Placement Arrangement, for refunding a portion of the Board's commercial paper notes and provide funding for constructing and equipping buildings, and paying certain costs of issuing the bonds	10/21/2015	2.0000%-5.0000%	105,130,000.00	102,510,000.00
RFS Refunding Bonds, Series 2015B	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2014 Private Placement Arrangement, for refunding a portion of the Board's commercial paper notes, provide funding for constructing and equipping buildings, and paying certain costs of issuing the bonds	10/21/2015	0.3000%-4.8380%	73,035,000.00	56,620,000.00
RFS Refunding Bonds, Series 2017A	To provide funds for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2009A; a portion of the Board's outstanding commercial paper notes; for constructing, improving, renovating, and equipping property; and paying certain costs of issuing the bonds	1/31/2017	1.0000%-5.0000%	196,165,000.00	180,825,000.00
RFS Refunding Bonds, Series 2017B	To provide funds for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2009A; a portion of the Board's outstanding commercial paper notes; for constructing, improving, renovating, and equipping property; and paying certain costs of issuing the bonds	1/31/2017	0.9000%-4.1220%	164,305,000.00	150,240,000.00
RFS Refunding Bonds, Series 2018A	To provide funds for the purposes of constructing, improving, renovating, and equipping property; refunding a portion of the Board's outstanding commercial paper notes; and paying certain costs of issuing the bonds	9/11/2018	3.0000%-5.0000%	149,425,000.00	149,425,000.00
RFS Forward Refunding Bonds, Series 2018B	To provide funds for the purposes of constructing, improving, renovating, and equipping property; refunding a portion of the Board's outstanding commercial paper notes; and paying certain costs of issuing the bonds	9/11/2018	2.3000%-3.5500%	22,685,000.00	21,710,000.00
Total Public Offerings				<u>\$ 849,080,000.00</u>	<u>\$ 737,685,000.00</u>
Direct Borrowings					
RFS Refunding Bonds, Series 2015	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2003A and 2005 Bonds and paying certain costs of issuing the bonds	4/30/2015	1.9500% - 1.9500%	\$ 38,265,000.00	\$ 14,815,000.00
RFS Refunding Bonds, Series 2015C	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2007 Bonds and and paying certain costs of issuing the bonds	3/1/2016	2.4460%-10.0000%	45,865,000.00	39,200,000.00
RFS Forward Refunding Bonds, Series 2018	To provide funds for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2009; and paying certain costs of issuing the bonds	3/14/2018	2.4000% - 2.4000%	22,845,000.00	19,970,000.00
Total Direct Placements				<u>\$ 106,975,000.00</u>	<u>\$ 73,985,000.00</u>
Total Bonded Indebtedness				<u>\$ 956,055,000.00</u>	<u>\$ 811,670,000.00</u>

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Defeased Bonds Outstanding

A portion of RFS Refunding Bonds, Series 2012A, were defeased during 2016. Funds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. As of August 31, 2019, the par value outstanding on cash defeased bonds was \$3,535,000.00.

Funds Available for Debt Service

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

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

Pledged Revenue Required for Future Principal and Interest on Existing Revenue Bonds	\$ 1,205,549,504.62
Term of Commitment Year Ending 8/31	2050
Percentage of Pledged Revenue	100%
Current Year Pledged Revenue	\$ 1,045,865,065.65
Current Year Principal and Interest Paid	\$ 77,137,444.89

Note 7: Leases

Operating Leases

The System has entered into various operating leases for buildings, equipment, vehicles and land. Rental expenses for operating leases were \$8,142,345.66 in 2019. The lease terms typically range from 12 to 60 months, where some lease terms contain optional renewals. Future minimum lease payments under non-cancelable operating leases having an initial term in excess of one year as of August 31, 2019, were as follows:

<u>Fiscal Year</u>	<u>Lease Payments</u>
2020	\$ 5,454,463.59
2021	3,605,972.90
2022	687,453.95
2023	431,998.56
2024	139,839.09
2025 – 2029	587,499.20
2030 – 2034	587,499.20
2035 – 2039	587,499.20
2040 – 2044	587,499.20
2045 – 2049	469,999.36
Total Future Minimum Operating Lease Payments	<u><u>\$ 13,139,724.25</u></u>

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

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

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

<u>Year</u>	<u>Lease Income</u>
2020	\$ 3,966,997.71
2021	1,300,333.51
2022	1,013,875.16
2023	864,950.74
2024	648,842.77
2025 and beyond	1,649,147.37
Total Minimum Lease Income	<u>\$ 9,444,147.26</u>

Capital Leases

Leases that are purchases in substance are reported as capital lease obligations. The System has entered into long-term leases for financing the purchase of certain capital assets where lease terms contain bargain purchase options. Such leases are classified as capital leases for accounting purposes, and the asset and liability are recorded at the present value of the future minimum lease payments at the inception of the lease. Amortization of the leased assets is included in depreciation expense. GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires the reclassification of certain capital leases as direct borrowings. For fiscal year 2019, the System has one lease that qualifies as a financed purchase, which is presented as a direct borrowing capital lease obligation herein. A summary of original capitalized costs and accumulated depreciation of all assets under capital lease as of August 31, 2019, is presented below:

<u>Assets Under Capital Lease or Direct Borrowing</u>	<u>Capital Lease</u>	<u>Direct Borrowing</u>
Equipment:		
Cost	\$ 3,064,488.82	\$ 6,637,825.84
Less: Accumulated Depreciation	(1,191,713.46)	(995,673.88)
Carrying Value	<u>\$ 1,872,775.36</u>	<u>\$ 5,642,151.96</u>
Vehicles:		
Cost	\$ 450,594.26	\$ -
Less: Accumulated Depreciation	(197,465.38)	-
Carrying Value	<u>\$ 253,128.88</u>	<u>\$ -</u>
Total Carrying Value as of August 31, 2019	<u>\$ 2,125,904.24</u>	<u>\$ 5,642,151.96</u>

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Capital lease obligations are due in monthly, quarterly or annual installments. Future minimum lease payments for assets under capital lease at August 31, 2019, were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 554,546.36	\$ 19,932.47
2021	278,394.15	14,236.90
2022	252,348.37	8,741.13
2023	216,969.45	4,191.51
2024	91,691.46	458.97
Total Future Minimum Lease Payments	\$ 1,393,949.79	\$ 47,560.98

The direct borrowing capital lease obligation is due in annual installments. Future minimum lease payments for the asset under direct borrowing capital lease obligations at August 31, 2019, were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,324,755.17	\$ 11,251.92
2021	1,327,559.23	8,447.86
2022	1,330,369.23	5,637.86
2023	1,333,185.18	2,821.91
Total Future Minimum Lease Payments	\$ 5,315,868.81	\$ 28,159.55

Note 8: Defined Benefit Pension Plan and Defined Contribution Plan

Teacher Retirement System

Plan Description

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

The employers in the TRS Plan include the state of Texas, TRS, the state's public schools, education service centers, charter schools, and community and junior colleges. Employees of TRS and state of Texas colleges, universities and medical schools are members of the TRS Plan.

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

Benefits Provided

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

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All System personnel working on a half time or greater basis that is projected to last for 4½ months or more are eligible for membership in the TRS Plan. However, students employed in positions that require student status as a condition of employment do not participate. Members with at least five years of service have a vested right to unreduced retirement benefits at age 65 or provided they have a combination of age plus years of service totaling 80 or more. However, members who began participation in the TRS Plan on or after September 1, 2007 must be age 60 to retire and members who were not vested in the TRS Plan on August 31, 2014, must be age 62 to retire under the second option. Members are fully vested after five years of service and are entitled to any reduced benefits for which the eligibility requirements have been met prior to meeting the eligibility requirements for unreduced benefits. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule.

Contributions

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

During the measurement period of 2018 for fiscal 2019 reporting, the amount of the System's contributions recognized by the plan was \$11,732,351.00. The contribution rates are based on a percentage of the monthly gross compensation for each member. Contributions by employees were 7.7% of gross earnings during the measurement period of 2018. Depending upon the source of funding for the employee's compensation, the State or the System contributes a percentage of participant salaries totaling 6.8% of annual compensation for during the measurement period of 2018.

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

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by Teacher Retirement System. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. More detailed information on the plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal 2018 Comprehensive Annual Financial Report.

At August 31, 2019, the System reported a liability of \$191,696,519.00 for its proportionate share of the collective net pension liability of the TRS Plan. The collective net pension liability was measured as of August 31, 2018 (the "measurement date"), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The System's proportion of the collective net pension liability at the measurement date was 0.3482704688%, which was an increase of 0.0131800934% from the 0.3350903754% measured at the prior measurement date. The System's proportionate share was based on its contributions to the pension plan, excluding State on-behalf contributions, relative to the contributions of all employers and non-employer contributing entities to the TRS Plan for the period September 1, 2017 through August 31, 2018 (the "measurement period"). During the measurement period, the amount of the System's contributions recognized by the TRS Plan, including State on-behalf contributions, was \$14,965,183.93. The State recognized \$52,821,707.83 for its proportionate share of the net pension liability related to its contributions to TRS on behalf of the System. The State's proportionate share for those contributions was 0.0959654411%.

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For the year ended August 31, 2019, the System recognized pension expense of \$20,381,349.00. At August 31, 2019, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 12,006,673.00	\$ -
Changes of assumptions	69,115,829.00	2,159,872.00
Difference between expected and actual experience	1,194,879.00	4,703,476.00
Change in proportion and contribution difference	22,175,309.00	24,316,340.00
Net difference between projected and actual investment return	-	3,637,303.00
Total	\$ 104,492,690.00	\$ 34,816,991.00

The \$12,006,673.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Expense</u>
2020	\$ 13,686,030.00
2021	6,031,704.00
2022	4,541,603.00
2023	12,528,000.00
2024	12,852,682.00
Thereafter	8,029,007.00
Total	\$ 57,669,026.00

Actuarial Assumptions

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2018 measurement date:

Actuarial Methods and Assumptions	<u>TRS Plan</u>
Actuarial Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Floating
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	6.907%
Investment Rate of Return	8.00%
Long-term Expected Rate of Return	7.25%
Municipal Bond Rate as of August 2018	3.69%
Inflation	2.30%
Salary Increase	3.05% to 9.05% including inflation
Mortality	
Active	90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality using Scale BB
Post-Retirement	2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale BB
Ad Hoc Post-Employment Benefit Changes	None

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The assumptions used to determine the actuarially determined contributions are those in effect for the Aug. 31, 2017 actuarial valuation. Due to the lag between valuation data and the measurement date, they may not be the same assumptions used to measure the Net Pension Liability. The source for the municipal bond rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

The actuarial assumptions used in the valuation were primarily based on the result of an actuarial experience study for the three-year period ended August 31, 2017 and adopted in July 2018. The mortality rates were based on 90% of the RP 2014 employee Mortality Tables for males and females. The Post-retirement mortality rates were based on 2018 TRS Healthy Pensioner Mortality Tables.

