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FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 2/11/2015

Board Meeting: 2/12/2015
Austin, Texas

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

	Committee Meeting	Board Meeting	Page
5. **U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended November 30, 2014, including report on impact of oil prices on investment portfolio**	*10:30 a.m.* **Report/Discussion** *Mr. Mark Warner, Senior Managing Director, UTIMCO*	**Report**	**119**
6. **U. T. System Board of Regents: Report on activities of the University Lands Advisory Board**	*10:40 a.m.* **Report/Discussion** *Regent Cranberg* *Dr. Kelley*	Not on Agenda	**125**
7. **U. T. System: Authorization of $6,337,000 of Permanent University Funds to refresh and upgrade the Lonestar Supercomputing System infrastructure; the Shared Intrusion and Anomaly Detection services; the U. T. System Network simulation and monitoring capabilities; and the U. T. Austin Dell Medical School firewall infrastructure**	*10:45 a.m.* **Action** *Dr. Kelley*	**Action**	**126**
8. **U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2014**	*10:55 a.m.* **Report/Discussion** *Mr. Wallace*	Not on Agenda	**137**
C. ADJOURN	*11:00 a.m.*		

1. <u>U. T. System: Report on the Fiscal Year 2014 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)</u>

REPORT

Mr. Randy Wallace, Associate Vice Chancellor, Controller, and Chief Budget Officer, will discuss the 2014 Annual Financial Report (AFR) highlights. Mr. Wallace's PowerPoint presentation on Pages 57 - 68 is included for additional detail. The AFR is available at http://www.utsystem.edu/cont/Reports_Publications/CONAFR/AuditedAFR14.pdf.

The AFR is comprised of the U. T. System Consolidated Financial Statements for the Year Ended August 31, 2014, including the Management's Discussion and Analysis that provides an overview of the financial position and activities of the U. T. System for the year ended August 31, 2014.

Ms. Tracey Guidry Cooley, Deloitte & Touche LLP, will report on the results of the audits of the U. T. System, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, U. T. Health Science Center - Tyler, and funds managed by UTIMCO for Fiscal Year 2014. Deloitte's PowerPoint presentation is set forth on Pages 69 - 81.

BACKGROUND INFORMATION

On February 6, 2014, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche LLP to audit the U. T. System, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler, and funds managed by UTIMCO for the fiscal years ending August 31, 2014 and 2015.

The Annual Financial Report is prepared in compliance with Governmental Accounting Standards Board pronouncements and State Comptroller of Public Accounts directives and filed with the oversight agencies on November 20 of each year as required by *Texas Government Code* Section 2101.011. Deloitte & Touche LLP issued an unqualified opinion on the U. T. System Consolidated Financial Statements on December 20, 2014.

Annual Financial Report Highlights Fiscal Year 2014

Mr. Randy Wallace, Associate Vice Chancellor, Controller, Chief Budget Officer

U. T. System Board of Regents'
Joint Meeting of the Finance and Planning Committee and
Audit, Compliance, and Management Review Committee
February 2015

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Objectives

- Discuss Fiscal Year 2014 financial highlights of U. T. System's Annual Financial Report (AFR) by examining a three-year trend of changes in line items on:
  - Statement of Net Position (SNP)
  - Statement of Revenues, Expenses, and Changes in Net Position (SRECNP)
  - Statement of Cash Flows
- Identify factors that contributed to these changes

Required in Annual Financial Report

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

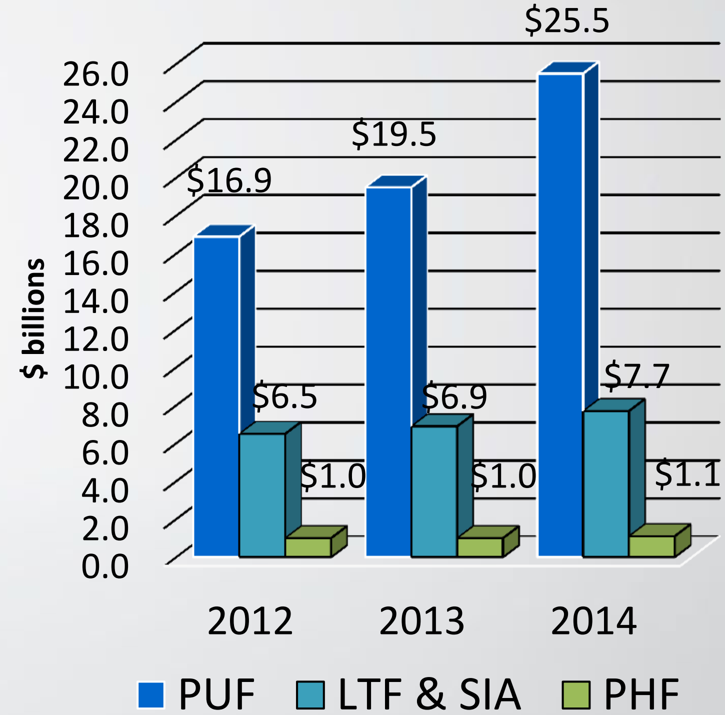
Financial Position FY 2014

- Statement of net position still strong
  - Assets and Deferred Outflows over $64 billion
  - Net Position $45 billion
  - Operating results increased
  - Cash position increased slightly
- U. T. System's financial position for FY 2014 increased as a result of current year operations primarily due to:
  - Net investment income, including unrealized gains
    - Continued strong mineral income from the Permanent University Fund (PUF) lands
    - $3.3 billion increase in the fair value of the PUF lands
    - More favorable market conditions

Statement of Net Position

($ in millions)		2012	2013	2014
Assets and Deferred Outflows:				
Current Assets	$	6,181.3	6,585.8	7,367.6
Noncurrent Investments		30,646.4	34,003.1	42,240.8
Capital/Intangible Assets, Net		12,422.5	13,144.6	14,057.5
Other Noncurrent Assets		274.7	379.2	335.4
Total Assets		49,524.9	54,112.7	64,001.3
Deferred Outflows		392.3	184.1	249.2
Total Assets and Deferred Outflows	$	49,917.2	54,296.8	64,250.5
Liabilities and Deferred Inflows:				
Current Liabilities	$	6,546.3	7,203.9	8,121.6
Noncurrent Liabilities		10,001.0	10,104.6	11,051.1
Total Liabilities		16,547.3	17,308.5	19,172.7
Deferred Inflows		9.2	8.2	7.1
Total Liabilities and Deferred Inflows	$	16,556.5	17,316.7	19,179.8
Net Position:				
Net Investment in Capital Assets	$	5,243.5	5,552.4	6,109.2
Restricted		24,633.5	27,841.2	35,119.7
Unrestricted		3,483.7	3,586.5	3,841.8
Total Net Position	$	33,360.7	36,980.1	45,070.7

Endowment Investments
FY 2012 - 2014



Statement of Net Position (cont.)

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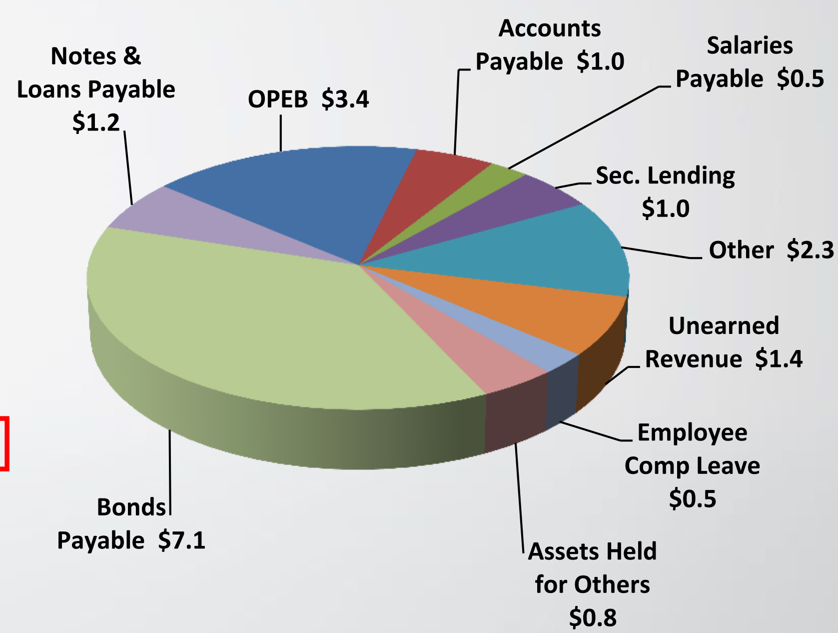
Liabilities and Deferred Inflows
$19.2 billion (in billions)



Statement of Net Position (cont.)

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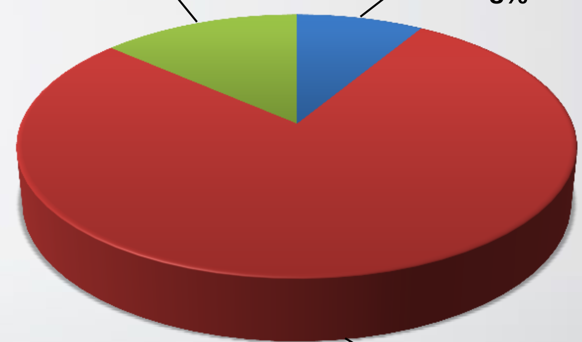
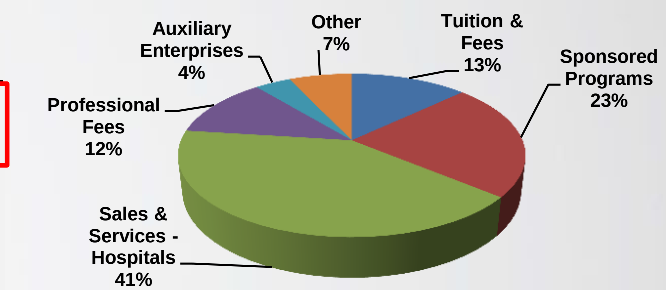
Net Position- $45.1 billion



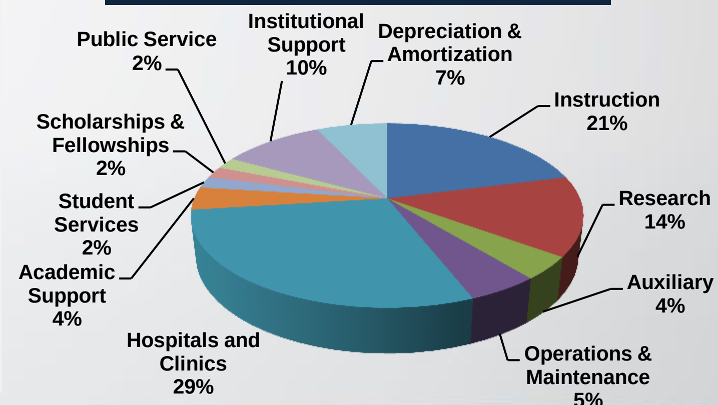
Statement of Revenues, Expenses, and Changes in Net Position

($ in millions)		2012	2013	2014
Operating Revenues	$	10,454.3	11,041.7	11,643.1
Operating Expenses		(13,422.9)	(14,391.3)	(14,943.5)
Operating Loss		(2,968.6)	(3,349.6)	(3,300.4)
State Appropriations		1,919.0	1,829.4	2,045.0
Gifts & Nonexchange Grants		675.4	925.2	751.9
Net Investment Income		1,948.3	2,128.4	3,159.7
Net Incr./(Decr.) in Fair Value of Investments		1,619.1	2,135.1	5,436.3
Interest Expense		(267.4)	(270.6)	(258.3)
Net Other Nonop. Rev. (Exp.)		(48.9)	(47.8)	(37.7)
Income (Loss) Before Other Rev. Exp. Gains/(Losses) & Transfers		2,876.9	3,350.1	7,796.5
HEAF/Gifts for Endow.& Capital		397.3	491.4	731.1
Transfers and Other		(334.6)	(222.1)	(437.0)
Change in Net Position		2,939.6	3,619.4	8,090.6
Net Position, Beginning		30,421.1	33,360.7	36,980.1
Net Position, Ending	$	33,360.7	36,980.1	45,070.7

Operating Revenues - $11.6 billion



Operating Expenses - $14.9 billion



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

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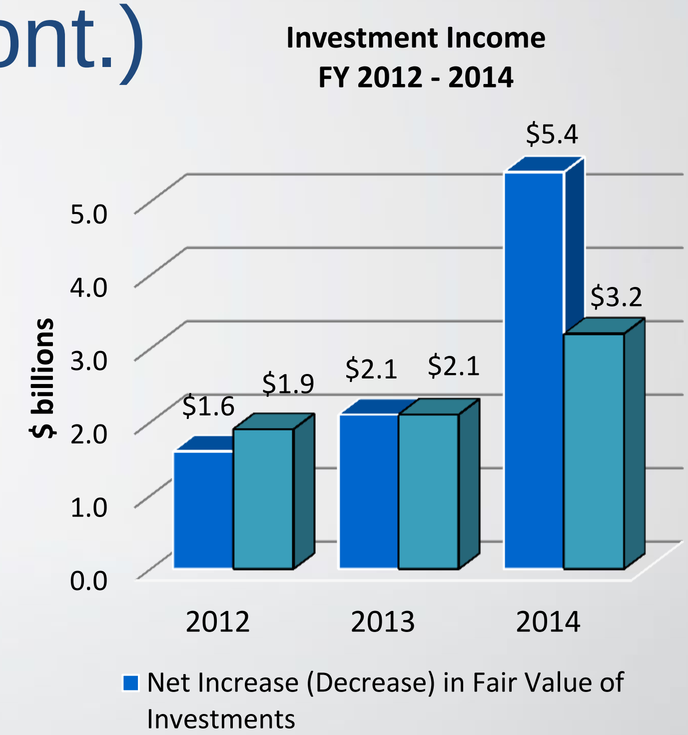


Statement of Revenues, Expenses, and Changes in Net Position (cont.)

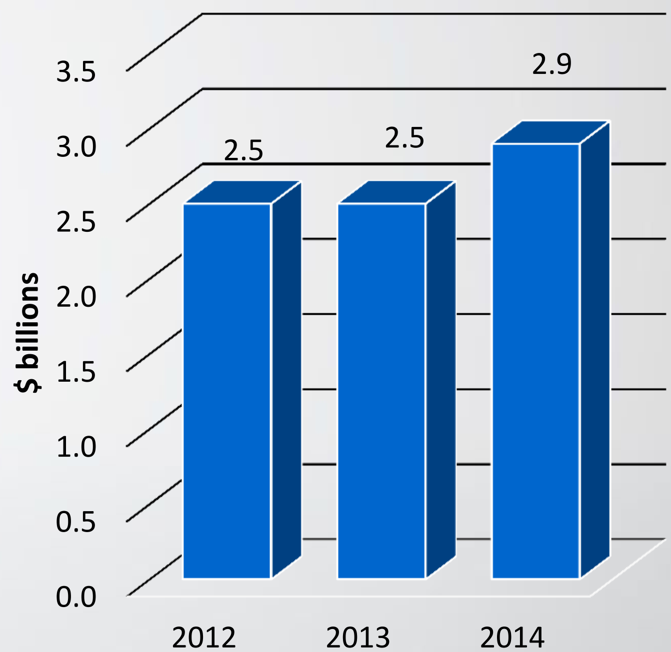
Operating Results
FY 2012 - 2014

		2012	2013	2014
			($ in millions)	
Income before other revenue, expenses, gains/(losses) & transfers	$	2,876.9	3,350.1	7,796.5
Net increase in fair value of investments		(1,619.1)	(2,135.1)	(5,436.3)
Loss on sale of capital assets		14.7	21.5	35.3
Other nonoperating (income)/expense		34.2	26.4	2.3
Realized gains on investments		(657.4)	(864.6)	(1,497.5)
Net operating results	$	649.3	398.3	900.3

Cash Flows

($ in millions)		2012	2013	2014
Cash Flows:				
Cash received from operations	$	10,546.0	10,870.8	11,776.2
Cash expended for operations		(12,123.7)	(12,626.4)	(13,280.4)
Cash used for operating activities		(1,577.7)	(1,755.6)	(1,504.2)
Cash provided by noncapital financing activities		2,466.9	2,682.0	2,171.2
Cash used in capital & related financing activities		(1,473.1)	(1,797.9)	(1,353.0)
Cash provided by investing activities		867.4	939.1	1,040.0
Net increase (decrease) in cash & cash equivalents		283.5	67.6	354.0
Cash & cash equivalents, Beginning of the year		2,176.3	2,459.8	2,527.4
Cash & Cash equivalents, End of the year	$	2,459.8	2,527.4	2,881.4

The three-year trend of ending cash and cash equivalents



Permanent University Fund (PUF) Lands

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

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

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

George Scott, Lead Client Service Partner
Tracey Cooley, Director
Robert Cowley, Partner
Blake Brunson, Manager

Deloitte & Touche LLP
February 2015

Contents

Audit Status

- We have performed an audit of the consolidated financial statements of **The University of Texas System** for the year ended August 31, 2014, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. We issued our report containing an unqualified opinion on December 19, 2014. This report contained an emphasis of matter paragraph which relates investments with fair values that have been estimated by management in the absence of readily determinable fair values.
- As a part of this audit process we also issued our report, dated December 19, 2014, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* for the year ended August 31, 2014.
- We completed our audits of the **PUF, GEF, LTF, ITF and PHF funds of UTIMCO** for the year ended August 31, 2014 and issued our reports containing unqualified opinions on October 31, 2014.
- We completed our audit of the **U. T. Medical Branch - Galveston, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Health Science Center - Tyler** for the year ended August 31, 2014 and issued our reports each containing an unqualified opinion on or around December 18, 2014.
- We have prepared the following comments to provide information about the external audit process in the context of your obligation to oversee the financial reporting and disclosure process for which management of the System, UTIMCO, and the U. T. institutions with stand-alone audits are responsible.

