

(See “CONTINUING DISCLOSURE
OF INFORMATION” herein)

OFFICIAL STATEMENT DATED MARCH 10, 2022

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 Bonds is excludable from gross income for federal income tax purposes under existing statutes, court decisions, regulations and published rulings. See “TAX MATTERS” for a discussion of the opinion of Bond Counsel.

\$101,555,000

**BOARD OF REGENTS OF THE UNIVERSITY OF NORTH TEXAS SYSTEM
REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, SERIES 2022**

Dated: Date of Delivery

Due: April 15, as shown herein

The Board of Regents of the University of North Texas System Revenue Financing System Refunding and Improvement Bonds, Series 2022 (the “Bonds”) are special obligations of the Board of Regents (the “Board”) of the University of North Texas System (the “University System”). The 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-Ninth Supplemental Resolution to the Master Resolution adopted by the Board on August 13, 2021 (the “Twenty-Ninth Supplement”). The 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 Bonds are Parity Obligations (as defined herein). **THE 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 BONDS.** See “SECURITY FOR THE BONDS.”

The proceeds from the sale of the Bonds will be used for the purposes of: (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads, or related infrastructure throughout the University System; (ii) refunding all or a portion of the Board’s outstanding Series A Commercial Paper Notes and Series B Commercial Paper Notes (as defined herein); (iii) funding capitalized interest on the Bonds; and (iv) paying certain costs of issuing the Bonds. See “PLAN OF FINANCING.”

Interest on the 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 Bonds is payable on October 15, 2022, and each April 15 and October 15 thereafter until maturity or prior redemption. The 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 Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Interest on and principal of the 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 Bonds. See “DESCRIPTION OF THE BONDS – Book-Entry-Only System.”

MATURITY SCHEDULE
See schedule on page ii
CUSIP Prefix: 914729

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

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

The 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 Bonds are expected to be available for delivery through DTC on or about March 29, 2022 (the “Date of Delivery”).

**Barclays
Ramirez & Co., Inc.**

MATURITY SCHEDULE

CUSIP PREFIX: 914729⁽¹⁾

**\$101,555,000
Revenue Financing System Refunding and Improvement Bonds,
Series 2022**

\$48,330,000 Serial Bonds

Maturity Date 4/15	Principal Amount	Interest Rate	Initial Price or Yield	CUSIP Suffix ⁽¹⁾
2023	\$ 935,000	5.000%	1.070%	VM7
2024	1,385,000	5.000%	1.320%	VN5
2025	1,455,000	5.000%	1.440%	VP0
2026	1,520,000	5.000%	1.570%	VQ8
2027	1,600,000	5.000%	1.680%	VR6
2028	1,680,000	5.000%	1.790%	VS4
2029	1,765,000	5.000%	1.880%	VT2
2030	1,850,000	5.000%	1.970%	VU9
2031	1,945,000	5.000%	2.020%	VV7
2032	2,040,000	5.000%	2.100%	VW5
2033	2,145,000	5.000%	2.190% ⁽²⁾	VX3
2034	2,250,000	5.000%	2.260% ⁽²⁾	VY1
2035	2,360,000	5.000%	2.320% ⁽²⁾	VZ8
2036	2,480,000	5.000%	2.370% ⁽²⁾	WA2
2037	3,210,000	5.000%	2.410% ⁽²⁾	WB0
2038	3,370,000	5.000%	2.440% ⁽²⁾	WC8
2039	3,535,000	5.000%	2.460% ⁽²⁾	WD6
2040	4,065,000	5.000%	2.490% ⁽²⁾	WE4
2041	4,260,000	5.000%	2.510% ⁽²⁾	WF1
2042	4,480,000	5.000%	2.530% ⁽²⁾	WG9

\$25,955,000 5.000% Term Bonds, due April 15, 2047; Priced to Yield 2.650%; CUSIP No. 914729WH7⁽¹⁾⁽³⁾

\$27,270,000 4.000% Term Bonds, due April 15, 2052; Priced to Yield 3.000%; CUSIP No. 914729WJ3⁽¹⁾⁽²⁾

⁽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 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 the first optional call date of April 15, 2032.

⁽³⁾ Yield to the first optional call date of April 15, 2028.

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

Board of Regents of the University of North Texas System

<u>Name</u>	<u>Residence</u>	<u>Term Expiration</u> ⁽¹⁾
Laura Wright (Chair)	Dallas	May 22, 2021 ⁽²⁾
Brint Ryan	Dallas	May 22, 2021 ⁽²⁾
A.K. Mago	Dallas	May 22, 2021 ⁽²⁾
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.

⁽²⁾ The Governor has yet to make any appointments for the members whose terms have expired.

Principal Administrators

<u>Name</u>	<u>Title</u>	<u>Years of Service within University System</u>
Dr. Michael R. Williams ⁽¹⁾	Chancellor (University System) and President (Health Science Center)	9
Gregory Anderson ⁽²⁾	Deputy Chancellor for Finance and Operations (University System) and Executive Vice President for Finance and Operations (Health Science Center)	6
Dr. Jamaica Chapple	Interim Vice Chancellor for Academic Affairs and Student Success (University System)	8
Alan Stucky	Vice Chancellor and General Counsel (University System)	17
Dr. Neal J. Smatresk	President (University)	8
Dr. Jennifer Evans-Cowley ⁽³⁾	Provost and Vice President for Academic Affairs (University)	5
Clayton Gibson	Vice President for Finance and Administration and Chief Financial Officer (University)	<1
Dr. Charles Taylor	Provost (Health Science Center)	5
Bob Mong	President (UNT-Dallas)	6
Betty Stewart	Provost and Executive Vice President for Academic Affairs (UNT-Dallas)	5
Arthur Bradford	Executive Vice President for Administration and Chief Financial Officer (UNT-Dallas)	1

⁽¹⁾ Dr. Williams was appointed Chancellor effective January 1, 2022. He will continue to serve as President of the Health Science Center until a new President is named.

⁽²⁾ Gregory Anderson was appointed Deputy Chancellor for Finance and Operations on February 24, 2022. He will continue as the Executive Vice President for Finance and Operations of the Health Science Center until a permanent hire has been made. Dan Tenney resigned as Executive Vice Chancellor for Finance and Chief Financial Officer effective February 25, 2022. The Executive Vice Chancellor for Finance and Chief Financial Officer position has been replaced by the Deputy Chancellor for Finance and Operations position.

⁽³⁾ On February 1, 2022, Dr. Evans-Cowley was named the next president of The University of Texas at Arlington, a role she is expected to begin in April 2022.

Consultants

Financial Advisor
Hilltop Securities Inc.
Dallas, Texas

Bond Counsel
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Dallas, Texas

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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 page ii 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.

Marketability

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT 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.”

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

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OFFICIAL STATEMENT

relating to

BOARD OF REGENTS OF THE UNIVERSITY OF NORTH TEXAS SYSTEM

\$101,555,000 REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, SERIES 2022

INTRODUCTION

General. This Official Statement, which includes the cover page 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 and Improvement Bonds, Series 2022” (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 Gregory Anderson, Deputy Chancellor for Finance and Operations, 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 2021 Fall semester, the University had a total enrollment of 42,168 students, UNT-Dallas had a total enrollment of 4,186 students, and the Health Science Center had a total enrollment of 2,456 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. Starting the week of March 16, 2020, undergraduate and graduate course instruction was conducted through virtual means. Most students vacated their respective campuses and those that remained were subject to “social distancing” measures and reduced on-campus services. More recently the campuses have returned to an in person educational offering. While many of the campus protections remained in place including improved ventilation systems, increased opportunity for social distancing and improved overall sanitation, the majority of classes and events returned to in person. The University System retained the capability to go fully remote and have drawn upon it when there has been a change in the overall conditions. The University System continues to work closely with each institution to coordinate 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 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 and each individual institution leadership team has spent significant hours preparing all locations for safe return to in person education and service. A cross-institutional team of experts from all UNTS institutions and system headquarters continues to work 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>.

There was an initial response to the outbreak of the coronavirus (COVID-19) that included the implementation of significant cost controlling measures across the entire University System. These short-term cost controls included 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 Capital Improvement Plan and while future potential expansions of the pandemic could stimulate reductions, the current environment is leading to expansions in areas that contribute to future success and/or protect the University System’s assets.

PLAN OF FINANCING

Purpose. The proceeds from the sale of the Bonds will be used for the purposes of: (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads, or related infrastructure throughout the University System; (ii) refunding all or a portion of the Board’s outstanding Series A Commercial Paper Notes and Series B Commercial Paper Notes (as defined herein); (iii) funding capitalized interest on the Bonds; and (iv) paying certain costs of issuing the Bonds. See “- Refunded Commercial Paper Notes,” and “SOURCES AND USES OF FUNDS.”

Refunded Commercial Paper Notes. Currently, \$50,000,000 in principal amount of the Series A Commercial Paper Notes is outstanding. A portion of the proceeds of the Bonds will be used to refund and retire \$39,653,000 of outstanding Series A Commercial Paper Notes issued by the Board under authority of the Tenth Supplement. The Series A Commercial Paper Notes were issued to provide interim financing for projects under the Revenue Financing System and will be retired concurrently with or shortly after 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 A Commercial Paper Notes and will be held in the “Note Payment Fund” established by the Tenth Supplement for the sole purpose of retiring the refunded Series A Commercial Paper Notes.

Currently, \$52,060,000 in principal amount of the Series B Commercial Paper Notes is outstanding. A portion of the proceeds of the Bonds will be used to refund and retire \$52,060,000 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. See “SOURCES AND USES OF FUNDS.”

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-Ninth Supplemental Resolution to the Master Resolution adopted by the Board on August 13, 2021 (the “Twenty-Ninth Supplement”). The Master Resolution and the Twenty-Ninth Supplement are referred to herein collectively as the “Resolution.” Following the issuance of the Bonds, there will be \$842,497,000 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 \$10,347,000, 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, 2021 – Note 6: Bonded Indebtedness.”

The Twenty-Ninth 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 installment of bonds issued under authority of the Twenty-Ninth Supplement. The authority to execute a bond purchase agreement and sell bonds under the provisions of the Twenty-Ninth Supplement expires August 12, 2022.

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 University 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 refunding of the Refunded Commercial Paper Notes will restore the capacity to sell Series A Commercial Paper Notes in a principal amount from time to time and at any one time outstanding not to exceed \$50,000,000, and the capacity to sell Series B Commercial Paper Notes in a principal amount from time to time and at any one time outstanding not to exceed \$75,000,000. 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.”

SOURCES AND USES OF FUNDS

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

<u>Sources of Funds</u>	<u>Bonds</u>
Par Amount of Bonds	\$101,555,000.00
Premium	<u>15,929,826.20</u>
Total Sources of Funds	\$117,484,826.20

<u>Applications of Funds</u>	
Deposit to Project Fund	\$ 23,287,000.00
Refunding of Series A Commercial Paper Notes ⁽¹⁾	39,653,000.00
Refunding of Series B Commercial Paper Notes ⁽¹⁾	52,060,000.00
Deposit to Capitalized Interest Fund	1,680,591.11
Costs of Issuance ⁽²⁾	<u>804,235.09</u>
Total Uses of Funds	\$117,484,826.20

⁽¹⁾ Interest due upon refunding paid separately from University System funds.

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

DESCRIPTION OF THE BONDS

General. The Bonds 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 page ii 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, 2022, and each April 15 and October 15 thereafter until maturity or prior redemption. The Bonds mature on the dates and in the principal amounts set forth on page ii 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, Dallas, Texas (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 at Par

The Bonds scheduled to mature on April 15, 2047 are subject to redemption prior to maturity at the option of the Board on April 15, 2028 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.

The Bonds scheduled to mature on April 15 in each of the years 2033 through 2042, inclusive, and on April 15, 2052 are subject to redemption prior to maturity at the option of the Board on April 15, 2032 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.

Mandatory Redemption

The Bonds maturing April 15 in the years 2047 and 2052 are also 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 Bonds or portions thereof to be redeemed to be selected and designated by the Board (provided that a portion of a 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>
2043	\$4,700,000
2044	4,930,000
2045	5,180,000
2046	5,435,000
2047*	5,710,000

* Scheduled Maturity.

Redemption Date <u>(April 15)</u>	<u>Principal Amount</u>
2048	\$5,995,000
2049	6,235,000
2050	4,820,000
2051	5,010,000
2052*	5,210,000

* Scheduled Maturity.

The principal amount of the 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 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 Bonds, or (3) have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against mandatory sinking fund redemption.

Selection of Bonds to be Redeemed

If less than all of the Bonds 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 Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity 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” below.

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, unless certain prerequisites to such optional redemption required by the Twenty-Ninth 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-Ninth 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.

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 the name of Cede & Co., its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Board and the Underwriters believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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 DTC Participants, (2) DTC 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 will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the 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.

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. Following the issuance of the Bonds, there will be \$842,497,000 in aggregate principal amount of Parity Obligations outstanding (including \$10,347,000 of Series A Commercial Paper Notes). 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.”

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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**

	2017	2018	2019	2020	2021
Available Pledged Revenues					
Not Including Fund Balances (1)(2)	\$625,218,365	\$697,655,638	\$711,636,275	\$723,944,392	\$755,801,828
Pledgeable Unappropriated Funds					
Fund and Reserve Balances ⁽²⁾	205,913,527	250,539,595	334,228,791	293,233,337	290,394,836
Total Pledged Revenues ⁽²⁾	<u>\$831,131,889</u>	<u>\$ 948,195,234</u>	<u>\$1,045,865,066</u>	<u>\$1,017,177,729</u>	<u>\$1,046,196,664</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 \$32,791,435 for Fiscal Year 2021); (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 2021); 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 \$32,791,435 for Fiscal Year 2021); (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 2021); 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 Bonds constitute Parity Obligations under the Master Resolution. 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. Following the issuance of the Bonds, 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	Total Current Debt Service ⁽¹⁾⁽²⁾	Bonds ⁽³⁾			Total Annual Net Debt Service
		Principal	Net Interest	Total	
2022	\$ 64,471,626	\$ -	\$ -	\$ -	\$ 64,471,626
2023	72,300,224	935,000	3,338,017	4,273,017	76,573,241
2024	73,962,771	1,385,000	4,758,300	6,143,300	80,106,071
2025	70,514,402	1,455,000	4,689,050	6,144,050	76,658,452
2026	67,632,094	1,520,000	4,616,300	6,136,300	73,768,394
2027	66,403,343	1,600,000	4,540,300	6,140,300	72,543,643
2028	64,265,739	1,680,000	4,460,300	6,140,300	70,406,039
2029	63,858,302	1,765,000	4,376,300	6,141,300	69,999,602
2030	58,612,897	1,850,000	4,288,050	6,138,050	64,750,947
2031	58,374,503	1,945,000	4,195,550	6,140,550	64,515,053
2032	55,144,480	2,040,000	4,098,300	6,138,300	61,282,780
2033	40,753,051	2,145,000	3,996,300	6,141,300	46,894,351
2034	29,146,252	2,250,000	3,889,050	6,139,050	35,285,302
2035	28,559,597	2,360,000	3,776,550	6,136,550	34,696,147
2036	27,409,545	2,480,000	3,658,550	6,138,550	33,548,095
2037	26,578,846	3,210,000	3,534,550	6,744,550	33,323,396
2038	26,389,748	3,370,000	3,374,050	6,744,050	33,133,798
2039	25,163,209	3,535,000	3,205,550	6,740,550	31,903,759
2040	21,612,674	4,065,000	3,028,800	7,093,800	28,706,474
2041	13,732,723	4,260,000	2,825,550	7,085,550	20,818,273
2042	13,544,982	4,480,000	2,612,550	7,092,550	20,637,532
2043	13,362,540	4,700,000	2,388,550	7,088,550	20,451,090
2044	13,194,397	4,930,000	2,153,550	7,083,550	20,277,947
2045	13,009,155	5,180,000	1,907,050	7,087,050	20,096,205
2046	7,038,012	5,435,000	1,648,050	7,083,050	14,121,062
2047	7,036,800	5,710,000	1,376,300	7,086,300	14,123,100
2048	7,026,588	5,995,000	1,090,800	7,085,800	14,112,388
2049	6,657,326	6,235,000	851,000	7,086,000	13,743,326
2050	4,013,063	4,820,000	601,600	5,421,600	9,434,663
2051	-	5,010,000	408,800	5,418,800	5,418,800
2052	-	5,210,000	208,400	5,418,400	5,418,400
Total	\$1,039,768,889	\$101,555,000	\$89,896,067	\$191,451,067	\$1,231,219,955

⁽¹⁾ 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. As of March 10, 2022, Series A Commercial Paper Notes were outstanding in the amount of \$50,000,000 and Series B Commercial Paper Notes were outstanding in the amount of \$52,060,000. Proceeds of the Bonds are expected to be used to refund \$39,653,000 of the Series A Commercial Paper Notes and to refund \$52,060,000 of the Series B Commercial Paper Notes. See “PLAN OF FINANCING – Refunded Commercial Paper Notes.”

⁽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 \$32,791,435 during Fiscal Year 2022). 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⁾ Net of capitalized interest.

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 \$353 million of additional bonds in the next three to five fiscal years, which includes \$273 million for projects approved by the State Legislature known as Capital Construction Assistance Projects (formerly Tuition Revenue Bonds). See “APPENDIX A, DESCRIPTION OF THE PARTICIPANTS - Funding for the Participants - *Tuition Revenue Bonds*”.

ABSENCE OF LITIGATION

Except as referenced in “APPENDIX B, THE AUDITED CONSOLIDATED ANNUAL FINANCIAL REPORT OF THE UNIVERSITY OF NORTH TEXAS SYSTEM FOR THE YEAR ENDED AUGUST 31, 2021 – Note 11: Contingencies and Commitments,” 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-Ninth Supplement, the Board has made the following agreement for the benefit of the holders and beneficial owners 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 2021. 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 2022, 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 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”), “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 co-counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas and Kassahn & Ortiz, P.C., San Antonio, Texas.

TAX MATTERS

Opinion. On the date of initial delivery of the Bonds, 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) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item for individuals under section 57(a)(5) of the Internal Revenue Code of 1986 (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 Bonds (see “APPENDIX D – FORM OF OPINION OF BOND COUNSEL”).

In rendering its opinion, Bond Counsel will rely upon (a) the Board's federal tax certificate and (b) covenants of the Board with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the Board to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the 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 Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the Board with the covenants and the requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion 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 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 Bonds.

A ruling was not sought from the Internal Revenue Service by the Board with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Board that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Board as the taxpayer and the Bondholders may 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 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 owner who has purchased such 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 owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (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 six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month 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.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners 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. The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income

credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the 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 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.

State, Local and Foreign Taxes. 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. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

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 Internal Revenue Service. Payments of interest and principal may be subject to 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.

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 Bonds under Federal or state law and could affect the market price or marketability of the 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 Bonds should consult their own tax advisors regarding the foregoing matters.

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.

FINANCIAL ADVISOR

Hilltop Securities Inc. (“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

Barclays Capital Inc., as Representative of the Underwriters of the Bonds (the “Underwriters”), has agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the Board at a price equal to the principal amount of the Bonds plus a reoffering premium of \$15,929,826.20 and less an underwriting discount of \$498,013.40. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The 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 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.

The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, 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-Ninth 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/ Gregory Anderson
Deputy Chancellor for Finance and Operations
The University of North Texas System

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 largest public university system located in and primarily serving the North Texas region, serve over 48,000 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 (G. Brint Ryan 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 42,000 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 113 bachelor’s, 94 master’s and 37 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 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 8 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 1,202 full-time equivalents (FTEs), of which 237 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.

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 Deputy Chancellor for Finance and Operations; 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.

Michael R. Williams was named Chancellor of the University System effective January 1, 2022. In July of 2013, Dr. Williams was named as President of the Health Science Center, a position he currently holds. 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

Gregory R. Anderson, Deputy Chancellor for Finance and Operations for the University System and Executive Vice President for Finance and Operations for the Health Science Center, 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.

Dr. Jamaica Chapple joined the University System in April 2021. Prior to serving in the current role as Interim Vice Chancellor for Academic Affairs and Student Success, Dr. Chapple served as the inaugural Associate Vice President of Student Access and Success at the University of North Texas at Dallas for seven years. During her tenure at UNT-Dallas, Dr. Chapple was also named the inaugural Dean of Students in 2014. Before arriving at UNT-Dallas, Dr. Chapple served as an Assistant Professor of Counseling and Supervision as well as the Director of the Counseling and Psychology Clinic for two years. Dr. Chapple also provided executive leadership for Providence of Texas when she was appointed to Executive Clinical Director providing administrative and strategic clinical oversight, as well as, individual and family counseling, and case management services for youth on probation in Dallas County for 7 years. Dr. Chapple performed post-doctoral work for Walden University, earned a master's degree in Marriage and Family Therapy from the University of Louisiana Monroe, as well a bachelor's degree in Anthropology from the University of Texas at Arlington.

Alan Stucky serves the University System as Vice Chancellor and General Counsel. Mr. Stucky leads the University System Office of General Counsel, which represents the University System, its Board of Regents and its universities in all legal matters. Mr. Stucky joined the University 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, Dr. 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, Dr. 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. Dr. 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. Dr. Evans-Cowley was named the next president of The University of Texas at Arlington, a role she is expected to begin in April 2022.