Furthermore, assumptions, methods, and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following assumptions:

- The total pension liability as of Aug. 31, 2018 was developed using a roll forward method from the Aug. 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending Aug. 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8.000% as of Aug. 31, 2017 to 6.907% as of Aug. 31, 2018.
- The long term assumed rate of return changed from 8.00% to 7.25%.
- The change in the long term assumed rate of return combined with the change in the discount rate was the primary reason for the increase in the net pension liability.

There have been no changes to the benefit provisions of the TRS Plan since the prior measurement date. The discount rate used to measure the total net pension liability was 6.907%, a decrease of 1.093% from the 8.0% rate used in the prior year. The discount rate was based on the long-term expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projected cash flows into and out of the TRS Plan assumed that active members, employers, and non-employer contributing entities make their contributions at the statutorily required rates. It is assumed that future employer and state contributions will be 7.76% of payroll. This includes a factor for the rehired retirees and the Non-OASDI surcharge. Based on these assumptions, the TRS Plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date.

The long-term expected rate of return on plan investments was developed using a building-block method in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Global Equity		
U.S.	18.00%	5.70%
Non-U.S. Developed	13.00%	6.90%
Emerging Markets	9.00%	8.95%
Directional Hedge Funds	4.00%	3.53%
Private Equity	13.00%	10.18%
Stable Value		
U.S. Treasury	11.00%	1.11%
Absolute Return	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%
Cash	1.00%	-0.30%
Real Return		
Global Inflation Linked Bonds	3.00%	0.70%
Real Assets	14.00%	5.21%
Energy and Natural Resources	5.00%	7.48%
Commodities	0.00%	0.00%
Risk Parity		
Risk Parity	5.00%	3.70%
Total	<u>100.00%</u>	

The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 6.907%, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.907%) or one percentage point higher (7.907%) than the current rate:

1.0% Decrease (5.907%)	Current Discount Rate (6.907%)	1.0% Increase (7.907%)
\$ 289,316,014.00	\$ 191,696,519.00	\$ 112,667,748.00

Optional Retirement Program

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

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

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

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

Note 9: Postemployment Benefits Other Than Pensions

Employees Retirement System

Plan Description

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

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

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

Detailed information about the ERS Plan's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to ERS at 200 E. 18th Street, Austin, TX, 78701-1400.

Benefits Provided

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

Contributions

During the measurement period of 2018 for fiscal 2019 reporting, the amount of the System's contributions recognized by the plan for retirees was \$4,409,993.00. Contributions to ERS for the year ended August 31, 2019 for active and retired employees were as follows:

ERS Participation	
Member Contributions	\$ 18,034,052.90
State On-Behalf Contributions	25,406,258.36
Employer Contributions	38,727,084.95
Total	\$ 82,167,396.21

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

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

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

The OPEB plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the Other Employee Benefit Trust Fund are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' fiscal 2018 Comprehensive Annual Financial Report.

At August 31, 2019, the System reported a restatement to decrease fiscal year 2019 beginning net position of \$1,519,025.00 related to OPEB due to timing differences in receipt of the fiscal year 2018 contributions subsequent to the measurement date information.

At August 31, 2019, the System reported a liability of \$403,883,502.00 for its proportionate share of the collective net OPEB liability of the ERS Plan. The non-current portion of the liability was \$392,589,832.00 and the current portion was \$11,293,670.00. The collective net OPEB liability was measured as of August 31, 2018 (the "measurement date"), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The System's proportion of the collective net OPEB liability at the measurement date was 1.36273369%, which was an increase of 1.10918396% from the 0.25354973% measured at the prior measurement date. The System's proportionate share was based on its contributions to the OPEB plan, excluding State on-behalf contributions, relative to the contributions of all employers and non-employer contributing entities to the ERS Plan for the period September 1, 2017 through August 31, 2018 (the "measurement period").

For the year ended August 31, 2019, the System recognized OPEB expense of \$79,462,900.00. At August 31, 2019, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 1,315,809.00	\$ -
Changes of assumptions	-	141,531,819.00
Difference between expected and actual experience	-	14,796,992.00
Change in proportion and contribution difference	376,573,612.00	-
Net difference between projected and actual investment return	191,261.00	-
Total	\$ 378,080,682.00	\$ 156,328,811.00

The \$1,315,809.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for 2020. Amounts reported as deferred

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

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

Actuarial Assumptions

The total OPEB liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2018 measurement date:

Actuarial Methods and Assumptions	ERS Plan
Actuarial Valuation Date	August 31, 2018
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Discount Rate	3.96%
Inflation	2.50%
Salary Increase	2.50% to 9.50% including inflation
Healthcare Cost and Trend Rate	7.30% for FY 2020, 7.40% for FY 2021, 7.00% for FY 2022, decreasing 0.50% per year to an ultimate rate of 4.50% for FY 2027 and later years
Aggregate Payroll Growth	3.00%
Retirement Age	Experience-based tables of rates that are specific to the class of employee
Mortality	
State Agency Members	
Service Retirees, Survivors and Other Inactive Members	2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017
Disabled Retirees	RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014
Active Members	RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale from the year 2014
Higher Education Members	
Service Retirees, Survivors and Other Inactive Members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018
Disabled Retirees	Tables based on TRS experience with Ultimate MP Projection Scale from year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active Members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014
Ad Hoc Post-Employment Benefit Changes	None

The source of the municipal bond rate is the Bond Buyer Index of general obligations bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA. The actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2011 to August 31, 2016 for state agency members and for the period September 1, 2010 to August

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

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

- a. Demographic assumptions (including rates of retirement, disability, termination, mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the Trustees from TRS;
- b. Assumed expenses, assumed Per Capita Health Benefit Costs, and assumed Health Benefit Cost, Retiree Contribution and expense trends have been updated to reflect recent experience and its effects on short-term expectations;
- c. Percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence;
- d. Percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends; and,
- e. Discount rate assumption was increased from 3.51% to 3.96% to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

The only benefit revisions that have been adopted since the prior valuation for retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect plans.

The discount rate used to measure the total net OPEB liability was the municipal bond rate of 3.96%, an increase of 0.45% from the 3.51% used in the prior year. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return. ERS' board of trustees adopted an amendment to the investment policy in August 2017 to require that all funds in this plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments be at least 2.4%. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 3.51%.

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the System's net OPEB liability. The following presents the System's proportionate share of the net OPEB liability calculated using the discount rate of 3.96%, as well as what the System's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.96%) or one percentage point higher (4.96%) than the current rate:

1.0% Decrease (2.96%)	Current Discount Rate (3.96%)	1.0% Increase (4.96%)
\$ 479,503,686.00	\$ 403,883,502.00	\$ 346,647,522.00

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

1.0% Decrease (6.30% decreasing to 3.50%)	Current Healthcare Cost Trend Rates (7.30% decreasing to 4.50%)	1.0% Increase (8.30% decreasing to 5.50%)
\$ 342,037,094.00	\$ 403,883,502.00	\$ 483,665,489.00

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Note 10: Interagency Activity and Transactions

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

Note 11: Adjustments to Net Position

During fiscal year 2019, certain accounting changes and adjustments were made that required a restatement to net position. The restatement of beginning net position for fiscal year 2019 is as follows:

	Total
Net Position at August 31, 2018 as Previously Reported	\$ 804,663,888.39
GASB 83 implementation, ARO	(476,252.29)
GASB 75 OPEB Adjustment, timing difference	(1,519,025.00)
Total Restatement	\$ (1,995,277.29)
Net Position at August 31, 2018 as Restated	\$ 802,668,611.10

Note 12: Contingencies and Commitments

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

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

Contingencies

Litigation

Caitlyn Sewell v. UNT System, et al. UNT System has been informed that a former UNT System employee claims that she was constructively discharged from her employment as a UNT System attorney in violation of her First Amendment rights. No lawsuit has been filed, nor have claimed damages been specified. The likelihood of an unfavorable outcome is reasonably possible and the amount of possible loss or range of loss cannot be reasonably estimated.

Healthcare Litigation

Robyn Walton v. University of North Texas Health Science Center. Case No. 236-290069-17, 236th Judicial District Court, Tarrant County, Texas. Health care liability claim alleging that doctor negligently removed the wrong rib during surgery. HSC moved to dismiss due to lack of timely notice of the claim. HSC’s motion to dismiss was denied and the case is now stayed while on appeal. Plaintiff seeks damages in excess of \$1,000,000. HSC’s damages are capped at \$250,000. The likelihood of an unfavorable outcome is reasonably possible and the range of loss is estimated to be \$0 to \$250,000.

Commitments

The System continues to implement capital improvements to upgrade facilities. Approximately \$414.2 million in capital commitments have been entered into for the construction and renovation of various facilities across all of its campuses. These projects are in various stages of completion. The estimated breakdown of funding sources available for this commitment is as follows: 41% Revenue Financing System Bonds, 29% HEF, 15% from commercial paper, 11% auxiliary revenues, 3% from gifts/donations, and 1% HEF reserves. Approximately \$178.5 million of the commitment, or roughly 43%, is expected to be spent in 2020.

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Private investments are invested in limited partnerships with external investment managers or general partners who invest primarily in private equity transactions. These investments, both domestic and international, are illiquid and may not be realized for a period of several years after the investments are made. There are certain risks associated with these investments, some of which are liquidity risk, market risk, event risk and investment manager risk. As of August 31, 2019, the University of North Texas System has committed \$33,940,000.00 to various private investments, including \$23,940,000.00 committed to hedge funds. Of this amount, \$8,544,117.00 is unfunded.

Note 13: Risk Management

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

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

Liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The System has various insurance and self-insurance arrangements to manage risks of loss that are within the scope of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended. There are no claims pending or significant non-accrued liabilities, except as stated in Note 12, *Contingencies and Commitments*. The System did not have any losses or settlements that exceeded insurance policy limits within the last three years.

Self-Insurance Arrangements

Medical Professional Liability Self-Insurance Plan

HSC manages a medical malpractice self-insurance plan for its physicians. As of August 31, 2019, HSC had sufficient self-insurance reserves for known claims against its health care professionals. The policy limits for this plan are \$500,000/\$1,500,000. Medical professional liability coverage is purchased for allied health care professionals and medical students with entity coverage, which provides a maximum per incident of \$1,000,000 and an aggregate limit of \$3,000,000 with no deductible for legal expenses but a \$5,000 deductible per claim for professional liability coverage damages only.