Audit Scope

- Our audit scope was outlined in our External Audit Plan letter dated August 2014 and was not restricted in any manner.
- No significant changes resulted from the execution of the External Audit Plan.
- Our auditing procedures addressed the areas of focus identified in our External Audit Plan; these areas included:
  - Valuation of Patient Accounts Receivable
  - Due To/From Third Party Settlements
  - Oil & Gas Reserve valuation and disclosure
  - Management Override of Controls

Audit Adjustments and Uncorrected Misstatements

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

Summary of Uncorrected Misstatements

- There were two passed adjustments identified during our audit of U. T. Austin:
  - The first adjustment related to the reversal of the negative cash reclassification to Accounts Payable ("AP"), which should have been offset against positive cash at year-end, with an overall effect of $40.7M. Management and the System have concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
  - The second adjustment related to the reclassification of a $35.0M payment from Sales and Service Revenue (Operating) to Contributions for Operations Revenue (Non-Operating) at year-end. Management and the System have concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
- There was one passed adjustment identified during our audit of U. T. M. D. Anderson. This adjustment related to a reclassification of the Physician's Referral Service ("PRS") Deferred Compensation Plan from long term asset and liability to short term in the amount of $40.3M. There was a similar passed adjustment in the prior year. Management and the System have concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
- U. T. M. D. Anderson changed the reporting for their matched portion of endowments in Fiscal Year ("FY") 2014 and reported a retrospective adjustment to FY 2013 balances. U. T. System's financials reflect this change prospectively beginning in FY 2014.

Summary of Uncorrected Misstatements (cont.)

- U. T. M. D. Anderson recorded two adjustments, however these adjustments were not booked in time to be reflected in U. T. System's consolidated Annual Financial Report ("AFR"). As such, they are reflected on U. T. System's passed adjustments list.
  - There was a $31.7M entry recorded at U. T. M. D. Anderson that represents a correction of credit balances in patient accounts receivable that relate to true refunds or overpayments.
  - There was an $11.0M entry recorded at U. T. M. D. Anderson that represents a revenue true-up, which was identified as part of the consolidation process.
- There was one passed adjustment related to capital assets across the U. T. System institutions, in the aggregated amount of approximately $12.8M, which related to missing assets. U. T. System (per Texas Comptroller directions) labels certain missing capital assets as "missing" for a period of two years before these assets are written off of the books. However, Generally Accepted Accounting Principles require the entity to write off these assets as soon as they are missing – the total amount of these missing assets across the institutions is $12.8M. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
- There was one passed adjustment identified during our audit of U. T. San Antonio. The cash recorded in the general ledger as "cash in bank" of $8.7M varied from the audited cash balance of ($3.9M), which resulted in a difference of $12.6M. Since we noted that the audited ending cash balance was negative, the $3.9M should have been reclassified to AP as of August 31, 2014.

Summary of Uncorrected Misstatements (cont.)

- There was one passed adjustment identified during our audit of U. T. El Paso. On April 30, 2014, U. T. El Paso had a payroll receivable related to funds owed to them from the State Comptroller's Office. The amount owed was $9.1M and was recorded as being received. Then, on May 2, 2014, the funds from the State Comptroller's Office were actually received, and, in the PeopleSoft Cash Module, all wire deposits are automatically recorded to cash. So, this resulted in the amount owed from the State Comptroller's Office as being recognized twice.
- There was one passed adjustment identified during our audit of U. T. Heath Science Center - San Antonio. A negative balance was in Noncurrent Restricted - Cash and Cash Equivalents at UTHSCSA for August 31, 2014. This amount should instead be reclassified to Current Cash and Cash Equivalents to be offset against the positive cash balance recorded Systemwide. Note the total reclassification is the amount of negative cash displayed on the face of the Systemwide AFR ($11.5M).
- There was one passed adjustment identified during our audit of U. T. Southwestern Medical Center. UTSWMC did not appropriately record accruals for invoices received after year-end related to purchases (expenses and depreciable property) before year-end for a factual and extrapolated total of $10.7M.

Summary of Uncorrected Misstatements (cont.)

Schedule of Uncorrected Adjustments (in $ millions)

Adjustment	Assets	Liabilities	Net Position	Revenues	Expenditures & Other
UT Austin - Reversing of the negative cash classification to AP	$ (40.7)	$ (40.7)	-	-	-
UT Austin - Reclassification of payment received from Operating to Non-Operating Revenue	-	-	-	$ 35.0	-
	-	-	-	(35.0)	-
MD Anderson - Reclassification of the PRS Deferred Compensation Plan from long term ("LT") asset and liability to short term ("ST"):					
LT Liabilities and LT Assets	(40.3)	(40.3)	-	-	-
ST Assets and ST Liabilities	40.3	40.3	-	-	-
MD Anderson - Correction of credit balances in patient accounts receivable	(31.7)	(31.7)	-	-	-
MD Anderson - Revenue true-up which was identified as part of the consolidation process	11.0	-	-	$ 11.0	-
Systemwide Missing Capital Assets	(12.8)	-	-	-	$ 12.8
UT San Antonio - Cash in Bank	(8.7)	3.9	-	-	12.6
UT El Paso - Payroll Receivable double counted	(9.1)	-	-	-	9.1
HSC San Antonio - Negative cash balance	11.5	-	-	-	-
	(11.5)	-	-	-	-
UT Southwestern - AP Accrual	$ -	$ 10.7	-	-	$ 10.7
Total Uncorrected Adjustments - Effect (in $ millions)	(92.0)	(57.8)	-	11.0	45.2
Original Total Amounts (in $ millions)	64,250.5	19,179.9	45,070.7	11,643.1	3,552.5
Total Amounts (if corrected; in $ millions)	64,158.5	19,122.1	45,070.7	11,654.1	3,597.7

Control-related Matters

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

- No material weaknesses identified at the Systemwide level

Control-related Matters – Systemwide Significant Deficiency

- Deloitte & Touche has identified a significant deficiency ("SD") related to the Bank Reconciliation and Journal Entry Review Process – Post-PeopleSoft Implementation – across multiple academic institutions.
- U. T. System had multiple control deficiencies across the academic institutions as a result of the implementation of the new PeopleSoft/UTShare System ("UTShare"). After the go-live date of May 1, 2014, through the end of FY 2014 (August 31, 2014), the aggregated deficiencies resulted in the SD. We noted the following:
  - Monthly bank reconciliations – Multiple academic institutions did not perform or review bank reconciliations on their various cash accounts in a timely manner. Further, we noted significant unreconciled items on bank reconciliations as of August 31, 2014. With the implementation of UTShare, institutions had challenges obtaining reports that had the appropriate reconciling information needed to prepare the monthly reconciliations.
  - Journal entry approvals – We noted a lack of evidence of supervisory review and approval for journal entries made directly to the institutions' respective general ledgers.
- The lack of timely performance of monthly reconciliations of cash accounts and a lack of review of journal entries could potentially lead to significant misstatements on the U. T. System AFR.

Control-related Matters – Other Stand-Alone Audits

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

Deloitte.

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

RECOMMENDATION

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

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

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 84 - 91 and the December Monthly Financial Report on Pages 92 - 116. The reports represent the consolidated and individual operating detail of the U. T. System institutions.

The Key Financial Indicators Report compares the Systemwide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2011 through December 2014. Ratios requiring balance sheet data are provided for Fiscal Year 2010 through Fiscal Year 2014.

THE UNIVERSITY OF TEXAS SYSTEM

KEY FINANCIAL INDICATORS REPORT

NOVEMBER 2014

KEY

Actual Annual Amounts
(SOURCE: Annual Financial Reports)

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

Budget amounts
(SOURCE: Operating Budget Summary)

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

Monthly Financial Report Year-to-Date Amounts

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

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

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

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

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

Projected Amounts based on Monthly Financial Report

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

Target Normalized Rates

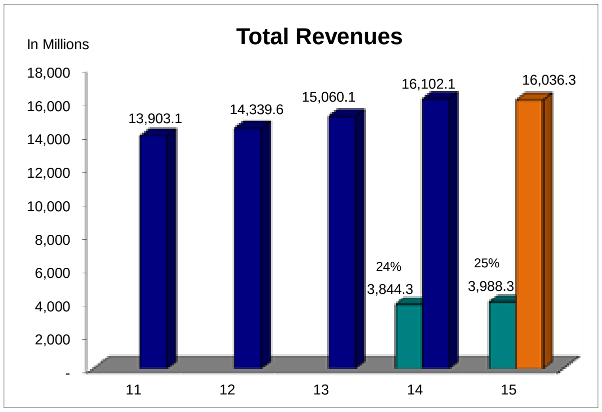
Aaa Median
(SOURCE: Moody's)

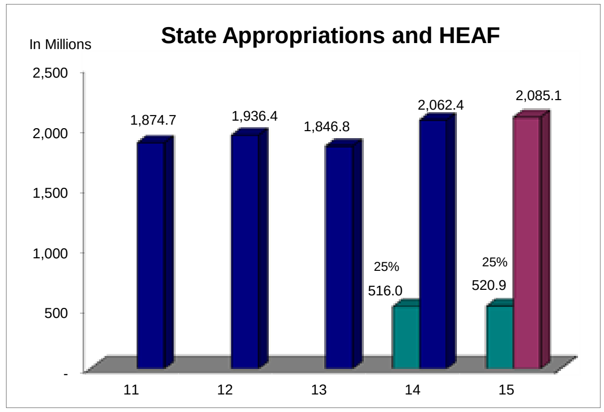
A2 Median
(SOURCE: Moody's)

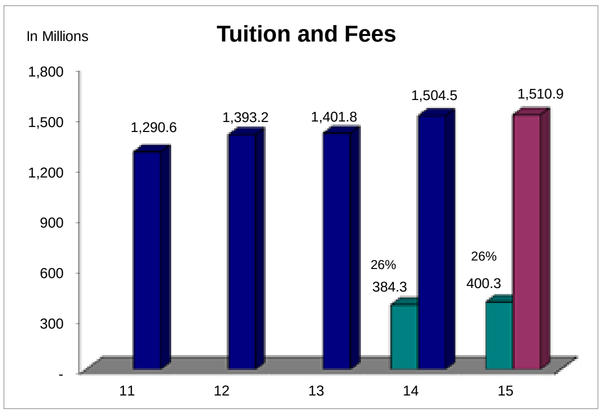
Good Facilities Condition Index (Below 5%)

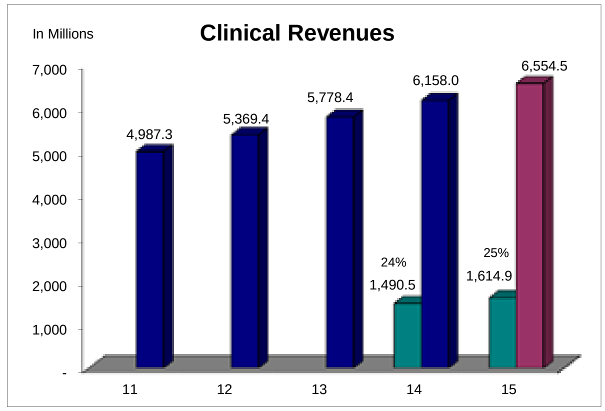
Fair Facilities Condition Index (5% - 10%)

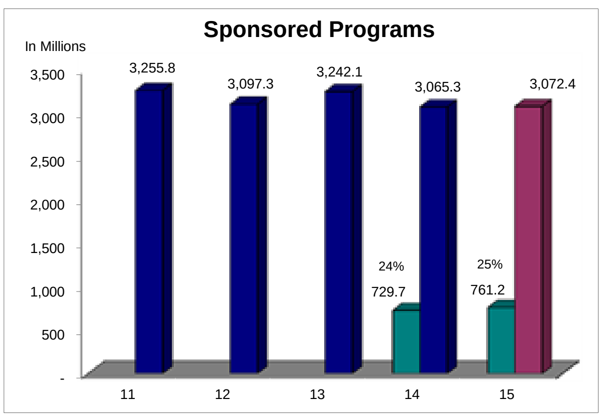
KEY INDICATORS OF REVENUES
ACTUAL 2011 THROUGH 2014
PROJECTED 2015
YEAR-TO-DATE 2014 AND 2015 FROM NOVEMBER MONTHLY FINANCIAL REPORT

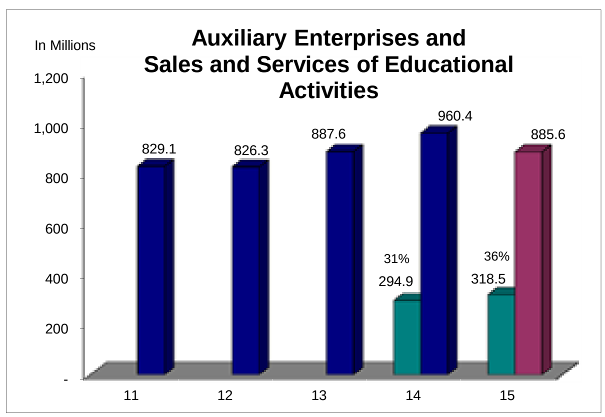


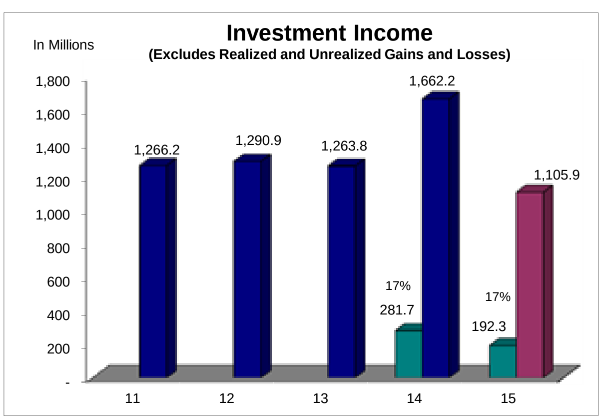


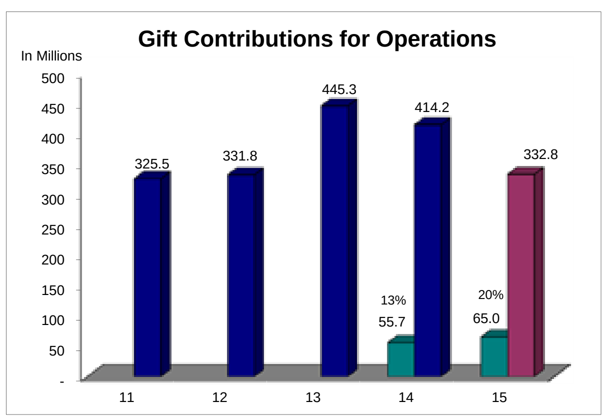




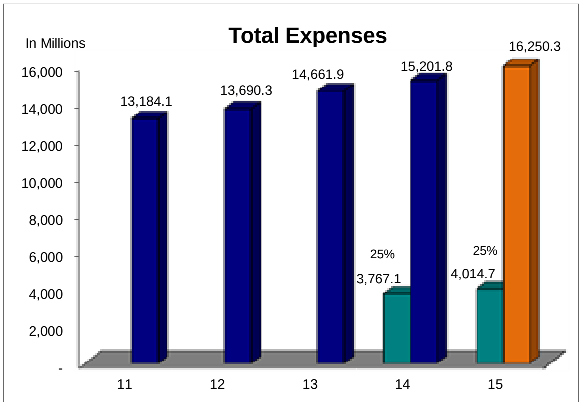


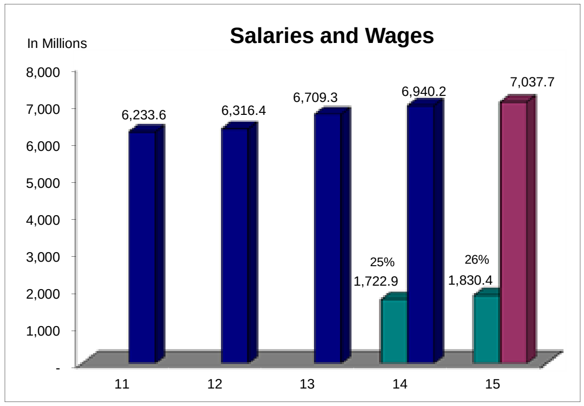


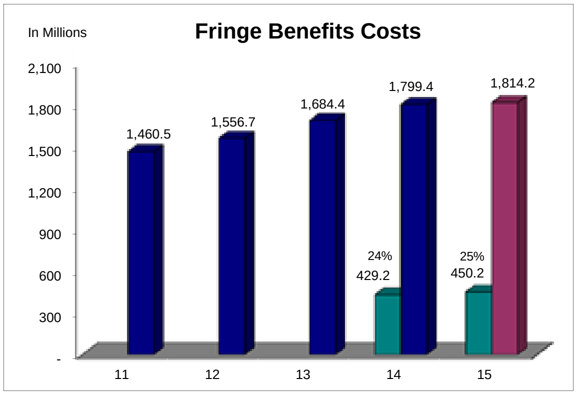


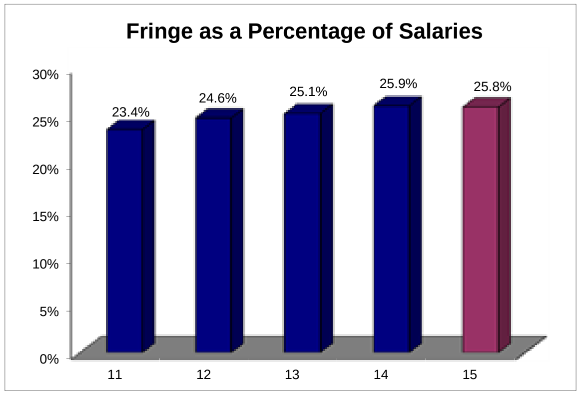


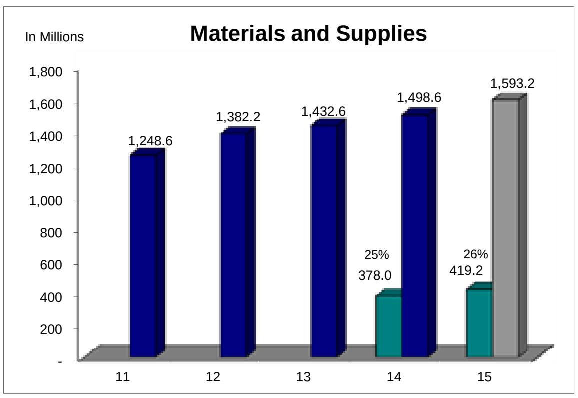
KEY INDICATORS OF EXPENSES
ACTUAL 2011 THROUGH 2014
PROJECTED 2015
YEAR-TO-DATE 2014 AND 2015 FROM NOVEMBER MONTHLY FINANCIAL REPORT