Clayton Gibson joined the University of North Texas and began his term as Vice President for Finance and Administration and Chief Financial Officer of the University in June 2021. Prior to joining the University of North Texas, Mr. Gibson was the Senior Vice President for Finance and Administration at Alabama A&M University. Prior to joining Alabama A&M University Mr. Gibson served in management positions at Ernst & Young, LLP where he was an audit manager and provided consultation to clients in various industries. He is a member of the American Institute of Certified Public Accountants and Southern Association of College and University Business Officers.

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.

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.

Arthur Bradford began as Executive Vice President for Administration and Chief Financial Officer of the University of North Texas at Dallas in September of 2020. Prior to joining UNT-Dallas Mr. Bradford served as Head of Stores, Finance for JCPenney. In addition to corporate finance experience with JCPenney, Mr. Bradford held multiple senior roles at Walmart including Senior Director & Division CFO, U.S. Operations Finance & Strategy; and Senior Director, Real Estate Finance and Investment Analysis. Additionally, Mr. Bradford worked for Luxottica (Lenscrafters), Conagra Foods and PepsiCo Frito-Lay.

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>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
The University	31,405	31,347	32,126	32,694	32,450
UNT-Dallas	2,727	3,006	3,278	3,404	3,433
The Health Science Center	-	-	-	-	-
Total	34,132	34,533	35,404	36,098	35,883

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>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
The University	6,676	6,740	7,066	7,959	9,718
UNT-Dallas	782	751	781	760	753
The Health Science Center	2,270	2,258	2,219	2,329	2,456
Total	9,728	9,749	10,066	11,048	12,927

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>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
The University	30,583	30,558	31,387	32,392	32,643
UNT-Dallas	2,626	2,797	3,044	3,073	2,980
The Health Science Center	2,568	2,624	2,547	2,629	2,774
Total	35,777	35,979	36,978	38,094	38,397

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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>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
Applications Submitted	18,560	19,767	21,551	21,325	24,641
Applications Accepted	13,405	14,080	15,883	17,980	20,086
Matriculation	4,905	4,791	5,510	5,237	5,516
% Accepted	72.2%	71.2%	73.6%	84.3%	81.5%
% Matriculated	36.6%	34.0%	34.7%	29.1%	27.5%

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

	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
Applications Submitted	6,191	6,247	6,896	9,071	13,596
Applications Accepted	3,037	3,289	3,625	4,873	7,429
Matriculation	1,712	1,853	1,987	1,987	3,369
% Accepted	49.0%	52.6%	52.6%	53.7%	54.6%
% Matriculated	56.3%	56.3%	54.8%	40.7%	45.3%

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

	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
New Undergraduate Transfers	3,944	3,971	4,156	3,809	3,779

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>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
Applications Submitted	1,483	1,670	1,556	2,237	2,635
Applications Accepted	1,097	1,388	1,262	2,128	2,365
Matriculation	316	365	424	326	444
% Accepted	74.0%	83.1%	81.1%	95.1%	89.8%
% Matriculated	28.8%	26.3%	33.5%	15.3%	18.8%

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

	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
Applications Submitted	884	1,329	1,262	1,365	1,369
Applications Accepted	440	447	474	422	566
Matriculation	243	266	296	252	301
% Accepted	49.8%	33.6%	37.5%	30.9%	41.3%
% Matriculated	55.2%	59.5%	62.4%	59.7%	53.2%

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

	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
New Undergraduate Transfers	568	584	639	552	683

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>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>
Applications Submitted	8,765	8,785	8,413	8,109	9,732
Applications Accepted	1,111	1,109	954	1,112	1,338
Matriculation	547	564	520	657	745
% Accepted	12.7%	12.6%	11.3%	13.7%	13.7%
% Matriculated	49.2%	50.8%	54.5%	59.1%	55.7%

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>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>
Baccalaureate	7,133	7,287	7,507	8,030	8,015
Masters	1,767	1,900	1,809	1,930	2,249
Doctoral	258	280	312	322	277
Total	9,185	9,467	9,628	10,282	10,541

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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>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>
Baccalaureate	435	561	638	671	813
Masters	165	102	150	173	175
Doctoral – Profession Practice	32	145	113	88	109
Total	632	808	901	932	1,097

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>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>
Masters	418	421	351	379	436
Doctoral	130	151	172	159	143
Doctor of Osteopathic Medicine	218	218	226	206	218
Total	766	790	749	744	797

Faculty and Employees.

Set forth below are the numbers of full-time equivalent faculty and employees employed by the University System as of Fall 2021.

Table A-14
Faculty and Employees (Fall 2021)

	<u>University</u>	<u>UNT-Dallas</u>	<u>Health Science Center</u>	<u>System Administration</u>	<u>Total</u>
Faculty	1,196	134	237	-	1,567
Employees	2,421	243	965	389	4,018
Total	3,617	377	1,202	389	5,585

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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, 2021,” 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, 2021, from the 2021 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, 2021, the Combined Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended August 31, 2021, and the Combined Statement of Cash Flows for the Year Ended August 31, 2021. 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, 2021.”

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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 2017- 2021 (audited).

Condensed Combined Statement of Net Position as of August 31 (in Thousands)					
	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Assets and Deferred Outflow of Resources:					
Current Assets	\$ 657,648	\$ 587,765	\$ 603,004	\$ 643,213	\$ 733,234
Capital Assets, Net	1,417,134	1,420,052	1,393,139	1,245,030	1,070,890
Other Non-Current Assets	477,299	395,086	370,261	341,753	324,759
Deferred Outflow of Resources	386,359	433,179	491,095	46,494	43,570
Total Assets and Deferred Outflow of Resources:	<u>\$ 2,938,439</u>	<u>\$ 2,836,083</u>	<u>\$ 2,857,499</u>	<u>\$ 2,276,490</u>	<u>\$ 2,172,453</u>
Liabilities and Deferred Inflow of Resources:					
Current Liabilities	\$ 566,185	\$ 513,552	\$ 511,031	\$ 429,499	\$ 435,674
Bonded Indebtedness	727,584	782,718	819,475	682,832	731,380
Other Non-Current Liabilities	694,508	651,508	615,153	296,601	144,960
Deferred Inflow of Resources	184,482	188,800	192,255	62,894	34,634
Total Liabilities and Deferred Inflow of Resources:	<u>\$ 2,172,760</u>	<u>\$ 2,136,577</u>	<u>\$ 2,137,914</u>	<u>\$ 1,471,826</u>	<u>\$ 1,346,648</u>
Net Position:					
Net Investment in Capital Assets	\$ 559,437	\$ 550,045	\$ 472,338	\$ 438,058	\$ 483,233
Restricted					
Expendable	55,901	38,331	32,475	32,610	26,655
Non-Expendable	64,471	58,544	55,359	53,248	47,683
Other Restricted	62,596	61,689	53,265	47,593	40,247
Unrestricted	23,274	(9,104)	106,148	233,155	227,987
Total Net Position	<u>\$ 765,679</u>	<u>\$ 699,506</u>	<u>\$ 719,585</u>	<u>\$ 804,664</u>	<u>\$ 825,805</u>
Liabilities and Net Position	<u>\$ 2,938,439</u>	<u>\$ 2,836,083</u>	<u>\$ 2,857,499</u>	<u>\$ 2,276,490</u>	<u>\$ 2,172,453</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, 2021- Combined Statement of Net Assets as of August 31, 2021.”

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 2017-2021 (audited).

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

	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
Operating Revenues	\$ 709,009	\$ 668,259	\$ 657,617	\$ 654,363	\$ 619,860
Operating Expenses	<u>1,203,666</u>	<u>1,161,489</u>	<u>1,143,705</u>	<u>1,003,806</u>	<u>951,772</u>
Operating Income (Loss)	(494,656)	(493,230)	(486,088)	(349,443)	(331,912)
Nonoperating Revenues (Expenses)	<u>492,321</u>	<u>400,851</u>	<u>339,252</u>	<u>364,447</u>	<u>336,694</u>
Income (Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	(2,335)	(92,379)	(146,836)	15,004	4,782
Other Revenues, Expenses, Gains, Losses and Transfers	<u>68,508</u>	<u>72,300</u>	<u>63,752</u>	<u>64,676</u>	<u>78,089</u>
Change in Net Position	<u>66,173</u>	<u>(20,079)</u>	<u>(83,084)⁽¹⁾</u>	<u>79,680</u>	<u>82,871</u>
Net Position, Beginning of Year	699,506	719,585	804,664	825,805	742,934
Restatements	<u>-</u>	<u>-</u>	<u>(1,995)⁽²⁾</u>	<u>(100,821)⁽³⁾</u>	<u>-</u>
Restated Net Position, Beginning of Year	<u>699,506</u>	<u>719,585</u>	<u>802,669</u>	<u>724,984</u>	<u>742,934</u>
Net Position, End of Year	<u><u>\$ 765,679</u></u>	<u><u>\$ 699,506</u></u>	<u><u>\$ 719,585</u></u>	<u><u>\$ 804,664</u></u>	<u><u>\$ 825,805</u></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 2018 resulted from the implementation of GASB Statement No. 75.

For more detailed information, see “APPENDIX B, THE AUDITED CONSOLIDATED ANNUAL FINANCIAL REPORT OF THE UNIVERSITY SYSTEM FOR THE YEAR ENDED AUGUST 31, 2021 - Combined Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended August 31, 2021.”

The table below presents the Condensed Combined Statement of Cash Flows of the University of North Texas System for fiscal years 2017-2021 (audited).

	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
Cash Provided (Used) by:					
Operating Activities	\$ (277,943)	\$ (276,085)	\$ (289,386)	\$ (245,948)	\$ (247,886)
Noncapital Financing Activities	426,714	372,284	326,374	306,271	315,499
Capital and Related Financing Activities	(89,350)	(133,784)	(72,012)	(197,789)	177,107
Investing Activities	(9,315)	8,038	7,013	128,955	(137,965)
Net Change in Cash and Cash Equivalents	\$ 50,107	\$ (29,546)	\$ (28,011)	\$ (8,511)	\$ 106,754
Cash and Cash Equivalents at Beginning of Year	244,341	273,887	301,898	310,409	203,654
Restatement to Beginning Cash and Cash Equivalents	-	-	-	-	-
Cash, Beginning of Year	244,341	273,882	301,898	310,409	203,654
Cash, End of Year	\$ 294,448	\$ 244,341	\$ 273,887	\$ 301,898	\$ 310,409

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, 2021 - 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 25, 2021, the State Legislature adopted a budget for the 2022-23 biennium beginning September 1, 2021. Appropriations for the biennium are \$251,406,053 for the University, \$191,881,830 for the Health Science Center, \$55,857,622 for UNT-Dallas and \$12,120,811 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 2022-23 biennium, including funds to be received pursuant to Article VII, Section 17 of the Texas Constitution, are expected to comprise approximately 23% of the revenues for the University, 36% of the revenues of UNT-Dallas and 47% of the revenues of the Health Science Center.

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. The University will receive a CRS appropriation in the amount of \$3,379,207 each year for the 2022-23 biennium. ERUs remain eligible for Texas Research Incentive Program (TRIP) funding originated by the 81st Legislature, and the University of North Texas will receive \$1,246,985 in TRIP funding for 2022-23.

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 State Constitution also allows the State 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, the Health Science Center, and UNT-Dallas 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 2022 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 Pledged 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 General Appropriations Act signed into law on June 18, 2021, 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 \$32,791,434 for the fiscal year ending August 31, 2022 and \$29,272,836 for the fiscal year ending August 31, 2023. In addition, the Third Called Special Session of the 87th State Legislature enacted Senate Bill 52 (signed into law on October 25, 2021), which authorizes the issuance of \$273.3 million of new Capital Construction Assistance Projects (formerly Tuition Revenue Bonds) for the University System. 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 Fall 2021, 8,261 students were offered the guaranteed tuition plan and 1,055 students accepted the plan. This is roughly 13% of the total eligible students who were offered the plan.

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 the University for the 2021-22 academic year based on 15 semester credit hours per semester for Undergraduate students and 9 semester credit hours per semester for Masters students.

**Table A-15
Tuition and Fees for Academic Year 2021-2022
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	\$ -	\$ 1,446.03	\$ 5,647.68	\$ 526.75
Non-Resident Undergraduate	6,885.00	3,451.65	-	1,446.03 ⁽³⁾	11,782.68	206.55
Resident Masters	450.00	2,275.11	450.00	953.07 ⁽⁴⁾	4,128.18	346.67
Non-Resident Masters	4,131.00	2,275.11	450.00	953.07 ⁽³⁾⁽⁴⁾	7,809.18	123.93
Resident Doctoral	450.00	2,275.11	450.00	953.07	4,128.18	346.67
Non-Resident Doctoral	4,131.00	2,275.11	450.00	953.07 ⁽³⁾	7,809.18	123.93

⁽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 2021-22 academic year based on 15 semester credit hours per semester for Undergraduate and Doctoral students and 9 semester credit hours per semester for Masters students.

Table A-16
Tuition and Fees for Academic Year 2021-2022
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	\$ -	\$ 839.00	\$ 4,758.65	\$ 484.45
Non-Resident Undergraduate	6,870.00	3,169.65	-	839.00 ⁽²⁾	10,878.65	578.50
Resident Masters	450.00	1,901.79	450.00	358.00	3,159.79	358.17
Non-Resident Masters	4,122.00	1,901.79	450.00	358.00	6,831.79	360.60
Resident Doctoral	1,200.00	3,633.45	3,600.00	973.00	9,406.45	1,161.52
Non-Resident Doctoral	6,875.00	4,224.00	3,600.00	973.00	15,667.00	844.65

⁽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 2021-22 academic year.

**Table A-17
Tuition and Fees for the Academic Year 2021-2022
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	\$ 6,634.54	\$ 19,713.54	\$ 994.08
Year 2	6,550.00	6,529.00	n/a	5,089.54	18,168.54	1,002.07
Year 3	6,550.00	6,529.00	n/a	5,114.96	18,193.96	994.80
Year 4	6,550.00	6,529.00	n/a	2,736.25	15,815.25	1,006.20
D.O. Non-Resident						
Year 1	\$ 19,650.00	9,117.00	n/a	\$ 6,634.54	\$ 35,401.54	\$ 589.50
Year 2	19,650.00	9,117.00	n/a	5,089.54	33,856.54	589.50
Year 3	19,650.00	9,117.00	n/a	5,114.96	33,881.96	589.50
Year 4	19,650.00	9,117.00	n/a	2,736.25	31,503.25	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	7,963.00	14,327.00	10.95
Non-Resident	458.00	156.00	10.00	7,963.00	34,795.00	14.16
Biomedical Science - PhD						
Resident	50.00	23.00	29.00	8,519.00	18,923.00	7.50
Non-Resident	458.00	35.00	10.00	8,510.00	60,095.00	14.16
School of Health Professions						
SHP - MPAS - Resident						
Year 1 (46 SCH)	2,300.00	5,060.00	828.00	6,923.61	15,111.61	354.60
Year 2 (48 SCH)	2,400.00	5,280.00	864.00	4,506.94	13,050.94	369.60
Year 3 (26 SCH)	1,300.00	2,860.00	468.00	2,529.25	7,157.25	204.60
SHP - MPAS - Non Resident						
Year 1 (46 SCH)	21,068.00	8,694.00	n/a	6,923.61	36,685.61	632.04
Year 2 (48 SCH)	21,984.00	9,072.00	n/a	4,506.94	35,562.94	659.52
Year 2 (26 SCH)	11,908.00	4,914.00	n/a	2,529.25	19,351.25	357.24
SHP - DPT - Resident						
Year 1 (43 SCH)			n/a			341.70
Year 2 (40 SCH)	2,150.00	7,482.00	n/a	6,294.68	15,926.68	319.20
Year 3 (16 SCH)	2,000.00	6,960.00	n/a	3,358.68	12,318.68	139.20
	800.00	2,784.00		2,195.25	5,779.25	
SHP - DPT - Non Resident						
Year 1 (43 SCH)	20,768.00	7,656.00	n/a	6,294.68	34,718.68	623.04
Year 2 (40 SCH)	18,320.00	6,960.00	n/a	3,358.68	28,638.68	549.60
Year 3 (16 SCH)	7,328.00	2,784.00	n/a	2,195.25	12,307.25	219.84

(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 2021-2022
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	4,646.00	12,518.00	13.35
Non-Resident	458.00	185.00	11.00	4,646.00	36,038.00	13.74
Public Health - PhD						
Resident	50.00	23.00	29.00	4,810.00	10,012.00	7.50
Non-Resident	458.00	35.00	11.00	4,810.00	30,514.00	13.74
UNT System College of Pharmacy						
Doctor of Pharmacy						
Year 1 Resident (40 SCH)	2,050.00	8,692.00	4,100.00	6,186.36	21,028.36	332.40
Year 1 Non-Resident (40 SCH)	18,778.00	8,692.00	4,100.00	6,186.36	37,756.36	563.34
Year 2 Resident (34 SCH)	1,950.00	8,268.00	3,900.00	4,880.52	18,998.52	317.40
Year 2 Non-Resident (34 SCH)	17,862.00	8,268.00	3,900.00	4,880.52	34,910.52	535.86
Year 3 Resident (44 SCH)	1,900.00	8,056.00	3,800.00	4,407.92	18,163.92	309.90
Year 3 Non-Resident (44 SCH)	20,768.00	8,056.00	3,800.00	4,407.92	37,031.92	623.04
Year 4 Resident (34 SCH)	2,100.00	8,904.00	4,200.00	5,573.00	20,777.00	339.90
Year 4 Non-Resident (34 SCH)	19,236.00	8,904.00	4,200.00	5,573.00	33,952.00	577.08

(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.

Long Term Pool. Funds not needed for daily liquidity requirements may be held in the Long Term Pool. Goldman Sachs & Co. LLC 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 December 31, 2021.

Table A-18
Investments
(as of December 31, 2021)⁽¹⁾

Description	Percentage Allocation	Book Value	Fair Value ⁽²⁾
Bank Deposits	9.50	\$ 60,221,131.59	\$ 60,221,131.59
Money Market Fund	6.79	43,038,066.65	43,038,066.65
TexPool Daily Fund	1.63	10,336,519.59	10,336,519.59
Texas TERM Daily Fund	1.64	10,403,053.32	10,403,053.32
TexStar Daily Fund	.76	4,834,508.37	4,834,508.37
TexasCLASS Daily Fund	1.66	10,527,270.95	10,527,270.95
Long Term Investment Pool	50.88	322,527,518.25	322,527,518.25
Endowments Managed by UNT Foundation	9.81	62,187,274.42	89,934,000.46
UNTH Endowments Managed by J.P.Morgan	15.42	97,715,045.64	116,983,374.03
UNTH Malpractice Fund-Invested with J.P.Morgan	1.90	12,054,242.24	16,427,902.07
Total	100.00%	\$633,844,631.01	\$685,233,345.27

- (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, 2021, TexPool’s portfolio had a weighted average maturity of thirty-eight (38) days and total assets of approximately \$25.8 billion. As of such date, TexPool Prime had a weighted average maturity of forty-nine (49) days and total assets of approximately \$9.2 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, 2021 of approximately \$334,021,413. 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 2017 through 2021:

Table A-19
Endowments (Fair Value)⁽¹⁾

	2017	2018	2019	2020	2021
Endowments at Fair Value	\$221,919,034	\$218,653,565	\$233,350,440	\$270,077,018	\$334,021,413

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

Debt Management.

Financial debt management of the Participants is the responsibility of the Deputy Chancellor for Finance and Operations. 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	\$ 4,320,000
Revenue Financing System Refunding Bonds, Taxable Series 2012B	\$ 205,000
Revenue Financing System Refunding and Improvement Bonds, Series 2015A	\$ 101,260,000
Revenue Financing System Refunding Bonds, Taxable Series 2015B	\$ 46,405,000
Revenue Financing System Refunding and Improvement Bonds, Series 2017A	\$ 162,370,000 ⁽¹⁾
Revenue Financing System Refunding and Improvement Bonds, Taxable Series 2017B	\$ 131,045,000 ⁽¹⁾
Revenue Financing System Refunding Bonds, Forward Delivery Series 2018	\$ 15,100,000 ⁽¹⁾
Revenue Financing System Refunding and Improvement Bonds, Series 2018A	\$ 149,265,000
Revenue Financing System Refunding and Improvement Bonds, Taxable Series 2018B	\$ 14,965,000
Revenue Financing System Refunding Bonds, Series 2020A	\$ 51,040,000 ⁽¹⁾
Revenue Financing System Refunding Bonds, Taxable Series 2020B	\$ 54,620,000
Revenue Financing System Refunding and Improvement Bonds, Series 2022	\$ 101,555,000
Sub-total Fixed Rate Parity Obligations	<u>\$ 832,150,000⁽¹⁾</u>
Series A Commercial Paper Notes	\$ 10,347,000 ⁽²⁾
Series B Commercial Paper Notes	\$ - ⁽³⁾
Sub-total Commercial Paper Notes	<u>\$ 10,347,000</u>
Grand Total of Parity Obligations	<u>\$ 842,497,000⁽¹⁾</u>

⁽¹⁾ All or a portion of these bonds constitute Tuition Revenue Bonds. The Fiscal Year 2022 Tuition Revenue Bond appropriation to reimburse Revenue Financing System debt service is \$32,791,435 for Fiscal Year 2022. 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⁾ The Board has authorization to issue Series A Commercial Paper Notes, as Parity Obligations, currently in the maximum amount of \$50 million.

⁽³⁾ The Board has authorization to issue Series B Commercial Paper Notes, as Parity Obligations, currently in the maximum amount of \$75 million.

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 2022 (policy period May 1, 2021 to May 1, 2022).