The following contingencies and Incurred But Not Reported (“IBNR”) activity was determined for the year ended August 31, 2019 and August 31, 2018, respectively:

	August 31, 2018	Additions	Reductions	August 31, 2019
Incurring But Not Reported Self-Insurance Claims (HSC) ⁽¹⁾	\$ 1,464,977.00	\$ -	\$ 630,434.00	\$ 834,543.00
Contingent Liabilities	\$ -	\$ 19,318.17	\$ 19,318.17	\$ -
	August 31, 2017	Additions	Reductions	August 31, 2018
Incurring But Not Reported Self-Insurance Claims (HSC) ⁽¹⁾	\$ 1,729,924.00	\$ -	\$ 264,947.00	\$ 1,464,977.00
Contingent Liabilities	\$ -	\$ 119,535.94	\$ 119,535.94	\$ -

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

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Student-Athlete Accident Medical Self-Insurance Plan

The National Collegiate Athletic Association (the "NCAA") requires its member institutions to certify coverage for medical expenses resulting from injuries sustained by student-athletes and certain prospective student-athletes while participating in qualifying NCAA-sanctioned activities. UNT finances this plan to an actuarially determined attachment point and purchases commercial insurance for claims in excess of the attachment point. The attachment point for 2019 was \$500,000. For the year ended August 31, 2019, claims paid out were not material.

Incurred But Not Reported Self-Insurance Claims

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

For the year ended August 31, 2019, claims against the System were below the liability limits established by the Texas Tort Claims Act, and thus immaterial.

Commercial Insurance Arrangements

Directors and Officers/Employment Practices Liability

Directors and Officers ("D&O")/Employment Practices Liability ("EPL") coverage insures all institutions in the System as well as all officers, employees and volunteers. The policy provides for a maximum limit of \$10,000,000 with a zero deductible per insured individual and \$50,000 deductible per insured entity for D&O; and \$100,000 deductible per insured individual, \$50,000 deductible for the entity, and a \$25,000 deductible for volunteers for EPL.

Automobile

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

Medical Professional Liability

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

Property

The System carries property insurance to finance losses arising from damage to or destruction of capital assets. The insurance also covers business interruption, which protects against losses resulting from disruption to revenue streams. At the close of the fiscal year, all premium payments had been made and an insurance policy was in effect that carried a \$570,000,000 shared limit through the State's state-wide property insurance program.

Workers' Compensation

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

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

Unemployment Compensation

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

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

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

Miscellaneous

Other lines of insurance purchased include: camp accident/medical, commercial crime, fine arts, inland marine, foreign liability, global medical, kidnap and extortion, specialized general liability and property insurance for the Elm Fork Education Center, errors and omissions, and professional liability for students and North Texas Regional Institutional Review Board.

Note 14: Financial Reporting Entity

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

Assets Held By Affiliated Organizations

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

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

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

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The System has defined significance as 3% of its net position. As of August 31, 2019, the University of North Texas Foundation and the University of North Texas Health Sciences Center Foundation met the criteria for inclusion in the System's financial statements.

Discretely Presented Component Units

University of North Texas Foundation

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

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

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

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

University of North Texas Health Science Center Foundation

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

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Agreements. Therefore, including the UNTHSC Foundation's financial reports is important to obtain a full understanding of the System's financial position and resources.

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

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

Related Parties

Through the normal course of operations, the System both receives funds from and provides funds to other state agencies in support of sponsored research programs. Funds received and provided during the year ended August 31, 2019 related to pass-through grants were \$31,002,310.92 and \$0.00 respectively.

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

Note 15: Donor Restricted Endowments

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

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

Endowment Type	Amount of Cumulative Net Appreciation ⁽¹⁾	Reported in Net Position
True Endowments	\$ 8,100,317.18	Restricted Expendable

(1) There was a negative fair value adjustment totaling \$386,589.45 for fiscal year 2019 related to true endowments. As of August 31, 2019, the System did not have any term endowments to report.

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Discretely Presented Component Units

University of North Texas Foundation

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

The target distribution of spendable income to each unit of the endowment fund will be between 3% and 5% of the moving average market value of a unit of the endowment fund for the preceding 12 quarters. Unless otherwise determined by the UNT Foundation's Board of Directors, the target annual distribution rate shall be 4% of the average unit market value: for fiscal year 2019 the distribution rate was 3.75%. Distribution shall be made quarterly, as soon as practicable, after the last calendar day of November, February, May and August. This distribution amount shall be recalculated each quarter based on a 12-quarter rolling average. If, at any point of distribution, the fair market value of the endowment is below the corpus of the endowment, the distributions shall be determined on a sliding scale basis. The distribution is made in accordance with the Texas Uniform Prudent Management of Institutional Funds Act. The net appreciation (cumulative and unexpended) on donor-restricted endowments presented below is available for authorization and expenditure by the UNT Foundation, a discrete component unit of the University of North Texas System.

<u>Endowment Type</u>	<u>Amount of Cumulative Net Appreciation ⁽¹⁾</u>	<u>Reported in Net Assets</u>
True Endowments	\$ 12,352,584.81	Net Assets with Donor Restrictions Held in Perpetuity

(1) There was a positive fair value adjustment totaling \$792,215.74 for fiscal year 2019 related to true endowments. As of August 31, 2019, the UNT Foundation did not have any term endowments to report.

University of North Texas Health Science Center Foundation

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

The target distribution of spendable income to each unit of the endowment fund will be 4% of the moving average market value of the endowment fund for the preceding 12 quarters. Unless otherwise determined by the UNTHSC Foundation's Board of Directors, the target annual distribution rate shall be 4% of the average unit market value. For fiscal year 2019, the distribution rate was 4%. Distribution shall be made annually. This distribution amount shall be recalculated each year based on a 12-quarter rolling average. If, at any point of distribution, the fair market value of the endowment is below the corpus of the endowment, the distributions shall be determined on a sliding scale basis. The distribution is made in accordance with the Texas Uniform Prudent Management of Institutional Funds Act. The net appreciation (cumulative and unexpended) on donor-restricted endowments presented below is available for authorization and expenditure by the UNTHSC Foundation, a discrete component unit of the University of North Texas System.

<u>Endowment Type</u>	<u>Amount of Cumulative Net Appreciation ⁽¹⁾</u>	<u>Reported in Net Assets</u>
True Endowments	\$ 14,788,989.00	Net Assets with Donor Restrictions Held in Perpetuity

(1) There was a positive fair value adjustment totaling \$366,391.00 for fiscal year 2019 related to true endowments. As of August 31, 2019, the UNTHSC Foundation did not have any term endowments to report.

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

Note 16: Disaggregation of Receivable Balances

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

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

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

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

	<u>Total</u>
Deferred Outflows of Resources	
Unamortized Losses on Refunding of Debt	\$ 6,189,190.01
Unamortized Losses on Refunding of Direct Placement Debt	484,028.20
Deferred Outflows of Resources Related to Asset Retirement Obligation	1,848,357.81
Deferred Outflows of Resources Related to Pensions	104,492,690.00
Deferred Outflows of Resources Related to OPEB	378,080,682.00
Total Deferred Outflows of Resources	\$ 491,094,948.02
 Deferred Inflows of Resources	
Unamortized Gains on Refunding of Direct Placement Debt	\$ 1,108,735.12
Deferred Inflows of Resources Related to Pensions	34,816,991.00
Deferred Inflows of Resources Related to OPEB	156,328,811.00
Total Deferred Inflows of Resources	\$ 192,254,537.12

See Note 1, *Summary of Significant Accounting Policies*, Note 5, *Long Term Liabilities*, Note 8, *Defined Benefit Pension Plan and Defined Contribution Plan*, and Note 9, *Postemployment Benefits Other Than Pensions*, for more information regarding deferred outflows of resources and deferred inflows of resources related to debt refunding, asset retirement obligation, pensions, and OPEB.

UNIVERSITY OF NORTH TEXAS SYSTEM
Required Supplementary Information
For the Year Ended August 31, 2019

Required Supplementary Information (RSI)

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

RSI - Pension Proportionate Share

	2019	2018	2017	2016	2015
System's proportion of the net pension liability	0.3482704688%	0.3350903754%	0.3167884475%	0.3348771000%	0.3870437000%
System's proportionate share of the net pension liability	\$ 191,696,519.00	\$ 107,143,850.00	\$ 119,709,644.00	\$ 118,374,598.00	\$ 103,405,818.19
System's covered payroll ⁽¹⁾	\$ 266,991,392.49	\$ 252,852,119.73	\$ 248,934,340.22	\$ 235,537,989.10	\$ 222,501,101.49
System's proportionate share of the net pension liability as a percentage of its covered payroll	71.80%	42.37%	48.09%	50.26%	46.47%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

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

Schedule of the System's Pension Contributions

RSI - Pension Contributions

	2019	2018	2017	2016	2015	2014
Statutorily required contributions	\$ 12,006,673.00	\$ 11,732,351.00	\$ 10,961,110.00	\$ 10,085,190.00	\$ 9,916,773.00	\$ 9,870,977.18
Contributions in relation to the statutorily required contributions	12,006,673.00	11,732,351.00	10,961,110.00	10,085,190.00	9,916,773.00	9,870,977.18
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System's covered payroll	\$ 282,536,645.37	\$ 266,991,392.49	\$ 252,852,119.73	\$ 248,934,340.22	\$ 235,537,989.10	\$ 222,501,101.49
Contributions as a percentage of covered payroll	4.25%	4.39%	4.33%	4.05%	4.21%	4.44%

UNIVERSITY OF NORTH TEXAS SYSTEM
Required Supplementary Information
For the Year Ended August 31, 2019

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

RSI - OPEB Proportionate Share

	2019 ⁽²⁾	2018
System's proportion of the net OPEB liability	1.36273369%	0.25354973%
System's proportionate share of the net OPEB liability	\$ 403,883,502.00	\$ 86,392,029.00
System's covered-employee payroll ⁽¹⁾	\$ 164,170,798.74	\$ 29,780,201.94
System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	246.01%	290.10%
Plan fiduciary net position as a percentage of the total OPEB liability	1.27%	2.04%

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

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

Schedule of the System's OPEB Contributions

RSI - OPEB Contributions

	2019	2018
Statutorily required contributions	\$ 1,315,809.00	\$ 1,464,282.00
Contributions in relation to the statutorily required contributions	1,315,809.00	1,464,282.00
Contribution deficiency (excess)	\$ -	\$ -
System's covered-employee payroll	\$ 167,889,174.41	\$ 164,170,798.94
Contributions as a percentage of covered-employee payroll	0.78%	0.89%

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**NOTES TO THE
FINANCIAL STATEMENTS**

of the

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

DENTON, TEXAS

For the Years Ended August 31, 2018 and 2019

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2019

Note 1: Principal Activity and Significant Accounting Policies

Organization

The University of North Texas Foundation, Inc. ("UNT Foundation") is a nonprofit organization established to provide financial support to the University of North Texas. This purpose is accomplished by the UNT Foundation receiving and managing donations (cash and non-cash) from individuals and organizations.

Basis of Presentation

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

Contributions

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

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

Endowment contributions and investments are permanently restricted by the donor. Investment income available for distribution is recorded as donor restricted net assets because of program restrictions. The portion of the fair value of endowment funds which is below the endowment fund's historical cost is recorded as a reduction in net assets with donor restrictions.