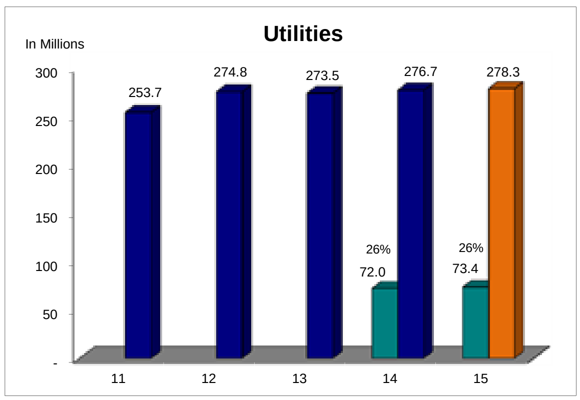


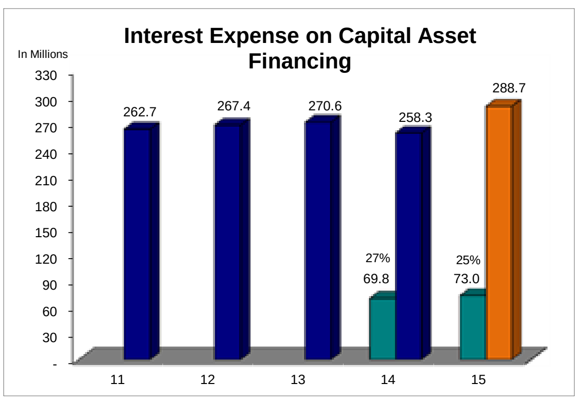


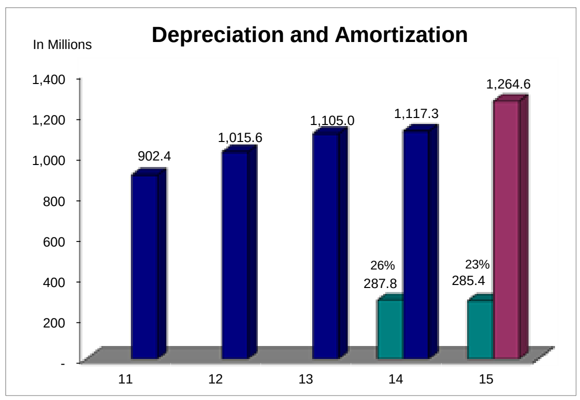




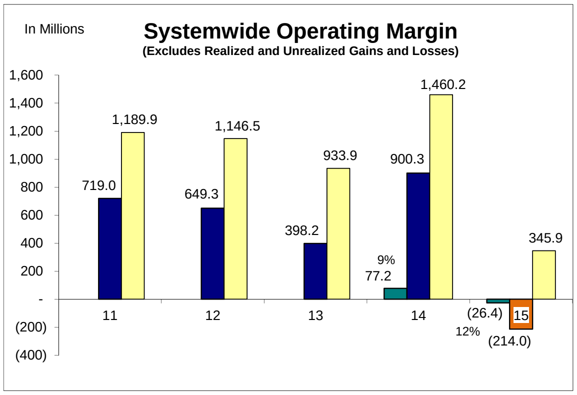


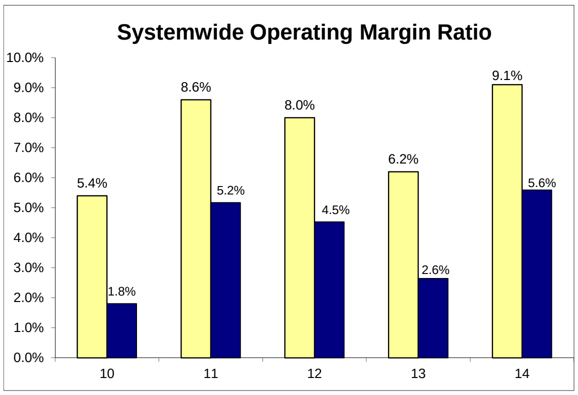


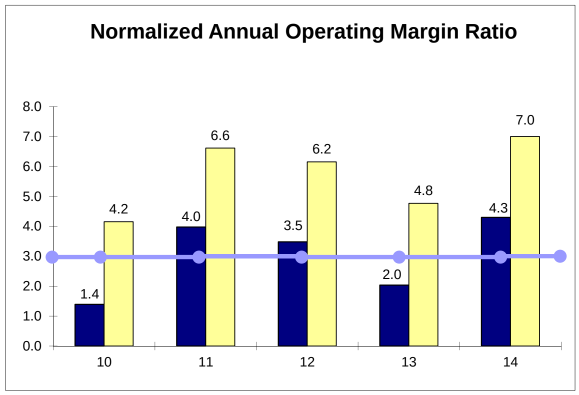


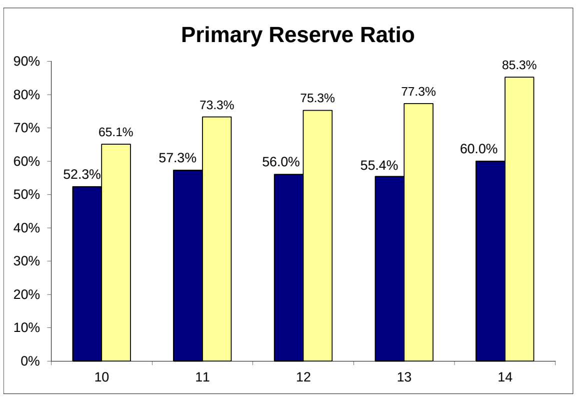


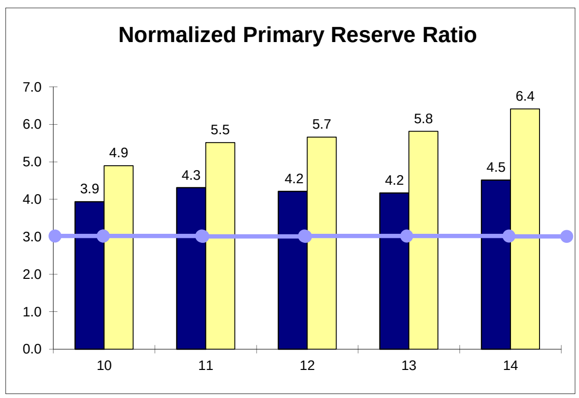
KEY INDICATORS OF RESERVES
ACTUAL 2010 THROUGH 2014
PROJECTED 2015
YEAR-TO-DATE 2014 AND 2015 FROM NOVEMBER MONTHLY FINANCIAL REPORT

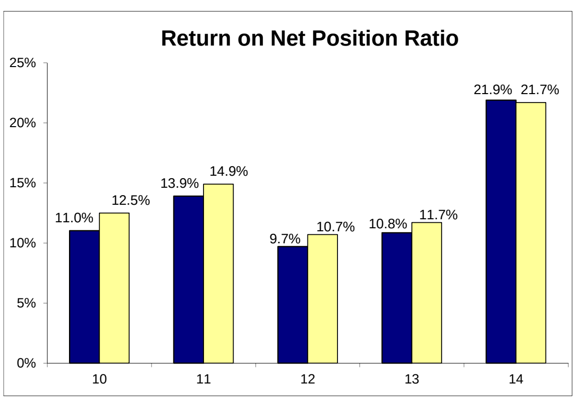


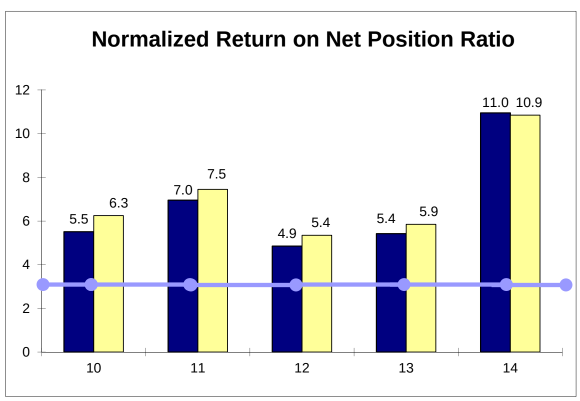




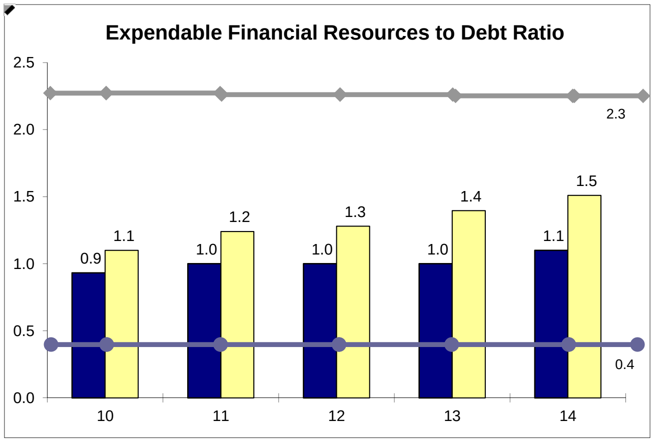


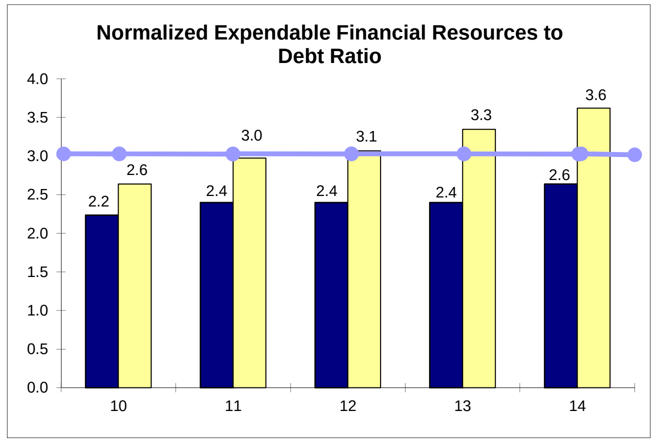


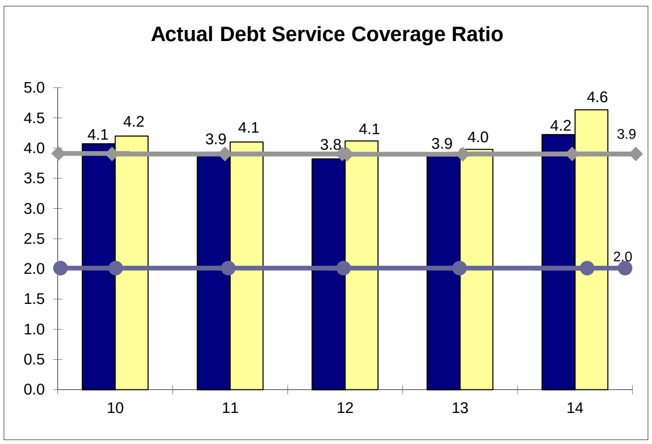


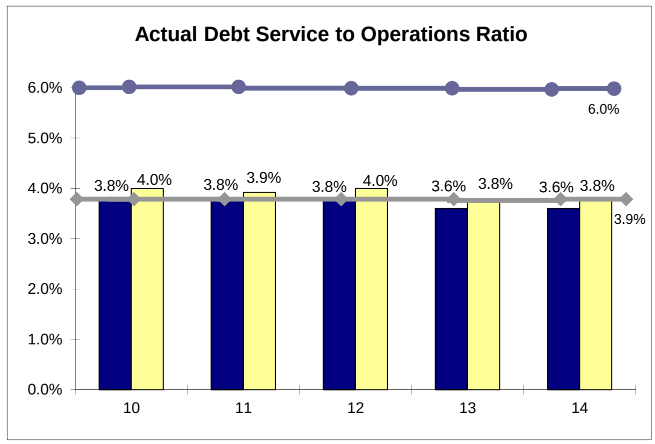


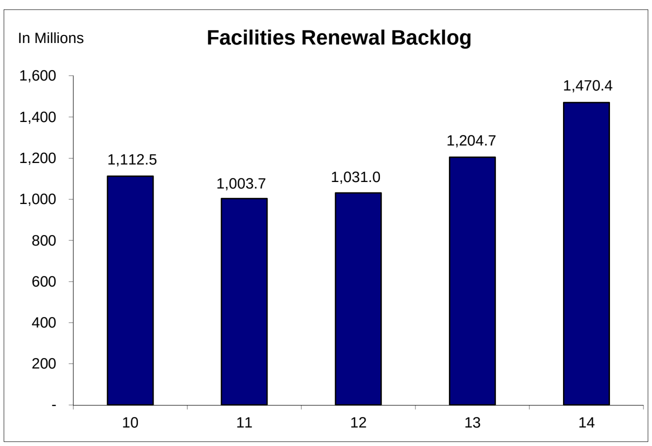
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2010 THROUGH 2014