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, graduate student trainers, 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; 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 2021, using claims data from 2017 through 2019. Injury Frequency Rate data for fiscal year 2022, 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 (6.60 percent state base rate for 2021 plus any local supplement for a maximum 8.50 percent of annual compensation) for the fiscal year ended August 31, 2021, is provided in the following table:

	ORP Participation
Member Contributions	\$ 8,766,448.21
Employer Contributions	<u>9,192,417.36</u>
Total	<u>\$ 17,958,865.57</u>

Fiscal Year 2021 Operating Expense Considerations.

Fiscal year 2021 includes two non-cash transactions impacting 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 2021 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.

Pension expense for fiscal year 2021 was \$24.4 million, compared to \$30.3 million in fiscal year 2020. The decrease in 2021 is due to changes in employer contributions, assumptions, and the change in proportion and contribution difference. OPEB expense for fiscal year 2021 was \$82.6 million, compared to \$77.4 million in fiscal year 2020. The primary reason for the increase in OPEB expenses in 2021 is due to amortization of prior years' layers into current year expense, changes in actuarial assumptions, and a reduction in the discount rate from 2.97% to 2.20%.

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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, 2021
INCLUDING MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
& INDEPENDENT
AUDITORS' REPORT**
FOR THE YEAR ENDED AUGUST 31, 2021

**UNIVERSITY OF NORTH TEXAS
SYSTEM**

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

For the fiscal year ended August 31, 2021

DALLAS, TEXAS

Lesa Roe, Chancellor



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UNIVERSITY OF NORTH TEXAS SYSTEM

ORGANIZATIONAL DATA

August 31, 2021

BOARD OF REGENTS

G. Brint Ryan(Term expires May 2021)* Dallas
A.K. Mago.....(Term expires May 2021)* Dallas
Laura Wright(Term expires May 2021)* Dallas

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

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

STUDENT REGENT

Jessica Armstead.....(Term expires May 2022) Desoto

OFFICERS OF THE BOARD

Laura Wright Chairman
Milton B. Lee Vice Chairman

ADMINISTRATIVE OFFICERS

Lesa Roe Chancellor
Daniel TenneyVice Chancellor for Finance

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





UNT SYSTEM™



December 17, 2021

Laura Wright, Chair, UNT System Board of Regents
Milton B. Lee, Vice Chair, UNT System Board of Regents
Carlos Munguia, Audit & Finance Committee Chair, UNT System Board of Regents
Board of Regent Members

University of North Texas System
1901 Main Street
Dallas, Texas 75201

Dear Chair Wright, Vice Chair Lee, Chair Munguia and Board of Regents,

We are pleased to submit the audited Annual Comprehensive Financial Report (ACFR) of the University of North Texas System (UNTS) for the fiscal year ended August 31, 2021. 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 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.

As the only public university system based exclusively in the Dallas-Fort Worth region, the University of North Texas System is committed to driving DFW and Texas.

The UNT System includes the University of North Texas in Denton, the University of North Texas Health Science Center in Fort Worth and the University of North Texas at Dallas. Across our system we have grown strategically to serve nearly 50,000 students, and our flagship institution is now the largest university in Dallas-Fort Worth and the fourth largest in Texas.

We transform students' lives through accessible, innovative degree programs that prepare them to be leaders in the workforce of tomorrow. With campuses in Dallas, Denton, Fort Worth and Frisco, we are deeply embedded in the local business community through partnerships with the many globally recognized companies based right here in North Texas.

The UNT System strongly believes in the transformative power of a college degree – higher education should be accessible to everyone, regardless of income, race, gender identity/expression, age, nationality, sexual orientation, disability, veteran status or diverse perspectives. More than half of our system-wide student body identifies as minority, and we are investing resources in building inclusive, caring campus communities.

We serve our communities – especially in times of need – and UNT System institutions have been leaders in public health response throughout the coronavirus pandemic. We are excited to help DFW and Texas emerge from the pandemic's shadow stronger than ever, as we solve local and global challenges through world renowned research programs, while creating economic opportunity through education.

The preparation of the System's externally audited ACFR 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 J. Smatresk, President, UNT
Dr. Michael R. Williams, President, UNT Health Science Center
Robert Mong, President, UNT Dallas
Clayton Gibson, Vice President for Finance and Administration & CFO, UNT
Gregory R. Anderson, Executive Vice President, Office of Finance and Operations, UNT Health Science Center
Arthur Bradford, Senior Vice President & CFO, Finance & Administration, UNT Dallas
Ninette Caruso, Chief Audit Executive, UNT System
Alan Stucky, Vice Chancellor and General Counsel, UNT System

Independent Auditor's Report

Board of Regents
University of North Texas System
Denton, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the University of North Texas System (System) as of and for the year ended August 31, 2021, 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 University of North Texas Foundation, Inc. or University of North Texas Health Science Center Foundation, Inc. (Foundations) which represent 100 percent of the assets, net assets and revenues of the aggregate discretely presented component units of the System. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundations, are based solely on the reports of the 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 entity'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 entity'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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the System, as of August 31, 2021, and the respective

changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Comparative Footnote Information

Other auditors have previously audited the 2020 financial statements of University of North Texas Foundation, Inc. and University of North Texas Health Science Center Foundation, Inc., and expressed unmodified audit opinions on those audited financial statements in their reports dated November 23, 2020 and November 17, 2020, respectively. In our opinion, based on our audit and the reports of other auditors, the comparative footnotes presented herein as of and for the year ended August 31, 2020, are consistent, in all material respects, with the audited financial statements from which they have been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents consisting of pension and other postemployment benefit information be presented to supplement the basic financial statements. Such information, although not a 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. We have applied certain limited procedures to this required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The organizational data and letter of transmittal are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The organizational data and letter of transmittal have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated December 17, 2021, 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 System's internal control over financial reporting and compliance.

BKD, LLP

Fort Worth, Texas
December 17, 2021

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2021

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 2020, over 47,000 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.

The COVID-19 global pandemic continues to create challenges for the System and its academic institutions that are expected to continue well into the next fiscal year. The System continues to invest significant effort and resources to ensure the safety of our academic and administrative facilities while maintaining financial stability. The hybrid flexible teaching modality adopted in 2020 has been modified to allow fall classes to resume as primarily face to face classes complimented by online academic opportunities. Additionally, safety guidelines such as face coverings, disinfectant stations, social distancing and signage continue to be followed to ensure safety in all academic, administrative, dining, and residence hall facilities. Management has referenced the impact of COVID-19 where appropriate in the financial statements presented within.

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, 2021, with selected comparative information as of and for the year ended August 31, 2020. The MD&A is prepared by management and should be read in conjunction with the accompanying financial statements and notes. The emphasis of discussion about these financial statements will focus on current year data. Unless otherwise indicated, years in the MD&A refer to the fiscal years ended August 31.

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

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

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2021

Financial Highlights

- Total assets and deferred outflows of resources of the System exceeded its total liabilities and deferred inflows of resources in 2021, resulting in a net position of \$765.7 million. Unrestricted net position, which may be used to meet the System's future obligations, was \$23.3 million, or 3.0% of total net position as of August 31, 2021.
- The System concluded the 2021 fiscal year with an increase in net position of \$66.2 million, compared to a decrease of \$20.1 million in 2020. Operating revenues increased \$40.8 million due to increased tuition and fees, robust research activities, and new contracts to provide COVID-related services. Funds received from the Federal Higher Education Emergency Relief Funds ("HEERF") increased \$64.2 million over prior year, and investment income and gains in the fair market value of investments increased \$41.5 million, offset by a \$41.4 million increase from primarily HEERF related payments to students via scholarships and student loan relief. Appropriations decreased \$8.9 million due to the 5% required biennium revenue reduction.
- The System continues to make significant investments, \$133.6 million in 2022, in numerous capital projects across all institutions to strategically benefit students, faculty, and staff. The System has committed \$283.2 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, and what the System owes to vendors, investors and lending institutions. 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, 2021

The following table reflects the condensed Comparative Statement of Net Position for the System as of August 31, 2021 and 2020:

Condensed Comparative Statement of Net Position As of August 31, 2021 and 2020 (in thousands of dollars)			
	2021	2020	% Increase (Decrease)
Assets and Deferred Outflows of Resources			
Current Assets	\$ 657,648	\$ 587,765	11.9%
Capital Assets, Net	1,417,134	1,420,052	(0.2%)
Other Non-Current Assets	477,298	395,087	20.8%
Total Assets	\$ 2,552,080	\$ 2,402,904	6.2%
Deferred Outflows of Resources	386,359	433,179	(10.8%)
Total Assets and Deferred Outflows of Resources	\$ 2,938,439	\$ 2,836,083	3.6%
Liabilities and Deferred Inflows of Resources			
Current Liabilities	\$ 566,186	\$ 513,551	10.2%
Non-Current Liabilities	1,422,092	1,434,226	(0.8%)
Total Liabilities	\$ 1,988,278	\$ 1,947,777	2.1%
Deferred Inflows of Resources	184,482	188,800	(2.3%)
Total Liabilities and Deferred Inflows of Resources	\$ 2,172,760	\$ 2,136,577	1.7%
Net Position			
Net Investment in Capital Assets	\$ 559,437	\$ 550,045	1.7%
Restricted:			
Funds Held as Permanent Investments:			
Non-Expendable	64,471	58,544	10.1%
Expendable	55,901	38,331	45.8%
Other Restricted	62,596	61,689	1.5%
Total Restricted	\$ 182,968	\$ 158,564	15.4%
Unrestricted	23,274	(9,103)	355.7%
Total Net Position	\$ 765,679	\$ 699,506	9.5%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,938,439	\$ 2,836,083	3.6%

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 increased \$69.9 million, or 11.9%, in 2021. Cash and cash equivalents increased \$43.8 million due to increased liquidity stemming from an investment rebalance for UNT (\$10 million from Long Term Pool to Short Term Pool May 2021) and operating surpluses for the fiscal year. Accounts receivable increased \$30.6 million as a result of amounts billed on federal, state, and local government contracts, primarily HEERF and the Tarrant County Health Department contract for COVID-19-related services. These increases were offset by a \$8.7 million decrease in prepaid expenses due to HEERF funding used to pay student scholarships rather than institutional funds.

Non-Current Assets: Net Capital Assets

Net capital assets decreased \$2.9 million, or 0.2% in 2021. The decrease in capital and intangible assets is primarily attributable to \$100.3 million of capital improvements offset by depreciation and amortization expense of \$102.4 million. Major capital improvements included \$29.0 million for the Frisco Branch campus, \$11.9 million for the Discovery Park mechanical, electrical, and plumbing upgrade, \$3.7 million for the HSC Center for Bio Health building, \$3.4 million for the Terrill Hall mechanical, electrical, and plumbing renovation, and \$2.7 million for the Art Studio facility. Other FY21 capital expenses include \$26.4 million in equipment, vehicle and library purchases, and \$8.1 million for capitalized buildings and improvements.

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2021

Other Non-Current Assets

The System's other non-current assets increased by \$82.2 million, or 20.8%, primarily due to a \$59.3 million increase in investments and a \$23.8 million increase in restricted investments. These increases were driven by strong capital market gains throughout 2021. The long-term and endowment investment returns were 16.7% and were 19.7% respectively for the year.

Deferred Outflows of Resources

Deferred outflows of resources decreased \$46.8 million, or 10.8%, in 2021, primarily due to a reduction in deferred outflows of resources related to OPEB and pensions of \$34.5 million and \$11.8 million, respectively.

Total Liabilities and Deferred Inflows

Current Liabilities

The System's current liabilities increased \$52.6 million, or 10.2%, in 2021 primarily due to a \$20.0 million increase in unearned revenue as a result of higher enrollment. Notes and loans payable increased \$31.1 million due to new commercial paper issued in 2021 and revenue bonds payable increased \$3.5 million due to new principal payments for 2020 A&B bonds sold in the previous year. OPEB liability increased \$2.0 million. These increases were offset by a \$3.9 million decrease in accounts payable.

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 decreased \$12.1 million, or 0.8%. Bond principal decreased \$48.9 million and bond premium amortization decreased \$6.3 million as a result of 2021 debt service payments for a total decrease of \$55.1 million. Capital lease obligations also decreased \$1.8 million as a result of scheduled lease payments. These reductions were offset by an increase in net OPEB obligation of \$35.5 million due to changes in actuarial assumptions, primarily a reduction in the discount rate from 2.97% to 2.20%. and a net pension liability increase of \$8.7 million due to changes in employer contributions and proportionate share.

Deferred Inflows of Resources

Deferred inflows of resources decreased \$4.3 million, or 2.3%, in 2021 primarily due to a \$11.1 million decrease in pensions due to changes in proportionate share and contributions and changes in assumption, offset by a \$6.9 million increase due to changes in OPEB actuarial assumptions.

Total Net Position

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 increased by \$66.2 million, or 9.5%, in 2021.

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 \$9.4 million, or 1.7%, increase in net investment in capital assets in 2021 primarily resulted from 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 includes the System's permanent investments subject to externally imposed restrictions governing their use. In total, restricted net position increased by \$24.4 million, or 15.4%, in 2021 primarily as a result of \$6.0 million in new endowments. Positive growth in restricted investments, the fair market value of investments, and fundraising efforts continued in 2021 resulting in an increase in restricted contributions across the System.

Unrestricted Net Position

Unrestricted net position increased by \$32.4 million, or 355.6% in 2021. Operating revenues increased \$40.8 million as a result of increased tuition and fees related to increased enrollment on all campuses. Robust research activities

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2021

at all institutions, accompanied by new contracts with the Tarrant County Health Department to provide COVID-related services also boosted operating revenues. HEERF increased \$64.1 million and investment income and the fair market value of investments increased \$41.5 million. These increases were offset by a \$41.4 million increase in primarily HEERF-related payments to students in the form of scholarships, financial aid, and loan forgiveness. Other revenue offsets include a \$6.9 million increase in operating expenses as we prepared to move back to on-campus activities in the summer of 2021.

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 2021, 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 operations of the System, including a provision for depreciation and amortization on capital assets. Certain revenue sources the System relies on for operations include state appropriations, gifts, grants and investment income which are required by GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended, to be classified as nonoperating revenues. Revenues are reported by major source, and expenses are reported on the face of the statement by functional (programmatic) categories as defined by the National Association of College and University Business Officers ("NACUBO").

The following table reflects the System's Condensed Comparative Statement of Revenues, Expenses and Changes in Net Position for the years ended August 31, 2021 and 2020:

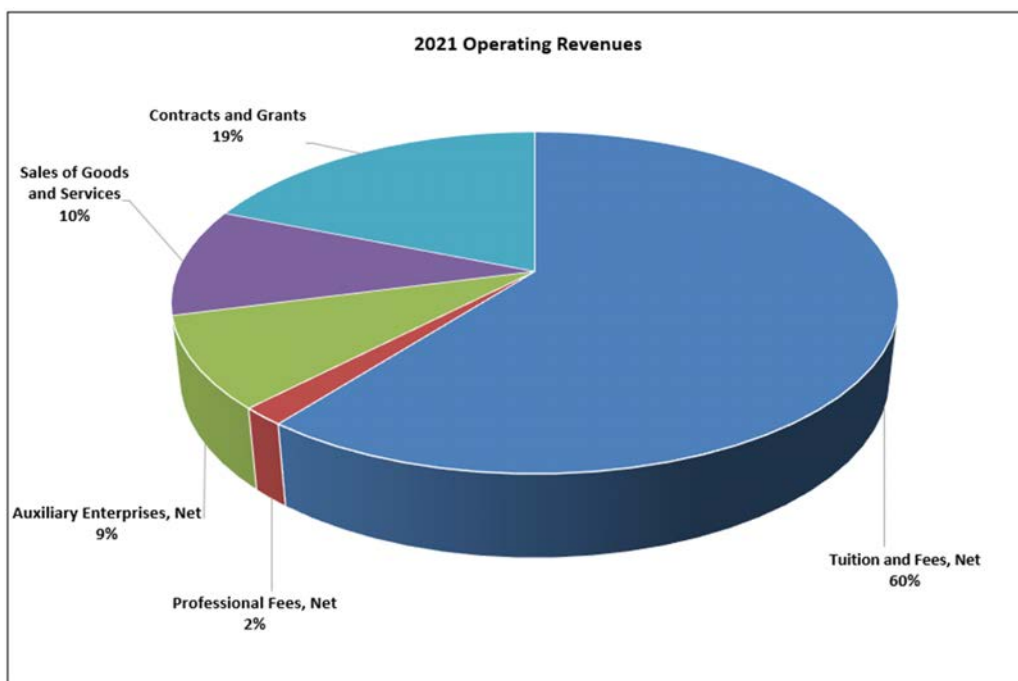
Condensed Comparative Statement of Revenues, Expenses and Changes in Net Position			
For the Years Ended August 31, 2021 and 2020			
(in thousands of dollars)			
	2021	2020	% Increase (Decrease)
Operating Revenues			
Tuition and Fees, Net	\$ 426,883	\$ 406,654	5.0%
Contracts and Grants	133,099	104,570	27.3%
Other Operating Revenues	149,028	157,035	(5.1%)
Total Operating Revenues	\$ 709,010	\$ 668,259	6.1%
Operating Expenses	\$ 1,203,666	\$ 1,161,489	3.6%
Operating Income (Loss)	\$ (494,656)	\$ (493,230)	0.3%
Nonoperating Revenues (Expenses)			
Investment Income	\$ 74,516	\$ 32,974	126.0%
Interest on Capital Asset-Related Debt	(26,055)	(28,542)	(8.7%)
Noncapital Grants and Contracts	156,013	90,379	72.6%
Other Non Operating Revenues and Expenses, net	287,847	306,040	(5.9%)
Total Nonoperating Revenues (Expenses)	\$ 492,321	\$ 400,851	22.8%
Other Revenues, Expenses, and Transfers			
Capital Contributions	\$ 3,063	\$ 12,825	(76.1%)
Capital Appropriations	55,827	56,767	(1.7%)
Contributions to Permanent and Term Endowments	6,168	2,462	150.5%
Transfers	4,334	3,930	10.3%
Other	(884)	(3,684)	(76.0%)
Total Other Revenues, Expenses, and Transfers	\$ 68,508	\$ 72,300	(5.2%)
Change in Net Position	\$ 66,173	\$ (20,079)	(429.6%)
Net Position, Beginning of Year	\$ 699,506	\$ 719,585	(2.8%)
Net Position, End of Year	\$ 765,679	\$ 699,506	9.5%

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2021

Operating Revenues

Operating revenues totaled \$709.0 million in 2021, an increase of \$40.8 million, or 6.1%, over 2020. The System's primary sources of operating revenues are tuition and fees, and federal, state, local, and private grants. Net tuition and fees, representing 60.2% of operating revenues, are reflected in the financial statements with associated discounts and allowances shown separately. Net tuition and fees increased \$20.2 million as a result of increased enrollment throughout the System. Federal, state, local, and private grant and contract revenues, representing 18.8% of operating revenues, are primarily from governmental and private sources and are related to research programs that normally provide for the recovery of direct and indirect costs. Grant and contract related revenues increased by \$28.5 million as a result of increased research activities at all institutions accompanied by new contracts with the Tarrant County Health Department to provide COVID-related services in 2021. Net professional fees revenue increased \$3.0 million due to increased medical and correctional services provided by HSC. Auxiliary enterprise revenue decreased \$8.6 million as a result of campuses running at minimum capacity with virtual, on-line instruction the majority of the year due to the continuing COVID-19 pandemic.

The chart below shows total operating revenues by major source for the year ended August 31, 2021:



Operating Expenses

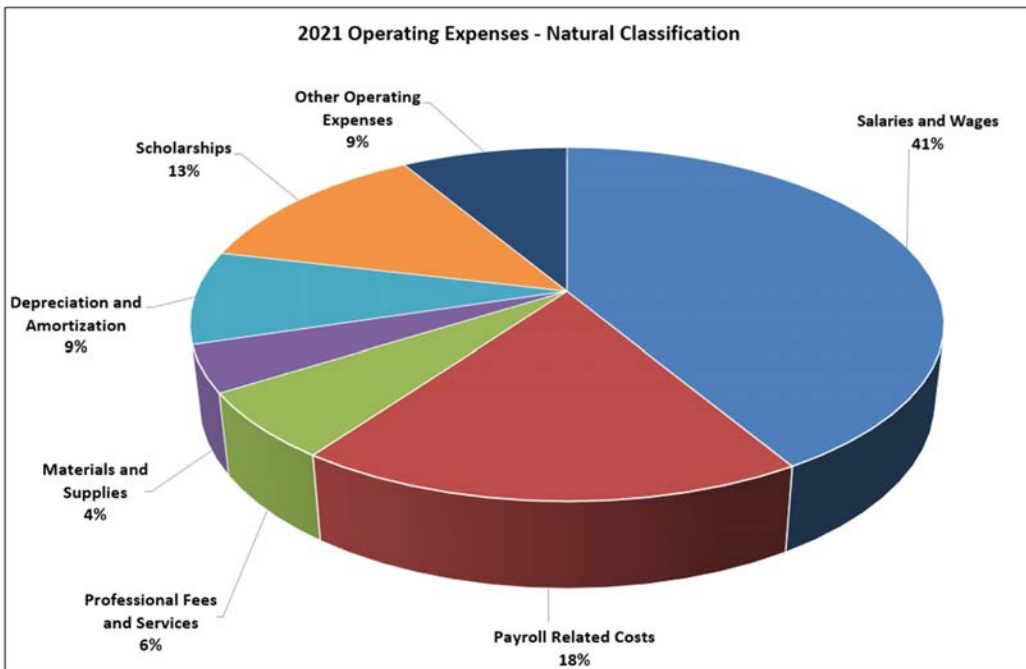
Operating expenses totaled \$1,203.7 million in 2021, an increase of \$42.2 million, or 3.6%, over 2020. Scholarships increased by \$31.7 million as the System continued to provide support to students who experienced hardship related to the COVID-19 pandemic. Repairs and maintenance increased \$9.4 million as institutions prepared to move back to on-campus instruction in late 2021, and due to the winter storm in February 2021. Professional fees also increased \$8.1 million due to the resumption of capital construction projects as the System began to resume operations. Depreciation expense increased \$4.2 million as a result of new capital assets placed into service in 2020. These increases were offset by a \$5.2 million decrease in travel, a \$3.4 million decrease in utilities and a \$2.6 million increase in general operating expenses as management continued the plan adopted in 2020 by System leadership to reduce costs in response to the COVID-19 pandemic.