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

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating reserves and board-designated endowments.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Allocation of Expenses

The costs of program and supporting services activities have been reported on a functional basis in the statements of activities in order to present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

Notes to the Financial Statements

For the Year Ended August 31, 2019

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity at the time of purchase of three months or less. At August 31, 2019 and 2018, there was \$4,869,289 and \$1,918,559, respectively, of cash and cash equivalents in the UNT Foundation's investment accounts awaiting investment.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Real Property

Real property consists of property that has been donated to the UNT Foundation. The property is stated at the estimated fair value.

Other Assets

Other assets consists of paintings and photographs donated to the UNT Foundation and held for sale. The paintings and photographs are recorded at their fair value as of the date of the donation.

Agency Funds

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Subsequent Events

Subsequent events were evaluated through November 20, 2019, the date the financial statements were available to be issued.

Assets Held and Liabilities Under Split-Interest Agreements

Charitable Trusts

We act as trustee for various irrevocable trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets to us, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. If a trust is revocable, or if the maker of the trust reserves the right to replace us as the beneficiary of the trust, we record the assets placed in trust at fair value, with an equal and offsetting liability until such time that we receive distributions from the trust in accordance with its terms. If the trust is irrevocable, the trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques. The excess of contributed assets over the trust liability is recorded as a contribution with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the donor-restricted purpose stipulated by the trust agreement, or both, if any. At that time, net assets with donor-imposed time or purpose restrictions are released to net assets without restrictions, and net assets with donor restrictions that are perpetual in nature are transferred to the endowment. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the trust, the remaining liability is removed and recognized as income.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

Notes to the Financial Statements

For the Year Ended August 31, 2019

Charitable Gift Annuities

Under charitable gift annuity contracts, we receive immediate title to contributed assets and agree to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques. The excess of contributed assets over the annuity liability is recorded as a contribution with donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which increased net assets without donor restriction by \$466,529 and decreased net assets with donor restrictions by \$466,529 as of September 1, 2017 (the date the new accounting principle was adopted), resulting from the reclassifications of underwater endowment funds as required under ASU 2016-14.

Note 2: Liquidity and Availability

Financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$	16,105,036
Less cash and cash equivalents included in the investment pool		(4,869,289)
Operating investments		1,630,030
Cash and cash equivalents included in donor restricted funds		(7,542,283)
Board designated reserves		(2,008,584)
Total Contributions and Other Receivables	\$	<u>3,314,910</u>

Our endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

Our board-designated endowments of \$608,078 provide for annual distributions to the University of North Texas. Although we do not intend to spend from these board-designated endowments for general expenditures, these amounts could be made available if necessary.

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

Notes to the Financial Statements

For the Year Ended August 31, 2019

Note 3: Fair Value Measurements and Disclosures

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of our investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values. We invest in CDs traded in the financial markets. Those CDs are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

The fair value of the private company stock is based on the fair value determined by the company based on a specific valuation methodology and formula. This is considered to be a Level 3 measurement.

We use net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain hedge funds, private equity/debt funds and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2019

The following table presents investments measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at August 31, 2019.

Fair Value Measurements at August 31, 2019 Using

Investments	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV
U.S. and International Equities					
Securities and mutual funds	\$ 105,985,163	\$ 105,985,163	\$ -	\$ -	\$ -
Equity funds	20,875,136	-	-	-	20,875,136
	<u>\$ 126,860,299</u>	<u>\$ 105,985,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,875,136</u>
U.S. and International Fixed Income					
Mutual Funds	\$ 37,788,165	\$ 37,788,165	\$ -	\$ -	\$ -
Certificates of deposit	1,630,030	-	1,630,030	-	-
	<u>\$ 39,418,195</u>	<u>\$ 37,788,165</u>	<u>\$ 1,630,030</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. Balanced Fund	<u>\$ 11,519,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,519,778</u>
Global Real Assets and Infrastructure Mutual Funds	<u>\$ 14,038,288</u>	<u>\$ 14,038,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hedge Funds	<u>\$ 12,560,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,560,451</u>
Private Equity/Debt Funds	<u>\$ 3,071,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,071,473</u>
U.S. Private Company Common Stock	<u>\$ 15,753,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,753,150</u>	<u>\$ -</u>
Total Investments	<u><u>\$ 223,221,634</u></u>	<u><u>\$ 157,811,616</u></u>	<u><u>\$ 1,630,030</u></u>	<u><u>\$ 15,753,150</u></u>	<u><u>\$ 48,026,838</u></u>

The following table presents investments measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at August 31, 2018.

Fair Value Measurements at August 31, 2018 Using

Investments	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV
U.S. and International Equities					
Securities and mutual funds	\$ 177,071,958	\$ 177,071,958	\$ -	\$ -	\$ -
Equity funds	37,930,516	-	-	-	37,930,516
	<u>\$ 215,002,474</u>	<u>\$ 177,071,958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,930,516</u>
U.S. and International Fixed Income					
Mutual Funds	\$ 63,509,225	\$ 63,509,225	\$ -	\$ -	\$ -
Certificates of deposit	1,610,123	-	1,610,123	-	-
	<u>\$ 65,119,348</u>	<u>\$ 63,509,225</u>	<u>\$ 1,610,123</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. Balanced Fund	<u>\$ 21,065,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,065,941</u>
Global Real Assets and Infrastructure Mutual Funds	<u>\$ 23,455,262</u>	<u>\$ 23,455,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hedge Funds	<u>\$ 31,341,292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,341,292</u>
Private Equity/Debt Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. Private Company Common Stock	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Investments	<u><u>\$ 355,984,317</u></u>	<u><u>\$ 264,036,445</u></u>	<u><u>\$ 1,610,123</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 90,337,749</u></u>

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2019

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant observable input (Level 3) for the years ended August 31, 2019 and 2018.

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)	
	Investments	
	US Private Company Common Stock	
<u>Year ended August 31, 2019</u>		
Balance at August 31, 2018	\$	-
Purchases/contributions of investments		24,999,988
Investment return, net		(3,246,754)
Sales		(6,000,084)
Balance at August 31, 2019	\$	<u>15,753,150</u>
<u>Year ended August 31, 2018</u>		
Balance at August 31, 2017	\$	-
Purchases/contributions of investments		-
Investment return, net		-
Sales		-
Balance at August 31, 2018	\$	<u>-</u>

In addition, the UNT Foundation has entered into investment agreements with several private equity, private debt, and private real estate funds that provide for capital calls in the future. The total amount of future capital committed to these investments by the UNT Foundation is \$12.52 million as of August 31, 2019.

Note 4: Fair Value of Financial Instruments

Generally accepted accounting principles requires disclosure of an estimate of fair value of certain financial instruments. The UNT Foundation's significant financial instruments other than investments are cash and cash equivalents, contributions receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Note 5: Contributions Receivables

Contributions and other receivables as of August 31, 2019 and August 31, 2018 are as follows:

	August 31, 2019	August 31, 2018
Contributions receivable in less than one year	\$ 2,086,967	\$ 2,340,805
Contributions receivable in one to five years	8,870,245	4,657,733
Contributions receivable in six to ten years	5,439,286	2,051,426
Contributions receivable in over ten years	-	-
Total Contributions Receivable	\$ 16,396,498	\$ 9,049,964
Less allowance for uncollectible amounts	(1,257,282)	(746,449)
Less discounts to net present value	(3,823,676)	(1,585,472)
Net Contributions Receivables	<u>\$ 11,315,540</u>	<u>\$ 6,718,043</u>

Contributions receivable in more than one year have been discounted to net present value using an interest rate of eight percent.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2019

Contributions receivable include a \$5.04 million receivable (net) related to a major gift received during the fiscal year ended August 31, 2019. The donor of this gift committed to a total gift to the UNT Foundation of \$30.0 million to be funded over a seven year period. The donor contributed common stock in a privately held company valued at \$25.0 million on the date of the gift (see Note 3). The gift agreement provides that a portion of the stock can be sold under a series of put options to fund the annual gift amounts. \$6.0 million worth of the stock was sold in April 2019, and \$4.0 million of stock will be sold each year for the next six years or until all of the stock has been sold. The donor has committed to make cash contributions to the UNT Foundation for any amount up to \$30.0 million that is not provided by the sale of the stock. The contribution receivable recorded is the current estimate of cash donations that will be required based on the current fair value of the stock.

Note 6: Net Assets without Donor Restrictions

During the year ended August 31, 2018, the UNT Foundation's Board of Directors designated \$390,000 of net assets without donor restrictions to fund 13 board-designated endowment funds. The funds will be used for scholarships in thirteen degree-granting institutions within the University of North Texas. During the year ended August 31, 2019, the UNT Foundation's Board of Directors designated \$65,000 to add \$5,000 each to the original 13 funds and \$155,000 to establish 4 additional board designated endowment funds.

Although the Board retains the right to re-designate these funds for another purpose, the intent is to offer multigenerational scholarship support to UNT students. Pursuant to FASB requirements, these endowments are included in Net Assets Without Donor Restrictions, however, these funds are not available for operating expenses.

Net assets without donor restrictions at August 31, 2019 and 2018 also include \$2,008,584 and \$1,869,728 respectively, which has been designated by the UNT Foundation's Board of Directors as a reserve for future operations.

Note 7: Net Assets with Donor Restrictions

Net assets were restricted for the following:

	<u>August 31, 2019</u>	<u>August 31, 2018</u>
UNT Department Gift & Fundraising Accounts	\$ 12,600,877	\$ 9,782,376
True Endowments according to Donor agreement		
Endowments under Board Distribution Policy	151,680,482	135,355,281
Endowments with Donor defined distribution	1,652,801	1,692,109
Quasi Endowments according to Donor agreement	7,345,896	6,430,573
Split-interest agreements net of liabilities	1,847,004	3,111,482
Restricted Stock	15,753,150	-
Cash value of life insurance policies	559,217	551,315
Total Net Assets with Donor Restrictions	<u>\$ 191,439,427</u>	<u>\$ 156,923,136</u>

Note 8: Underwater Endowments

Of the 956 total endowments at August 31, 2019, 82 have a market value that has fallen below historical cost. The amount that the market value is below historical cost of these 82 endowments is \$298,709 collectively. This compares to 65 endowments below historical cost by an amount of \$180,265 collectively at August 31, 2018.

Note 9: Life Insurance Policies

Several endowments have been established which are to be funded or partially funded by life insurance policies for which the UNT Foundation has been named owner and beneficiary. Premium payments made by the UNT

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.

Notes to the Financial Statements

For the Year Ended August 31, 2019

Foundation are reimbursed by the donors of the policies. As of August 31, 2019 and 2018, there were a total of 23 and 24 such policies, respectively, with death benefits totaling \$1,831,879 and \$1,889,703 respectively, and cash values totaling \$559,217 and \$551,315 respectively.

Note 10: Income Taxes

The UNT Foundation is organized as a Texas nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501 (a) as an organization described in IRC Section 501 (c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The UNT Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that the UNT Foundation is not subject to unrelated business income tax and has not filed an Exempt Organization Business Tax Return (Form 990-T) with the IRS.