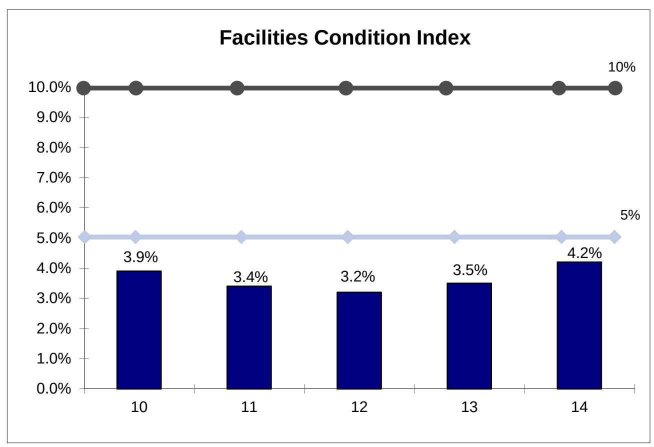




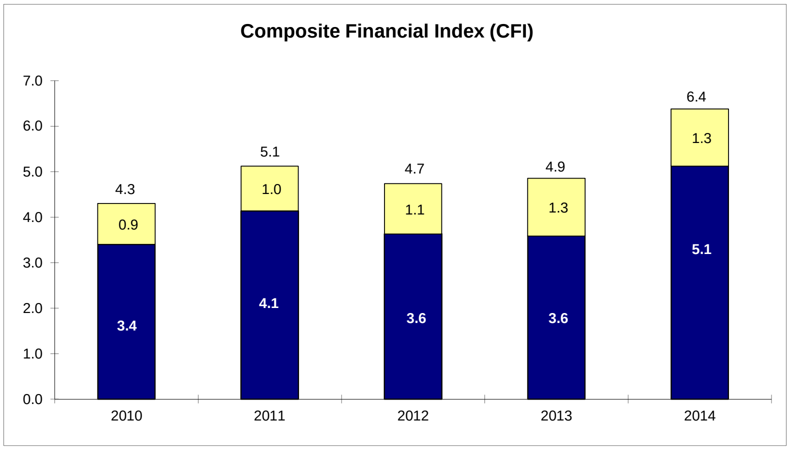




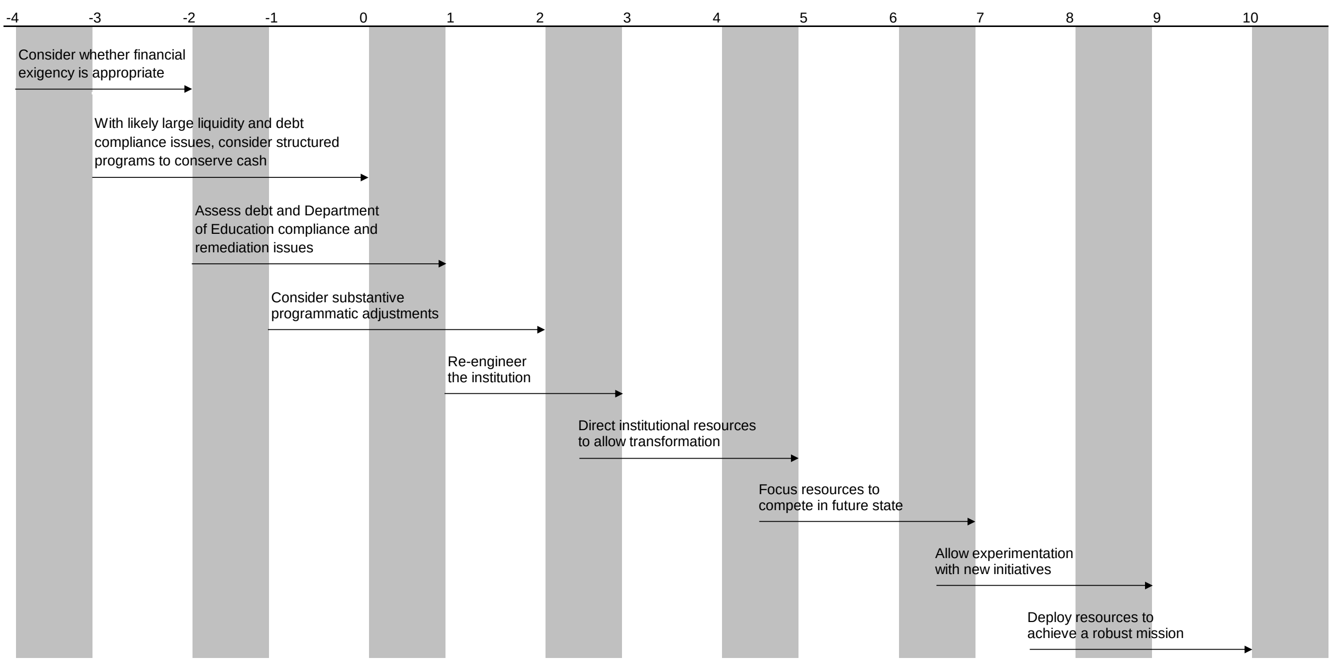




KEY INDICATORS OF FINANCIAL HEALTH 2010 THROUGH 2014

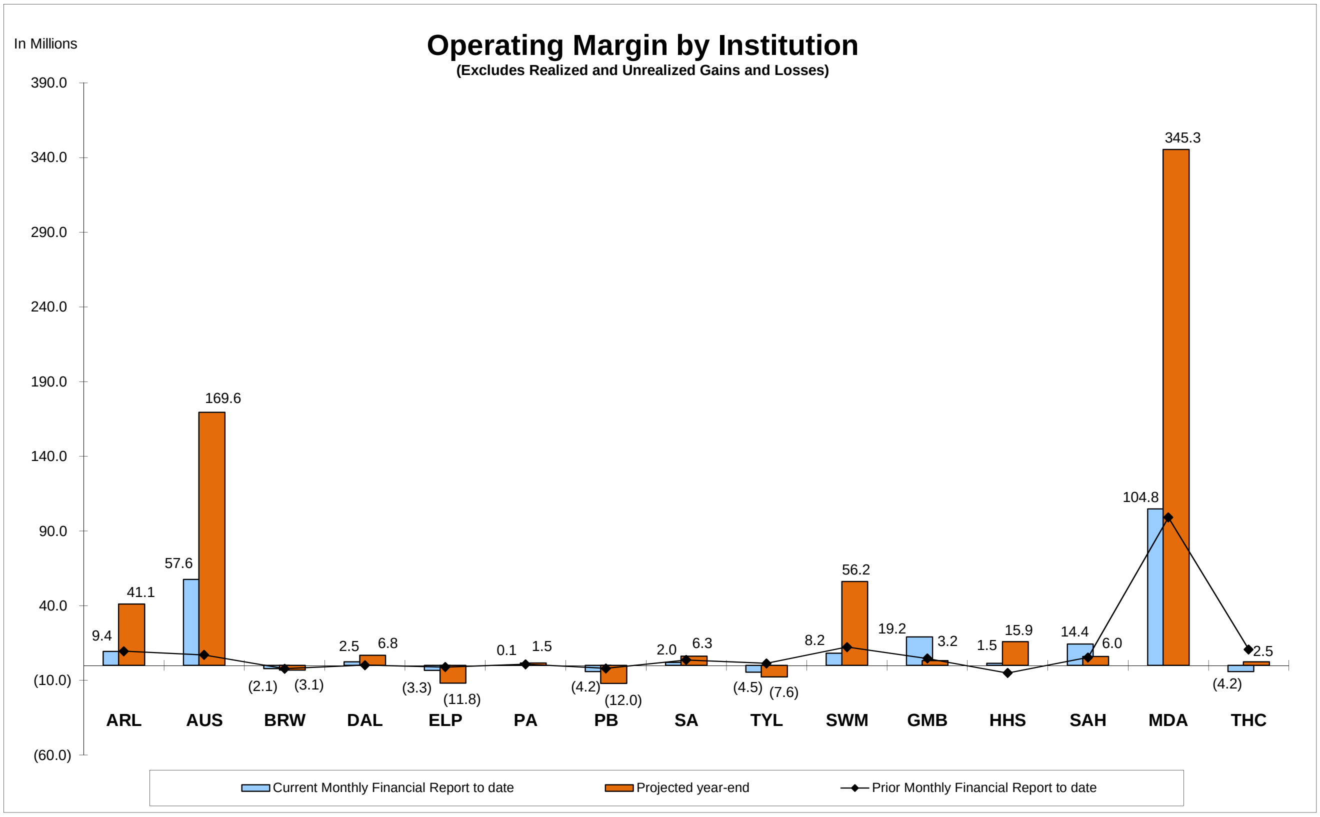


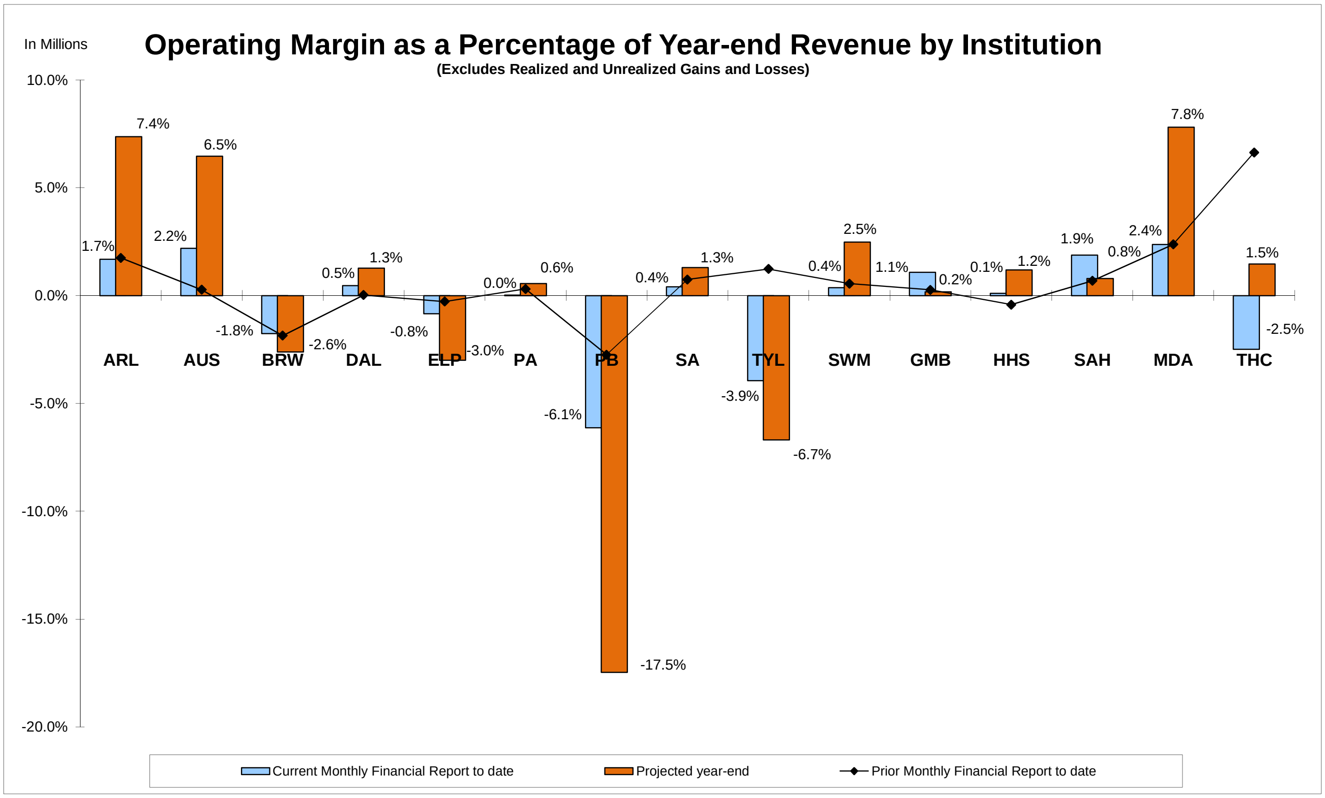
Scale for Charting CFI Performance



Source: Strategic Financial Analysis for Higher Education, Seventh Edition

KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2014 AND 2015 FROM NOVEMBER MONTHLY FINANCIAL REPORT
PROJECTED 2015 YEAR-END MARGIN





THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

MONTHLY FINANCIAL REPORT

(unaudited)

DECEMBER 2014

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Austin, Texas 78701
512.499.4527
www.utsystem.edu/cont

THE UNIVERSITY OF TEXAS SYSTEM
MONTHLY FINANCIAL REPORT
(Unaudited)
FOR THE FOUR MONTHS ENDING
December 31, 2014

The University of Texas System
Monthly Financial Report

Foreword

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

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

UNAUDITED

The University of Texas System Consolidated
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	530,218,124.72	500,498,160.49	29,719,964.23	5.9%
Sponsored Programs	931,405,276.68	897,347,624.27	34,057,652.41	3.8%
Net Sales and Services of Educational Activities	151,625,077.89	194,429,260.73	(42,804,182.84)	-22.0%
Net Sales and Services of Hospitals	1,668,709,446.99	1,529,743,317.28	138,966,129.71	9.1%
Net Professional Fees	502,080,102.84	436,984,812.58	65,095,290.26	14.9%
Net Auxiliary Enterprises	201,309,636.28	191,294,014.65	10,015,621.63	5.2%
Other Operating Revenues	123,605,063.84	105,351,811.12	18,253,252.72	17.3%
Total Operating Revenues	**4,108,952,729.24**	**3,855,649,001.12**	**253,303,728.12**	**6.6%**
Operating Expenses				
Salaries and Wages	2,433,262,192.32	2,311,822,596.19	121,439,596.13	5.3%
Payroll Related Costs	617,121,413.79	586,566,183.68	30,555,230.11	5.2%
Cost of Goods Sold	42,042,866.43	40,159,266.18	1,883,600.25	4.7%
Professional Fees and Services	133,463,445.81	114,799,071.13	18,664,374.68	16.3%
Other Contracted Services	237,484,363.50	217,491,876.27	19,992,487.23	9.2%
Travel	44,170,752.22	45,482,885.22	(1,312,133.00)	-2.9%
Materials and Supplies	546,104,695.81	497,815,446.23	48,289,249.58	9.7%
Utilities	90,498,317.59	92,851,596.16	(2,353,278.57)	-2.5%
Communications	51,192,089.88	49,787,029.76	1,405,060.12	2.8%
Repairs and Maintenance	96,331,256.22	83,204,430.85	13,126,825.37	15.8%
Rentals and Leases	54,585,747.67	47,970,056.84	6,615,690.83	13.8%
Printing and Reproduction	11,335,500.01	11,059,862.13	275,637.88	2.5%
Bad Debt Expense	278,850.82	493,462.65	(214,611.83)	-43.5%
Claims and Losses	11,155,805.41	2,422,090.26	8,733,715.15	360.6%
Increase in Net OPEB Obligation	186,623,401.67	178,537,029.00	8,086,372.67	4.5%
Scholarships and Fellowships	109,785,716.73	127,479,446.15	(17,693,729.42)	-13.9%
Depreciation and Amortization	382,345,773.58	383,477,195.07	(1,131,421.49)	-0.3%
Federal Sponsored Program Pass-Through to Other State Agencies	5,375,462.76	3,872,190.73	1,503,272.03	38.8%
State Sponsored Program Pass-Through to Other State Agencies	1,287,138.47	1,346,984.85	(59,846.38)	-4.4%
Other Operating Expenses	142,077,650.42	129,489,709.72	12,587,940.70	9.7%
Total Operating Expenses	**5,196,522,441.11**	**4,926,128,409.07**	**270,394,032.04**	**5.5%**
Operating Loss	**(1,087,569,711.87)**	**(1,070,479,407.95)**	**(17,090,303.92)**	**-1.6%**
Other Nonoperating Adjustments				
State Appropriations	701,311,686.44	699,300,280.66	2,011,405.78	0.3%
Nonexchange Sponsored Programs	63,283,423.35	62,814,341.94	469,081.41	0.7%
Gift Contributions for Operations	186,347,875.24	134,551,409.75	51,796,465.49	38.5%
Net Investment Income	317,918,898.87	423,236,548.94	(105,317,650.07)	-24.9%
Interest Expense on Capital Asset Financings	(95,236,430.07)	(91,692,191.20)	(3,544,238.87)	-3.9%
Net Other Nonoperating Adjustments	**1,173,625,453.83**	**1,228,210,390.09**	**(54,584,936.26)**	**-4.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**86,055,741.96**	**157,730,982.14**	**(71,675,240.18)**	**-45.4%**
Adjusted Margin % including Depreciation & Amortization	**1.6%**	**3.0%**		
Investment Gain (Losses)	(603,081,311.54)	1,373,229,095.40	(1,976,310,406.94)	-143.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(517,025,569.58)**	**1,530,960,077.54**	**(2,047,985,647.12)**	**-133.8%**
Adj. Margin % with Investment Gains (Losses)	**-10.8%**	**23.4%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**468,401,515.54**	**541,208,177.21**	**(72,806,661.67)**	**-13.5%**
Adjusted Margin % excluding Depreciation & Amortization	**8.7%**	**10.5%**		

The University of Texas System
Comparison of Adjusted Income (Loss)
For the Four Months Ending December 31, 2014

	Including Depreciation and Amortization Expense						
	December Year-to-Date FY 2015		December Year-to-Date FY 2014	Variance		Fluctuation Percentage
U. T. System Administration	$ (91,027,206.38)		$ 33,081,254.98	(124,108,461.36)	(1)	-375.2%
U. T. Arlington	10,531,543.66		12,158,672.85	(1,627,129.19)		-13.4%
U. T. Austin	52,757,380.95		5,176,913.61	47,580,467.34	(2)	919.1%
U. T. Brownsville	(2,900,271.29)	(3)	(2,864,523.20)	(35,748.09)		-1.2%
U. T. Dallas	5,004,829.91		396,214.81	4,608,615.10	(4)	1,163.2%
U. T. El Paso	(3,626,672.07)		(1,459,671.99)	(2,167,000.08)	(5)	-148.5%
U. T. Pan American	220,748.33		3,103,093.06	(2,882,344.73)	(6)	-92.9%
U. T. Permian Basin	(2,080,466.22)	(7)	(2,760,801.61)	680,335.39		24.6%
U. T. San Antonio	4,014,345.30		3,159,222.31	855,122.99	(8)	27.1%
U. T. Tyler	(4,255,007.35)		(275,486.71)	(3,979,520.64)	(9)	-1,444.5%
U. T. Southwestern Medical Center	27,791,591.37		16,234,629.62	11,556,961.75	(10)	71.2%
U. T. Medical Branch - Galveston	19,308,679.28		1,090,275.84	18,218,403.44	(11)	1,671.0%
U. T. Health Science Center - Houston	5,526,927.42		(9,120,692.33)	14,647,619.75	(12)	160.6%
U. T. Health Science Center - San Antonio	15,597,668.71		4,306,741.42	11,290,927.29	(13)	262.2%
U. T. M. D. Anderson Cancer Center	133,775,077.36		164,648,508.60	(30,873,431.24)		-18.8%
U. T. Health Science Center - Tyler	3,499,906.31		9,049,458.55	(5,549,552.24)	(14)	-61.3%
Elimination of AUF Transfer	(88,083,333.33)		(78,192,827.67)	(9,890,505.66)		-12.6%
Total Adjusted Income (Loss)	86,055,741.96		157,730,982.14	(71,675,240.18)		-45.4%
Investment Gains (Losses)	(603,081,311.54)		1,373,229,095.40	(1,976,310,406.94)		-143.9%
Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization	**$ (517,025,569.58)**		**$ 1,530,960,077.54**	**$ (2,047,985,647.12)**		**-133.8%**