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2021

The table below shows the amount and percentage change of operating expenses based on natural classification for the year ended August 31, 2021:

Operating Expenses - Natural Classification			
For the Years Ended August 31, 2021 and 2020			
(in thousands of dollars)			
	<u>2021</u>	<u>2020</u>	<u>% Increase (Decrease)</u>
Operating Expenses			
Cost of Goods Sold	\$ 5,743	\$ 6,653	(13.7%)
Salaries and Wages	499,169	499,177	(0.0%)
Payroll Related Costs	221,534	223,905	(1.1%)
Professional Fees and Services	73,631	65,551	12.3%
Federal Pass-Through Expenses	1,076	858	25.5%
Travel	2,305	7,457	(69.1%)
Materials and Supplies	50,950	47,270	7.8%
Communications and Utilities	19,154	22,556	(15.1%)
Repairs and Maintenance	34,586	25,173	37.4%
Rentals and Leases	11,508	13,739	(16.2%)
Printing and Reproduction	4,203	4,718	(10.9%)
Depreciation and Amortization	102,369	98,169	4.3%
Scholarships	153,667	121,957	26.0%
Asset Retirement Obligation	110	105	4.9%
Claims and Losses	(60)	846	(107.1%)
Other Operating Expenses	23,721	23,355	1.6%
Total Operating Expenses	\$ 1,203,666	\$ 1,161,489	3.6%

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, 2021:

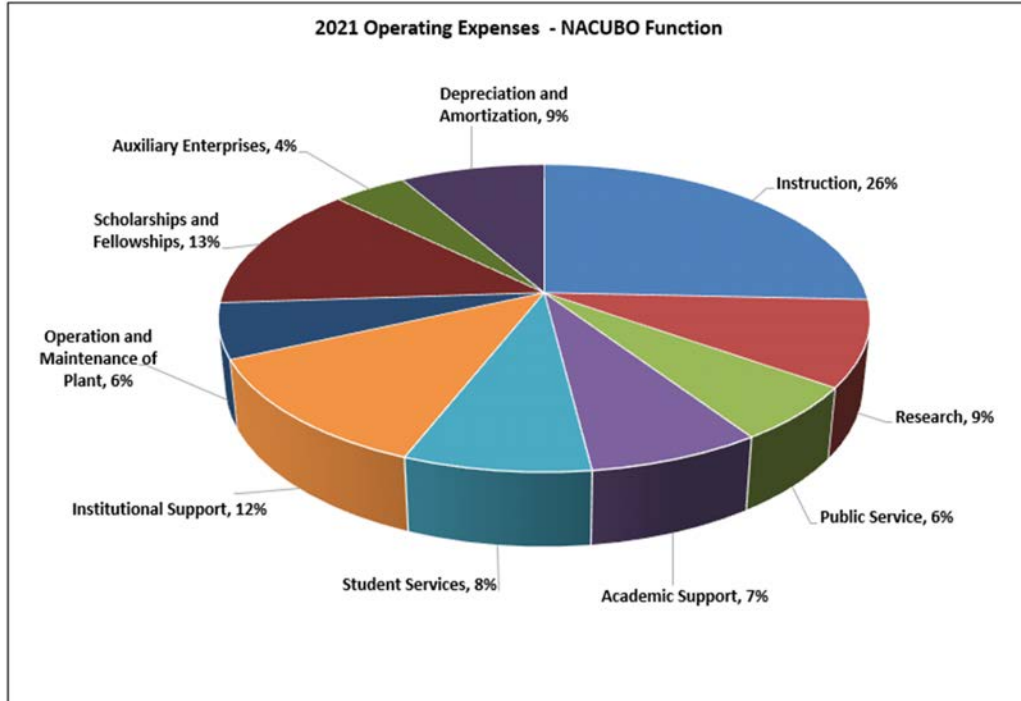


UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2021

The table below shows the amount and percentage change of operating expenses based on NACUBO functional (programmatic) classification for the year ended August 31, 2021:

Operating Expenses - NACUBO Function			
For the Years Ended August 31, 2021 and 2020			
(in thousands of dollars)			
	<u>2021</u>	<u>2020</u>	<u>% Increase (Decrease)</u>
Operating Expenses			
Instruction	\$ 312,696	\$ 316,539	(1.2%)
Research	109,993	110,181	(0.2%)
Public Service	71,323	62,413	14.3%
Academic Support	89,702	88,652	1.2%
Student Services	96,900	99,878	(3.0%)
Institutional Support	147,895	139,110	6.3%
Operation and Maintenance of Plant	70,348	62,210	13.1%
Scholarships and Fellowships	150,447	119,407	26.0%
Auxiliary Enterprises	51,993	64,930	(19.9%)
Depreciation and Amortization	102,369	98,169	4.3%
Total Operating Expenses	<u>\$ 1,203,666</u>	<u>\$ 1,161,489</u>	<u>3.6%</u>

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, 2021:



UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2021

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. Total nonoperating revenues and expenses increased \$91.5 million, or 22.8%, over the prior year. The variance is primarily a result of a \$64.1 million increase in HEERF funds as well as the Federal Pell Grant program which increased \$1.5 million. The System recognized an increase in investment earnings of \$41.5 million driven by strong capital market gains throughout the fiscal year. Long Term Pool return was 16.7% and Endowment returns were 19.7%. Other nonoperating expenses increased \$10.4 million as the result of payments for student loan relief utilizing HEERF funds. Appropriations decreased \$7.3 million primarily due to the required 5% biennium reduction being recorded as a reduction to appropriations revenue in 2021. Additionally, interest expense and fiscal charges increased \$2.5 million.

Other Revenues, Expenses, and Transfers

Other revenues, expenses, and transfers comprised of capital and endowment related additions and transfers decreased \$3.8 million, or 5.2%, in 2021. HEF comprises the majority of the activity in this category. Annual HEF-related revenue totaled \$55.8 million, a reduction of \$1.0 million from 2020, and is reported as capital appropriations rather than operating or nonoperating revenue. Capital contributions decreased \$9.8 million due to the \$10.5 million in proceeds from the sale of tax credits in 2020 related to the renovation of the historic municipal building for the College of Law. Contributions to permanent endowments increased \$3.7 million as a result of the newly established Ken Hill School of Pharmacy endowment of \$4.0 million at HSC. In 2021, the required 5% biennium reduction was treated as a reduction to appropriations and recorded in the "Nonoperating Revenue (Expenses)" section of the SRECNP.

Capital Asset and Debt Administration

Investments in capital asset additions were \$100.3 million in 2021. Major capital project activity included:

- Building Improvements (System Administration) – Frisco Branch Campus
- Building Improvements (UNT) –Discovery Pak Mechanical, Electrical, and Plumbing Upgrade
- Building Improvements (HSC) – Center for Bio Health Building
- Building Improvements (UNT) – Terrill Hall Mechanical, Electrical, and Plumbing Renovation

The System has committed \$283.2 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 Center for Bio Health at HSC, Discovery Park, Terrill Hall, and the Frisco Branch campus for the future use by UNT Main campus. More detailed information regarding the System's capital additions and commitments is provided in Note 2, *Capital Assets*, and Note 11, *Contingencies and Commitments*, in the Notes to the Comprehensive Financial Statements.

Revenue bonds payable represents the largest portion of the System's liabilities. Current and non-current revenue bonds payable decreased \$51.7 million to \$782.7 million in 2021. 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.

UNIVERSITY OF NORTH TEXAS SYSTEM
Management's Discussion and Analysis (Unaudited)
For the Year Ended August 31, 2021

Economic Outlook

The System's primary sources of revenue are tuition and fees and legislative appropriations. Despite the stresses brought about by the COVID-19 pandemic and ensuing economic fallout, UNT System institutions continue to serve our students and communities and remain committed to strengthening our financial posture. While headwinds persist, the recovery from the COVID-19 pandemic has been rapid and dramatic due to strategic cost reduction efforts, federal and state government support, and student's desire to return to in person learning.

For 2022, net tuition and fees revenues are budgeted at an increase of \$37.8 million, or 9.7%, compared to 2021. This revenue increase represents the beginning of recovering from the impacts of the COVID-19 pandemic. UNTS institutions returned to full campus presence for Fall 2021 while maintaining the necessary diligence to combat the pandemic.

The 87th Texas Legislature adjourned in June 2021 having passed a budget that included a 12% increase for UNT System institutions compared to the previous biennium. Funding increases were driven primarily by significant enrollment growth at UNT and UNT Dallas and funding for new non-formula support items. Fiscal year 2022 budgeted legislative appropriation revenues for the System are \$22.8 million higher than 2021. Budgeted amounts include continued new funding for specialized initiatives and unique programs recognized as deserving state support. These areas of excellence include the University of North Texas Center for Agile and Adaptive Additive Manufacturing (CAAAM), UNT Dallas Center for Socioeconomic Mobility through Education, and UNTHSC's Forensic Genetics Research and Education.

Since 2019, the System has placed nine new buildings into service in support of growth and the student experience. Having completed this large building cycle, 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.

The University of North Texas is one of the state's largest public universities and one of the nation's 115 top-tier research universities by the Carnegie Classification. UNT had record enrollment in Fall 2021 of 42,227 students, which is a 3.9% increase from 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 \$115 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.

The University of North Texas at Dallas had record enrollment in Fall 2021 of 4,186 students and its record growth is expected to continue its current pace. With the aim of being the engine for upward mobility in the southern Dallas region, UNTD has received funding and is beginning to form the Center for Socioeconomic Mobility through Education. An initiative that will work with K-12 schools and other non-profit organizations in the area to create actionable programs for students to begin a rewarding and successful career.

The University of North Texas Health Science Center at Fort Worth continues to expand some of its most recent initiatives, including 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. UNTHSC plans to create even more residency positions through partnerships with regional health care systems.

In spite of the challenges COVID-19 brought upon our institutions, the University of North Texas System has prevailed stronger, more efficient, and more resilient to future challenges.

**COMPREHENSIVE
FINANCIAL STATEMENTS**

of the

UNIVERSITY OF NORTH TEXAS SYSTEM

DALLAS, TEXAS

For the Year Ended August 31, 2021

UNIVERSITY OF NORTH TEXAS SYSTEM
Statement of Net Position
As of August 31, 2021

	August 31,
	2021
ASSETS	
Current Assets	
Cash and Cash Equivalents:	
Cash on Hand	\$ 113,604.85
Cash in Bank	15,768,852.89
Cash in Transit/Reimburse from Treasury	876,353.27
Cash in State Treasury	27,330,429.77
Cash Equivalents	218,000,590.55
Restricted Cash and Cash Equivalents:	
Cash on Hand	1,850.52
Cash in Bank	4,448,169.04
Cash Equivalents	27,907,686.34
Legislative Appropriations	133,958,722.49
Receivables From:	
Accounts Receivable	109,067,535.67
Federal	37,196,784.59
Other Intergovernmental	5,870,704.02
Clinical Practice	4,831,411.97
Gifts, Pledges and Donations	90,193.41
Interest and Dividends	2,925,496.99
Other Receivables	4,379,576.97
Due From Other Agencies	2,912,503.13
Consumable Inventories	798,016.77
Merchandise Inventories	2,139,033.96
Prepaid Items	51,434,040.57
Loans and Contracts	7,501,931.61
Other Current Assets	94,916.25
Total Current Assets	\$ 657,648,405.63
Non-Current Assets	
Restricted Investments	\$ 113,243,975.66
Loans and Contracts	2,378,083.06
Investments	357,730,157.15
Gifts, Pledges and Donations	3,944,846.61
Capital Assets:	
Non-Depreciable or Non-Amortizable	205,794,543.56
Depreciable or Amortizable, Net	1,211,339,533.26
Total Non-Current Assets	\$ 1,894,431,139.30
Total Assets	\$ 2,552,079,544.93
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources	\$ 386,359,355.33
Total Deferred Outflows of Resources	\$ 386,359,355.33
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,938,438,900.26

Continued on Next Page

See Accompanying Notes to the Comprehensive Financial Statements

UNIVERSITY OF NORTH TEXAS SYSTEM
Statement of Net Position
As of August 31, 2021

	<u>August 31,</u> <u>2021</u>
LIABILITIES	
Current Liabilities	
Payables From:	
Accounts Payable	\$ 58,947,431.58
Payroll Payable	49,399,188.59
Other Payables	4,934,791.51
Interest	11,704,597.53
Due To Other Agencies	1,153,316.95
Unearned Revenue	283,401,305.19
Notes and Loans Payable	76,135,000.00
Revenue Bonds Payable	55,134,215.75
Claims and Judgments	473,815.00
Employees' Compensable Leave	4,623,136.21
Capital Lease Obligations	1,797,980.14
Net OPEB Liability	16,318,756.00
Funds Held for Others	584,552.14
Other Current Liabilities	1,577,413.30
Total Current Liabilities	<u>\$ 566,185,499.89</u>
Non-Current Liabilities	
Revenue Bonds Payable	\$ 727,583,718.78
Claims and Judgments	1,035,918.00
Employees' Compensable Leave	25,841,704.61
Capital Lease Obligations	1,773,386.49
Asset Retirement Obligation	2,601,000.00
Net Pension Liability	189,187,853.00
Net OPEB Liability	472,905,045.00
Other Non-Current Liabilities	1,163,647.11
Total Non-Current Liabilities	<u>\$ 1,422,092,272.99</u>
Total Liabilities	<u>\$ 1,988,277,772.88</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources	\$ 184,481,979.14
Total Deferred Inflows of Resources	<u>\$ 184,481,979.14</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>\$ 2,172,759,752.02</u>
NET POSITION	
Net Investment in Capital Assets	\$ 559,437,092.49
Restricted For:	
Funds Held as Permanent Investments	
Non-Expendable	64,471,245.12
Expendable	55,900,558.80
Other Restricted	62,596,388.82
Unrestricted	23,273,863.01
Total Net Position	<u>\$ 765,679,148.24</u>

See Accompanying Notes to the Comprehensive Financial Statements

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Statement of Financial Position
As of August 31, 2021

	<u>August 31, 2021</u>
ASSETS	
Cash and Cash Equivalents	\$ 16,220,771
Investments	315,630,727
Contributions Receivable, Net	7,623,842
Real Property	25,543
Other Assets	2,904
Cash Value - Life Insurance Policies	459,907
Assets Held Under Split-Interest Agreements	6,472,331
Total ASSETS	<u>\$ 346,436,025</u>
LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 212,433
Agency Funds	308,171
Liabilities Under Split-Interest Agreements	3,761,415
Assets Held for Others	89,199,037
Total LIABILITIES	<u>\$ 93,481,056</u>
NET ASSETS	
Without Donor Restrictions:	
Undesignated	\$ 1,181,419
Board Designated Endowments	882,551
Board Designated for Reserves	4,009,372
Total Without Donor Restrictions	<u>\$ 6,073,342</u>
With Donor Restrictions:	
Purpose Restrictions	\$ 8,320,351
Perpetual in Nature	238,561,805
Fair Value of Endowments Below Historical Cost	(529)
Total With Donor Restrictions	<u>\$ 246,881,627</u>
Total NET ASSETS	<u>\$ 252,954,969</u>
Total LIABILITIES & NET ASSETS	<u>\$ 346,436,025</u>

See Accompanying Notes to the Financial Statements

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Statement of Financial Position
As of August 31, 2021

	<u>August 31, 2021</u>
ASSETS	
Cash	\$ 1,302,331
Investments, including \$105,566,672 held on behalf of others as of August 31, 2021	131,571,643
Pledges Receivable, Net	1,792,313
Prepays	177,500
Total ASSETS	<u>\$ 134,843,787</u>
LIABILITIES	
Due to Related Party	\$ 106,027,779
Total LIABILITIES	<u>\$ 106,027,779</u>
NET ASSETS	
Net Assets without Donor Restrictions	\$ 3,225,301
Net Assets with Donor Restrictions	25,590,707
Total NET ASSETS	<u>\$ 28,816,008</u>
Total LIABILITIES & NET ASSETS	<u>\$ 134,843,787</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, 2021

	August 31,
	2021
OPERATING REVENUES	
Tuition and Fees	\$ 565,570,043.93
Discounts and Allowances	(138,686,743.94)
Professional Fees	28,747,623.93
Discounts and Allowances	(16,720,541.40)
Auxiliary Enterprises	61,382,473.64
Discounts and Allowances	(117,685.00)
Sales of Goods and Services	72,224,806.39
Federal Grant Revenue	69,520,442.64
Federal Pass-Through Revenue	7,571,946.46
State Grant Revenue	2,192,309.37
State Grant Pass-Through Revenue	35,357,469.89
Other Contracts and Grants	18,456,941.04
Other Operating Revenues	3,510,397.05
Total Operating Revenues	\$ 709,009,484.00
OPERATING EXPENSES ⁽¹⁾	
Instruction	\$ 312,695,839.33
Research	109,992,473.77
Public Service	71,322,625.80
Academic Support	89,702,387.59
Student Services	96,899,927.91
Institutional Support	147,894,750.35
Operation and Maintenance of Plant	70,348,202.70
Scholarships and Fellowships	150,446,531.42
Auxiliary Enterprises	51,993,413.91
Depreciation and Amortization	102,369,457.53
Total Operating Expenses	\$ 1,203,665,610.31
Operating Loss	\$ (494,656,126.31)
NONOPERATING REVENUES (EXPENSES)	
Legislative Appropriations (GR)	\$ 230,233,186.00
Additional Appropriations (GR)	47,747,224.13
Federal Revenue	156,012,583.70
Gifts	20,901,899.13
Investment Income	22,323,043.85
Interest Expense and Fiscal Charges	(26,055,089.76)
Gain on Sale of Capital Assets	77,506.74
Net Increase in Fair Value of Investments	52,193,320.71
Other Nonoperating Revenues	696,825.90
Other Nonoperating Expenses	(11,809,145.07)
Total Nonoperating Revenues (Expenses)	\$ 492,321,355.33
Loss Before Other Revenues, Expenses and Transfers	\$ (2,334,770.98)
OTHER REVENUES, EXPENSES AND TRANSFERS	
Capital Contributions	\$ 3,063,046.30
Capital Appropriations (HEF)	55,826,506.00
Contributions To Permanent and Term Endowments	6,168,047.76
Interagency Transfers of Capital Assets-Decrease	(26,238.06)
Transfers From Other State Agencies	652,490.19
Legislative Transfers In	3,849,915.00
Legislative Transfers Out	(141,823.00)
Legislative Appropriation Lapses	(883,732.49)
Total Other Revenues, Expenses and Transfers	\$ 68,508,211.70
CHANGE IN NET POSITION	\$ 66,173,440.72
Beginning Net Position	\$ 699,505,707.52
ENDING NET POSITION	\$ 765,679,148.24

⁽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, 2021

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	\$ 48,255.10	\$ -	\$ 103,076.07	\$ 59,416.98	\$ 3,997.31	\$ 1,116,788.01	\$ 5,105.37	\$ -	\$ 4,406,213.68	\$ -	\$ 5,742,852.52
Salaries and Wages	189,758,210.21	64,188,065.03	22,096,044.27	53,330,165.86	55,583,334.91	69,333,412.11	23,570,205.11	350,314.46	20,958,924.85	-	499,168,676.81
Payroll Related Costs	102,155,992.99	16,656,258.82	8,193,128.07	16,664,100.73	18,378,445.56	39,292,534.44	8,650,601.35	6,309.64	11,536,098.21	-	221,533,469.81
Professional Fees and Services	2,726,229.18	9,959,962.93	33,856,580.40	3,086,261.58	4,776,664.90	12,201,031.10	5,471,066.15	-	1,553,111.00	-	73,630,907.24
Federal Pass-Through Expenses	34,867.63	939,510.37	102,014.63	-	-	-	-	-	-	-	1,076,392.63
Travel	78,169.16	74,002.30	38,407.16	64,816.32	1,882,883.42	127,636.80	23,187.06	-	15,721.82	-	2,304,824.04
Materials and Supplies	7,904,952.47	11,697,044.90	3,841,883.02	9,899,354.90	4,873,570.34	6,283,483.25	4,051,890.89	-	2,397,785.14	-	50,949,964.91
Communications and Utilities	521,361.28	48,855.41	38,519.85	512,455.48	1,299,528.30	2,523,445.34	9,685,467.40	-	4,524,463.53	-	19,154,096.59
Repairs and Maintenance	1,041,681.70	1,286,359.53	1,478,830.01	1,021,987.50	1,627,521.43	7,902,991.07	17,705,246.17	-	2,520,698.73	-	34,585,316.14
Rentals and Leases	1,511,386.70	162,543.63	258,038.06	2,137,312.14	2,886,535.66	3,331,571.29	460,860.35	-	759,811.55	-	11,508,059.38
Printing and Reproduction	241,800.15	335,012.15	77,434.83	612,586.23	1,440,403.49	1,168,528.61	54,452.49	-	273,079.22	-	4,203,297.17
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	102,369,457.53	102,369,457.53
Scholarships	633,310.27	2,767,959.44	175,879.75	-	-	-	-	150,089,907.32	-	-	153,667,056.78
Asset Retirement Obligation	-	-	-	-	-	-	110,380.35	-	-	-	110,380.35
Claims and Losses	(588,232.00)	-	-	-	-	528,005.69	213.69	-	-	-	(60,012.62)
Other Operating Expenses	6,627,854.49	1,876,899.26	1,062,789.68	2,313,929.87	4,147,042.59	4,085,322.64	559,526.32	-	3,047,506.18	-	23,720,871.03
Total Operating Expenses	\$ 312,695,839.33	\$ 109,992,473.77	\$ 71,322,625.80	\$ 89,702,387.59	\$ 96,899,927.91	\$ 147,894,750.35	\$ 70,348,202.70	\$ 150,446,531.42	\$ 51,993,413.91	\$ 102,369,457.53	\$ 1,203,665,610.31