Note 11: Retirement Plan

The UNT Foundation sponsors a defined contribution 403(b) retirement plan covering all full time employees of the UNT Foundation. Under the terms of the plan, the UNT Foundation contributes a full matching contribution of up to 6.0% of compensation for employees who make an elective contribution. An additional discretionary non-elective contribution may be allocated on the basis of compensation, as budgeted and approved by the Board in advance of the fiscal year. Employees may make voluntary contributions up to the limits prescribed by the Internal Revenue Code. The UNT Foundation contributions to the plan were \$75,901 and \$68,553 for the years ended August 31, 2019 and 2018, respectively.

Note 12: Assets Held For Others

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

The UNT Foundation also formerly held and invested certain funds in trust on behalf of the University of North Texas System ("UNTS"). Pursuant to an investment agreement dated March 15, 2012 and amended and restated on November 1, 2014, certain UNTS long-term assets had been placed with the UNT Foundation and invested in the UNT Foundation's Consolidated Investment Pool. The UNTS investment funds were subject to the same investment management policy as the UNT Foundation's investments, but received monthly distributions. The initial term of the agreement effective on November 1, 2014 ended August 31, 2016 and contained a provision to automatically renew annually thereafter, as well as a provision for early termination as agreed by the parties. UNTS elected to not renew the agreement at August 31, 2018, and the majority of funds have been transferred back to UNTS. Redemption instructions have been submitted for illiquid investments, and remaining balances will be transferred to UNTS as they are liquidated.

UNTS and UNT are independent of the UNT Foundation in all respects. UNTS and UNT are not subsidiaries or affiliates of the UNT Foundation and are not directly or indirectly controlled by the UNT Foundation. The Board of Regents of UNTS makes all decisions regarding the business and affairs of UNTS and UNT, and their long-term assets and endowment assets managed by the UNT Foundation are the exclusive property of UNTS and UNT.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2019

respectively. Since the UNT Foundation does not have ownership of any of the UNTS or UNT assets, neither the principal nor income generated by these assets, except for management fees paid from these assets, are included in the amount of net assets of the UNT Foundation.

Also, a trust for which the UNT Foundation serves as Trustee currently names the UNT Foundation as the remainder beneficiary, however, the donor has retained the right to change the remainder beneficiary to other charitable organizations. As a result, the UNT Foundation has recorded the assets held under this trust as assets held for others.

Assets held under these arrangements are included in the Statement of Financial Position at fair value, and the UNT Foundation realized net management fee income of \$573,156 and \$709,358, respectively, during the years ended August 31, 2019 and 2018 for its services.

A summary of the assets held for others is as follows:

	<u>August 31, 2019</u>	<u>August 31, 2018</u>
Trust for which beneficiary can be changed	\$ 1,375,630	\$ 1,382,875
UNTS assets managed by UNT Foundation	151,514	158,548,191
UNT endowment assets managed by UNT Foundation	<u>57,270,954</u>	<u>57,093,613</u>
Total Assets Held for Others	<u>\$ 58,798,098</u>	<u>\$ 217,024,679</u>

Note 13: Finance Instruments and Credit Risk

The UNT Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by us and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

**NOTES TO THE
FINANCIAL STATEMENTS**

of the

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

FORT WORTH, TEXAS

For the Years Ended August 31, 2018 and 2019

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

Note 1: Summary of Significant Accounting Policies

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

Nature of Activities

The management of the UNTHSC Foundation is vested in the Board of Directors (“the Board”) who have discretionary authority to determine the amount, manner and times for payment of any distributions from the UNTHSC Foundation. The UNTHSC Foundation is subject to a pay-out policy which dictates scholarships and other payments made in current year. During 2019 and 2018, the UNTHSC Foundation paid \$4,591,883 and \$5,152,555 in scholarships, grants and other expenses to UNTHSC and other not-for-profit organizations.

Basis of Accounting

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

Financial Statement Presentation

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

Use of Estimates

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

Cash and Cash Equivalents

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

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

Investments

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

Contributions

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

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION

Notes to the Financial Statements For the Year Ended August 31, 2019

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

Donor Restrictions

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

Income Taxes

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

Uncertain Tax Positions

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

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

New Accounting Standard Adopted

In fiscal year 2018, the UNTHSC Foundation adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*.

The requirements of ASU 2016-14 apply to the financial statements of all not-for-profit entities. This update reduced the net asset classifications from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions). In addition, this statement added a liquidity disclosure (Note 8) to show the amount of financial assets available within one year from the balance sheet date and added disclosures related to cost allocation methodologies.

Accounts recognized in net assets related to the prior period have been reclassified to conform to the presentation requirements under ASU 2016-14. The reclassifications, including reclassifying investment expenses to investment income, have no effect on total net assets or change in net assets.

Functional Allocation of Expenses

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

Subsequent Events

The UNTHSC Foundation evaluated all events or transactions that occurred after August 31, 2019 through November 20, 2019, the date these financial statements were available to be issued.

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION

**Notes to the Financial Statements
For the Year Ended August 31, 2019**

Note 2: Fair Value Measurements

A fair value hierarchy that prioritizes the inputs to valuation techniques is used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs). The three levels of the fair value of hierarchy are described below:

- Level 1 inputs: Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

- Level 2 inputs: Inputs (other than quoted market prices included within level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and fair value is determined through the use of models or other valuation techniques.

- Level 3 inputs: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Fair value for these investments are determined using valuation methodologies that consider a range of factors including but not limited to the nature of the investment, market conditions, current and projected operating performance and changes in operating characteristics of the investment.

Following is a description of the valuation methodologies used for assets measured at fair value. The valuation techniques used to determine fair value have been consistently applied during the years ended August 31, 2019 and 2018.

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

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the UNTHSC Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level, within the fair value hierarchy, the UNTHSC Foundation's investments at fair value as of August 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Securities				
US Large Cap	\$ 20,479,544	\$ -	\$ -	\$ 20,479,544
US Mid and Small Cap	6,585,945	-	-	6,585,945
Global	3,162,998	-	-	3,162,998
Foreign	2,633,561	-	-	2,633,561
Emerging Markets	10,903,304	-	-	10,903,304
Mutual Funds	28,647,719	-	-	28,647,719
Total investments in the fair value hierarchy	\$ 72,413,071	\$ -	\$ -	\$ 72,413,071

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

The following table sets forth, by level, within the fair value hierarchy, the UNTHSC Foundation's investments at fair value as of August 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Securities				
US Large Cap	\$ 18,186,072	\$ -	\$ -	\$ 18,186,072
US Mid and Small Cap	6,674,660	-	-	6,674,660
Global	1,111,571	-	-	1,111,571
Foreign	1,784,224	-	-	1,784,224
Emerging Markets	8,391,369	-	-	8,391,369
Mutual Funds	17,813,707	-	-	17,813,707
Total investments in the fair value hierarchy	\$ 53,961,603	\$ -	\$ -	\$ 53,961,603

The UNTHSC Foundation also invests in investment companies that are reported at net asset value. Investments reported at net asset value are excluded from the fair value hierarchy. The following table reconciles investments reported in fair value hierarchy to investments reported on the statement of financial position as of August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Total investments in the fair value hierarchy	\$ 72,413,071	\$ 53,961,603
Cash equivalents	1,402,132	1,315,423
Investment in investment companies	937,063	420,326
Total investments at fair value	\$ 74,752,266	\$ 55,697,352

Investments in investment companies consisting of off-shore investments are subject to the following redemption frequency and capital commitment at August 31, 2019:

<u>Investment Strategy</u>	<u>Redemption Frequency</u>	<u>Remaining Capital Commitment</u>
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 576,220
Off-shore investments	Monthly, quarterly, or semi-annually	632,226
Off-shore investments	Monthly, quarterly, or semi-annually	905,237
Off-shore investments	Monthly, quarterly, or semi-annually	1,000,000

Investments in investment companies consisting of off-shore investments are subject to the following redemption frequency and capital commitment at August 31, 2018:

<u>Investment Strategy</u>	<u>Redemption Frequency</u>	<u>Remaining Capital Commitment</u>
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 757,170
Off-shore investments	Monthly, quarterly, or semi-annually	837,618
Off-shore investments	Monthly, quarterly, or semi-annually	984,992

No redemption restrictions or redemption notice period noted.

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION

Notes to the Financial Statements

For the Year Ended August 31, 2019

Note 3: Net Assets with Donor Restrictions

Net assets with donor restrictions are made up of the following as of August 31, 2019 and 2018:

	2019	2018 (As Restated)
Purpose	\$ 10,001,500	\$ 8,928,416
Perpetuity	14,788,989	13,181,694
Total Net Assets	\$ 24,790,489	\$ 22,110,110

Net assets with donor restrictions – time and purpose are restricted for the following as of August 31, 2019 and 2018:

	2019	2018 (As Restated)
MD Program and related support	\$ 3,403,208	\$ 4,023,596
Departmental programs	1,255,601	1,336,577
Research	500,384	806,080
Education	568,274	600,291
Scholarships	1,875,130	1,919,100
Special events	107,017	59,926
Other	2,291,886	182,846
Total	\$ 10,001,500	\$ 8,928,416

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes during the years ended August 31, 2019 and 2018:

	2019	2018
Investment fees and related fees	\$ -	\$ 223,140
Distributions	28,834	61,489
Endowment scholarships	236,495	555,329
Gifts and other related expenses	5,259,573	4,989,697
Total	\$ 5,524,902	\$ 5,829,655

Note 4: Due to Related Party

At August 31, 2019 and 2018, the UNTHSC Foundation held investments of \$54,258,416 and \$36,962,213 (as restated), respectively, on behalf of UNTHSC. The investment account, in the name of the UNTHSC Foundation, was established prior to the formation of the UNTHSC Foundation. In order to maximize the benefits received from pooling investments and for simplicity, UNTHSC's portion is being held by the UNTHSC Foundation. These investments are included in investments and due to related party on the Statement of Financial Position.

Note 5: Promises to Give

Unconditional promises to give to be received by the UNTHSC Foundation for each of the years subsequent to August 31, 2019 is as follows:

	2019	2018 (As Restated)
Due in less than 1 year	\$ 1,851,783	\$ 1,307,147
Due within 1 to 5 years	4,236,667	3,584,000
Due in more than 5 years	-	50,000
Less discount	(87,252)	(114,919)
Total	\$ 6,001,198	\$ 4,826,228

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**Notes to the Financial Statements
For the Year Ended August 31, 2019**

Unconditional promises to give that are expected to be collected after one year are discounted and are reported net of the discount in pledges receivable on the statement of financial position. Amortization of the discount on long-term pledges receivable is included with contributions revenue in the statement of activities. Pledges receivable are also reported net of any anticipated losses due to uncollectible accounts. The UNTHSC Foundation's policy for determining when pledges receivable are past due or delinquent is when all efforts to collect a pledged amount have been exhausted. An allowance for doubtful accounts is estimated by management based on information received by pledged donors and pledge receivable aging schedules. No allowance was considered necessary as of August 31, 2019 and 2018.