	Excluding Depreciation and Amortization Expense			
	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
U. T. System Administration	$ (86,324,804.12)	$ 35,500,829.15	(121,825,633.27)	-343.2%
U. T. Arlington	25,468,147.77	27,026,679.93	(1,558,532.16)	-5.8%
U. T. Austin	132,757,380.95	105,843,580.28	26,913,800.67	25.4%
U. T. Brownsville	(56,265.92)	(73,053.50)	16,787.58	23.0%
U. T. Dallas	24,181,314.72	17,900,823.34	6,280,491.38	35.1%
U. T. El Paso	6,577,788.67	7,913,643.82	(1,335,855.15)	-16.9%
U. T. Pan American	6,509,221.35	8,412,251.59	(1,903,030.24)	-22.6%
U. T. Permian Basin	2,263,066.03	1,805,865.06	457,200.97	25.3%
U. T. San Antonio	19,162,787.26	18,397,181.27	765,605.99	4.2%
U. T. Tyler	(229,896.02)	3,500,381.70	(3,730,277.72)	-106.6%
U. T. Southwestern Medical Center	74,406,373.67	55,181,257.56	19,225,116.11	34.8%
U. T. Medical Branch - Galveston	52,623,440.77	36,352,553.18	16,270,887.59	44.8%
U. T. Health Science Center - Houston	25,353,938.13	9,812,773.47	15,541,164.66	158.4%
U. T. Health Science Center - San Antonio	33,097,668.71	20,973,408.09	12,124,260.62	57.8%
U. T. M. D. Anderson Cancer Center	233,523,053.91	258,657,361.58	(25,134,307.67)	-9.7%
U. T. Health Science Center - Tyler	7,171,632.99	12,195,468.36	(5,023,835.37)	-41.2%
Elimination of AUF Transfer	(88,083,333.33)	(78,192,827.67)	(9,890,505.66)	-12.6%
Total Adjusted Income (Loss)	468,401,515.54	541,208,177.21	(72,806,661.67)	-13.5%
Total Adjusted Income (Loss) Excluding Depreciation and Amortization	**$ 468,401,515.54**	**$ 541,208,177.21**	**$ (72,806,661.67)**	**-13.5%**

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Four Months Ending December 31, 2014

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

(1) *U. T. System Administration* - The $124.1 million (375.2%) decrease over the same period last year was primarily due to decreases in oil royalties and mineral lease bonus sales, which are a component of net investment income. Also contributing to the variance was a decrease in sponsored program revenue received for the 2014-2015 biennium for the Joint Admission Medical Program as it was all recognized in 2014, and an increase in claims paid for the Dental Supplemental Insurance Plan and the Self-Insured Dental Plan. Excluding depreciation and amortization expense, *U. T. System Administration's* adjusted loss was $86.3 million or -41.3% of projected revenues. *U. T. System Administration* anticipates ending the year with a $332.9 million loss, -60.5% of projected revenues, and includes $14.1 million of depreciation and amortization expense, as well as a $559.9 million accrual for Other Postemployment Benefits (OPEB) expense for the entire *U. T. System*.

(2) *U. T. Austin* - The $47.6 million (919.1%) increase in adjusted income over the same period last year was attributable to decreases in depreciation and amortization expense and scholarships and fellowships expense, as well as an increase in the funding from the Available University Fund primarily for operations and the new medical school. The decrease in depreciation and amortization expense was due to gifted software licenses that were fully amortized in 2014. Scholarships and fellowships expense decreased due to a lower estimate used in 2015 to more closely approximate the 2014 actual results. Excluding depreciation and amortization expense, *U. T. Austin's* adjusted income was $132.8 million or 15.3% of projected revenues.

(3) *U. T. Brownsville* - *U. T. Brownsville* incurred a year-to-date loss of $2.9 million which was primarily attributable to $1.9 million of *U. T. Rio Grande Valley* related expenses and a decrease in student enrollment for the fall semester. Excluding depreciation and amortization expense, *U. T. Brownsville's* adjusted loss was $56,000 or -0.2% of projected revenues. *U. T. Brownsville* anticipates ending the year with a $3.9 million loss, -3.3% of projected revenues and includes $8.5 million of depreciation and amortization expense.

(4) *U. T. Dallas* - The $4.6 million (1,163.2%) increase in adjusted income over the same period last year was primarily attributable to an increase in gift contributions for operations due to a large gift from the Communities Foundation of Texas. Excluding depreciation and amortization expense, *U. T. Dallas'* adjusted income was $24.2 million or 12.8% of projected revenues.

(5) *U. T. El Paso* - The $2.2 million (148.5%) increase in adjusted loss as compared to the same period last year was attributable to an increase in tuition exemption scholarship expense, primarily related to the Hazelwood and Hazelwood Legacy programs. Also contributing to the variance was an increase in salaries and wages due to a 2.5% merit pool increase implemented in 2015, and an increase in depreciation expense related to the rapid growth of buildings and research infrastructure on campus. As a result, *U. T. El Paso* incurred a year-to-date loss of $3.6 million. Excluding depreciation and amortization expense, *U. T. El Paso's* adjusted income was $6.6 million or 5.6% of projected revenues. *U. T. El Paso* anticipates ending the year with a $12.0 million loss, -3.0% of projected revenues and includes $30.0 million of depreciation and amortization expense.

(6) *U. T. Pan American* - The $2.9 million (92.9%) decrease in adjusted income over the same period last year was primarily due to the following: an increase in materials and supplies attributable to the purchase of library furniture, Blackboard Managed Hosting Storage, soccer and track complex equipment, and lab computers; an increase in depreciation expense resulting from the Fine Arts Complex and the Student Academic Center which were placed into service late in 2014; and a decrease in state appropriations. Excluding depreciation and amortization expense, *U. T. Pan American's* adjusted income was $6.5 million or 8.4% of projected revenues.

(7) *U. T. Permian Basin* - *U. T. Permian Basin* incurred a year-to-date loss of $2.1 million which was primarily attributable to increases in salaries and wages, and professional fees and services. Salaries and wages increased as a result of merit increases and additional adjunct faculty to support enrollment growth. Professional fees and services increased due to payments to the Academic Partnership for recruitment assistance. Excluding depreciation and amortization expense, *U. T. Permian Basin's* adjusted loss was $2.3 million or 8.8% of projected revenues. *U. T. Permian Basin* anticipates ending the year with an $11.1 million loss, -15.4% of projected revenues and includes $13.0 million of depreciation and amortization expense.

(8) *U. T. San Antonio* - The $0.9 million (27.1%) increase in adjusted income over the same period last year was primarily attributable to a decrease in repairs and maintenance expense due to decreased computer software maintenance, and decreased grounds maintenance as a result of the completion of the Wayfinding project. Excluding depreciation and amortization expense, *U. T. San Antonio's* adjusted income was $19.2 million or 11.7% of projected revenues.

(9) *U. T. Tyler* - The $4.0 million (1,444.5%) increase in adjusted loss over the same period last year was primarily attributable to a decrease in gift contributions for operations due to a large gift received in 2014 with no comparable gifts received thus far in 2015, and an increase in salaries and wages expense due to merit and market increases. As a result, *U. T. Tyler* incurred a year-to-date loss of $4.3 million. Excluding depreciation and amortization expense, *U. T. Tyler's* adjusted loss was $230,000 or -0.6% of projected revenues. *U. T. Tyler* anticipates ending the year with a $4.5 million loss, -3.9% of projected revenues and includes $12.1 million of depreciation and amortization expense.

(10) *U. T. Southwestern Medical Center* - The $11.6 million (71.2%) increase in adjusted income over the same period last year was primarily attributable to an increase in gift contributions for operations due to a multi-year pledge received from the Hamon Charitable Foundation in support of the Advanced Imaging Research Center. Excluding depreciation and amortization expense, *Southwestern's* adjusted income was $74.4 million or 9.6% of projected revenues.

(11) *U. T. Medical Branch - Galveston* - The $18.2 million (1,671.0%) increase in adjusted income over the same period last year was primarily attributable to increased net sales and services of hospitals due to increased volumes related to the Angleton Danbury Campus, Texas Department of Criminal Justice Hospital and Contracts, UTMB Hospitals and Clinics, and Victory Lakes. Additionally, other operating revenues increased due to Delivery System Reform Incentive Payment (DSRIP) revenues received for milestones accomplished in 2015. Excluding depreciation and amortization expense, *UTMB's* adjusted income was $52.6 million or 8.7% of projected revenues.

(12) *U. T. Health Science Center - Houston* - The $14.6 million (160.6%) increase in adjusted income over the same period last year was primarily attributable to an increase in net professional fees related to an increase in gross charge volumes due to the growth of the physician practice plan combined with the recognition of uncompensated care revenue, and an increase in gift contributions for operations primarily due to new pledges in 2015 for stem cell therapeutics research. Excluding depreciation and amortization expense, *UTHSC-Houston's* adjusted income was $25.4 million or 5.8% of projected revenues.

(13) *U. T. Health Science Center - San Antonio* - The $11.3 million (262.2%) increase in adjusted income over the same period last year was primarily due to increased practice plan revenues, uncompensated care incentive funds, and South Texas DSRIP contract revenue. Excluding depreciation and amortization expense, *UTHSC-San Antonio's* adjusted income was $33.1 million or 12.4% of projected revenues.

(14) *U. T. Health Science Center - Tyler* - The $5.5 million (61.3%) decrease in adjusted income over the same period last year was primarily attributable to $11.3 million of DSRIP revenue recognized so far in 2015, as compared to $18.8 million of DSRIP revenue recognized as of December 2013. Excluding depreciation and amortization expense, *UTHSC-Tyler's* adjusted income was $7.2 million or 12.1% of projected revenues.

GLOSSARY OF TERMS

<u>OPERATING REVENUES</u>:

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

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

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

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

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

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

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

<u>OPERATING EXPENSES</u>:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>OTHER NONOPERATING ADJUSTMENTS</u>:

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

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

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

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

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

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

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

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

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

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

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

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

UNAUDITED

The University of Texas System Administration
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	1,125,000.00	10,206,794.00	(9,081,794.00)	-89.0%
Net Sales and Services of Educational Activities	16,335,133.63	15,885,890.62	449,243.01	2.8%
Other Operating Revenues	23,633,813.34	19,740,305.34	3,893,508.00	19.7%
Total Operating Revenues	**41,093,946.97**	**45,832,989.96**	**(4,739,042.99)**	**-10.3%**
Operating Expenses				
Salaries and Wages	17,292,811.03	14,618,626.58	2,674,184.45	18.3%
Payroll Related Costs	4,179,107.86	3,800,624.79	378,483.07	10.0%
Professional Fees and Services	3,899,605.72	1,553,967.34	2,345,638.38	150.9%
Other Contracted Services	11,185,820.89	15,173,658.19	(3,987,837.30)	-26.3%
Travel	419,803.65	578,810.73	(159,007.08)	-27.5%
Materials and Supplies	10,114,697.63	4,489,936.32	5,624,761.31	125.3%
Utilities	122,917.43	141,044.92	(18,127.49)	-12.9%
Communications	3,992,207.02	3,263,722.17	728,484.85	22.3%
Repairs and Maintenance	5,478,526.44	1,625,956.88	3,852,569.56	236.9%
Rentals and Leases	1,252,157.42	375,153.46	877,003.96	233.8%
Printing and Reproduction	115,525.18	74,161.53	41,363.65	55.8%
Claims and Losses	11,155,805.41	2,422,090.26	8,733,715.15	360.6%
Increase in Net OPEB Obligation	186,623,401.67	178,537,029.00	8,086,372.67	4.5%
Scholarships and Fellowships	177,000.00	210,200.00	(33,200.00)	-15.8%
Depreciation and Amortization	4,702,402.26	2,419,574.17	2,282,828.09	94.3%
State Sponsored Program Pass-Through to Other State Agencies	976,717.93	859,058.85	117,659.08	13.7%
Other Operating Expenses	15,633,621.21	13,687,975.72	1,945,645.49	14.2%
Total Operating Expenses	**277,322,128.75**	**243,831,590.91**	**33,490,537.84**	**13.7%**
Operating Loss	**(236,228,181.78)**	**(197,998,600.95)**	**(38,229,580.83)**	**-19.3%**
Other Nonoperating Adjustments				
State Appropriations	641,900.89	9,525,487.08	(8,883,586.19)	-93.3%
Nonexchange Sponsored Programs	2,074,186.32	2,136,372.00	(62,185.68)	-2.9%
Gift Contributions for Operations	39,150,762.51	396,415.93	38,754,346.58	9,776.2%
Net Investment Income	109,564,693.54	223,669,898.97	(114,105,205.43)	-51.0%
Interest Expense on Capital Asset Financings	(22,760,848.19)	(20,330,276.38)	(2,430,571.81)	-12.0%
Net Other Nonoperating Adjustments	**128,670,695.07**	**215,397,897.60**	**(86,727,202.53)**	**-40.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**(107,557,486.71)**	**17,399,296.65**	**(124,956,783.36)**	**-718.2%**
Adjusted Margin % including Depreciation & Amortization	**-55.9%**	**6.2%**		
Available University Fund Transfer	16,530,280.33	15,681,958.33	848,322.00	5.4%
Adjusted Income (Loss) with AUF Transfer	**(91,027,206.38)**	**33,081,254.98**	**(124,108,461.36)**	**-375.2%**
Adjusted Margin % with AUF Transfer	**-43.5%**	**11.1%**		
Investment Gain (Losses)	(353,869,398.71)	927,071,154.66	(1,280,940,553.37)	-138.2%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**(444,896,605.09)**	**$960,152,409.64**	**(1,405,049,014.73)**	**-146.3%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**307.2%**	**78.4%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**(86,324,804.12)**	**35,500,829.15**	**(121,825,633.27)**	**-343.2%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**-41.3%**	**11.9%**		

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The University of Texas at Arlington
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	76,553,005.32	74,126,436.53	2,426,568.79	3.3%
Sponsored Programs	22,245,342.42	22,776,765.71	(531,423.29)	-2.3%
Net Sales and Services of Educational Activities	7,692,271.44	6,397,362.80	1,294,908.64	20.2%
Net Auxiliary Enterprises	12,168,193.39	12,208,536.88	(40,343.49)	-0.3%
Other Operating Revenues	1,545,147.43	1,438,691.82	106,455.61	7.4%
Total Operating Revenues	**120,203,960.00**	**116,947,793.74**	**3,256,166.26**	**2.8%**
Operating Expenses				
Salaries and Wages	80,680,415.86	78,100,086.67	2,580,329.19	3.3%
Payroll Related Costs	18,268,123.34	19,163,789.87	(895,666.53)	-4.7%
Cost of Goods Sold	3,059.68	1,177.64	1,882.04	159.8%
Professional Fees and Services	2,986,863.49	2,021,187.13	965,676.36	47.8%
Other Contracted Services	15,538,832.28	15,474,546.61	64,285.67	0.4%
Travel	1,871,208.27	2,331,848.61	(460,640.34)	-19.8%
Materials and Supplies	7,224,072.77	6,695,470.41	528,602.36	7.9%
Utilities	3,075,297.12	2,984,133.31	91,163.81	3.1%
Communications	2,426,201.75	2,452,274.18	(26,072.43)	-1.1%
Repairs and Maintenance	4,001,009.52	3,639,443.21	361,566.31	9.9%
Rentals and Leases	959,382.56	1,117,433.73	(158,051.17)	-14.1%
Printing and Reproduction	470,338.66	848,973.15	(378,634.49)	-44.6%
Bad Debt Expense	206,090.60	333,333.33	(127,242.73)	-38.2%
Scholarships and Fellowships	10,405,532.19	10,805,507.46	(399,975.27)	-3.7%
Depreciation and Amortization	14,936,604.11	14,868,007.08	68,597.03	0.5%
Federal Sponsored Program Pass-Through to Other State Agencies	881,459.84	60,275.52	821,184.32	1,362.4%
State Sponsored Program Pass-Through to Other State Agencies	38,132.68	54,186.99	(16,054.31)	-29.6%
Other Operating Expenses	3,431,945.09	2,225,230.52	1,206,714.57	54.2%
Total Operating Expenses	**167,404,569.81**	**163,176,905.42**	**4,227,664.39**	**2.6%**
Operating Loss	**(47,200,609.81)**	**(46,229,111.68)**	**(971,498.13)**	**-2.1%**
Other Nonoperating Adjustments				
State Appropriations	39,875,428.33	39,414,461.00	460,967.33	1.2%
Nonexchange Sponsored Programs	15,000,000.00	15,000,000.00	-	-
Gift Contributions for Operations	2,106,411.88	3,808,576.72	(1,702,164.84)	-44.7%
Net Investment Income	4,993,377.74	4,628,461.49	364,916.25	7.9%
Interest Expense on Capital Asset Financings	(4,243,064.48)	(4,463,714.68)	220,650.20	4.9%
Net Other Nonoperating Adjustments	**57,732,153.47**	**58,387,784.53**	**(655,631.06)**	**-1.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**10,531,543.66**	**12,158,672.85**	**(1,627,129.19)**	**-13.4%**
Adjusted Margin % including Depreciation & Amortization	**5.8%**	**6.8%**		
Investment Gain (Losses)	(3,016,182.87)	10,078,950.99	(13,095,133.86)	-129.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**7,515,360.79**	**22,237,623.84**	**(14,722,263.05)**	**-66.2%**
Adj. Margin % with Investment Gains (Losses)	**4.2%**	**11.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**25,468,147.77**	**27,026,679.93**	**(1,558,532.16)**	**-5.8%**
Adjusted Margin % excluding Depreciation & Amortization	**14.0%**	**15.0%**		