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Statement of Activities
For the Year Ended August 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Gifts	\$ 56,000	\$ 7,391,605	\$ 7,447,605
Grant Revenue	-	446,976	446,976
Net Investment Return	(169,750)	38,745,016	38,575,266
Other Income	-	51,345	51,345
Change in Value of Split-Interest Agreements	-	404,393	404,393
Gains/Income From Life Insurance Policies	-	61,834	61,834
Asset Management Fee Income	2,830,293	-	2,830,293
Release of Donor Restrictions	15,369,929	(15,369,929)	-
Transfers/Changes in Donor Restrictions	(11,738)	11,738	-
Total REVENUES, GAINS AND OTHER SUPPORT	\$ 18,074,734	\$ 31,742,978	\$ 49,817,712
EXPENSES:			
PROGRAM SERVICES:			
Support of UNT:			
Distributions to UNT	\$ 4,114,278		\$ 4,114,278
Scholarships & Awards	3,001,148		3,001,148
Grant Support to UNT	446,976		446,976
Board Designated Grants to University	165,128		165,128
Services/Expenses for Programs	5,709,742		5,709,742
Internal Mangement Fees	2,077,493		2,077,493
Other Support Provided	19,148		19,148
Distributions to Other Institutions	6,500		6,500
Total PROGRAM SERVICES	\$ 15,540,413		\$ 15,540,413
MANAGEMENT AND GENERAL EXPENSES:			
Salaries & Benefits	\$ 1,079,976		\$ 1,079,976
Administrative Expenses	19,643		19,643
Professional Development & Travel	20,012		20,012
Consulting Services	40,144		40,144
Professional Fees	37,700		37,700
Office, Computer Equipment and Software	23,378		23,378
Bank Charges and Credit Card Discount	26,533		26,533
Insurance	25,915		25,915
Strategic Planning	6,825		6,825
Total MANAGEMENT AND GENERAL EXPENSES	\$ 1,280,126		\$ 1,280,126
Total EXPENSES	\$ 16,820,539		\$ 16,820,539
CHANGE IN NET ASSETS	\$ 1,254,195	\$ 31,742,978	\$ 32,997,173
Net Assets, Beginning of Year	4,819,147	215,138,649	219,957,796
NET ASSETS, END OF YEAR	\$ 6,073,342	\$ 246,881,627	\$ 252,954,969

See Accompanying Notes to the Financial Statements

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Statement of Activities
For the Year Ended August 31, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ -	\$ 1,960,002	\$ 1,960,002
Special Events	-	100,400	100,400
Management Fees	243,354	-	243,354
Unrealized Gain on Investments	-	3,721,628	3,721,628
Investment Income (Loss), Net of Direct Expenses	(110,143)	462,372	352,229
Releases from Restriction	4,180,081	(4,180,081)	-
Total SUPPORT AND REVENUE	\$ 4,313,292	\$ 2,064,321	\$ 6,377,613
EXPENSES			
Program Expenses			
Gifts and Scholarships	\$ 4,061,884	\$ -	\$ 4,061,884
Supporting Services			
Management and General			
Professional Fees	167,930	-	167,930
Alumni & Student Expenses	63,242	-	63,242
Fundraising Expenses	98,750	-	98,750
Total EXPENSES	\$ 4,391,806	\$ -	\$ 4,391,806
CHANGE IN NET ASSETS	\$ (78,514)	\$ 2,064,321	\$ 1,985,807
Net Assets, Beginning of Year	\$ 3,303,815	\$ 23,526,386	\$ 26,830,201
NET ASSETS, END OF YEAR	\$ 3,225,301	\$ 25,590,707	\$ 28,816,008

See Accompanying Notes to the Financial Statements

UNIVERSITY OF NORTH TEXAS SYSTEM
Statement of Cash Flows
For the Year Ended August 31, 2021

	August 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Customers	\$ 84,629,127.81
Proceeds from Tuition and Fees	432,627,348.35
Proceeds from Research Grants and Contracts	108,112,615.41
Proceeds from Loan Programs	690,719.27
Proceeds from Auxiliaries	61,264,788.64
Proceeds from Other Revenues	9,435,116.56
Payments to Suppliers for Goods and Services	(208,824,619.37)
Payments to Employees	(598,651,069.00)
Payments for Loans Provided	(119,127.79)
Payments for Other Expenses	(167,107,420.78)
Net Cash Used by Operating Activities	\$ (277,942,520.90)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from State Appropriations	\$ 242,699,619.36
Proceeds from Gifts	21,973,275.08
Proceeds from Endowments	6,168,047.76
Proceeds from Transfers from Other Agencies	652,490.19
Proceeds from Legislative Transfers	3,849,915.00
Proceeds from Grant Receipts	154,028,087.30
Proceeds from Other Revenues	683,118.76
Payments for Legislative Transfers	(141,823.00)
Payments for Legislative Appropriation Lapses	(883,732.49)
Payments for Other Uses	(2,315,353.41)
Net Cash Provided by Noncapital Financing Activities	\$ 426,713,644.55
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Sale of Capital Assets	\$ 835,689.83
Proceeds from State Appropriations	55,826,506.00
Proceeds from Debt Issuance	34,247,000.00
Proceeds from Capital Contributions	70,000.00
Payments for Additions to Capital Assets	(98,269,328.91)
Payments for Capital Leases	(1,846,430.65)
Payments of Principal on Debt Issuance	(48,087,000.00)
Payments of Interest on Debt Issuance	(32,126,321.87)
Net Cash Used by Capital and Related Financing Activities	\$ (89,349,885.60)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Investments	\$ 422,486,125.89
Proceeds from Interest and Investment Income	21,610,679.60
Payments to Acquire Investments	(453,411,527.78)
Net Cash Used by Investing Activities	\$ (9,314,722.29)
Net Increase in Cash and Cash Equivalents	\$ 50,106,515.76
Cash and Cash Equivalents, September 1, 2020	\$ 244,341,021.47
Cash and Cash Equivalents, August 31, 2021	\$ 294,447,537.23
Cash and Cash Equivalents	\$ 262,089,831.33
Restricted Cash and Cash Equivalents	32,357,705.90
Cash and Cash Equivalents, August 31, 2021	\$ 294,447,537.23

See Accompanying Notes to the Comprehensive Financial Statements

UNIVERSITY OF NORTH TEXAS SYSTEM
Statement of Cash Flows
For the Year Ended August 31, 2021

	August 31,
	2021
RECONCILIATION OF OPERATING LOSS TO NET CASH USED	
BY OPERATING ACTIVITIES	
Operating Loss	\$ (494,656,126.31)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and Amortization Expense	\$ 102,369,457.53
Pension Expense	24,405,784.00
OPEB Expense	82,625,186.00
Asset Retirement Obligation Expense	110,380.35
Employee Benefits Paid by State	32,156,402.22
Changes in Assets and Liabilities:	
Increase in Receivables	(34,022,759.30)
Decrease in Inventories	390,861.20
Decrease in Prepaid Expenses	8,650,084.57
Decrease in Loans and Contracts	571,591.48
Decrease in Other Assets	114,151.50
Decrease in Deferred Outflows of Resources - Pensions	11,755,874.00
Decrease in Deferred Outflows of Resources - OPEB	34,525,464.00
Decrease in Payables	(2,475,840.78)
Increase in Unearned Revenue	20,031,144.90
Increase in Employees' Compensable Leave	644,016.75
Decrease in Liabilities to Employees for Defined Benefit Pensions	(15,695,972.00)
Decrease in Liabilities to Employees for Defined Benefit OPEB	(45,059,521.00)
Decrease in Other Liabilities	(174,118.01)
Decrease in Deferred Inflows of Resources - Pensions	(11,125,041.00)
Increase in Deferred Inflows of Resources - OPEB	6,916,459.00
Total Adjustments	\$ 216,713,605.41
Net Cash Used by Operating Activities	\$ (277,942,520.90)
NON-CASH TRANSACTIONS	
Net Change in Fair Value of Investments	\$ 52,193,320.71
Donation of Capital Assets	2,993,046.30
Borrowing Under Capital Lease Purchase	48,878.95
Gain on Sale of Capital Assets	77,506.74
Amortization of Bond Premiums	6,747,863.80
Amortization of Deferred Inflows/Outflows from Refunding Bonds	(439,505.84)
Capital Assets Acquired with Payables	14,089,690.42
Interagency Transfer of Capital Assets	(26,238.06)

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, 2021

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2021

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 2021 are listed below:

GASB Statement No. 92, *Omnibus 2020*, addresses a variety of topics and includes specific provisions about some of the following: leases, intra-agency transfer of assets, pension plans, postemployment benefit plans other than pension plans, fiduciary activities, asset retirement obligations, investments, and derivative instruments. This statement has minimal impact to the comprehensive financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, except paragraphs 11b, 13, and 14 assists governments in the transition away from existing interbank offered rates (IBORs), including the London Interbank Offered Rate (LIBOR), to other reference rates. This statement has minimal impact to the comprehensive financial statements.

Paragraph 4 of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, is effective in fiscal year 2021. Paragraph 4 of GASB Statement No. 97 determines whether a primary government is financially accountable for a potential component unit, other

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2021

than defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans, if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. This additional guidance has no impact to the comprehensive financial statements.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, establishes the term annual comprehensive financial report and its acronym ACFR, which replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement replaces an existing term but does not otherwise establish new accounting and financial reporting requirements.

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 held in the state treasury until spent. When the Legislature meets during the odd-numbered years, they approve a two-year budget (biennial) for all State agencies. The general revenue appropriation to the System supports the instruction, research and operation of the System. Appropriations also include payments made by the State on behalf of the System for benefits related to salaries funded by state appropriations. There is no assurance that the Legislature will continue its state appropriations to the System in future years; however, the System expects that the Legislature will continue to do so. Higher Education Funds ("HEF") are general revenue appropriations received from the State designated for the acquisition of certain capital assets and capital projects. As of August 31, 2021, the unexpended amount was approximately \$103.9 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 \$48.2 million of the outstanding accounts receivable balance at August 31, 2021. The allowance for doubtful accounts on other receivables was approximately \$4.4 million at August 31, 2021. 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 \$176 thousand at August 31, 2021.

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, 2021

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 \$2.3 million and \$1.6 million, respectively, as of August 31, 2021. Clinical accounts receivable are subject to concentrations of patient accounts receivable credit risk. The mix of receivables from patients and third parties as of August 31, 2021 was as follows:

	Net	Gross
Medicaid	24%	38%
Medicare	33%	27%
Commercial	32%	24%
Self-pay	7%	8%
Other	4%	3%
Total	100%	100%

Gift receivables include amounts pledged to the System by donors, net of allowances. The allowance for gift pledges is approximately \$1.8 million at August 31, 2021. 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, 2021 is approximately \$4.9 million.

Investments

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

Capital and Intangible Assets

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

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

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

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2021

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

Deferred Outflows of Resources

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

Deferred Outflows of Resources Related to Debt Refunding

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

Deferred Outflows of Resources Related to Asset Retirement Obligations

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

Deferred Outflows of Resources Related to Pensions

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

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

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2021

Deferred Outflows of Resources Related to OPEB

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

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

Liabilities

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 \$269.9 million of tuition revenue related to the semesters that have not been completed as of August 31, 2021. 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 11, *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.

UNIVERSITY OF NORTH TEXAS SYSTEM
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For the Year Ended August 31, 2021

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.

Net Pension Liability

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

Net OPEB Liability

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

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.

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For the Year Ended August 31, 2021

Deferred Inflows of Resources Related to Pensions

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

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

Deferred Inflows of Resources Related to OPEB

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

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

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.

UNIVERSITY OF NORTH TEXAS SYSTEM
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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. Operating expenses also includes the expenses related to scholarships, exemptions, and COVID-19 expenses paid with HEERF funds. In addition, all changes to incurred but not reported liabilities related to insurance programs are reflected as operating expenses.

Professional Fees Revenue

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

Scholarship Allowances and Student Aid

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

Nonoperating Revenues and Expenses

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

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2021

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. 87, *Leases*, creates a single model for lease accounting, eliminating long-term operating leases. It requires lessee recognition of certain lease liabilities and an intangible right-to-use lease asset, and requires lessor recognition of a lease receivable and deferred inflows of resources. The statement also requires additional disclosures for both lessee and lessor. This statement will be implemented in fiscal year 2022. The System anticipates moderate impact to the comprehensive financial statements.

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

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, paragraphs 11b, 13, and 14 will be implemented in fiscal year 2022. Those three paragraphs of GASB Statement No. 93 assists governments to define the appropriate benchmark interest rates, related to interbank offered rates (IBORs), the London Interbank Offered Rate (LIBOR), and other reference rates. The System anticipates minimal impact to the comprehensive financial statements.

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

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

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, increases consistency and comparability related to the reporting of fiduciary component units, mitigates costs associated with the reporting of employee benefit plans as fiduciary component units in fiduciary fund financial statements, and enhances the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans. This statement, other than paragraph 4, will be implemented in fiscal years 2022. The System anticipates minimal impact to the comprehensive financial statements.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2021

Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2021 is presented below:

	Balance September 1, 2020	Adjustments	Reclassification of Completed Construction In Progress	Increase Interagency Transfers	Decrease Interagency Transfers	Additions	Deletions	Balance August 31, 2021
Non-Depreciable or Non-Amortizable Assets:								
Land and Land Improvements	\$ 96,494,152.89	\$ (7,649,793.75)	\$ -	-	-	\$ -	\$ -	\$ 88,844,359.14
Construction in Progress	72,890,982.16	-	(54,366,812.55)	-	-	70,243,233.54	-	88,767,403.15
Other Tangible Capital Assets	25,634,168.45	-	-	-	-	2,549,062.82	(450.00)	28,182,781.27
Total Non-Depreciable or Non-Amortizable Assets:	\$ 195,019,303.50	\$ (7,649,793.75)	\$ (54,366,812.55)	\$ -	\$ -	\$ 72,792,296.36	\$ (450.00)	\$ 205,794,543.56
Depreciable Assets:								
Buildings and Building Improvements	\$1,654,463,573.88	\$ 7,649,793.75	\$ 49,431,431.85	-	-	\$ 476,945.62	\$ -	\$ 1,712,021,745.10
Infrastructure	70,629,568.97	-	1,503,981.84	-	-	-	-	72,133,550.81
Facilities and Other Improvements	141,280,062.62	-	3,431,398.86	-	-	-	-	144,711,461.48
Furniture and Equipment	183,929,087.45	-	-	572,978.18	(58,000.00)	20,351,525.36	(7,835,154.38)	196,960,436.61
Vehicles, Boats and Aircraft	11,247,265.57	-	-	-	-	299,770.43	(419,089.12)	11,127,946.88
Other Capital Assets	120,395,357.11	-	-	-	-	5,703,046.88	(87,692.79)	126,010,711.20
Total Depreciable Assets:	\$2,181,944,915.60	\$ 7,649,793.75	\$ 54,366,812.55	\$ 572,978.18	\$ (58,000.00)	\$ 26,831,288.29	\$ (8,341,936.29)	\$ 2,262,965,852.08
Less Accumulated Depreciation for:								
Buildings and Building Improvements	\$ (672,757,784.09)	\$ -	\$ -	-	-	\$ (70,894,430.06)	\$ -	\$ (743,652,214.15)
Infrastructure	(28,049,227.54)	-	-	-	-	(2,776,069.95)	-	(30,825,297.49)
Facilities and Other Improvements	(42,436,917.78)	-	-	-	-	(4,645,030.37)	-	(47,081,948.15)
Furniture and Equipment	(133,888,974.09)	-	-	(572,978.18)	31,761.94	(14,355,872.31)	7,455,121.88	(141,330,940.76)
Vehicles, Boats and Aircraft	(8,798,821.37)	-	-	-	-	(877,558.00)	401,624.32	(9,274,755.05)
Other Capital Assets	(77,075,542.70)	-	-	-	-	(5,447,045.82)	86,617.19	(82,435,971.33)
Total Accumulated Depreciation	\$ (963,007,267.57)	\$ -	\$ -	\$ (572,978.18)	\$ 31,761.94	\$ (98,996,006.51)	\$ 7,943,363.39	\$ (1,054,601,126.93)
Total Depreciable Assets, Net	\$1,218,937,648.03	\$ 7,649,793.75	\$ 54,366,812.55	\$ -	\$ (26,238.06)	\$ (72,164,718.22)	\$ (398,572.90)	\$ 1,208,364,725.15
Amortizable Assets - Intangibles:								
Computer Software	\$ 35,166,622.30	\$ -	\$ -	-	-	\$ 215,325.00	\$ (266,024.00)	\$ 35,115,923.30
Other Intangible Capital Assets	-	-	-	-	-	415,142.00	(415,142.00)	-
Total Amortizable Assets - Intangibles	\$ 35,166,622.30	\$ -	\$ -	\$ -	\$ -	\$ 630,467.00	\$ (681,166.00)	\$ 35,115,923.30
Less Accumulated Amortization for:								
Computer Software	\$ (29,072,008.97)	\$ -	\$ -	-	-	\$ (3,335,130.22)	\$ 266,024.00	\$ (32,141,115.19)
Other Intangible Capital Assets	-	-	-	-	-	(38,320.80)	38,320.80	-
Total Accumulated Amortization	\$ (29,072,008.97)	\$ -	\$ -	\$ -	\$ -	\$ (3,373,451.02)	\$ 304,344.80	\$ (32,141,115.19)
Amortizable Assets - Intangibles, Net	\$ 6,094,613.33	\$ -	\$ -	\$ -	\$ -	\$ (2,742,984.02)	\$ (376,821.20)	\$ 2,974,808.11
Total Capital Assets, Net	\$1,420,051,564.86	\$ -	\$ -	\$ -	\$ (26,238.06)	\$ (2,115,405.88)	\$ (775,844.10)	\$ 1,417,134,076.82

UNIVERSITY OF NORTH TEXAS SYSTEM
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Note 3: Cash, Cash Equivalents and Investments

Deposits of Cash in Bank

As of August 31, 2021, the carrying amount of deposits was \$20,217,021.93 as presented below:

Cash in Bank Carrying Value	\$	20,217,021.93
Cash in Bank per Statement of Net Position	\$	<u>20,217,021.93</u>
Proprietary Funds Current Assets Cash in Bank	\$	15,768,852.89
Proprietary Funds Current Assets Restricted Cash in Bank		4,448,169.04
Cash in Bank per Statement of Net Position	\$	<u>20,217,021.93</u>

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 \$245,908,276.89 that is invested in cash equivalents. The remainder of the cash and cash equivalents balance of \$28,322,238.41 is comprised of cash on hand, cash in transit or reimbursement from the Treasury, and cash in the State Treasury.

As of August 31, 2021, the total bank balance was \$28,384,483.88.

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, 2021 was \$16,220,771.00. As of August 31, 2021, the total bank balance was \$989,327.00.

The carrying amount of deposits for the System’s discretely presented component unit, UNTHSC Foundation, reported on the UNTHSC Foundation Statement of Net Position as of August 31, 2021 was \$1,302,331.00. As of August 31, 2021, the total bank balance was \$1,300,831.00.

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, 2021, 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,

UNIVERSITY OF NORTH TEXAS SYSTEM
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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.

As of August 31, 2021, the System's investments are presented below. Included in this amount is \$245,908,276.89 classified as cash equivalents.