As of August 31, 2019, conditional promises to give to be received by the UNTHSC Foundation are \$2,500,000, which are due within 1 to 5 years. The conditional promises to give have not met the criteria for recognition in the financial statements as established by GAAP.

Note 6: Pledges Payable

During the year ended August 31, 2017, the UNTHSC Foundation pledged \$200,000 to a not-for-profit organization. Payments are due at annual payment intervals. As of August 31, 2018, \$75,000 was still outstanding and is shown as pledge payable on the statement of financial position. Payment of the remaining amount due of \$75,000 was paid in November 2018.

Note 7: Uniform Prudent Management of Institutional Funds Act

Net assets with donor restrictions held in perpetuity were \$14,788,989 and \$13,181,694 as of August 31, 2019 and 2018, respectively. The UNTHSC Foundation's endowment funds consist of equity securities, cash and cash equivalents and investments in investment companies. These funds consist of contributions made to establish an endowment, the earnings from which are to be used to support different restricted purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

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

A reconciliation of the endowment funds' beginning and ending balances for the years ended August 31, 2019 and 2018 is as follows. There was no cumulative effect of any amounts by which permanently restricted funds have been reduced, or increased that were not specified by the donor, or in the absence of a donor stipulation, approved by the Board.

	Endowment Net Assets with Donor Restrictions - Purpose	Endowment Net Assets with Donor Restrictions Held in Perpetuity	Total Endowment Net Assets
Endowment net assets, September 1, 2018 (as restated)	\$ 2,409,702	\$ 13,181,694	\$ 15,591,396
Interest and dividends	-	-	-
Net appreciation (realized and unrealized)	366,391	-	366,391
	\$ 2,776,093	\$ 13,181,694	\$ 15,957,787
Contributions	26,341	1,607,295	1,633,636
Appropriation of endowment assets for expenditure	(152,745)	-	(152,745)
Endowment net assets, August 31, 2019	\$ 2,649,689	\$ 14,788,989	\$ 17,438,678

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION

**Notes to the Financial Statements
For the Year Ended August 31, 2019**

	Endowment Net Assets with Donor Restrictions - Purpose	Endowment Net Assets with Donor Restrictions Held in Perpetuity	Total Endowment Net Assets
Endowment net assets, September 1, 2017 (as restated)	\$ 2,568,172	\$ 8,793,844	\$ 11,362,016
Interest and dividends	-	-	-
Net appreciation (realized and unrealized)	1,026,458	-	1,026,458
	<u>\$ 3,594,630</u>	<u>\$ 8,793,844</u>	<u>\$ 12,388,474</u>
Contributions	62,455	4,387,850	4,450,305
Appropriation of endowment assets for expenditure	(1,247,383)	-	(1,247,383)
Endowment net assets, August 31, 2018 (as restated)	<u>\$ 2,409,702</u>	<u>\$ 13,181,694</u>	<u>\$ 15,591,396</u>

Endowment net asset composition by type of fund as of August 31, 2019 was as follows:

	Endowment Net Assets with Donor Restrictions Purpose	Endowment Net Assets with Donor Restrictions Held in Perpetuity	Total Endowment Net Assets
Donor-restricted	\$ 2,649,689	\$ 14,788,989	\$ 17,438,678
Total funds	<u>\$ 2,649,689</u>	<u>\$ 14,788,989</u>	<u>\$ 17,438,678</u>

Endowment net asset composition by type of fund as of August 31, 2018 was as follows:

	Net Assets with Donor Restrictions Purpose	Net Assets with Donor Restrictions Held in Perpetuity	Total Endowment Net Assets
Donor-restricted	\$ 2,409,702	\$ 13,181,694	\$ 15,591,396
Total funds	<u>\$ 2,409,702</u>	<u>\$ 13,181,694</u>	<u>\$ 15,591,396</u>

Investment Objectives

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

Investment Philosophy

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

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION

Notes to the Financial Statements

For the Year Ended August 31, 2019

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

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

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

Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the UNTHSC Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in 6 endowment funds with donor restrictions, which together have an original gift value of \$1,173,673, a current fair value of \$1,144,778, and a deficiency of \$28,895 as of August 31, 2019. Deficiencies of this nature exist in 5 endowment funds with donor restrictions, which together have an original gift value of \$169,673, a current fair value of \$146,833, and a deficiency of \$22,840 as of August 31, 2018. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

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

Note 8: Liquidity

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

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

Cash	\$	1,305,137
Investments		20,493,850
Pledges receivable		6,001,198
Total financial assets	\$	27,800,185
Less donor restrictions		
Net assets with donor restrictions time and purpose	\$	(10,001,500)
Net assets with donor restrictions – held in perpetuity		(14,788,989)
Total financial assets not available to be used within one year	\$	(24,790,489)
Total financial assets available to meet general expenditures within one year	\$	3,009,696

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

Note 9: Prior Period Restatement

During the year ended August 31, 2019, the UNTHSC Foundation reassessed accounting principles generally accepted in the United States related to unconditional promises to give. As a result of this review, the UNTHSC Foundation determined that \$500,000 of a \$2,500,000 promise to give was not recorded as revenue when received in year ended August 31, 2016.

Additionally, as a result of this review, the UNTHSC Foundation determined that \$543,504 of investments held on behalf of a related party were not recorded as a liability as of August 31, 2018. In addition, \$473,771 was recorded as contributions and investment income in the statement of activities when the amounts should have been recorded as changes in due to related party as of August 31, 2018.

The accompanying financial statements as of and for the year ended August 31, 2018 have been restated to reflect the above corrections.

The effect on the UNTHSC Foundation 2018 financial statements are summarized as follows:

	As Previously Reported	Due to Related Party Adjustment	Contributions Receivable Adjustment	Restated
Statement of financial position				
Pledges receivable	\$ 4,326,228	\$ -	\$ 500,000	\$ 4,826,228
Total assets	61,160,598	-	500,000	61,660,598
Due to related party	(36,418,709)	(543,504)	-	(36,962,213)
Total liabilities	(36,493,709)	(543,504)	-	(37,037,213)
Temporarily restricted net assets	8,537,895	(109,479)	500,000	8,928,416
Permanently restricted net assets	13,615,719	(434,025)	-	13,181,694
Total net assets	24,666,889	(543,504)	500,000	24,623,385
Statement of activities				
Contributions	\$ 10,599,195	\$ (453,037)	\$ -	\$ 10,146,158
Investment income	45,531	(20,734)	-	24,797
Total support and revenue	12,686,635	(473,771)	-	12,212,864
Change in net assets	6,898,610	(473,771)	-	6,424,839
Temporarily restricted net assets, beginning of year	6,614,739	(2,744)	500,000	7,111,995
Temporarily restricted net assets, end of year	8,537,895	(109,479)	500,000	8,928,416
Permanently restricted net assets, beginning of year	8,860,833	(66,989)	-	8,793,844
Permanently restricted net assets, end of year	13,615,719	(434,025)	-	13,181,694
Net assets, beginning of year	17,768,279	(69,733)	500,000	18,198,546
Net assets, end of year	24,666,889	(543,504)	500,000	24,623,385
Statement of cash flows				
Change in net assets	\$ 10,599,195	\$ (453,037)	\$ -	\$ 10,146,158
Changes in operating assets and liabilities	3,418,404	453,037	-	3,871,441
Due to related party				

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

Upon implementation of ASU 2016-14, net assets classifications went from three classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions), and direct investment expenses are now required to be shown with investment return. The effect on the UNTHSC Foundation 2018 financial statements, upon implementation of ASU 2016-14, are summarized as follows:

	As Previously Reported	Due to Related Party Adjustment	Contributions Receivable Adjustment	Restated
Statement of financial position				
Pledges receivable	\$ 4,326,228	\$ -	\$ 500,000	\$ 4,826,228
Total assets	61,160,598	-	500,000	61,660,598
Due to related party	(36,418,709)	(543,504)	-	(36,962,213)
Total liabilities	(36,493,709)	(543,504)	-	(37,037,213)
Net assets with donor restrictions	22,153,614	(543,504)	500,000	22,110,110
Total net assets	24,666,889	(543,504)	500,000	24,623,385
Statement of activities				
Contributions	\$ 10,599,195	\$ (453,037)	\$ -	\$ 10,146,158
Investment income	45,531	(20,734)	-	24,797
Total support and revenue	12,686,635	(473,771)	-	12,212,864
Change in net assets	6,898,610	(473,771)	-	6,424,839
Net assets with donor restrictions, beginning of year	15,475,572	(69,733)	500,000	15,905,839
Net assets with donor restrictions, end of year	22,153,614	(543,504)	500,000	22,110,110
Net assets, beginning of year	17,768,279	(69,733)	500,000	18,198,546
Net assets, end of year	24,666,889	(543,504)	500,000	24,623,385
Statement of cash flows				
Change in net assets	\$ 10,599,195	\$ (453,037)	\$ -	\$ 10,146,158
Changes in operating assets and liabilities	3,418,404	453,037	-	3,871,441
Due to related party				

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION

Definitions. As used in the Master Resolution the following terms and expressions have the meanings set forth below, unless the text of the Master Resolution specifically indicates otherwise:

“Annual Debt Service Requirements” means, for any Fiscal Year, the principal of and interest on all Parity Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Board on such Debt, or be payable in respect of any required purchase of such Debt by the Board) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the Board:

(1) Committed Take Out. If the Board has entered into a Credit Agreement constituting a binding commitment within normal commercial practice to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such Debt is subject to required purchase, all under arrangements whereby the Board’s obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharging or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added;

(2) Balloon Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the Board) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein as “Balloon Debt”), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(3) Consent Sinking Fund. In the case of Balloon Debt (as defined in clause (2) above), if a Designated Financial Officer shall deliver to the Board an Officer’s Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such Officer’s Certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the Board has elected to apply the rule set forth in clause (2) above;

(4) Prepaid Debt. Principal of and interest on Parity Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt;

(5) Variable Rate. As to any Parity Obligation that bears interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Board, either (1) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that such Parity Obligations has not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (2) an interest rate equal to the 30-year Tax-Exempt Revenue Bond Index (as most recently published in *The Bond Buyer*), shall be presumed to apply for all future dates, unless such index is no longer published in *The Bond Buyer*, in which case an index of tax-exempt revenue bonds with maturities of at least 20 years which is published in a newspaper or journal with national circulation may be used for this purpose. If two Series of Parity Obligations which bear interest at variable interest rates, or one or more maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations;

(6) Guarantee. In the case of any guarantee, as described in clause (2) of the definition of Debt, no obligation will be counted if the Board does not anticipate in its annual budget that it will make any payments on the guarantee. If, however, the Board is making payments on a guarantee or anticipates doing so in its annual budget, such obligation shall be treated as Parity Obligations and calculations of annual debt service requirements with respect to such guarantee shall be made assuming that the Board will make all additional payments due under the guaranteed obligation. If the entity whose obligation is guaranteed cures all defaults and the Board no longer anticipates making payments under the guarantee, the guaranteed obligations shall not be included in the calculation of Annual Debt Service Requirements;

(7) Commercial Paper. With respect to any Parity Obligations issued in the form of commercial paper with maturities not exceeding 270 days, the interest on such Parity Obligations shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

(8) Credit Agreement Payments. If the Board has entered into a Credit Agreement in connection with an issue of Debt, payments due under the Credit Agreement (other than payments for fees and expenses), for either the Board or the Credit Provider, shall be included in such calculation, except to the extent that the payments are already taken into account under (1) through (7) above and any payments otherwise included above under (1) through (7) which are to be replaced by payments under a Credit Agreement, from either the Board or the Credit Provider, shall be excluded from such calculation.