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The University of Texas at Austin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	161,666,666.63	155,000,000.00	6,666,666.63	4.3%
Sponsored Programs	181,936,713.44	182,750,692.26	(813,978.82)	-0.4%
Net Sales and Services of Educational Activities	82,883,582.68	129,755,505.44	(46,871,922.76)	-36.1%
Net Auxiliary Enterprises	112,718,598.10	107,614,344.13	5,104,253.97	4.7%
Other Operating Revenues	1,880,508.20	2,258,081.77	(377,573.57)	-16.7%
Total Operating Revenues	**541,086,069.05**	**577,378,623.60**	**(36,292,554.55)**	**-6.3%**
Operating Expenses				
Salaries and Wages	357,193,426.32	368,259,474.61	(11,066,048.29)	-3.0%
Payroll Related Costs	95,762,680.46	99,317,101.18	(3,554,420.72)	-3.6%
Cost of Goods Sold	7,404,126.14	7,833,762.01	(429,635.87)	-5.5%
Professional Fees and Services	10,480,814.63	10,327,344.41	153,470.22	1.5%
Other Contracted Services	44,509,749.62	44,542,885.91	(33,136.29)	-0.1%
Travel	13,565,561.16	15,954,013.74	(2,388,452.58)	-15.0%
Materials and Supplies	35,664,527.63	38,900,930.58	(3,236,402.95)	-8.3%
Utilities	24,936,979.81	30,590,705.24	(5,653,725.43)	-18.5%
Communications	25,172,320.40	26,001,652.19	(829,331.79)	-3.2%
Repairs and Maintenance	16,411,849.00	17,531,264.85	(1,119,415.85)	-6.4%
Rentals and Leases	7,132,284.90	6,682,290.81	449,994.09	6.7%
Printing and Reproduction	3,222,517.55	3,180,871.10	41,646.45	1.3%
Bad Debt Expense	1,287.59	(8,454.85)	9,742.44	115.2%
Scholarships and Fellowships	40,000,000.00	52,666,666.67	(12,666,666.67)	-24.1%
Depreciation and Amortization	80,000,000.00	100,666,666.67	(20,666,666.67)	-20.5%
Federal Sponsored Program Pass-Through to Other State Agencies	1,256,513.68	1,148,212.94	108,300.74	9.4%
Other Operating Expenses	36,644,851.78	31,098,443.90	5,546,407.88	17.8%
Total Operating Expenses	**799,359,490.67**	**854,693,831.96**	**(55,334,341.29)**	**-6.5%**
Operating Loss	**(258,273,421.62)**	**(277,315,208.36)**	**19,041,786.74**	**6.9%**
Other Nonoperating Adjustments				
State Appropriations	108,196,264.80	108,808,163.10	(611,898.30)	-0.6%
Nonexchange Sponsored Programs	15,866,666.67	15,666,666.67	200,000.00	1.3%
Gift Contributions for Operations	43,029,168.56	27,136,015.56	15,893,153.00	58.6%
Net Investment Income	72,765,402.77	68,744,400.25	4,021,002.52	5.8%
Interest Expense on Capital Asset Financings	(16,910,033.56)	(16,055,951.28)	(854,082.28)	-5.3%
Net Other Nonoperating Adjustments	**222,947,469.24**	**204,299,294.30**	**18,648,174.94**	**9.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**(35,325,952.38)**	**(73,015,914.06)**	**37,689,961.68**	**51.6%**
Adjusted Margin % including Depreciation & Amortization	**-4.5%**	**-9.2%**		
Available University Fund Transfer	88,083,333.33	78,192,827.67	9,890,505.66	12.6%
Adjusted Income (Loss) with AUF Transfer	**52,757,380.95**	**5,176,913.61**	**47,580,467.34**	**919.1%**
Adjusted Margin % with AUF Transfer	**6.1%**	**0.6%**		
Investment Gain (Losses)	(112,058,709.50)	135,095,204.90	(247,153,914.40)	-182.9%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**(59,301,328.55)**	**$140,272,118.51**	**(199,573,447.06)**	**-142.3%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**-7.8%**	**13.9%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**132,757,380.95**	**105,843,580.28**	**26,913,800.67**	**25.4%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**15.3%**	**12.1%**		

UNAUDITED

The University of Texas at Brownsville
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	9,940,645.50	10,572,192.89	(631,547.39)	-6.0%
Sponsored Programs	7,008,748.80	6,849,853.79	158,895.01	2.3%
Net Sales and Services of Educational Activities	749,779.28	868,322.15	(118,542.87)	-13.7%
Net Auxiliary Enterprises	582,046.49	614,150.60	(32,104.11)	-5.2%
Other Operating Revenues	8,659.04	2,070.17	6,588.87	318.3%
Total Operating Revenues	**18,289,879.11**	**18,906,589.60**	**(616,710.49)**	**-3.3%**
Operating Expenses				
Salaries and Wages	17,301,922.57	16,363,915.22	938,007.35	5.7%
Payroll Related Costs	4,987,531.95	4,818,410.33	169,121.62	3.5%
Professional Fees and Services	376,944.82	528,387.02	(151,442.20)	-28.7%
Other Contracted Services	291,784.36	199,903.98	91,880.38	46.0%
Travel	511,591.66	284,919.19	226,672.47	79.6%
Materials and Supplies	1,754,876.61	1,370,157.68	384,718.93	28.1%
Utilities	663,046.96	624,531.20	38,515.76	6.2%
Communications	81,289.96	225,378.56	(144,088.60)	-63.9%
Repairs and Maintenance	294,511.64	1,052,823.50	(758,311.86)	-72.0%
Rentals and Leases	1,130,822.51	297,674.22	833,148.29	279.9%
Printing and Reproduction	112,953.90	71,457.58	41,496.32	58.1%
Scholarships and Fellowships	3,175,653.94	3,658,141.49	(482,487.55)	-13.2%
Depreciation and Amortization	2,844,005.37	2,791,469.70	52,535.67	1.9%
Federal Sponsored Program Pass-Through to Other State Agencies	58,390.61	4,268.00	54,122.61	1,268.1%
Other Operating Expenses	1,540,829.38	1,972,585.40	(431,756.02)	-21.9%
Total Operating Expenses	**35,126,156.24**	**34,264,023.07**	**862,133.17**	**2.5%**
Operating Loss	**(16,836,277.13)**	**(15,357,433.47)**	**(1,478,843.66)**	**-9.6%**
Other Nonoperating Adjustments				
State Appropriations	13,463,366.01	11,197,979.99	2,265,386.02	20.2%
Nonexchange Sponsored Programs	466,575.81	1,539,321.32	(1,072,745.51)	-69.7%
Gift Contributions for Operations	143,557.00	111,218.34	32,338.66	29.1%
Net Investment Income	794,257.85	523,620.29	270,637.56	51.7%
Interest Expense on Capital Asset Financings	(931,750.83)	(879,229.67)	(52,521.16)	-6.0%
Net Other Nonoperating Adjustments	**13,936,005.84**	**12,492,910.27**	**1,443,095.57**	**11.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**(2,900,271.29)**	**(2,864,523.20)**	**(35,748.09)**	**-1.2%**
Adjusted Margin % including Depreciation & Amortization	**-8.7%**	**-8.9%**		
Investment Gain (Losses)	(1,405,155.31)	1,627,999.13	(3,033,154.44)	-186.3%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(4,305,426.60)**	**(1,236,524.07)**	**(3,068,902.53)**	**-248.2%**
Adj. Margin % with Investment Gains (Losses)	**-13.6%**	**-3.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**(56,265.92)**	**(73,053.50)**	**16,787.58**	**23.0%**
Adjusted Margin % excluding Depreciation & Amortization	**-0.2%**	**-0.2%**		

UNAUDITED

The University of Texas at Dallas
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	89,507,292.02	80,285,187.93	9,222,104.09	11.5%
Sponsored Programs	19,536,624.64	17,668,449.26	1,868,175.38	10.6%
Net Sales and Services of Educational Activities	4,624,612.37	3,661,284.86	963,327.51	26.3%
Net Auxiliary Enterprises	9,928,994.03	7,742,243.21	2,186,750.82	28.2%
Other Operating Revenues	1,786,779.64	706,026.15	1,080,753.49	153.1%
Total Operating Revenues	**125,384,302.70**	**110,063,191.41**	**15,321,111.29**	**13.9%**
Operating Expenses				
Salaries and Wages	87,081,127.55	77,204,461.95	9,876,665.60	12.8%
Payroll Related Costs	20,218,892.63	17,673,344.85	2,545,547.78	14.4%
Professional Fees and Services	3,104,356.55	3,788,034.01	(683,677.46)	-18.0%
Other Contracted Services	6,677,344.93	3,314,438.82	3,362,906.11	101.5%
Travel	1,788,253.09	1,760,188.10	28,064.99	1.6%
Materials and Supplies	8,586,257.75	8,180,510.72	405,747.03	5.0%
Utilities	3,951,149.78	2,852,997.05	1,098,152.73	38.5%
Communications	186,026.85	217,435.43	(31,408.58)	-14.4%
Repairs and Maintenance	1,528,084.51	1,062,842.68	465,241.83	43.8%
Rentals and Leases	2,249,050.75	1,457,747.51	791,303.24	54.3%
Printing and Reproduction	767,363.67	609,583.52	157,780.15	25.9%
Scholarships and Fellowships	16,494,143.35	16,536,362.64	(42,219.29)	-0.3%
Depreciation and Amortization	19,176,484.81	17,504,608.53	1,671,876.28	9.6%
Federal Sponsored Program Pass-Through to Other State Agencies	-	6,374.69	(6,374.69)	-100.0%
Other Operating Expenses	6,666,226.84	4,419,931.73	2,246,295.11	50.8%
Total Operating Expenses	**178,474,763.06**	**156,588,862.23**	**21,885,900.83**	**14.0%**
Operating Loss	**(53,090,460.36)**	**(46,525,670.82)**	**(6,564,789.54)**	**-14.1%**
Other Nonoperating Adjustments				
State Appropriations	40,213,303.76	36,960,163.93	3,253,139.83	8.8%
Nonexchange Sponsored Programs	7,583,599.00	3,661,917.78	3,921,681.22	107.1%
Gift Contributions for Operations	8,321,722.49	4,239,445.77	4,082,276.72	96.3%
Net Investment Income	7,376,897.98	6,381,611.35	995,286.63	15.6%
Interest Expense on Capital Asset Financings	(5,400,232.96)	(4,321,253.20)	(1,078,979.76)	-25.0%
Net Other Nonoperating Adjustments	**58,095,290.27**	**46,921,885.63**	**11,173,404.64**	**23.8%**
Adjusted Income (Loss) including Depreciation & Amortization	**5,004,829.91**	**396,214.81**	**4,608,615.10**	**1,163.2%**
Adjusted Margin % including Depreciation & Amortization	**2.6%**	**0.2%**		
Investment Gain (Losses)	5,120,140.65	13,144,077.22	(8,023,936.57)	-61.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**10,124,970.56**	**13,540,292.03**	**(3,415,321.47)**	**-25.2%**
Adj. Margin % with Investment Gains (Losses)	**5.2%**	**7.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**24,181,314.72**	**17,900,823.34**	**6,280,491.38**	**35.1%**
Adjusted Margin % excluding Depreciation & Amortization	**12.8%**	**11.1%**		

UNAUDITED

The University of Texas at El Paso
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	38,442,172.00	37,446,944.00	995,228.00	2.7%
Sponsored Programs	24,935,932.39	23,452,991.07	1,482,941.32	6.3%
Net Sales and Services of Educational Activities	1,965,144.58	1,970,875.74	(5,731.16)	-0.3%
Net Auxiliary Enterprises	9,153,757.41	10,092,460.21	(938,702.80)	-9.3%
Other Operating Revenues	31,997.22	26,004.85	5,992.37	23.0%
Total Operating Revenues	**74,529,003.60**	**72,989,275.87**	**1,539,727.73**	**2.1%**
Operating Expenses				
Salaries and Wages	56,623,296.07	55,254,197.30	1,369,098.77	2.5%
Payroll Related Costs	15,480,804.30	14,204,351.42	1,276,452.88	9.0%
Professional Fees and Services	1,399,121.03	937,988.40	461,132.63	49.2%
Other Contracted Services	6,798,102.79	7,075,461.45	(277,358.66)	-3.9%
Travel	2,503,903.02	2,779,335.90	(275,432.88)	-9.9%
Materials and Supplies	8,557,303.52	8,213,944.57	343,358.95	4.2%
Utilities	2,637,176.73	2,545,258.91	91,917.82	3.6%
Communications	563,461.00	235,962.49	327,498.51	138.8%
Repairs and Maintenance	2,303,087.67	2,183,911.77	119,175.90	5.5%
Rentals and Leases	1,955,526.65	1,730,466.79	225,059.86	13.0%
Printing and Reproduction	446,436.25	455,891.58	(9,455.33)	-2.1%
Scholarships and Fellowships	5,778,085.66	7,342,970.64	(1,564,884.98)	-21.3%
Depreciation and Amortization	10,204,460.74	9,373,315.81	831,144.93	8.9%
Federal Sponsored Program Pass-Through to Other State Agencies	527,999.98	150,687.04	377,312.94	250.4%
State Sponsored Program Pass-Through to Other State Agencies	24,234.09	-	24,234.09	100.0%
Other Operating Expenses	3,075,130.79	2,643,597.61	431,533.18	16.3%
Total Operating Expenses	**118,878,130.29**	**115,127,341.68**	**3,750,788.61**	**3.3%**
Operating Loss	**(44,349,126.69)**	**(42,138,065.81)**	**(2,211,060.88)**	**-5.2%**
Other Nonoperating Adjustments				
State Appropriations	34,437,588.00	33,513,552.00	924,036.00	2.8%
Nonexchange Sponsored Programs	2,460,484.86	2,957,844.00	(497,359.14)	-16.8%
Gift Contributions for Operations	2,019,845.91	2,329,808.18	(309,962.27)	-13.3%
Net Investment Income	4,411,505.09	4,589,566.56	(178,061.47)	-3.9%
Interest Expense on Capital Asset Financings	(2,606,969.24)	(2,712,376.92)	105,407.68	3.9%
Net Other Nonoperating Adjustments	**40,722,454.62**	**40,678,393.82**	**44,060.80**	**0.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**(3,626,672.07)**	**(1,459,671.99)**	**(2,167,000.08)**	**-148.5%**
Adjusted Margin % including Depreciation & Amortization	**-3.1%**	**-1.3%**		
Investment Gain (Losses)	(8,583,697.31)	10,015,988.13	(18,599,685.44)	-185.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(12,210,369.38)**	**8,556,316.14**	**(20,766,685.52)**	**-242.7%**
Adj. Margin % with Investment Gains (Losses)	**-11.2%**	**6.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**6,577,788.67**	**7,913,643.82**	**(1,335,855.15)**	**-16.9%**
Adjusted Margin % excluding Depreciation & Amortization	**5.6%**	**6.8%**		