Investments and Cash Equivalents	<u>As of August 31, 2021</u>
Equity	\$ 124,263,897.55
Repurchase Accounts	17,249,833.22
Hedge Funds	29,976,530.78
Domestic Mutual Funds	118,118,700.17
International Mutual Funds	49,110,148.97
Fixed Income Money Market and Mutual Funds	239,870,032.77
Other Commingled Funds	93,820,396.59
Other Commingled Funds (TexPool)	16,134,282.99
Real Estate Index Fund	12,100,118.94
Miscellaneous (limited partnerships, guaranteed investment contract, political subdivision, bankers' acceptance, negotiable CD)	16,238,467.72
Total Investments and Cash Equivalents	<u>\$ 716,882,409.70</u>

Credit Risk – Investments

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The System utilizes ratings assigned by Standard & Poor's for this purpose. The System's investment policy does not provide specific requirements and limitations regarding investment ratings. According to the authoritative literature from the GASB, 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, 2021, 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	Equity	\$ -	\$ 124,263,897.55	\$ 124,263,897.55
05	0001	Repurchase Accounts	-	17,249,833.22	17,249,833.22
05	0001	Hedge Funds	-	29,976,530.78	29,976,530.78
05	0001	Domestic Mutual Funds	-	118,118,700.17	118,118,700.17
05	0001	International Mutual Funds	-	49,110,148.97	49,110,148.97
05	0001	Fixed Income Money Market and Bond Mutual Funds	125,141,303.26	114,728,729.51	239,870,032.77
05	0001	Other Commingled Funds	87,382,857.42	6,437,539.17	93,820,396.59
05	0001	Commingled Funds (TEXPOOL)	16,134,282.99	-	16,134,282.99
05	0001	Real Estate Index Fund	-	12,100,118.94	12,100,118.94
05	0001	Private Equity	-	16,238,467.72	16,238,467.72
05	0001	Total	<u>\$ 228,658,443.67</u>	<u>\$ 488,223,966.03</u>	<u>\$ 716,882,409.70</u>

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Concentration of Credit Risk

As of August 31, 2021, 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 requirements that would limit the exposure to custodial credit risk for investments. As of August 31, 2021, 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, 2021, the System investments subject to interest rate risk – commingled funds and fixed income money market – have an average maturity of less than one year. The System's 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, 2021, 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

The UNT Foundation holds and invests certain funds in trust on behalf of UNT and UNTD. For UNT, pursuant to an investment management agreement dated August 24, 2012, certain UNT endowment assets have been placed with the UNT Foundation and invested in the UNT Foundation's Consolidated Investment Pool ("UNT Foundation Pool"). The initial term of the agreement ended August 31, 2013, with a provision to automatically renew annually thereafter. On September 11, 2019 the agreement was re-written with an effective date of September 1, 2019 and the initial term ending date of August 31, 2027, with a provision to automatically renew and extend for additional five-year terms. Effective December 1, 2020, the UNT Foundation entered into an investment management agreement with the UNTD to manage certain of its endowment assets in the UNT Foundation Pool. The initial term of the agreement ends August 31, 2030, with a provision to automatically renew and extend for additional five-year terms. UNTD may terminate the agreement with 90 days' notice if it determines that its own foundation is operationally capable of performing the investment and management of the UNTD endowments prior to expiration of the agreement.

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

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As of August 31, 2021, total investments held by the UNT Foundation, including the System portion, consisted of the following investment types:

Investment	Fair Value
Equity	\$ 24,875,776.80
Domestic Mutual Funds	92,315,407.62
International Other Commingled Funds	22,120,645.88
International Mutual Funds	74,209,752.00
Fixed Income Money Market and Bond Mutual Funds	58,033,017.52
Hedge Funds	15,514,047.52
Private Debt/Equity	25,995,556.22
Miscellaneous	2,566,523.47
Total investments	\$ 315,630,727.03

The System's portion of the UNT Foundation Pool of investments as of August 31, 2021 is \$89,199,036.02.

The UNT Foundation Pool's investments are not rated by Standard & Poor's. As of August 31, 2021, 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, 2021, 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.

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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 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, 2021, total investments held by the UNTHSC Foundation, including the System portion, consisted of the following investment types:

Investment	Fair Value
Equity	\$ 62,135,583.00
International Equity	26,993,941.00
Domestic Mutual Funds	37,131,106.00
Miscellaneous	5,311,013.00
Total investments	\$ 131,571,643.00

The System's portion of the UNTHSC Foundation Pool of investments as of August 31, 2021 is \$105,566,135.30.

The UNTHSC Foundation Pool's investments are not rated by Standard & Poor's. As of August 31, 2021, 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, 2021, the System's investments in the UNTHSC Foundation Pool consisted of the following investment types:

Equity

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

International Equity

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

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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, 2021, 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

The System has the following recurring fair value measurements as of August 31, 2021:

	8/31/2021	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	\$ 45,453,370.35	\$ 45,453,370.35	\$ -	\$ -
Domestic Mutual Funds	61,686,885.86	61,686,885.86	-	-
International Mutual Funds	27,513,664.48	27,513,664.48	-	-
Fixed Income Money Market and Bond Mutual Funds	222,172,080.60	222,172,080.60	-	-
Real Estate Index Fund	12,100,118.94	12,100,118.94	-	-
Miscellaneous	32,424,144.52		25,461,640.52	6,962,504.00
Total Investments at Fair Value	\$ 401,350,264.75	\$ 368,926,120.23	\$ 25,461,640.52	\$ 6,962,504.00
Investments and Cash Equivalents Measured at NAV				
Other Commingled Funds (TexStar)	\$ 27,596,699.25			
Externally Managed Investments - Foundation Managed Pools	194,765,171.32			
Total Investments at NAV	\$ 222,361,870.57			
Total Investments at Fair Value	\$ 623,712,135.32			
Investments and Cash Equivalents not Measured at Fair Value				
Repurchase Accounts	\$ 17,249,833.22			
Other Commingled Funds (TexTERM)	32,260,623.39			
Other Commingled Funds (TexPool)	16,134,282.99			
Other Commingled Funds (TexasCLASS)	27,525,534.78			
Total Investments not Measured at Fair Value	\$ 93,170,274.38			
Total Investments	\$ 716,882,409.70			

Investments classified in Level 1 of the fair value hierarchy, totaling \$368,926,120.23 for the year ended August 31, 2021, are valued using quoted prices in active markets. Fair values for hedge funds using level 2 inputs are based

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on daily valuations of assets and reported to investors on a monthly basis. Investments may include less liquid securities, direct loans or debt securities, and distressed debt combined with the use of derivatives and leverage. Valuations not directly observable may be determined by pricing and performance models. Fair values for private equity funds using level 3 inputs are often not directly observable. Fair valuations published by general partners for the use of limited partner investors are often determined by the best information available and audited by outside third party auditors. Investments are typically valued on a quarterly basis.

\$89,199,036.02 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, 2021:

	8/31/2021	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	\$ 24,875,776.80	\$ 24,875,776.80	\$ -	\$ -
Domestic Mutual Funds	92,315,407.62	92,315,407.62	-	-
International Mutual Funds	74,209,752.00	74,209,752.00	-	-
Fixed Income Money Market and Bond Mutual Funds	58,033,017.52	58,033,017.52	-	-
US Private Company Common Stock	11,330,631.00	-	-	11,330,631.00
Total Investments at Fair Value	\$ 260,764,584.94	\$249,433,953.94	\$ -	\$11,330,631.00
Investments and Cash Equivalents Measured at NAV				
International Other Commingled Funds	\$ 22,120,645.88			
Hedge Funds	15,514,047.52			
Private Debt/Equity	14,664,925.22			
Miscellaneous	2,566,523.47			
Total Investments at NAV	\$ 54,866,142.09			
Total Investments	\$ 315,630,727.03			

\$105,566,135.30 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, 2021:

	8/31/2021	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	\$ 50,350,783.00	\$ 50,350,783.00	\$ -	\$ -
Equity - US Mid/Small Cap	2,884,189.00	2,884,189.00	-	-
Equity - Global	379,146.00	379,146.00	-	-
Equity - Foreign	26,614,795.00	26,614,795.00	-	-
Emerging Markets	8,900,611.00	8,900,611.00	-	-
Mutual Funds - Bonds	37,131,106.00	37,131,106.00	-	-
Alternative Assets	543,820.00	543,820.00	-	-
Total Investments at Fair Value	\$ 126,804,450.00	\$ 126,804,450.00	\$ -	\$ -
Investments and Cash Equivalents not Measured at Fair Value				
Cash Equivalents	\$ 1,281,352.00			
Alternative Investments	3,485,841.00			
Total Investments not Measured at Fair Value	\$ 4,767,193.00			
Total Investments	\$ 131,571,643.00			

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

Other Commingled Funds consists of funds invested with TexStar, TexPool, TexasTERM, and TexasCLASS. 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

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of \$1.00, although this cannot be fully guaranteed. The System reports its investment with TexStar of \$27,596,699.25 at fair value and reports its investment with TexPool, TexasTERM, and TexasCLASS of \$75,920,441.16 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, 2021, \$194,765,171.32 of the System’s externally managed investments are managed by the UNT Foundation and the UNTHSC Foundation.

Fair Value	Fair Value	Redemption				Unfunded Commitment
		Frequency Range - Low	Frequency Range - High	Notice Range - Low	Notice Range - High	
Hedge Funds	\$ 4,514,890.26	Quarterly	Quarterly	45 Days	180 Days	\$0
Equity Funds	78,810,527.21	Daily	Monthly	1 Day	60 Days	0
Mutual Funds	95,726,250.96	Daily	Monthly	1 Day	60 Days	0
Commingled Funds	6,437,539.17	Monthly	Monthly	10 Day	30 Days	0
Private Debt	4,267,779.11	N/A	N/A	N/A	N/A	0
Miscellaneous	5,008,184.61	N/A	N/A	N/A	N/A	0
Total	\$ 194,765,171.32					

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, 2021 is as follows:

	September 1, 2020	Additions	Reductions	August 31, 2021
Series A Commercial Paper	\$ 37,330,000.00	\$ 15,847,000.00	\$ 3,177,000.00	\$ 50,000,000.00
Series B Commercial Paper	7,735,000.00	18,400,000.00	-	26,135,000.00
Total Commercial Paper	\$ 45,065,000.00	\$ 34,247,000.00	\$ 3,177,000.00	\$ 76,135,000.00

The outstanding balance of commercial paper at August 31, 2021 was \$76,135,000.00 at an average interest rate of 0.14%. Average commercial paper maturity during the year ended August 31, 2021 was approximately 38 days. The System will provide liquidity support for \$50,000,000.00 in Series A Commercial Paper Notes by utilizing available funds of the System in lieu of or in addition to bank liquidity support. The maximum maturity for commercial paper is 270 days. In practice, the System rolls, pays off, and/or issues new commercial paper at each maturity. Commercial paper will continue to be used as interim funding until long-term bonds are approved and issued or gifts or institutional funds are received to retire the commercial paper debt. The commercial paper programs do not have

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(1) unused lines of credits, (2) assets pledged as collateral, or (3) terms specified in debt agreements related to significant (i) events of default with finance-related consequences, (ii) termination events with finance-related consequences, and (iii) subjective acceleration clauses.

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

Note 5: Long-Term Liabilities

Changes in Long-Term Liabilities

The following changes occurred in long-term liabilities during the year ended August 31, 2021:

	September 1, 2020	Additions	Reductions	August 31, 2021	Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable:						
Revenue Bonds Payable	\$ 757,940,000.00	\$ -	\$ 42,445,000.00	\$ 715,495,000.00	\$ 46,345,000.00	\$ 669,150,000.00
Unamortized Net Premiums	58,870,798.33	-	6,747,863.80	52,122,934.53	6,264,215.75	45,858,718.78
Direct Placement Revenue Bonds Payable	17,565,000.00	-	2,465,000.00	15,100,000.00	2,525,000.00	12,575,000.00
Total Revenue Bonds Payable	\$ 834,375,798.33	\$ -	\$ 51,657,863.80	\$ 782,717,934.53	\$ 55,134,215.75	\$ 727,583,718.78
Capital Lease Obligations:						
Capital Lease Obligations	\$ 945,829.26	\$ 48,878.95	\$ 250,707.61	\$ 744,000.60	\$ 303,799.29	\$ 440,201.31
Direct Borrowing Capital Leases	4,423,089.07	-	1,595,723.04	2,827,366.03	1,494,180.85	1,333,185.18
Total Capital Lease Obligations	\$ 5,368,918.33	\$ 48,878.95	\$ 1,846,430.65	\$ 3,571,366.63	\$ 1,797,980.14	\$ 1,773,386.49
Claims and Judgments	\$ 1,576,965.00	\$ 521,000.00	\$ 588,232.00	\$ 1,509,733.00	\$ 473,815.00	\$ 1,035,918.00
Employees' Compensable Leave	29,820,824.07	4,603,427.66	3,959,410.91	30,464,840.82	4,623,136.21	25,841,704.61
Asset Retirement Obligation	2,480,625.00	120,375.00	-	2,601,000.00	-	2,601,000.00
Net Pension Liability	180,478,041.00	24,054,648.00	15,344,836.00	189,187,853.00	-	189,187,853.00
Net OPEB Liability	451,684,314.00	98,634,069.00	61,094,582.00	489,223,801.00	16,318,756.00	472,905,045.00
Other Non-Current Liabilities	3,261,377.97	266,589.16	786,906.72	2,741,060.41	1,577,413.30	1,163,647.11
Total Long-Term Liabilities	\$ 1,509,046,863.70	\$ 128,248,987.77	\$ 135,278,262.08	\$ 1,502,017,589.39	\$ 79,925,316.40	\$ 1,422,092,272.99

Revenue Bonds Payable

Scheduled principal and interest payments for revenue bonds issued and outstanding as of August 31, 2021 are as follows:

Year	Principal	Interest	Total
2022	\$ 46,345,000.00	\$ 30,840,851.16	\$ 77,185,851.16
2023	40,430,000.00	28,983,424.10	69,413,424.10
2024	43,635,000.00	27,438,011.02	71,073,011.02
2025	41,795,000.00	25,833,241.68	67,628,241.68
2026	40,590,000.00	24,155,973.90	64,745,973.90
2027-2031	215,400,000.00	94,215,263.80	309,615,263.80
2032-2036	129,055,000.00	51,957,925.80	181,012,925.80
2037-2041	86,140,000.00	27,337,200.90	113,477,200.90
2042-2046	49,435,000.00	10,714,085.20	60,149,085.20
2047-2050	22,670,000.00	2,063,777.10	24,733,777.10
Total	\$ 715,495,000.00	\$ 323,539,754.66	\$ 1,039,034,754.66

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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, 2021 are as follows:

Year	Principal	Interest	Total
2022	\$ 2,525,000.00	\$ 362,400.00	\$ 2,887,400.00
2023	2,585,000.00	301,800.00	2,886,800.00
2024	2,650,000.00	239,760.00	2,889,760.00
2025	2,710,000.00	176,160.00	2,886,160.00
2026	2,775,000.00	111,120.00	2,886,120.00
2027	1,855,000.00	44,520.00	1,899,520.00
Total	\$ 15,100,000.00	\$ 1,235,760.00	\$ 16,335,760.00

At August 31, 2021, the System had outstanding revenue bonds payable from direct placements of \$15,100,000.00. The direct placement revenue bonds do not have existing provisions related to early terminations or payment accelerations. As of August 31, 2021, 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 2021 for revenue bonds and direct placement revenue bonds amounted to \$32,030,663.48. Total interest and fiscal charges incurred for the year ended August 31, 2021 was \$32,363,447.72. In addition, the System recorded (\$6,747,863.80) and \$439,505.84 to interest expense relating to the amortization of premiums and deferred inflows and outflows of resources from bond refundings, respectively. The resulting amount of \$26,055,089.76 was reported as interest expense and fiscal charges for the year ended August 31, 2021.

Funds Available for Debt Service

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

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

	Revenue Bonds	Direct Placement Revenue Bonds
Pledged Revenue Required for Future		
Principal and Interest on Existing Debt	\$ 1,039,034,754.66	\$ 16,335,760.00
Term of Commitment Year Ending 8/31	2050	2027
Percentage of Pledged Revenue	100.0%	100.0%
Current Year Pledged Revenue	\$ 1,046,196,663.90	\$ 1,046,196,663.90
Current Year Principal and Interest Paid	\$ 74,054,103.48	\$ 2,886,560.00

Capital Lease Obligations and Direct Borrowing Capital Lease Obligations

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

Claims and Judgments

As of August 31, 2021, the Claims and Judgments liability accrual is comprised of incurred but not reported ("IBNR") activity associated with HSC and a legal settlement. According to authoritative GASB guidance, liabilities should be recognized when the possibility of loss is probable and the amount of loss is reasonably estimable. See Note 11,

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Contingencies and Commitments, and Note 13, *Risk Management*, for more information on the claims and judgments against the System.

Employees' Compensable Leave

According to the Texas Human Resources Management Statutes Inventory provided by the State Auditor's Office, state agency employees who have accrued six months of continuous state employment are entitled to be paid for the accrued balance of the employee's vacation leave as of the date of separation if the employee is not reemployed by a state agency or institution of higher education with no break in state service to a position which accrues vacation leave. Substantially all full-time System employees earn between eight and twenty-one hours of annual leave per month depending upon the respective employee's years of state employment. State law permits employees to carry accrued leave forward from one fiscal year to another, up to a maximum of 532 hours for those employees with 35 or more years of state service. Eligible part-time employees' annual leave accrual rate and maximum carryover are proportional to the number of hours appointed to work. Employees with at least six months of continuous State service who terminate their employment are entitled to payment for all accumulated vacation leave. Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee 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, 2021, 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 238 months and 154 months, respectively. Licensing of Radioactive Materials is regulated by the State of Texas via Texas Administrative Code Title 25 Health Services, Part 289 Radiation Control, Subpart 252 Licensing of Radioactive Materials. The System estimated the obligation amount using best-estimate current value based on settlement amount and recorded the initial measurement as a deferred outflow 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 2021 related to other liabilities, including the wind down of the Perkins Loan Program. Specifically, the federal share to be returned in proportion to the total excess liquid capital of the Perkins Loan Program was recorded as an other non-current liability in 2021.

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Note 6: Bonded Indebtedness

At August 31, 2021, the System had revenue bonds principal outstanding of \$730,595,000.00. RFS debt is secured by and payable from pledged revenues as defined in the Master Resolution establishing the RFS. Pledged revenues consist of all lawfully available revenues, funds and balances, with certain exceptions, pledged to secure revenue-supported indebtedness issued under the Master Resolution as set forth by the State. General information related to revenue bonds outstanding as of August 31, 2021 is summarized in the table below:

Bond	Purpose	Issue Date	Interest Rates	Amount Issued	Total Principal Outstanding as of 8/31/21
Public Offerings					
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 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	\$ 4,320,000.00
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	205,000.00
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 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	101,260,000.00
RFS Refunding Bonds, Series 2015B	To provide funds for the purposes of refunding Revenue Financing System Bonds Series 2014 Private Placement Arrangement, for refunding a portion of the commercial paper notes, provide funding for constructing and equipping buildings, and paying certain costs of issuing the bonds	10/21/2015	0.3000%-4.8380%	73,035,000.00	46,405,000.00
RFS Refunding Bonds, Series 2017A	To provide funds for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2009A; a portion of the outstanding commercial paper notes; for constructing, improving, renovating, and equipping property; and paying certain costs of issuing the bonds	1/31/2017	1.0000%-5.0000%	196,165,000.00	162,370,000.00
RFS Refunding Bonds, Series 2017B	To provide funds for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2009A; a portion of the outstanding commercial paper notes; for constructing, improving, renovating, and equipping property; and paying certain costs of issuing the bonds	1/31/2017	0.9000%-4.1220%	164,305,000.00	131,045,000.00
RFS Refunding Bonds, Series 2018A	To provide funds for the purposes of constructing, improving, renovating, and equipping property; refunding a portion of the outstanding commercial paper notes; and paying certain costs of issuing the bonds	9/11/2018	3.0000%-5.0000%	149,425,000.00	149,265,000.00
RFS Forward Refunding Bonds, Series 2018B	To provide funds for the purposes of constructing, improving, renovating, and equipping property; refunding a portion of the outstanding commercial paper notes; and paying certain costs of issuing the bonds	9/11/2018	2.3000%-3.5500%	22,685,000.00	14,965,000.00
RFS Refunding Bonds, Series 2020A	To provide funds for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2010, 2015, and 2015C for constructing, improving, renovating, and equipping property; and paying certain costs of issuing the bonds	7/2/2020	2.0000% - 5.0000%	59,475,000.00	51,040,000.00
RFS Refunding Bonds, Taxable Series 2020B	To provide funds for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2012A and 2012B; a portion of the outstanding commercial paper notes; for constructing, improving, renovating, and equipping property; and paying certain costs of issuing the bonds	7/2/2020	0.6450% - 3.0020%	55,240,000.00	54,620,000.00
Total Public Offerings				\$ 906,170,000.00	\$ 715,495,000.00
Direct Borrowings					
RFS Forward Refunding Bonds, Series 2018	To provide funds for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2009; and paying certain costs of issuing the bonds	3/14/2018	2.4000% - 2.4000%	\$ 22,845,000.00	\$ 15,100,000.00
Total Direct Placements				\$ 22,845,000.00	\$ 15,100,000.00
Total Bonded Indebtedness				\$ 929,015,000.00	\$ 730,595,000.00

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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, 2021, the par value outstanding on cash defeased bonds was \$2,335,000.00.

In 2020, the System advanced refunded a portion of the Series 2012A bonds and Series 2012B bonds. As of August 31, 2021, the par value outstanding on advanced refunded bonds were \$33,650,000.00 for Series 2012A and \$3,080,000.00 for Series 2012B. The par value outstanding represents the portion that is outstanding but will be paid from escrow.