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

“Annual Direct Obligation” means the amount budgeted each Fiscal Year by the Board with respect to each participant in the Financing System to satisfy said Participant’s proportion of debt service (calculated based on said Participant’s Direct Obligation) due by the Board in such Fiscal Year on Outstanding Parity Obligations.

“Annual Obligation” means, with respect to each Participant in the Financing System and for each Fiscal year, said Participant’s Annual Direct Obligation plus the amount budgeted by the Board for such Fiscal Year to allow said Participant to retire its obligation for advances made to it by the Board in the management of the Financing System to satisfy part or all of a previous Annual Direct Obligation payment.

“Board” and “Issuer” mean the Board of Regents of the University of North Texas System, acting as the governing body of the University and the Health Science Center, or any successor thereto, and pursuant to authority granted in Section 55.02, Texas Education Code, to act as a board of a university system.

“Bond Counsel” means McCall, Parkhurst & Horton L.L.P., or such other firm of attorneys of nationally recognized standing in the field of law relating to municipal revenue bonds selected by the Board.

“Credit Agreement” means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase

Parity Obligations, purchase or sale agreements, interest rate swap agreements, currency exchange agreements, interest rate floor or cap agreements, or commitments or other contracts or agreements authorized, recognized and approved by the Board as a Credit Agreement in connection with the authorization, issuance, security, or payment of Parity Obligations and on a parity therewith.

“Credit Provider” means any bank, financial institution, insurance company, surety bond provider, or other entity which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement.

“Debt” means all:

(1) indebtedness incurred or assumed by the Board for borrowed money (including indebtedness arising under Credit Agreements) and all other financing obligations of the Board that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the Board, or that is in effect guaranteed, directly or indirectly, by the Board through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(3) all indebtedness secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by the Board whether or not the Board has assumed or become liable for the payment thereof.

For the purpose of determining the “Debt” of the Board, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements prepared by or for the benefit of the Board in prior Fiscal Years.

“Designated Financial Officer” shall mean the Vice Chancellor for Finance.

“Direct Obligation” means the proportionate share of Outstanding Parity Obligations attributable to and the responsibility of each Participant in the Financing System.

“Fiscal Year” means the fiscal year of the Board which currently ends on August 31 of each year.

“Funded Debt” means all Parity Obligations that mature by their terms (in the absence of the exercise of any earlier right to demand), or are renewable at the option of the Board to a date, more than one year after the original creation, assumption, or guarantee of such Debt by the Board.

“Health Science Center” means the University of North Texas Health Science Center at Fort Worth, together with every other agency or health related institution or branch now or hereafter operated by or under the jurisdiction of the Board.

“Holder” or “Bondholder” or “Owner” means the registered owner of any Parity Obligation registered as to ownership and the holder of any Parity Obligation payable to bearer.

“Maturity” when used with respect to any Debt means the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

“Non-Recourse Debt” means any Debt secured by a lien (other than a lien on Pledged Revenues), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to any other property of the Board attributable to the Financing System; provided, however, that such Debt is being incurred in connection with the acquisition of property only, which property is not, at the time of such occurrence, owned by the Board and being used in the operations of a participant.

“Officer’s Certificate” means a certificate executed by a Designated Financial Officer.

“Opinion of Counsel” means a written opinion of counsel, which counsel shall be acceptable to the Board.

“Outstanding” when used with respect to Parity Obligations means, as of the date of determination, all Parity Obligations theretofore delivered under this Resolution and any Supplement, except:

- (1) Parity Obligations theretofore cancelled and delivered to the Board or delivered to the Paying Agent or the Registrar for cancellation;
- (2) Parity Obligations deemed paid pursuant to the provisions of Section 12 of the Resolution or any comparable section of any Supplement;
- (3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to the Resolution and any Supplement; and
- (4) Parity Obligations under which the obligations of the Board have been released, discharged, or extinguished in accordance with the terms thereof;

provided, however, that, unless the same is acquired for purposes of cancellation, Parity Obligations owned by the Board shall be deemed to be Outstanding as though it was owned by any other owner.

“Outstanding Principal Amount” means, with respect to all Parity Obligations or to a series of Parity Obligations, the outstanding and unpaid principal amount of such Parity Obligations paying interest on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Obligations paying accrued, accreted, or compounded interest only at maturity as of any Record Date established by a Registrar in connection with a proposed amendment of the Master Resolution or any Supplement.

“Outstanding Revenue Bonds” means those bonds which are secured by a lien on and pledge of the Prior Encumbered Revenues charged and collected at the University or the Health Science Center in support thereof. As of the date of issuance of the Bonds, there are no Outstanding Revenue Bonds.

“Parity Obligations” means all Debt of the Board which may be issued or assumed in accordance with the terms of the Master Resolution and a Supplement, secured by a pledge of the Pledged Revenues subject only to the liens securing Prior Encumbered Obligations.

“Participant in the Financing System” and “Participant” means each of the agencies, institutions and branches of the University and the Health Science Center and such agencies, institutions and branches designated by the Board to be a participant in the Financing System. Participants include UNT-Dallas and the Law School.

“Paying Agent” shall mean each entity designated in a Supplement as the place of payment of a series or issue of Parity Obligations.

“Pledged Revenues” means, subject to the provisions of the Prior Encumbered Obligations, the Revenue Funds, including all of the funds and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Financing System which are lawfully available to the Board for payments on Parity Obligations; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a Supplement: (a) amounts received by the University or the Health Science Center under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto; and (b) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas.

“Prior Encumbered Obligations” means (i) the Outstanding Revenue Bonds and (ii) those bonds or other obligations of an institution which becomes a Participant of the Financing System after the date of adoption of this Master Resolution, which are secured by a lien on and pledge of the Prior Encumbered Revenues charged and collected at such institution or agency, and any other bonds or other obligations secured by revenues which are hereafter designated by the Board as a Pledged Revenue.

“Prior Encumbered Revenues” means the revenues pledged to the payment of Prior Encumbered Obligations and the revenues of any revenue producing system or facility of an institution or agency which hereafter becomes a Participant of the Financing System and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a participant of the Financing System.

“Registrar” shall mean the entity designated in a Supplement as the Registrar of a series or issue of Parity Obligations.

“Resolution” or “Master Resolution” means the Master Resolution establishing the Financing System.

“Revenue Financing System” or “Financing System” means the “University of North Texas Revenue Financing System” for the benefit of the University and the Health Science Center, and such other institutions and agencies now or hereafter under the control or governance of the Board, and made a participant of the Revenue Financing System by specific action of the Board.

“Revenue Funds” means the “revenue funds” of the Board (as defined in Section 55.01 of the Texas Education Code to mean the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by an institution of higher education, including interest or other income from those funds) derived by the Board from the operations of each of the Participants. The term “Revenue Funds” does not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, rates, fees, or other charges attributable to any student in a category which, at the time of the adoption of the Supplement relating to such Parity Obligations, is exempt by law from paying such tuition, rentals, rates, fees, or other charges.

“Stated Maturity” when used with respect to any Debtor any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Debt or such installment of interest as a fixed date on which the principal of such Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

“Subordinated Debt” means any Debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Obligations then Outstanding or subsequently issued.

“Supplement” or “Supplemental Resolution” means a resolution supplemental to, and authorized and executed pursuant to the terms of, the Resolution.

“Term of Issue” means with respect to any Balloon Debt, including, without limitation, commercial paper, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or the maximum maturity date in the case of commercial paper or (ii) twenty-five years.

“University” means the University of North Texas, together with every other agency or general academic institution or branch thereof now or hereafter operated by or under the jurisdiction of the Board acting for and on behalf of the University of North Texas pursuant to law.

Establishment of Revenue Financing System. Pursuant to the Master Resolution, the Board has established the Revenue Financing System to provide a consolidated financing structure for revenue-supported debt obligations of the Board, including the Bonds, which are to be issued for the benefit of Participants which are or will be included as part of the Revenue Financing System. The current Participants include the University and the Health Science Center, and the Revenue Financing System may include other entities that are hereafter included under the control of the Board, but only upon affirmative official action of the Board.

Payment and Funds. The Board has covenanted in the Resolution to make available to the Paying Agent/Registrar for Parity Obligations, on or before each payment date, money sufficient to pay any and all amounts due on such Parity Obligations on such payment date.

The Master Resolution allows the Board to supplement the security for Parity Obligations. This could take the form of establishing one or more reserve funds or accounts to further secure any Parity Obligations. Currently, the Board has not established a reserve fund to secure the payment of the Parity Obligations.

Participants. Release of Participants. Subject to the conditions set forth below, any Participant or portion thereof may be closed and abandoned by law or may be removed from the Revenue Financing System (thus deleting the revenues, income, funds, and balances attributable to said Participant or portion thereof from the Pledged Revenues) without violating the terms of the Master Resolution provided:

(1) the Board specifically finds that (based upon a certificate of a Designated Financial Official to such effect) after the release of the Participant or portion thereof, the Board will have sufficient funds during each Fiscal Year in which Parity Obligations shall thereafter be outstanding to meet the financial obligations of the Revenue Financing System, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System; and

(2) the Board shall have received an opinion of counsel which shall state that such release will not affect the status for federal income tax purposes of interest on any Parity Obligations and that all conditions precedent provided in the Master Resolution or any supplement relating to such release have been complied with; and

(3) (A) if the Participant or portion thereof to be released from the Revenue Financing System is to remain under the governance and control of the Board, the Board must either (i) provide, from lawfully available funds, including Pledged Revenues attributable to said withdrawing Participant, for the payment or discharge of said Participant's Direct Obligations or (ii) pledge to the payment of Parity Obligations, additional resources not then pledged in an amount sufficient to satisfy such withdrawing Participant's Direct Obligations as they come due; or

(B) if the Participant or portion thereof to be released from the Revenue Financing System is to no longer be under the governance and control of the Board and remaining in operation independent of the Board, the Board must receive a binding obligation of the new governing body of the withdrawing institution or the portion thereof being withdrawn, obligating said governing body to make payments to the Board at the times and in the amounts equal to said Participant's Annual Obligations or to pay or discharge said Participant's Direct Obligations, or, in the case of a portion of a Participant being withdrawn, the proportion of the Participant's Annual Obligation or Direct Obligation, as the case may be, attributable to the withdrawing portion of the Participant.