UNAUDITED

The University of Texas-Pan American
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	23,967,053.40	23,389,068.41	577,984.99	2.5%
Sponsored Programs	19,268,459.89	18,983,287.65	285,172.24	1.5%
Net Sales and Services of Educational Activities	1,788,867.48	1,634,710.27	154,157.21	9.4%
Net Auxiliary Enterprises	3,164,686.32	2,863,827.41	300,858.91	10.5%
Other Operating Revenues	578,574.73	526,486.38	52,088.35	9.9%
Total Operating Revenues	**48,767,641.82**	**47,397,380.12**	**1,370,261.70**	**2.9%**
Operating Expenses				
Salaries and Wages	37,889,868.53	36,704,333.56	1,185,534.97	3.2%
Payroll Related Costs	11,053,679.32	10,582,455.71	471,223.61	4.5%
Cost of Goods Sold	126,804.67	100,774.08	26,030.59	25.8%
Professional Fees and Services	486,954.61	635,877.96	(148,923.35)	-23.4%
Other Contracted Services	876,512.80	714,387.27	162,125.53	22.7%
Travel	1,653,010.80	1,283,654.61	369,356.19	28.8%
Materials and Supplies	4,951,010.81	3,885,118.85	1,065,891.96	27.4%
Utilities	1,811,771.10	1,895,015.28	(83,244.18)	-4.4%
Communications	399,055.46	373,778.23	25,277.23	6.8%
Repairs and Maintenance	1,144,789.13	1,009,935.97	134,853.16	13.4%
Rentals and Leases	506,464.73	195,587.38	310,877.35	158.9%
Printing and Reproduction	102,002.05	212,074.29	(110,072.24)	-51.9%
Bad Debt Expense	14,475.25	13,856.76	618.49	4.5%
Scholarships and Fellowships	5,351,076.75	6,368,557.01	(1,017,480.26)	-16.0%
Depreciation and Amortization	6,288,473.02	5,309,158.53	979,314.49	18.4%
Federal Sponsored Program Pass-Through to Other State Agencies	(31,803.88)	17,274.13	(49,078.01)	-284.1%
Other Operating Expenses	3,695,696.76	3,645,433.45	50,263.31	1.4%
Total Operating Expenses	**76,319,841.91**	**72,947,273.07**	**3,372,568.84**	**4.6%**
Operating Loss	**(27,552,200.09)**	**(25,549,892.95)**	**(2,002,307.14)**	**-7.8%**
Other Nonoperating Adjustments				
State Appropriations	26,455,306.16	26,842,789.80	(387,483.64)	-1.4%
Nonexchange Sponsored Programs	619,675.19	1,111,895.54	(492,220.35)	-44.3%
Gift Contributions for Operations	548,199.33	646,511.83	(98,312.50)	-15.2%
Net Investment Income	1,533,476.50	1,548,940.84	(15,464.34)	-1.0%
Interest Expense on Capital Asset Financings	(1,383,708.76)	(1,497,152.00)	113,443.24	7.6%
Net Other Nonoperating Adjustments	**27,772,948.42**	**28,652,986.01**	**(880,037.59)**	**-3.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**220,748.33**	**3,103,093.06**	**(2,882,344.73)**	**-92.9%**
Adjusted Margin % including Depreciation & Amortization	**0.3%**	**4.0%**		
Investment Gain (Losses)	(2,348,835.97)	3,569,831.10	(5,918,667.07)	-165.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(2,128,087.64)**	**6,672,924.16**	**(8,801,011.80)**	**-131.9%**
Adj. Margin % with Investment Gains (Losses)	**-2.8%**	**8.2%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**6,509,221.35**	**8,412,251.59**	**(1,903,030.24)**	**-22.6%**
Adjusted Margin % excluding Depreciation & Amortization	**8.4%**	**10.8%**		

UNAUDITED

The University of Texas of the Permian Basin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	5,581,771.44	5,049,700.30	532,071.14	10.5%
Sponsored Programs	2,340,774.83	1,174,328.74	1,166,446.09	99.3%
Net Sales and Services of Educational Activities	764,095.80	392,356.36	371,739.44	94.7%
Net Auxiliary Enterprises	981,278.72	1,733,489.93	(752,211.21)	-43.4%
Other Operating Revenues	36,655.66	20,593.31	16,062.35	78.0%
Total Operating Revenues	**9,704,576.45**	**8,370,468.64**	**1,334,107.81**	**15.9%**
Operating Expenses				
Salaries and Wages	9,301,240.68	7,685,126.00	1,616,114.68	21.0%
Payroll Related Costs	1,905,021.31	2,137,664.51	(232,643.20)	-10.9%
Cost of Goods Sold	4,642.63	-	4,642.63	100.0%
Professional Fees and Services	1,608,291.19	751,939.69	856,351.50	113.9%
Other Contracted Services	1,315,144.24	627,771.11	687,373.13	109.5%
Travel	355,403.90	479,485.62	(124,081.72)	-25.9%
Materials and Supplies	1,602,462.70	1,406,087.27	196,375.43	14.0%
Utilities	839,511.94	537,261.81	302,250.13	56.3%
Communications	208,236.08	204,506.62	3,729.46	1.8%
Repairs and Maintenance	522,541.77	243,933.38	278,608.39	114.2%
Rentals and Leases	150,562.25	88,801.96	61,760.29	69.5%
Printing and Reproduction	27,687.76	21,423.78	6,263.98	29.2%
Bad Debt Expense	-	(6,345.00)	6,345.00	100.0%
Scholarships and Fellowships	3,104,131.25	2,995,143.73	108,987.52	3.6%
Depreciation and Amortization	4,343,532.25	4,566,666.67	(223,134.42)	-4.9%
Other Operating Expenses	484,606.07	265,550.51	219,055.56	82.5%
Total Operating Expenses	**25,773,016.02**	**22,005,017.66**	**3,767,998.36**	**17.1%**
Operating Loss	**(16,068,439.57)**	**(13,634,549.02)**	**(2,433,890.55)**	**-17.9%**
Other Nonoperating Adjustments				
State Appropriations	9,720,929.72	9,702,742.68	18,187.04	0.2%
Nonexchange Sponsored Programs	805,082.74	1,667,398.63	(862,315.89)	-51.7%
Gift Contributions for Operations	4,647,514.03	498,357.70	4,149,156.33	832.6%
Net Investment Income	718,190.42	667,696.32	50,494.10	7.6%
Interest Expense on Capital Asset Financings	(1,903,743.56)	(1,662,447.92)	(241,295.64)	-14.5%
Net Other Nonoperating Adjustments	**13,987,973.35**	**10,873,747.41**	**3,114,225.94**	**28.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**(2,080,466.22)**	**(2,760,801.61)**	**680,335.39**	**24.6%**
Adjusted Margin % including Depreciation & Amortization	**-8.1%**	**-13.2%**		
Investment Gain (Losses)	(1,118,039.54)	1,303,866.63	(2,421,906.17)	-185.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(3,198,505.76)**	**(1,456,934.98)**	**(1,741,570.78)**	**-119.5%**
Adj. Margin % with Investment Gains (Losses)	**-13.1%**	**-6.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**2,263,066.03**	**1,805,865.06**	**457,200.97**	**25.3%**
Adjusted Margin % excluding Depreciation & Amortization	**8.8%**	**8.6%**		

UNAUDITED

The University of Texas at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	62,556,856.82	58,824,429.28	3,732,427.54	6.3%
Sponsored Programs	19,250,256.74	21,990,268.33	(2,740,011.59)	-12.5%
Net Sales and Services of Educational Activities	4,041,509.88	3,316,084.34	725,425.54	21.9%
Net Auxiliary Enterprises	14,899,657.68	16,389,227.49	(1,489,569.81)	-9.1%
Other Operating Revenues	933,469.06	1,501,181.97	(567,712.91)	-37.8%
Total Operating Revenues	**101,681,750.18**	**102,021,191.41**	**(339,441.23)**	**-0.3%**
Operating Expenses				
Salaries and Wages	75,286,310.89	75,710,578.72	(424,267.83)	-0.6%
Payroll Related Costs	18,128,234.56	19,404,889.98	(1,276,655.42)	-6.6%
Cost of Goods Sold	42,555.89	175,101.13	(132,545.24)	-75.7%
Professional Fees and Services	1,455,066.28	1,550,111.05	(95,044.77)	-6.1%
Other Contracted Services	5,009,253.04	4,193,248.92	816,004.12	19.5%
Travel	3,004,093.52	3,915,197.47	(911,103.95)	-23.3%
Materials and Supplies	10,181,985.60	8,881,044.89	1,300,940.71	14.6%
Utilities	4,433,333.33	4,136,704.17	296,629.16	7.2%
Communications	867,256.27	839,118.33	28,137.94	3.4%
Repairs and Maintenance	2,595,095.63	3,646,026.00	(1,050,930.37)	-28.8%
Rentals and Leases	748,253.75	1,500,819.29	(752,565.54)	-50.1%
Printing and Reproduction	415,662.18	357,700.45	57,961.73	16.2%
Bad Debt Expense	50,000.00	160,916.50	(110,916.50)	-68.9%
Scholarships and Fellowships	13,175,791.38	16,549,852.86	(3,374,061.48)	-20.4%
Depreciation and Amortization	15,148,441.96	15,237,958.96	(89,517.00)	-0.6%
Federal Sponsored Program Pass-Through to Other State Agencies	367,307.62	297,597.27	69,710.35	23.4%
Other Operating Expenses	3,697,414.91	2,570,003.11	1,127,411.80	43.9%
Total Operating Expenses	**154,606,056.81**	**159,126,869.10**	**(4,520,812.29)**	**-2.8%**
Operating Loss	**(52,924,306.63)**	**(57,105,677.69)**	**4,181,371.06**	**7.3%**
Other Nonoperating Adjustments				
State Appropriations	41,028,742.00	42,259,723.01	(1,230,981.01)	-2.9%
Nonexchange Sponsored Programs	15,575,715.00	16,200,000.00	(624,285.00)	-3.9%
Gift Contributions for Operations	2,321,508.70	2,500,000.00	(178,491.30)	-7.1%
Net Investment Income	3,277,407.47	4,820,719.31	(1,543,311.84)	-32.0%
Interest Expense on Capital Asset Financings	(5,264,721.24)	(5,515,542.32)	250,821.08	4.5%
Net Other Nonoperating Adjustments	**56,938,651.93**	**60,264,900.00**	**(3,326,248.07)**	**-5.5%**
Adjusted Income (Loss) including Depreciation & Amortization	**4,014,345.30**	**3,159,222.31**	**855,122.99**	**27.1%**
Adjusted Margin % including Depreciation & Amortization	**2.4%**	**1.9%**		
Investment Gain (Losses)	27,445,467.71	13,471,077.76	13,974,389.95	103.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**31,459,813.01**	**16,630,300.07**	**14,829,512.94**	**89.2%**
Adj. Margin % with Investment Gains (Losses)	**16.4%**	**9.2%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**19,162,787.26**	**18,397,181.27**	**765,605.99**	**4.2%**
Adjusted Margin % excluding Depreciation & Amortization	**11.7%**	**11.0%**		

UNAUDITED

The University of Texas at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	12,461,378.67	9,802,729.33	2,658,649.34	27.1%
Sponsored Programs	5,120,319.64	3,497,193.28	1,623,126.36	46.4%
Net Sales and Services of Educational Activities	995,415.02	2,348,439.65	(1,353,024.63)	-57.6%
Net Auxiliary Enterprises	1,833,002.11	972,254.11	860,748.00	88.5%
Other Operating Revenues	34,527.95	75,750.95	(41,223.00)	-54.4%
Total Operating Revenues	**20,444,643.39**	**16,696,367.32**	**3,748,276.07**	**22.4%**
Operating Expenses				
Salaries and Wages	18,855,268.28	16,716,744.47	2,138,523.81	12.8%
Payroll Related Costs	4,839,575.97	4,751,310.13	88,265.84	1.9%
Cost of Goods Sold	3,459.01	2,378.51	1,080.50	45.4%
Professional Fees and Services	941,938.25	566,941.32	374,996.93	66.1%
Other Contracted Services	1,843,531.03	2,250,449.65	(406,918.62)	-18.1%
Travel	515,592.17	633,211.99	(117,619.82)	-18.6%
Materials and Supplies	2,952,038.48	2,027,464.34	924,574.14	45.6%
Utilities	742,026.66	587,523.63	154,503.03	26.3%
Communications	645,585.27	617,542.19	28,043.08	4.5%
Repairs and Maintenance	1,015,218.90	696,424.47	318,794.43	45.8%
Rentals and Leases	201,686.40	76,328.46	125,357.94	164.2%
Printing and Reproduction	507,961.01	167,234.39	340,726.62	203.7%
Bad Debt Expense	6,997.38	94.35	6,903.03	7,316.4%
Scholarships and Fellowships	1,415,598.55	1,533,333.33	(117,734.78)	-7.7%
Depreciation and Amortization	4,025,111.33	3,775,868.41	249,242.92	6.6%
Federal Sponsored Program Pass-Through to Other State Agencies	23,303.00	-	23,303.00	100.0%
Other Operating Expenses	817,634.80	639,904.69	177,730.11	27.8%
Total Operating Expenses	**39,352,526.49**	**35,042,754.33**	**4,309,772.16**	**12.3%**
Operating Loss	**(18,907,883.10)**	**(18,346,387.01)**	**(561,496.09)**	**-3.1%**
Other Nonoperating Adjustments				
State Appropriations	12,020,285.24	11,913,157.24	107,128.00	0.9%
Nonexchange Sponsored Programs	64,827.00	493,292.00	(428,465.00)	-86.9%
Gift Contributions for Operations	2,432,256.11	5,277,824.83	(2,845,568.72)	-53.9%
Net Investment Income	1,541,500.12	1,554,173.91	(12,673.79)	-0.8%
Interest Expense on Capital Asset Financings	(1,405,992.72)	(1,167,547.68)	(238,445.04)	-20.4%
Net Other Nonoperating Adjustments	**14,652,875.75**	**18,070,900.30**	**(3,418,024.55)**	**-18.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**(4,255,007.35)**	**(275,486.71)**	**(3,979,520.64)**	**-1,444.5%**
Adjusted Margin % including Depreciation & Amortization	**-11.7%**	**-0.8%**		
Investment Gain (Losses)	(2,005,524.93)	4,005,783.61	(6,011,308.54)	-150.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(6,260,532.28)**	**3,730,296.90**	**(9,990,829.18)**	**-267.8%**
Adj. Margin % with Investment Gains (Losses)	**-18.1%**	**9.3%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**(229,896.02)**	**3,500,381.70**	**(3,730,277.72)**	**-106.6%**
Adjusted Margin % excluding Depreciation & Amortization	**-0.6%**	**9.7%**		

UNAUDITED

The University of Texas Southwestern Medical Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	7,416,692.33	6,295,611.17	1,121,081.16	17.8%
Sponsored Programs	175,715,550.75	158,877,668.84	16,837,881.91	10.6%
Net Sales and Services of Educational Activities	3,359,454.84	3,106,220.62	253,234.22	8.2%
Net Sales and Services of Hospitals	296,196,307.20	264,446,976.00	31,749,331.20	12.0%
Net Professional Fees	157,538,528.11	144,959,825.30	12,578,702.81	8.7%
Net Auxiliary Enterprises	7,880,071.97	6,470,583.93	1,409,488.04	21.8%
Other Operating Revenues	10,825,887.41	5,452,184.57	5,373,702.84	98.6%
Total Operating Revenues	**658,932,492.61**	**589,609,070.43**	**69,323,422.18**	**11.8%**
Operating Expenses				
Salaries and Wages	385,804,060.43	354,037,982.28	31,766,078.15	9.0%
Payroll Related Costs	88,350,177.61	78,072,689.67	10,277,487.94	13.2%
Cost of Goods Sold	1,987,513.50	1,150,235.30	837,278.20	72.8%
Professional Fees and Services	14,152,314.13	12,688,351.38	1,463,962.75	11.5%
Other Contracted Services	39,572,673.03	37,716,629.50	1,856,043.53	4.9%
Travel	3,331,882.73	3,354,278.05	(22,395.32)	-0.7%
Materials and Supplies	119,875,977.52	94,043,786.50	25,832,191.02	27.5%
Utilities	8,465,215.41	7,913,450.71	551,764.70	7.0%
Communications	3,883,158.57	2,862,555.58	1,020,602.99	35.7%
Repairs and Maintenance	3,459,243.93	4,616,582.74	(1,157,338.81)	-25.1%
Rentals and Leases	2,033,375.88	2,164,518.39	(131,142.51)	-6.1%
Printing and Reproduction	965,951.85	1,014,596.83	(48,644.98)	-4.8%
Scholarships and Fellowships	847,490.67	250,005.67	597,485.00	239.0%
Depreciation and Amortization	46,614,782.30	38,946,627.94	7,668,154.36	19.7%
Federal Sponsored Program Pass-Through to Other State Agencies	526,020.56	729,300.57	(203,280.01)	-27.9%
Other Operating Expenses	14,669,986.65	19,515,478.47	(4,845,491.82)	-24.8%
Total Operating Expenses	**734,539,824.77**	**659,077,069.58**	**75,462,755.19**	**11.4%**
Operating Loss	**(75,607,332.16)**	**(69,467,999.15)**	**(6,139,333.01)**	**-8.8%**
Other Nonoperating Adjustments				
State Appropriations	57,390,619.12	56,294,625.72	1,095,993.40	1.9%
Gift Contributions for Operations	25,067,925.74	10,281,977.93	14,785,947.81	143.8%
Net Investment Income	31,648,832.99	30,070,059.32	1,578,773.67	5.3%
Interest Expense on Capital Asset Financings	(10,708,454.32)	(10,944,034.20)	235,579.88	2.2%
Net Other Nonoperating Adjustments	**103,398,923.53**	**85,702,628.77**	**17,696,294.76**	**20.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**27,791,591.37**	**16,234,629.62**	**11,556,961.75**	**71.2%**
Adjusted Margin % including Depreciation & Amortization	**3.6%**	**2.4%**		
Investment Gain (Losses)	(54,565,330.70)	73,452,949.13	(128,018,279.83)	-174.3%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(26,773,739.33)**	**89,687,578.75**	**(116,461,318.08)**	**-129.9%**
Adj. Margin % with Investment Gains (Losses)	**-3.7%**	**11.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**74,406,373.67**	**55,181,257.56**	**19,225,116.11**	**34.8%**
Adjusted Margin % excluding Depreciation & Amortization	**9.6%**	**8.0%**		