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 \$4,465,943.94 in 2021. The lease terms typically range from 12 to 60 months, where some lease terms contain optional renewals. There were no contingent payments for the period ended August 31, 2021. Future minimum lease payments under non-cancelable operating leases having an initial term in excess of one year as of August 31, 2021, were as follows:

Fiscal Year	Lease Payments
2022	\$ 4,847,833.24
2023	3,586,484.47
2024	971,563.37
2025	160,088.26
2026	132,980.84
2027 – 2031	587,379.80
2032 – 2036	587,379.80
2037 – 2041	587,379.80
2042 – 2046	587,379.80
2047 – 2051	399,879.92
2052 – 2093	2,308,992.00
Total Future Minimum Operating Lease Payments	\$ 14,757,341.30

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, 2021, were as follows:

Assets Leased	2021
Buildings:	
Cost	\$ 64,606,643.18
Less: Accumulated Depreciation	(20,646,221.73)
Carrying Value	\$ 43,960,421.45
Parking Garage:	
Cost	\$ 16,569,524.80
Less: Accumulated Depreciation	(7,559,656.93)
Carrying Value	\$ 9,009,867.87
Total Carrying Value	\$ 52,970,289.32

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For the Year Ended August 31, 2021

Rental income for operating leases was \$4,768,322.76 in 2021. There were no contingent rentals for the period ended August 31, 2021. Future minimum lease income under non-cancelable operating leases as of August 31, 2021, was as follows:

Year	Lease Income
2022	\$ 6,455,691.53
2023	2,922,155.25
2024	2,772,931.67
2025	2,357,598.27
2026	2,003,378.28
2027 – 2031	4,123,274.51
Total Minimum Lease Income	\$ 20,635,029.51

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 2021, the System has leases that qualify as a financed purchase, which are presented as direct borrowing capital lease obligations herein. The leases do not have (1) unused lines of credits, (2) assets pledged as collateral, or (3) terms specified in debt agreements related to significant (i) events of default with finance-related consequences, (ii) termination events with finance-related consequences, and (iii) subjective acceleration clauses. A summary of original capitalized costs and accumulated depreciation of all assets under capital lease as of August 31, 2021, is presented below:

<u>Assets Under Capital Lease or Direct Borrowing</u>	<u>Capital Lease</u>	<u>Direct Borrowing</u>
Equipment:		
Cost	\$ 1,443,522.52	\$ 7,128,696.41
Less: Accumulated Depreciation	(945,163.55)	(3,814,427.74)
Carrying Value	\$ 498,358.97	\$ 3,314,268.67
Vehicles:		
Cost	\$ 597,339.21	\$ -
Less: Accumulated Depreciation	(376,620.12)	-
Carrying Value	\$ 220,719.09	\$ -
Total Carrying Value as of August 31, 2021	\$ 719,078.06	\$ 3,314,268.67

Capital lease obligations are due in monthly, quarterly or annual installments. Future minimum lease payments for assets under capital lease at August 31, 2021, were as follows:

Year	Principal	Interest
2022	\$ 303,799.29	\$ 10,717.93
2023	269,085.06	5,503.62
2024	144,481.30	1,096.85
2025	25,814.49	72.60
2026	820.46	-
Total Future Minimum Lease Payments	\$ 744,000.60	\$ 17,391.00

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The direct borrowing capital lease obligations are due in annual installments. Future minimum lease payments for the asset under direct borrowing capital lease obligations at August 31, 2021, were as follows:

Year	Principal	Interest
2022	\$ 1,494,180.85	\$ 5,826.24
2023	1,333,185.18	2,821.91
Total Future Minimum Lease Payments	\$ 2,827,366.03	\$ 8,648.15

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

Detailed information about the TRS Plan’s fiduciary net position is available in a separately issued Annual Comprehensive 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.

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.

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For the Year Ended August 31, 2021

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 2020 for fiscal 2021 reporting, the amount of the System's contributions recognized by the plan was \$14,574,757.00. 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 2020. Depending upon the source of funding for the employee's compensation, the State or the System contributes a percentage of participant salaries totaling 7.5% of annual compensation for during the measurement period of 2020.

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 2020 Annual Comprehensive Financial Report.

At August 31, 2021, the System reported a liability of \$189,187,853.00 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, 2020 (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 0.3532394693%, which was an increase of 0.0060536533% from the 0.3471858160% 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, 2019 through August 31, 2020 (the "measurement period"). During the measurement period, the amount of the System's contributions reported by the State was \$4,816,349.03. The State's proportionate share for those contributions was 0.0011673091%. The amount of net pension liability related to the System reported by the State was \$62,518,691.27. The amount reported by the state is related to on-behalf contributions, which are recognized as State appropriation general revenue on the System's financial statements in the fiscal year that the State contributed the amounts to TRS on the System's behalf.

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
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For the year ended August 31, 2021, the System recognized pension expense of \$24,405,784.00. At August 31, 2021, 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	\$ 14,795,803.00	\$ -
Changes of assumptions	43,898,313.00	18,665,257.00
Difference between expected and actual experience	345,442.00	5,279,731.00
Change in proportion and contribution difference	20,702,254.00	17,660,108.00
Net difference between projected and actual investment return	3,829,945.00	-
Total	\$ 83,571,757.00	\$ 41,605,096.00

The \$14,795,803.00 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 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Expense
2022	\$ 2,737,175.00
2023	10,807,535.00
2024	11,126,773.00
2025	3,857,824.00
2026	(1,440,106.00)
Thereafter	81,657.00
Total	\$ 27,170,858.00

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, 2020 measurement date:

Actuarial Methods and Assumptions	TRS Plan
Actuarial Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Floating
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.25%
Investment Rate of Return	7.25%
Long-term Expected Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%
Inflation	2.30%
Salary Increase	3.05% to 9.05% including inflation
Mortality	
Active	90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality
Post-Retirement	2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP
Ad Hoc Post-Employment Benefit Changes	None

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

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2021

The actuarial assumptions used in the valuation were primarily based on the result of an actuarial experience study for the three-year period ended August 31, 2017 and adopted in July 2018. The mortality rates were based on 90% of the RP 2014 employee Mortality Tables for males and females. The Post-retirement mortality rates were based on 2018 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP. The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of Aug. 31, 2019 with no changes since the prior measurement date.

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

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

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

Asset Class	Target Allocation*	Long-Term Expected Geometric Real Rate of Return**
Global Equity		
U.S.	18.00%	3.90%
Non-U.S. Developed	13.00%	5.10%
Emerging Markets	9.00%	5.60%
Private Equity	14.00%	6.70%
Stable Value		
U.S. Treasury	16.00%	-0.70%
Absolute Return		1.80%
Stable Value Hedge Funds	5.00%	1.90%
Real Return		
Real Assets	15.00%	4.60%
Energy, Natural Resources and Infrastructure	6.00%	6.00%
Commodities		0.80%
Risk Parity		
Risk Parity	8.00%	3.00%
Asset Allocation Leverage Cash	2.00%	-1.50%
Asset Allocation Leverage	-6.00%	-1.30%
Total	<u>100.00%</u>	

* Target allocations are based on a fiscal year 2020 policy model.

** Capital Market assumptions come from Aon Hewitt (as of 8/31/2020).

UNIVERSITY OF NORTH TEXAS SYSTEM
Notes to the Comprehensive Financial Statements
For the Year Ended August 31, 2021

The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

1.0% Decrease (6.25%)	Current Discount Rate (7.25%)	1.0% Increase (8.25%)
\$ 291,724,284.00	\$ 189,187,853.00	\$ 105,879,250.00

Optional Retirement Program

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

The employee and employer contribution rates are established by the Legislature each biennium. Depending upon the source of funding for the employee's compensation, the System may be required to make the employer contributions in lieu of the State. Since these are individual annuity contracts, the State and the System have no additional or unfunded liability for this program. The State provides an option for a local supplement in addition to the state base rate. Each institution within the System can decide to adopt and fund a local supplement each year to provide each ORP employee the maximum employer rate. The chancellor then approves the employer rates each fiscal year. The contributions made by participants (6.65% of annual compensation) and the employer (6.60% state base rate for 2021 plus any local supplement for a maximum 8.50% of annual compensation) for the year ended August 31, 2021, is provided in the following table:

ORP Participation	
Member Contributions	\$ 8,766,448.21
Employer Contributions	9,192,417.36
Total	\$ 17,958,865.57

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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 Annual Comprehensive 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, vision and dental insurance benefits to eligible retirees. The benefit and contribution provisions of the ERS Plan are authorized by state law and may be amended by the Legislature. All System employees that work at least 20 hours but less than 30 hours per week for an expected period of 4.5 months or more are eligible for partial health benefits under ERS. 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 2020 for fiscal 2021 reporting, the amount of the System's contributions recognized by the plan for retirees was \$11,638,254.00. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution.

Contributions to ERS for the year ended August 31, 2021 for active and retired employees were as follows:

ERS Participation	
Member Contributions	\$ 17,729,948.52
State On-Behalf Contributions	23,899,323.00
Employer Contributions	43,932,177.06
Total	\$ 85,561,448.58

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

Employer Contribution Rates	
Retiree Health and Basic Life Premium	
Retiree Only	\$ 624.82
Retiree & Spouse	\$ 1,340.82
Retiree & Children	\$ 1,104.22
Retiree & Family	\$ 1,820.22

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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 2020 ACFR.

At August 31, 2021, the System reported a liability of \$489,223,801.00 for its proportionate share of the collective net OPEB liability of the ERS Plan. The non-current portion of the liability was \$472,905,045.00 and the current portion was \$16,318,756.00. The collective net OPEB liability was measured as of August 31, 2020 (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 1.480494034%, which was an increase of 0.173638254% from the 1.306855780% measured at the prior measurement date. The System's proportionate share was based on its contributions to the OPEB plan, excluding State on-behalf contributions, relative to the contributions of all employers and non-employer contributing entity to the ERS Plan for the period September 1, 2019 through August 31, 2020 (the "measurement period").

For the year ended August 31, 2021, the System recognized OPEB expense of \$82,625,186.00. At August 31, 2021, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 3,617,598.00	\$ -
Changes of assumptions	28,322,657.00	105,407,568.00
Difference between expected and actual experience	-	19,133,787.00
Change in proportion and contribution difference	264,006,285.00	17,280,725.00
Net difference between projected and actual investment return	146,007.00	-
Total	\$ 296,092,547.00	\$ 141,822,080.00

The \$3,617,598.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending August 31, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year	Expense
2022	\$ 44,021,243.00
2023	58,051,518.00
2024	43,589,303.00
2025	3,878,628.00
2026	1,112,177.00
Total	\$ 150,652,869.00

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Actuarial Assumptions

The total OPEB liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2020 measurement date:

Actuarial Methods and Assumptions	<u>ERS Plan</u>
Actuarial Valuation Date	August 31, 2020
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Discount Rate	2.20%
Inflation	2.30%
Salary Increase	2.30% to 9.05% including inflation
Healthcare Cost and Trend Rate	
HealthSelect	8.80% for FY 2022, 5.25% for FY 2023, 5.00% for FY 2024, 4.75% for FY 2025, 4.60% for FY 2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2029 and later years
HealthSelect Medicare Advantage	(53.30%) for FY 2022, 0.00% for FY 2023, 66.67% for FY 2024, 24.00% for FY 2025, 4.60% for FY 2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2029 and later years
Pharmacy	10.00% for FY 2022 and FY 2023, decreasing 100 basis points per year to 5.00% for FY 2028, and 4.30% for FY 2029 and later years
Aggregate Payroll Growth	2.70%
Retirement Age	Experience-based tables of rates that are specific to the class of employee
Mortality	
State Agency Members	
Service Retirees, Survivors and Other Inactive Members	2020 State Retirees of Texas Mortality table with a 1 year set forward for male Certified Peace Officers/Custodial Officers ("CPO/CO") members and Ultimate MP Projection Scale projected from the year 2020
Disabled Retirees	2020 State Retirees of Texas Mortality table with a 3 year set forward for males and females with minimum rates at all ages of 3.0% for males and 2.5% for females, respectively, and Ultimate MP Projection Scale projected from the year 2020
Active Members	Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members and Pub-2010 Public Safety Active Member Mortality table for CPO/CO members with Ultimate MP Projection Scale from the year 2010
Higher Education Members	
Service Retirees, Survivors and Other Inactive Members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018
Disabled Retirees	Tables based on TRS experience with Ultimate MP Projection Scale from year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active Members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014
Ad Hoc Post-Employment Benefit Changes	None

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

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The actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2014 to August 31, 2019 for state agency members and for the period September 1, 2010 to August 31, 2017 for higher education members. The mortality rates were based on the tables identified in the above table titled *Actuarial Methods and Assumptions*.

The following assumptions and other inputs have been adopted since the prior valuation to reflect plan experience and trends as expected by ERS and the actuaries attesting to the results of the valuation:

- a. Demographic assumptions (including rates of preretirement and post-disability mortality for all state agency members; assumed rates of termination and retirement for certain members who are CPO/CO; and assumed salary, aggregate payroll increases and the assumed rate of general inflation) have been updated to reflect assumptions recently adopted by the ERS' Board of Trustees;
- b. Assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on short-term expectations;
- c. The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence. The percentage of future female retirees assumed to be married and electing coverage for their spouse;
- d. The proportion of future retirees assumed to cover dependent children have been updated to reflect recent plan experience and expected trends. Moreover, the Patient-Centered Outcome Research Institute fees payable under the ACA have been updated to reflect IRS Notice 2020-44; and,
- e. The discount rate was changed from 2.97% as of Aug. 31, 2019 to 2.20% as of Aug. 31, 2020 as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

The only benefit revisions that have been adopted since the prior valuation for retirees and dependents are minor benefit changes that will become effective Jan. 1, 2021, since these changes were communicated to plan members in advance of the preparation of this report. These changes are not expected to have a significant impact on plan costs for fiscal year 2021 and are provided for in the 2021 Assumed Per Capital Health Benefit Costs.

The discount rate used to measure the total net OPEB liability was the municipal bond rate of 2.20%, a decrease of 0.77% from the 2.97% used in the prior year. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return. ERS' board of trustees adopted an amendment to the investment policy in August 2017 to require that all funds in this plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments be at least 2.4%. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 2.97%.

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the System's net OPEB liability. The following presents the System's proportionate share of the net OPEB liability calculated using the discount rate of 2.20%, as well as what the System's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.20%) or one percentage point higher (3.20%) than the current rate:

1.0% Decrease (1.20%)	Current Discount Rate (2.20%)	1.0% Increase (3.20%)
\$ 581,476,992.00	\$ 489,223,801.00	\$ 416,951,698.00

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

1.0% Decrease	Current Healthcare	1.0% Increase
HS/HSMA/Pharmacy	Cost Trend Rates	HS/HSMA/Pharmacy
(7.80/-54.30/9.00%	(8.80/-53.30/10.00%	(9.80/-52.30/11.00%
decreasing to 3.30%)	decreasing to 4.30%)	decreasing to 5.30%)
\$ 409,448,138.00	\$ 489,223,801.00	\$ 593,801,364.00

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, 2021.

Note 11: 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

As a result of the COVID-19 global pandemic, economic uncertainties have arisen which may negatively affect the net position of the System. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Young Conservatives of Texas Foundation v. University of North Texas, University of North Texas System, Neal Smatresk, President of the University of North Texas and Shannon Goodman, Vice President for Enrollment of the University of North Texas. Case No. 20-9524-442, 442nd Judicial District Court, Denton County, Texas. Declaratory Judgment. On November 16, 2020, the Young Conservatives of Texas Foundation filed suit challenging the constitutional validity of a state law that allows aliens who are not lawfully in the United States to pay in-state tuition while requiring U.S. citizens who are not Texas residents to pay higher out-of-state tuition. The suit seeks a judicial declaration that requires the State of Texas to allow U.S. citizens who are not Texas residents to pay in-state tuition if aliens who are not lawfully in the U.S. are charged in-state tuition. The likelihood of an unfavorable outcome is reasonably possible. The plaintiff is not seeking money damages. However, absent legislative action, UNT System would lose approximately \$10 million to \$11 million per academic year in tuition income.

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

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Commitments

The System continues to implement capital improvements to upgrade facilities. Approximately \$283.2 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: 73% Revenue Financing System Bonds, 20% HEF, 2% from gifts/donations, 2% Auxiliary Reserves, 2% cash and 1% commercial paper. Approximately \$133.6 million of the commitment, or roughly 47%, is expected to be spent in 2022.

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, 2021, the University of North Texas System has committed \$36,330,000.00 to various private investments, including \$19,330,000.00 committed to hedge funds. Of this amount, \$8,281,038.84 is unfunded.

Note 12: Subsequent Events

Capital Construction Assistance Projects State Funding

The Texas legislature passed Senate Bill 52 during its third special session, authorizing more than \$3.3 billion in revenue bonds to colleges and universities across the state to accommodate growth. The legislation changes the name of "tuition revenue bonds" to "capital construction assistance projects," and allocates \$273 million to the UNT System, including \$113 million to UNT for a Science and Technology Research Building, \$100 million to UNT Dallas for a Science Building, and approximately \$60 million to HSC for campus optimization and space realignment to repurpose outdated space into flexible, multi-purpose rooms more useful for activities requiring skill-based educational components.

UNT System Chancellor

In November 2021, UNT Health Science Center President Dr. Michael R. Williams was selected as sole finalist to become the next UNT System Chancellor. Dr. Williams, a Health Science Center alumnus and former UNT System Regent, begins his new appointment on January 1, 2022.

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 11,

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Contingencies and Commitments. The System did not have any losses or settlements that exceeded insurance policy limits within the last three years.

Self-Insurance Arrangements

Health Care Professional Malpractice Self-Insurance Plan

HSC manages a health care malpractice self-insurance plan for its health care professionals. Effective September 1, 2020, the self-insurance plan eligibility for malpractice liability coverage was expanded from only physicians to all health care professionals. As of August 31, 2021, HSC had sufficient self-insurance reserves for known claims against its health care professionals. The policy limits for this plan are \$500,000/\$1,500,000. Health care professional liability coverage is purchased for health care students with entity coverage, which provides a maximum per incident of \$1,000,000 and an aggregate limit of \$3,000,000 with no deductible for legal expenses but a \$5,000 deductible per claim for professional liability coverage damages only.

The following claims, judgments, and Incurred But Not Reported (“IBNR”) activity was determined for the year ended August 31, 2021 and August 31, 2020, respectively:

	August 31, 2020	Additions	Reductions	August 31, 2021
Incurred But Not Reported Self-Insurance Claims (HSC) ⁽¹⁾	\$ 1,576,965.00	\$ -	\$ 588,232.00	\$ 988,733.00
Claims and Judgments	\$ -	\$ 528,219.38	\$ 7,219.38	\$ 521,000.00
	August 31, 2019	Additions	Reductions	August 31, 2020
Incurred But Not Reported Self-Insurance Claims (HSC) ⁽¹⁾	\$ 834,543.00	\$ 742,422.00	\$ -	\$ 1,576,965.00
Claims and Judgments	\$ -	\$ 104,029.22	\$ 104,029.22	\$ -

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

Student-Athlete Accident Medical Self-Insurance Plan

The National Collegiate Athletic Association (the “NCAA”) requires its member institutions to certify coverage for medical expenses resulting from injuries sustained by student-athletes and certain prospective student-athletes while participating in qualifying NCAA-sanctioned activities. UNT finances this plan to an actuarially determined attachment point and purchases commercial insurance for claims in excess of the attachment point. The attachment point for 2021 was \$500,000. For the year ended August 31, 2021, 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, 2021, 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.

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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 \$500,000,000 shared limit through the State's state-wide property insurance program.

Workers' Compensation

The System is required by state law to participate in the State's workers' compensation insurance program administered through the State Office of Risk Management. This program covers risks of loss resulting from job-related illness or injuries to employees while in the course and scope of their work responsibilities. Following a work-related illness or injury, employees enter into a return-to-work program, if necessary, thus reducing indemnity payments for loss compensation. Separate workers' compensation policies are purchased to cover out-of-state employees as required by the laws of the state in which an employee works. As of August 31, 2021, the System does maintain policies for out-of-state employees who reside in other states outside of Texas.

Unemployment Compensation

The State provides coverage for unemployment benefits from appropriations made to other state agencies for System employees. The current General Appropriations Act provides that the System must reimburse the General Revenue Fund one-half of the unemployment benefits for former and current employees from System appropriations. The Texas Comptroller of Public Accounts determines the proportionate amount to be reimbursed from each appropriated fund type. The System has only one appropriated fund type. The System must reimburse the General Revenue Fund 100% of the cost for unemployment compensation for any employees paid from funds held in local bank accounts and local funds held in the State Treasury.

Unemployment compensation is on a pay-as-you-go basis through the State, with the exception of locally funded enterprises that have fund expenses and set-aside amounts based on a percentage of payroll amounts. No material outstanding claims were pending at August 31, 2021.

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, 2021. 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, and professional liability for North Texas Regional Institutional Review Board.

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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.

The System has defined significance as 3% of its net position. As of August 31, 2021, 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.

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

University of North Texas Health Science Center Foundation

The UNTHSC Foundation is reported as a discrete component unit. The UNTHSC Foundation's fiscal year end is August 31, consistent with the System. The UNTHSC Foundation is a separate nonprofit organization that is organized for various purposes, including transferring or using all or any part of the corpus or income from endowments for the benefit of 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 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, 2021 related to state pass-through grants were \$35,357,469.89 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/Out and Transfers From Other State Agencies.

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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	\$ 29,700,177.37	Restricted Expendable

⁽¹⁾ There was a positive fair value adjustment totaling \$10,078,632.20 for fiscal year 2021 related to true endowments. As of August 31, 2021, the System did not have any term endowments to report.

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 2021 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.

Endowment Type	Amount of Cumulative Net Appreciation ⁽¹⁾	Reported in Net Assets
True Endowments	\$ 53,134,550.59	Net Assets with Donor Restrictions Held in Perpetuity

⁽¹⁾ There was a positive fair value adjustment totaling \$28,799,112.89 for fiscal year 2021 related to true endowments. As of August 31, 2021, the UNT Foundation did not have any term endowments to report.