Admission of Participants. If, after the date of the adoption of the Resolution, the Board desires for an institution or agency governed by the Board to become a Participant of the Revenue Financing System, it may include said institution or agency in the Revenue Financing System with the effect set forth in the Resolution by the adoption of a Supplement to the Master Resolution.

Certain Covenants.

Rate Covenant. In each Fiscal Year, the Board shall establish, charge, and use its reasonable efforts to collect at each Participant the Pledged Revenues which, if collected, would be sufficient to meet all financial obligations of the Board relating to the Financing System including all deposits or payments due on or with respect to Outstanding Parity Obligations for such Fiscal Year. Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations and to the other provisions of the Master Resolution and any Supplement, the Board covenants and agrees to fix, levy, charge and collect at each Participant student tuition charges required or authorized by law to be imposed on students enrolled at each Participant (excepting, with respect to each series or issue of Parity Obligations, any student in a category which, at the time of adoption of the Supplement relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition charges). Each student

(excluding those exempt from payment as provided above), enrolled at each Participant, respectively, at each regular Fall and Spring semester and at each term of each summer session, shall pay tuition charges in such amounts, without any limitation whatsoever, as will be sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to Outstanding Parity Obligations when and as required. All changes in the tuition charged students at each Participant shall be made by resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of the Master Resolution or any Supplement, but merely the carrying out of the provisions and requirements hereof. See "SECURITY FOR THE BONDS-Pledge Under Master Resolution."

Other Covenants. The Board has additionally covenanted in the Resolution (i) to faithfully perform all covenants and provisions contained in the Resolution, any Supplement thereto, and in each Parity Obligation; (ii) to call for redemption all Parity Obligations, in accordance with their terms, which are subject to mandatory redemption; (iii) that it lawfully owns, has title to, or is lawfully possessed of the land, buildings, and facilities now constituting the University and the Health Science Center and to defend such title for the benefit of the owners of the Parity Obligations; (iv) that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Obligations; (v) to maintain and preserve the property of the Revenue Financing System; (vi) not to incur any debt secured by the Pledged Revenues except as permitted in the Resolution; (vii) to invest and secure money held in funds and accounts established under the Resolution in accordance with law and written policies of the Board; (viii) to keep proper books and records and accounts for the Revenue Financing System and to cause to be prepared annual financial reports of the Revenue Financing System and to furnish such reports, to appropriate municipal bond rating agencies and, upon request, owners of Parity Obligations; and (ix) to permit any owner or owners of 25% or more of outstanding principal amount of Parity Obligations at all reasonable times to inspect all records, accounts, and data of the Board relating to the Revenue Financing System. Notwithstanding the foregoing, and in addition to the right reserved by the Board to refund any Prior Encumbered Obligations with Parity Obligations, the Board reserves the right to issue obligations to refund any Prior Encumbered Obligations and to secure the refunding obligations with the same source or sources securing the Prior Encumbered Obligations being refunded. Upon the defeasance of the refunded Prior Encumbered Obligations, the refunding obligations will be Prior Encumbered Obligations (unless the refunding obligations are made Parity Obligations in accordance with the terms of this Resolution) under the Master Resolution and any Supplement for all purposes.

Remedies. Any owner of Parity Obligations in the event of default in connection with any covenant contained in the Master Resolution or in any Supplement, or default in the payment of any Parity Obligation, or of any interest due thereon, or other costs and expenses related thereto, may require the Board, its officials and employees, and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of the Master Resolution or in any Supplement, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the Board, its officials and employees, or any appropriate official of the State. The principal of the Bonds cannot be accelerated in the event of default, and the Board has not granted a lien on any physical property which may be levied or foreclosed against.

Amendment of Resolution.

Amendment Without Consent. The Master Resolution and any Supplement and the rights and obligations of the Board and of the owners of the Parity Obligations may be modified or amended at any time without notice to or the consent of any owner of the Parity Obligations, solely for any one or more of the following purposes:

- (i) To add to the covenants and agreements of the Board contained in the Resolution, other covenants and agreement thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board in the Resolution;
- (ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Resolution, upon receipt by the Board of an opinion of bond counsel, that the same is needed for such purpose, and will more clearly express the intent of the Resolution;
- (iii) To supplement the security for the Parity Obligations, including, but not by way of limitation, to provide for the addition of new institutions and agencies to the Financing System or to clarify the provisions regarding the University and the Health Science Center as a Participant in the Financing System;

provided, however, if the definition of Pledged Revenues is amended in any manner which results in the pledge of additional resources, the terms of such amendment may limit the amount of such additional pledge and the manner, extent, and duration of such additional pledge all as set forth in such amendment;

(iv) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Obligations, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the owners of the Parity Obligations;

(v) To make such changes, modifications, or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of Credit Agreements with respect to outstanding Parity Obligations; or

(vi) To make such other changes in the provisions hereof as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of Parity Obligations.

Amendments With Consent. Subject to the other provisions of the Resolution, the owners of outstanding Parity Obligations aggregating a majority in Outstanding Principal Amounts shall have the right from time to time to approve any amendment, other than amendments described in the foregoing paragraph, to the Master Resolution, or with respect to an amendment affecting a particular supplemental resolution only, a majority in aggregate principal amount of the Parity Obligations issued under such supplemental resolution, which may be deemed necessary or desirable by the Board; provided, however, that no provision shall permit or be construed to permit, without the approval of the owners of all of the Parity Obligations, the amendment of the terms and conditions in the Resolution so as to:

- (1) Grant to the owners of any Parity Obligations a priority over the owners of any other Parity Obligations;
- (2) Materially adversely affect the rights of the owners of less than all Parity Obligations then outstanding; or
- (3) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment.

In addition to the foregoing limitations, the Resolution provides that no provisions shall be construed to permit, without the approval of the owners of all of the Bonds outstanding, the amendment of the Resolution or the Bonds so as to:

- (1) Make any change in the maturity of the Bonds;
- (2) Reduce the rate of interest borne by the Bonds;
- (3) Reduce the amount of principal payable on the Outstanding Bonds;
- (4) Modify the terms of payment of principal of or interest on the Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the owners of less than all Bonds then Outstanding; or
- (6) Change the minimum percentage of the Outstanding Principal Amount of Bonds necessary for consent to such amendment.

Defeasance. Any Parity Obligations and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Debt") within the meaning of the Resolution, except to the extent required for payment thereof, when the payment of all principal and interest payable with respect to such Parity Obligations to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or provision for the giving of same having been made) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such Parity Obligations for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) noncallable Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to

provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with each such Paying Agent for the payment of its services until after all Defeased Debt shall have become due and payable. At such time as Parity Obligations shall be deemed to be Defeased Debt under the terms of the Resolution, such Parity Obligations and the interest thereof shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding for any purposes other than payment, transfer, and exchange.

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APPENDIX D

FORMS OF OPINIONS OF BOND COUNSEL

*An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of
the Series 2020A Bonds, assuming no material changes in facts or law.*

BOARD OF REGENTS OF THE UNIVERSITY OF NORTH TEXAS SYSTEM
REVENUE FINANCING SYSTEM REFUNDING BONDS,
SERIES 2020A, \$59,475,000

WE HAVE EXAMINED into the validity of the referenced issue of bonds (the “Bonds”), being issued by the Board of Regents (the “Board”) of the University of North Texas System (the “Issuer”), which bear interest from the date and mature on the dates specified on the face of the Bonds, all in accordance with the resolutions of the Board authorizing the issuance of the Bonds (collectively, the “Bond Resolution”). Terms used herein and not otherwise defined shall have the meaning given in the Bond Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Board relating to the authorization, issuance, sale, and delivery of the Bonds, including the Bond Resolution, certificates and opinions of officials of the Board, and other pertinent instruments relating to the issuance of the Bonds. We have also examined one of the executed Bonds which we found to be in due form and properly executed. We express no opinion with respect to any statement of insurance that may appear on the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued, and delivered in accordance with law; that, except as may be limited by laws applicable to the Board relating to bankruptcy, reorganization, and other similar matters affecting creditors’ rights, the covenants and provisions in the Bond Resolution constitute valid and legally binding special obligations of the Board; and that the Bonds constitute valid and legally binding special obligations of the Board secured by and payable from, a lien on and pledge of the Pledged Revenues, such lien on and pledge of the Pledged Revenues being subordinate only to the lien on and pledge of the Pledged Revenues securing the Outstanding Revenue Bonds.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation.

THE BOARD has reserved the right, subject to the restrictions stated in the resolution authorizing the Bonds, to issue additional parity revenue bonds which also may be secured by and made payable from a lien on and pledge of the Pledged Revenues.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not “specified private activity bonds” and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed or refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not investigated or verified, any records, data or other material relating to the financial condition or capabilities of the Board or the University, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds, and we have relied solely on representations by officials of the Board or the Issuer as to the availability and sufficiency of the Pledged Revenues. Our role in connection with the Board's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

*An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of
the Series 2020B Bonds, assuming no material changes in facts or law.*

BOARD OF REGENTS OF THE UNIVERSITY OF NORTH TEXAS SYSTEM
REVENUE FINANCING SYSTEM REFUNDING BONDS,
TAXABLE SERIES 2020B, \$55,240,000

WE HAVE EXAMINED into the validity of the referenced issue of bonds (the “Bonds”), being issued by the Board of Regents (the “Board”) of the University of North Texas System (the “Issuer”), which bear interest from the date and mature on the dates specified on the face of the Bonds, all in accordance with the resolutions of the Board authorizing the issuance of the Bonds (collectively, the “Bond Resolution”). Terms used herein and not otherwise defined shall have the meaning given in the Bond Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Board relating to the authorization, issuance, sale, and delivery of the Bonds, including the Bond Resolution, certificates and opinions of officials of the Board, and other pertinent instruments relating to the issuance of the Bonds. We have also examined one of the executed Bonds which we found to be in due form and properly executed. We express no opinion with respect to any statement of insurance that may appear on the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued, and delivered in accordance with law; that, except as may be limited by laws applicable to the Board relating to bankruptcy, reorganization, and other similar matters affecting creditors’ rights, the covenants and provisions in the Bond Resolution constitute valid and legally binding special obligations of the Board; and that the Bonds constitute valid and legally binding special obligations of the Board secured by and payable from, a lien on and pledge of the Pledged Revenues, such lien on and pledge of the Pledged Revenues being subordinate only to the lien on and pledge of the Pledged Revenues securing the Outstanding Revenue Bonds.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation.

THE BOARD has reserved the right, subject to the restrictions stated in the resolution authorizing the Bonds, to issue additional parity revenue bonds which also may be secured by and made payable from a lien on and pledge of the Pledged Revenues.

THE BONDS ARE NOT OBLIGATIONS DESCRIBED IN SECTION 103(a) OF THE INTERNAL REVENUE CODE OF 1986. We express no opinion as to any federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not investigated or verified, any records, data or other material relating to the financial condition or capabilities of the Board or the University, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds, and we have relied solely on representations by officials of the Board or the Issuer as to the availability and sufficiency of the Pledged Revenues. Our role in connection with the Board’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

Respectfully,

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