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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 2021, 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.

Endowment Type	Amount of Cumulative Net Appreciation ⁽¹⁾	Reported in Net Assets
True Endowments	\$ 15,532,448.00	Net Assets with Donor Restrictions Held in Perpetuity

⁽¹⁾ There was a positive fair value adjustment totaling \$3,563,563.00 for fiscal year 2021 related to true endowments. As of August 31, 2021, the UNTHSC Foundation did not have any term endowments to report.

Note 16: Termination Benefits

Health Care Related Termination Benefits

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

Non-Health Care Related Termination Benefits

UNT Health Science Center offered a Voluntary Separation Incentive Program (“VSIP”) to eligible full-time faculty members in fiscal year 2020 as part of the continuing efforts to prioritize funding for investment in strategic and operational initiatives. This program provides HSC a strategy towards reducing its overall operating costs while remaining committed to its mission, vision, and values. There were two options available. The 15 employees who elected to participate in the VSIP with an ending employment date on or before December 31, 2020 received one lump-sum payment equal to \$120,000.00 for Associate Professors, and \$150,000.00 for Professors less all required federal and state taxes and deductions as required by law (additional funding to support insurance coverage, if applicable). The 2 employees who elected to participate in the VSIP with an ending employment date on or before June 30, 2021 received one lump-sum payment equal to \$60,000.00 for Associate Professors, and \$75,000.00 for Professors less all required federal and state taxes and deductions as required by law (additional funding to support insurance coverage, if applicable). The total amount paid out to employees during fiscal year 2021 was \$1,800,664.00.

UNT announced a Voluntary Separation Program (“VSP”) for tenured faculty and administrators with tenured faculty appointments in fiscal year 2020. The 20 employees who elected to participate in the VSP with an ending employment date no later than August 31, 2020 received a one-time payment representing one year of annual base salary. All federal and state taxes were withheld as required by law. This VSP allowed the university to reduce expenses and align operating costs with its strategic investments, priorities and goals. The total amount paid out to employees during fiscal year 2021 was \$2,065,805.18.

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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, 2021 is presented below:

	<u>Total</u>
Deferred Outflows of Resources	
Unamortized Losses on Refunding of Debt	\$ 4,526,074.24
Unamortized Losses on Refunding of Direct Placement Debt	363,021.16
Deferred Outflows of Resources Related to Asset Retirement Obligation	1,805,955.93
Deferred Outflows of Resources Related to Pensions	83,571,757.00
Deferred Outflows of Resources Related to OPEB	296,092,547.00
Total Deferred Outflows of Resources	<u>\$ 386,359,355.33</u>
Deferred Inflows of Resources	
Unamortized Gains on Refunding of Debt	\$ 1,054,803.14
Deferred Inflows of Resources Related to Pensions	41,605,096.00
Deferred Inflows of Resources Related to OPEB	141,822,080.00
Total Deferred Inflows of Resources	<u>\$ 184,481,979.14</u>

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.

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**NOTES TO THE
FINANCIAL STATEMENTS**

of the

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

DENTON, TEXAS

For the Year Ended August 31, 2021

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2021

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 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, 2021

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, 2021 and 2020, there was \$4,235,368 and \$9,852,958, 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 22, 2021, the date the financial statements were available to be issued.

Assets Held and Liabilities Under Split-Interest Agreements

Charitable Trusts

The UNT Foundation acts 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, 2021

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.

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	\$	16,220,771
Less cash and cash equivalents included in the investment pool		(4,235,368)
Operating investments		671,365
Cash and cash equivalents included in donor restricted funds		(4,672,356)
Board designated reserves		(4,009,372)
	<u>\$</u>	<u><u>3,975,040</u></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 \$882,551 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 and money market funds.

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.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2021

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.

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, 2021.

Fair Value Measurements at August 31, 2021 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	\$ 169,784,827	\$ 169,784,827	\$ -	\$ -	\$ -
Equity funds	22,120,646	-	-	-	22,120,646
	<u>\$ 191,905,473</u>	<u>\$ 169,784,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,120,646</u>
U.S. and International Fixed Income					
Mutual Funds	\$ 58,033,018	\$ 58,033,018	\$ -	\$ -	\$ -
Certificates of deposit	-	-	-	-	-
	<u>\$ 58,033,018</u>	<u>\$ 58,033,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Global Real Assets and Infrastructure Mutual Funds	<u>\$ 21,616,110</u>	<u>\$ 21,616,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Private Real Assets	<u>\$ 2,566,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,566,523</u>
Hedge Funds	<u>\$ 15,514,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,514,047</u>
Private Equity/Debt Funds	<u>\$ 14,664,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,664,925</u>
U.S. Private Company Common Stock	<u>\$ 11,330,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,330,631</u>	<u>\$ -</u>
Total Investments	<u>\$ 315,630,727</u>	<u>\$ 249,433,955</u>	<u>\$ -</u>	<u>\$ 11,330,631</u>	<u>\$ 54,866,141</u>

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2021

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, 2020.

Fair Value Measurements at August 31, 2020 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	\$ 134,566,144	\$ 134,566,144	\$ -	\$ -	\$ -
Equity funds	22,147,869	-	-	-	22,147,869
	<u>\$ 156,714,013</u>	<u>\$ 134,566,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,147,869</u>
U.S. and International Fixed Income					
Mutual Funds	\$ 40,697,214	\$ 40,697,214	\$ -	\$ -	\$ -
Certificates of deposit	1,315,169	-	1,315,169	-	-
	<u>\$ 42,012,383</u>	<u>\$ 40,697,214</u>	<u>\$ 1,315,169</u>	<u>\$ -</u>	<u>\$ -</u>
Global Real Assets and Infrastructure Mutual Funds	<u>\$ 15,189,591</u>	<u>\$ 15,189,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Private Real Assets	<u>\$ 500,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,409</u>
Hedge Funds	<u>\$ 12,149,815</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,149,815</u>
Private Equity/Debt Funds	<u>\$ 6,544,204</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,544,204</u>
U.S. Private Company Common Stock	<u>\$ 13,979,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,979,423</u>	<u>\$ -</u>
Total Investments	<u>\$ 247,089,838</u>	<u>\$ 190,452,949</u>	<u>\$ 1,315,169</u>	<u>\$ 13,979,423</u>	<u>\$ 41,342,297</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable input (Level 3) for the years ended August 31, 2021 and 2020.

**Fair Value Measurements at Report Date Using
Significant Unobservable Inputs (Level 3)**

Investments	
US Private Company Common Stock	
Year ended August 31, 2021	
Balance at August 31, 2020	\$ 13,979,423
Purchases/contributions of investments	-
Investment return, net	1,188,935
Sales	<u>(3,837,727)</u>
Balance at August 31, 2021	<u>\$ 11,330,631</u>
Year ended August 31, 2020	
Balance at August 31, 2019	\$ 15,753,150
Purchases/contributions of investments	-
Investment return, net	2,226,562
Sales	<u>(4,000,289)</u>
Balance at August 31, 2020	<u>\$ 13,979,423</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 \$13.48 million and \$19.34 million as of August 31, 2021 and August 31, 2020, respectively.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2021

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, 2021 and August 31, 2020 are as follows:

	<u>August 31, 2021</u>	<u>August 31, 2020</u>
Contributions receivable in less than one year	\$ 2,260,636	\$ 2,202,380
Contributions receivable in one to five years	7,445,618	9,887,704
Contributions receivable in six to ten years	509,000	962,000
Contributions receivable in over ten years	-	-
Total Contributions Receivable	<u>\$ 10,215,254</u>	<u>\$ 13,052,084</u>
Less allowance for uncollectible amounts	(847,094)	(1,074,281)
Less discounts to net present value	(1,744,318)	(2,309,272)
Net Contributions Receivable	<u>\$ 7,623,842</u>	<u>\$ 9,668,531</u>

Contributions receivable in more than one year have been discounted to net present value using an interest rate of eight percent.

Contributions receivable include a \$3.06 million receivable (net) as of August 31, 2021 related to a major gift received during the fiscal year ended August 31, 2019. The contribution receivable as of August 31, 2020 was \$4.08 million (net). 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, \$4.0 million of stock was sold in January 2020, \$3.8 million worth of stock was sold in March 2021, and up to \$4.0 million of stock will be sold each year for the next four 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

The UNT Foundation's Board of Directors has designated \$882,551 and \$762,473 of net assets without donor restrictions as of August 31, 2021 and 2020 respectively, to fund 18 board-designated endowment funds. The funds will be used for scholarships in thirteen degree-granting institutions within the University of North Texas and five other programs within the University. During the fiscal years ended August 31, 2020, \$115,000 was added to the principal of the endowments.

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, 2021 and 2020 also include \$4,009,372 and \$2,254,945 respectively, which has been designated by the UNT Foundation's Board of Directors as a reserve for future operations.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2021

Note 7: Net Assets with Donor Restrictions

Net assets were restricted for the following:

	<u>August 31, 2021</u>	<u>August 31, 2020</u>
UNT Department Gift & Fundraising Accounts	\$ 8,320,351	\$ 13,709,727
True Endowments according to Donor agreement		
Endowments under Board Distribution Policy	208,450,951	172,975,817
Endowments with Donor defined distribution	3,408,469	1,797,618
Quasi Endowments according to Donor agreement	12,200,489	9,981,915
Split-interest agreements net of liabilities	2,710,829	2,134,783
Restricted Stock	11,330,631	13,979,423
Cash value of life insurance policies	459,907	559,366
Total Net Assets with Donor Restrictions	<u>\$ 246,881,627</u>	<u>\$ 215,138,649</u>

Note 8: Underwater Endowments

Of the 1,009 total endowments at August 31, 2021, 4 have a market value that has fallen below historical cost. The amount that the market value is below historical cost of these 4 endowments is \$529 collectively. This compares to 13 endowments below historical cost by an amount of \$16,211 collectively at August 31, 2020.

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 Foundation are reimbursed by the donors of the policies. As of August 31, 2021 and 2020, there were a total of 18 and 21 such policies, respectively, with death benefits totaling \$1,569,346 and \$1,747,466 respectively, and cash values totaling \$459,907 and \$559,366 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 its 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 \$95,383 and \$101,274 for the years ended August 31, 2021 and 2020, respectively.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2021

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.

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

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 all of the funds have been transferred back to UNTS. The final distribution was made to UNTS on July 7, 2020.

UNT, UNTD, and UNTS are independent of the UNT Foundation in all respects. UNT, UNTD and UNTS 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 UNT, UNTD, and UNTS, and their long-term assets and endowment assets managed by the UNT Foundation are the exclusive property of UNT, UNTD, and UNTS respectively. Since the UNT Foundation does not have ownership of any of the UNT, UNTD, or UNTS 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.

A trust for which the UNT Foundation serves as Co-Trustee currently names the UNT Foundation as the remainder beneficiary; however, prior to the fiscal year ending August 31, 2021, the donor had retained the right to change the remainder beneficiary. As a result, the UNT Foundation recorded the assets held under this trust as assets held for others. Upon the donor's passing and the expiration of this right, the trust was reclassified to a trust obligation.

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 \$752,800 and \$602,723, respectively, during the years ended August 31, 2021 and 2020 for its services.

UNIVERSITY OF NORTH TEXAS FOUNDATION, INC.
Notes to the Financial Statements
For the Year Ended August 31, 2021

A summary of the assets held for others is as follows:

	<u>August 31, 2021</u>	<u>August 31, 2020</u>
UNT endowment assets managed by the UNT Foundation	\$ 75,662,231	\$ 62,763,036
UNT Dallas endowment assets managed by the UNT Foundation	13,536,806	972,306
Trust for which beneficiary can be changed	-	1,395,828
Total Assets Held for Others	<u>\$ 89,199,037</u>	<u>\$ 65,131,170</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 Year Ended August 31, 2021

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Notes to the Financial Statements
For the Year Ended August 31, 2021

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 2021 and 2020, the UNTHSC Foundation paid \$4,061,884 and \$4,223,430 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, 2021

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

Management Fee

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

Fundraising

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

Donor Restrictions

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

Income Taxes

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

Uncertain Tax Positions

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

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

Functional Allocation of Expenses

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

Subsequent Events

The UNTHSC Foundation has evaluated subsequent events that occurred after August 31, 2021, through December 1, 2021, the date which the financial statements were available to be issued. During this period, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Notes to the Financial Statements
For the Year Ended August 31, 2021

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, 2021 and 2020.

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Securities				
US Large Cap	\$ 50,350,782	\$ -	\$ -	\$ 50,350,782
US Mid and Small Cap	2,884,189	-	-	2,884,189
Global	15,266,043	-	-	15,266,043
Foreign	11,727,899	-	-	11,727,899
Emerging Markets	8,900,612	-	-	8,900,612
Mutual Funds - bonds	37,131,105	-	-	37,131,105
Total investments in the fair value hierarchy	<u>\$ 126,260,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,260,630</u>

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Notes to the Financial Statements
For the Year Ended August 31, 2021

The following table sets forth, by level, within the fair value hierarchy, the UNTHSC Foundation's investments at fair value as of August 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Securities				
US Large Cap	\$ 28,174,419	\$ -	\$ -	\$ 28,174,419
US Mid and Small Cap	2,068,160	-	-	2,068,160
Global	10,833,619	-	-	10,833,619
Foreign	4,591,269	-	-	4,591,269
Emerging Markets	5,561,567	-	-	5,561,567
Mutual Funds	29,946,068	-	-	29,946,068
Total investments in the fair value hierarchy	\$ 81,175,102	\$ -	\$ -	\$ 81,175,102

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Total investments in the fair value hierarchy	\$ 126,260,630	\$ 81,175,102
Cash equivalents	1,281,352	627,315
Investment in investment companies	4,029,661	1,612,646
Total Investments at fair value	\$ 131,571,643	\$ 83,415,063

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

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

Investments in investment companies consisting of off-shore investments are subject to the following redemption frequency and capital commitment at August 31, 2020:

<u>Investment Strategy</u>	<u>Redemption Frequency</u>	<u>Remaining Capital Commitment</u>
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 412,519
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 486,657
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 692,415
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 882,743
Off-shore investments	Monthly, quarterly, or semi-annually	\$ 1,985,322

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, 2021

Note 3: Net Assets with Donor Restrictions

Net assets with donor restrictions are made up of the following as of August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions – time and purpose	\$ 10,058,259	\$ 8,392,533
Net assets with donor restrictions – held in perpetuity	15,532,448	15,133,853
Total Net Assets	<u>\$ 25,590,707</u>	<u>\$ 23,526,386</u>

Net assets with donor restrictions – time and purpose are restricted for the following as of August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
MD Program and related support	\$ 352,322	\$ 900,316
Departmental programs	2,754,324	1,728,606
Research	678,749	470,428
Education	1,462,186	847,743
Scholarships	3,192,484	2,335,375
Special events & general giving	146,016	235,112
Time	1,223,334	1,766,667
Other	248,844	108,286
Total	<u>\$ 10,058,259</u>	<u>\$ 8,392,533</u>

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes during the years ended August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Distributions	\$ 543,488	\$ 561,599
Endowment scholarships	110,273	83,949
Gifts and other related expenses	3,526,320	6,200,250
Total	<u>\$ 4,180,081</u>	<u>\$ 6,845,798</u>

Note 4: Due to Related Party

At August 31, 2021 and 2020, the UNTHSC Foundation held investments of \$105,566,672 and \$61,106,304, respectively, on behalf of UNTHSC. The investment account, in the name of the UNTHSC Foundation, was established prior to the formation of the UNTHSC Foundation. In order to maximize the benefits received from pooling investments and for simplicity, UNTHSC's portion is being held by the UNTHSC Foundation. These investments are included in investments and due to related party on the Statement of Financial Position.

Note 5: Promises to Give

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

	<u>2021</u>	<u>2020</u>
Due in less than 1 year	\$ 812,833	\$ 1,379,333
Due within 1 to 5 years	985,819	1,667,834
Less discount	(6,339)	(5,655)
Total	<u>\$ 1,792,313</u>	<u>\$ 3,041,512</u>

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

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Notes to the Financial Statements
For the Year Ended August 31, 2021

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, 2021 and 2020.

As of August 31, 2021, conditional promises to give to be received by the UNTHSC Foundation are \$3,500,000. \$2,500,000 is due within 1 to 5 years, and \$1,000,000 is due in more than 5 years. The conditional promises to give have not met the criteria for recognition in the financial statements as established by GAAP.

Note 6: Uniform Prudent Management of Institutional Funds Act

Net assets with donor restrictions held in perpetuity were \$15,532,448 and \$15,133,853 as of August 31, 2021 and 2020, 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, 2021 and 2020 is as follows. There was no cumulative effect of any amounts by which net assets with donor restrictions – held in perpetuity have been reduced, or increased that were not specified by the donor, or in the absence of a donor stipulation, approved by the Board.

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

	Endowment Net Assets with Donor Restrictions - Purpose	Endowment Net Assets with Donor Restrictions Held in Perpetuity	Total Endowment Net Assets
Endowment assets, September 1, 2019	\$ 2,649,689	\$ 14,788,989	\$ 17,438,678
Interest and dividends	-	-	-
Net appreciation (realized and unrealized)	1,752,039	-	1,752,039
	\$ 4,401,728	\$ 14,788,989	\$ 19,190,717
Contributions	44,674	344,864	389,538
Appropriation of endowment assets for expenditure	(582,554)	-	(582,554)
Endowment assets, August 31, 2020	\$ 3,863,848	\$ 15,133,853	\$ 18,997,701

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Notes to the Financial Statements
For the Year Ended August 31, 2021

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

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

Endowment net asset composition by type of fund as of August 31, 2020 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	\$ 3,863,848	\$ 15,133,853	\$ 18,997,701
Total funds	\$ 3,863,848	\$ 15,133,853	\$ 18,997,701

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 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. No deficiencies of this nature exist as of August 31, 2021 or 2020,

UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER FOUNDATION
Notes to the Financial Statements
For the Year Ended August 31, 2021

respectively. 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 7: Liquidity

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

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

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,302,331	\$ 1,440,631
Investments, excluding amounts held on behalf of others	25,004,971	22,308,759
Pledges receivable, net	1,792,313	3,041,512
Total financial assets	\$ 28,099,615	\$ 26,790,902
Less donor restrictions		
Net assets with donor restrictions – time and purpose	\$ (10,058,259)	\$ (8,392,533)
Net assets with donor restrictions – held in perpetuity	(15,532,448)	(15,133,853)
Total financial assets not available to be used within one year	\$ (25,590,707)	\$ (23,526,386)
Total financial assets available to meet general expenditures within one year	\$ 2,508,908	\$ 3,264,516

Note 8: COVID-19

The extent of the operational and financial impact the COVID-19 pandemic may have on the UNTHSC Foundation has yet to be determined and is dependent on its duration and spread, any related operational restrictions and the overall economy. During year ended August 31, 2021, the Foundation saw reduced overall contributions received and grants made. The UNTHSC Foundation is unable to accurately predict how COVID-19 will affect the future results of its operations because the virus's severity and the duration of the pandemic are uncertain.

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

of the

UNIVERSITY OF NORTH TEXAS SYSTEM

DALLAS, TEXAS

For the Year Ended August 31, 2021

UNIVERSITY OF NORTH TEXAS SYSTEM
Required Supplementary Information (Unaudited)
For the Year Ended August 31, 2021

Required Supplementary Information (RSI)

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

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

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

Schedule of the System's Pension Contributions

	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contributions	\$ 14,795,803.00	\$ 14,574,757.00	\$ 12,151,922.00	\$ 11,732,351.00	\$ 10,961,110.00	\$ 10,085,190.00	\$ 9,916,773.00	\$ 9,870,977.18
Contributions in relation to the statutorily required contributions	14,795,803.00	14,574,757.00	12,151,922.00	11,732,351.00	10,961,110.00	10,085,190.00	9,916,773.00	9,870,977.18
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
System's covered payroll	\$298,594,048.48	\$297,401,404.17	\$282,536,645.37	\$266,991,392.49	\$252,852,119.73	\$248,934,340.22	\$235,537,989.10	\$222,501,101.49
Contributions as a percentage of covered payroll	4.96%	4.90%	4.30%	4.39%	4.33%	4.05%	4.21%	4.44%

UNIVERSITY OF NORTH TEXAS SYSTEM
Required Supplementary Information (Unaudited)
For the Year Ended August 31, 2021

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

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

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

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

Schedule of the System's OPEB Contributions

	2021	2020	2019	2018
Statutorily required contributions	\$ 3,617,598.00	\$ 3,578,563.00	\$ 1,315,809.00	\$ 1,464,282.00
Contributions in relation to the statutorily required contributions	3,617,598.00	3,578,563.00	1,315,809.00	1,464,282.00
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
System's covered-employee payroll	\$ 183,982,862.35	\$ 187,360,172.19	\$ 161,005,000.16	\$ 164,170,798.74
Contributions as a percentage of covered-employee payroll	1.97%	1.91%	0.82%	0.89%

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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 (subsequent to the adoption of the Master Resolution, the duties of the Vice Chancellor for Finance have been transferred to the Deputy Chancellor for Finance and Operations, and for purposes of the Master Resolution, the Deputy Chancellor for Finance and Operations acts as the Designated Financial Officer of the System):

“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.

“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

FORM OF OPINION 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 Bonds, assuming no material changes in facts or law.*

BOARD OF REGENTS OF THE UNIVERSITY OF NORTH TEXAS SYSTEM
REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS,
SERIES 2022, \$101,555,000

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 Issuer 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,

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