UNAUDITED

The University of Texas Medical Branch at Galveston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	12,355,021.31	11,550,109.05	804,912.26	7.0%
Sponsored Programs	61,827,478.25	60,794,620.84	1,032,857.41	1.7%
Net Sales and Services of Educational Activities	6,291,634.45	5,486,653.37	804,981.08	14.7%
Net Sales and Services of Hospitals	306,818,318.04	276,937,628.58	29,880,689.46	10.8%
Net Professional Fees	53,738,828.88	48,234,462.43	5,504,366.45	11.4%
Net Auxiliary Enterprises	2,413,122.46	2,094,753.71	318,368.75	15.2%
Other Operating Revenues	26,857,927.62	10,196,335.40	16,661,592.22	163.4%
Total Operating Revenues	**470,302,331.01**	**415,294,563.38**	**55,007,767.63**	**13.2%**
Operating Expenses				
Salaries and Wages	293,159,130.36	276,697,278.70	16,461,851.66	5.9%
Payroll Related Costs	77,296,210.07	71,732,219.62	5,563,990.45	7.8%
Cost of Goods Sold	25,067,681.63	24,012,463.11	1,055,218.52	4.4%
Professional Fees and Services	10,715,420.62	9,666,763.31	1,048,657.31	10.8%
Other Contracted Services	34,994,337.46	25,302,476.61	9,691,860.85	38.3%
Travel	2,334,786.36	2,362,149.37	(27,363.01)	-1.2%
Materials and Supplies	47,719,760.41	43,572,248.82	4,147,511.59	9.5%
Utilities	11,433,657.27	8,467,921.75	2,965,735.52	35.0%
Communications	2,983,602.73	2,875,113.49	108,489.24	3.8%
Repairs and Maintenance	14,682,883.98	13,009,687.53	1,673,196.45	12.9%
Rentals and Leases	9,073,994.05	8,246,683.76	827,310.29	10.0%
Printing and Reproduction	461,486.22	347,488.14	113,998.08	32.8%
Scholarships and Fellowships	2,508,177.74	1,737,143.83	771,033.91	44.4%
Depreciation and Amortization	33,314,761.49	35,262,277.34	(1,947,515.85)	-5.5%
Federal Sponsored Program Pass-Through to Other State Agencies	280,924.73	543,579.03	(262,654.30)	-48.3%
Other Operating Expenses	13,976,803.52	15,274,850.02	(1,298,046.50)	-8.5%
Total Operating Expenses	**580,003,618.64**	**539,110,344.43**	**40,893,274.21**	**7.6%**
Operating Loss	**(109,701,287.63)**	**(123,815,781.05)**	**14,114,493.42**	**11.4%**
Other Nonoperating Adjustments				
State Appropriations	115,577,117.97	113,523,703.38	2,053,414.59	1.8%
Nonexchange Sponsored Programs	405,838.80	394,952.00	10,886.80	2.8%
Gift Contributions for Operations	2,075,874.26	1,381,135.54	694,738.72	50.3%
Net Investment Income	13,420,647.93	12,036,129.24	1,384,518.69	11.5%
Interest Expense on Capital Asset Financings	(2,469,512.05)	(2,429,863.27)	(39,648.78)	-1.6%
Net Other Nonoperating Adjustments	**129,009,966.91**	**124,906,056.89**	**4,103,910.02**	**3.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**19,308,679.28**	**1,090,275.84**	**18,218,403.44**	**1,671.0%**
Adjusted Margin % including Depreciation & Amortization	**3.2%**	**0.2%**		
Investment Gain (Losses)	(17,371,273.33)	34,155,262.64	(51,526,535.97)	-150.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**1,937,405.95**	**35,245,538.48**	**(33,308,132.53)**	**-94.5%**
Adj. Margin % with Investment Gains (Losses)	**0.3%**	**6.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**52,623,440.77**	**36,352,553.18**	**16,270,887.59**	**44.8%**
Adjusted Margin % excluding Depreciation & Amortization	**8.7%**	**6.7%**		

UNAUDITED

The University of Texas Health Science Center at Houston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	16,778,653.17	15,707,014.00	1,071,639.17	6.8%
Sponsored Programs	194,453,817.47	171,245,050.14	23,208,767.33	13.6%
Net Sales and Services of Educational Activities	10,541,855.12	9,206,299.01	1,335,556.11	14.5%
Net Sales and Services of Hospitals	20,604,083.45	20,194,042.72	410,040.73	2.0%
Net Professional Fees	95,711,317.45	70,220,489.70	25,490,827.75	36.3%
Net Auxiliary Enterprises	8,976,653.08	8,141,127.17	835,525.91	10.3%
Other Operating Revenues	4,823,732.71	4,051,142.80	772,589.91	19.1%
Total Operating Revenues	**351,890,112.45**	**298,765,165.54**	**53,124,946.91**	**17.8%**
Operating Expenses				
Salaries and Wages	248,832,461.90	226,374,605.09	22,457,856.81	9.9%
Payroll Related Costs	50,618,039.84	47,707,600.04	2,910,439.80	6.1%
Cost of Goods Sold	5,178,311.24	4,672,288.70	506,022.54	10.8%
Professional Fees and Services	17,645,727.59	18,260,158.20	(614,430.61)	-3.4%
Other Contracted Services	25,522,472.57	17,509,463.16	8,013,009.41	45.8%
Travel	3,415,822.44	2,889,208.02	526,614.42	18.2%
Materials and Supplies	17,525,027.56	16,326,729.61	1,198,297.95	7.3%
Utilities	5,828,453.79	6,023,677.41	(195,223.62)	-3.2%
Communications	1,719,995.65	1,535,440.08	184,555.57	12.0%
Repairs and Maintenance	3,606,465.20	3,253,759.81	352,705.39	10.8%
Rentals and Leases	10,280,779.17	7,519,629.34	2,761,149.83	36.7%
Printing and Reproduction	1,821,655.14	1,697,496.86	124,158.28	7.3%
Bad Debt Expense	-	61.56	(61.56)	-100.0%
Scholarships and Fellowships	2,519,504.10	2,421,323.59	98,180.51	4.1%
Depreciation and Amortization	19,827,010.71	18,933,465.80	893,544.91	4.7%
Federal Sponsored Program Pass-Through to Other State Agencies	2,377,473.16	1,017,111.67	1,360,361.49	133.7%
Other Operating Expenses	13,207,487.34	9,508,107.61	3,699,379.73	38.9%
Total Operating Expenses	**429,926,687.40**	**385,650,126.55**	**44,276,560.85**	**11.5%**
Operating Loss	**(78,036,574.95)**	**(86,884,961.01)**	**8,848,386.06**	**10.2%**
Other Nonoperating Adjustments				
State Appropriations	66,600,655.14	65,368,899.06	1,231,756.08	1.9%
Nonexchange Sponsored Programs	96,601.29	32,572.00	64,029.29	196.6%
Gift Contributions for Operations	10,338,842.34	6,590,574.20	3,748,268.14	56.9%
Net Investment Income	10,404,313.28	9,547,083.10	857,230.18	9.0%
Interest Expense on Capital Asset Financings	(3,876,909.68)	(3,774,859.68)	(102,050.00)	-2.7%
Net Other Nonoperating Adjustments	**83,563,502.37**	**77,764,268.68**	**5,799,233.69**	**7.5%**
Adjusted Income (Loss) including Depreciation & Amortization	**5,526,927.42**	**(9,120,692.33)**	**14,647,619.75**	**160.6%**
Adjusted Margin % including Depreciation & Amortization	**1.3%**	**-2.4%**		
Investment Gain (Losses)	(15,716,338.41)	23,243,400.45	(38,959,738.86)	-167.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(10,189,410.99)**	**14,122,708.12**	**(24,312,119.11)**	**-172.1%**
Adj. Margin % with Investment Gains (Losses)	**-2.4%**	**3.5%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**25,353,938.13**	**9,812,773.47**	**15,541,164.66**	**158.4%**
Adjusted Margin % excluding Depreciation & Amortization	**5.8%**	**2.6%**		

UNAUDITED

The University of Texas Health Science Center at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	11,934,822.33	11,430,513.00	504,309.33	4.4%
Sponsored Programs	101,690,237.26	89,433,928.54	12,256,308.72	13.7%
Net Sales and Services of Educational Activities	8,312,892.16	8,661,743.00	(348,850.84)	-4.0%
Net Professional Fees	56,698,371.52	48,131,711.05	8,566,660.47	17.8%
Net Auxiliary Enterprises	1,930,357.43	1,628,980.22	301,377.21	18.5%
Other Operating Revenues	5,907,006.84	7,103,872.19	(1,196,865.35)	-16.8%
Total Operating Revenues	**186,473,687.54**	**166,390,748.00**	**20,082,939.54**	**12.1%**
Operating Expenses				
Salaries and Wages	140,860,628.24	135,427,048.78	5,433,579.46	4.0%
Payroll Related Costs	34,886,355.04	33,769,524.56	1,116,830.48	3.3%
Professional Fees and Services	4,982,431.06	5,052,886.77	(70,455.71)	-1.4%
Other Contracted Services	5,301,361.46	6,688,408.77	(1,387,047.31)	-20.7%
Travel	1,616,436.99	1,530,320.48	86,116.51	5.6%
Materials and Supplies	12,611,827.78	11,706,759.34	905,068.44	7.7%
Utilities	5,833,333.33	5,912,678.33	(79,345.00)	-1.3%
Communications	4,625,522.87	3,802,518.59	823,004.28	21.6%
Repairs and Maintenance	2,085,114.04	1,546,647.51	538,466.53	34.8%
Rentals and Leases	1,800,392.54	1,741,205.60	59,186.94	3.4%
Printing and Reproduction	554,715.39	574,190.05	(19,474.66)	-3.4%
Scholarships and Fellowships	2,971,039.65	2,835,387.25	135,652.40	4.8%
Depreciation and Amortization	17,500,000.00	16,666,666.67	833,333.33	5.0%
Federal Sponsored Program Pass-Through to Other State Agencies	500,000.00	666,666.67	(166,666.67)	-25.0%
Other Operating Expenses	12,896,850.71	11,066,619.62	1,830,231.09	16.5%
Total Operating Expenses	**249,026,009.10**	**238,987,528.99**	**10,038,480.11**	**4.2%**
Operating Loss	**(62,552,321.56)**	**(72,596,780.99)**	**10,044,459.43**	**13.8%**
Other Nonoperating Adjustments				
State Appropriations	58,745,015.67	58,074,807.33	670,208.34	1.2%
Nonexchange Sponsored Programs	416,666.67	400,000.00	16,666.67	4.2%
Gift Contributions for Operations	9,590,415.78	7,692,008.87	1,898,406.91	24.7%
Net Investment Income	12,332,114.67	13,849,205.53	(1,517,090.86)	-11.0%
Interest Expense on Capital Asset Financings	(2,934,222.52)	(3,112,499.32)	178,276.80	5.7%
Net Other Nonoperating Adjustments	**78,149,990.27**	**76,903,522.41**	**1,246,467.86**	**1.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**15,597,668.71**	**4,306,741.42**	**11,290,927.29**	**262.2%**
Adjusted Margin % including Depreciation & Amortization	**5.8%**	**1.7%**		
Investment Gain (Losses)	(20,558,396.41)	25,730,138.73	(46,288,535.14)	-179.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(4,960,727.70)**	**30,036,880.15**	**(34,997,607.85)**	**-116.5%**
Adj. Margin % with Investment Gains (Losses)	**-2.0%**	**11.0%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**33,097,668.71**	**20,973,408.09**	**12,124,260.62**	**57.8%**
Adjusted Margin % excluding Depreciation & Amortization	**12.4%**	**8.5%**		

UNAUDITED

The University of Texas M. D. Anderson Cancer Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	1,012,882.98	975,351.38	37,531.60	3.8%
Sponsored Programs	89,791,330.15	103,245,960.14	(13,454,629.99)	-13.0%
Net Sales and Services of Educational Activities	773,687.21	1,169,021.22	(395,334.01)	-33.8%
Net Sales and Services of Hospitals	1,025,901,043.18	949,944,956.41	75,956,086.77	8.0%
Net Professional Fees	133,421,731.28	121,951,004.95	11,470,726.33	9.4%
Net Auxiliary Enterprises	14,600,084.15	12,670,933.56	1,929,150.59	15.2%
Other Operating Revenues	31,520,134.18	33,174,229.55	(1,654,095.37)	-5.0%
Total Operating Revenues	**1,297,020,893.13**	**1,223,131,457.21**	**73,889,435.92**	**6.0%**
Operating Expenses				
Salaries and Wages	580,959,849.68	549,986,300.02	30,973,549.66	5.6%
Payroll Related Costs	163,645,142.64	152,718,991.78	10,926,150.86	7.2%
Cost of Goods Sold	2,187,334.53	2,175,978.41	11,356.12	0.5%
Professional Fees and Services	56,220,759.03	43,913,374.25	12,307,384.78	28.0%
Other Contracted Services	34,725,203.02	30,776,221.10	3,948,981.92	12.8%
Travel	7,071,444.91	5,136,870.39	1,934,574.52	37.7%
Materials and Supplies	249,735,233.25	241,412,668.41	8,322,564.84	3.4%
Utilities	14,903,548.93	16,663,648.55	(1,760,099.62)	-10.6%
Communications	3,136,257.73	4,063,585.10	(927,327.37)	-22.8%
Repairs and Maintenance	35,464,239.21	26,523,801.94	8,940,437.27	33.7%
Rentals and Leases	14,715,678.13	14,390,970.13	324,708.00	2.3%
Printing and Reproduction	1,319,574.76	1,409,664.18	(90,089.42)	-6.4%
Scholarships and Fellowships	1,856,504.00	1,557,860.30	298,643.70	19.2%
Depreciation and Amortization	99,747,976.55	94,008,852.98	5,739,123.57	6.1%
Federal Sponsored Program Pass-Through to Other State Agencies	(1,451,161.38)	(777,151.62)	(674,009.76)	-86.7%
State Sponsored Program Pass-Through to Other State Agencies	248,053.77	433,739.01	(185,685.24)	-42.8%
Other Operating Expenses	10,698,594.48	10,072,309.26	626,285.22	6.2%
Total Operating Expenses	**1,275,184,233.24**	**1,194,467,684.19**	**80,716,549.05**	**6.8%**
Operating Loss	**21,836,659.89**	**28,663,773.02**	**(6,827,113.13)**	**-23.8%**
Other Nonoperating Adjustments				
State Appropriations	62,456,936.51	61,636,780.09	820,156.42	1.3%
Nonexchange Sponsored Programs	1,847,504.00	1,552,110.00	295,394.00	19.0%
Gift Contributions for Operations	34,461,956.68	61,604,923.43	(27,142,966.75)	-44.1%
Net Investment Income	25,127,805.00	23,508,271.06	1,619,533.94	6.9%
Interest Expense on Capital Asset Financings	(11,955,784.72)	(12,317,349.00)	361,564.28	2.9%
Net Other Nonoperating Adjustments	**111,938,417.47**	**135,984,735.58**	**(24,046,318.11)**	**-17.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**133,775,077.36**	**164,648,508.60**	**(30,873,431.24)**	**-18.8%**
Adjusted Margin % including Depreciation & Amortization	**9.4%**	**12.0%**		
Investment Gain (Losses)	(41,434,009.50)	94,935,179.83	(136,369,189.33)	-143.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**92,341,067.86**	**259,583,688.43**	**(167,242,620.57)**	**-64.4%**
Adj. Margin % with Investment Gains (Losses)	**6.7%**	**17.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**233,523,053.91**	**258,657,361.58**	**(25,134,307.67)**	**-9.7%**
Adjusted Margin % excluding Depreciation & Amortization	**16.4%**	**18.9%**		

UNAUDITED

The University of Texas Health Science Center at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	43,210.80	42,873.22	337.58	0.8%
Sponsored Programs	5,158,690.01	4,399,771.68	758,918.33	17.2%
Net Sales and Services of Educational Activities	505,141.95	568,491.28	(63,349.33)	-11.1%
Net Sales and Services of Hospitals	19,189,695.12	18,219,713.57	969,981.55	5.3%
Net Professional Fees	4,971,325.60	3,487,319.15	1,484,006.45	42.6%
Net Auxiliary Enterprises	79,132.94	57,102.09	22,030.85	38.6%
Other Operating Revenues	13,200,242.81	19,078,853.90	(5,878,611.09)	-30.8%
Total Operating Revenues	**43,147,439.23**	**45,854,124.89**	**(2,706,685.66)**	**-5.9%**
Operating Expenses				
Salaries and Wages	26,140,373.93	22,681,836.24	3,458,537.69	15.2%
Payroll Related Costs	7,501,836.89	6,711,215.24	790,621.65	11.8%
Cost of Goods Sold	37,377.51	35,107.29	2,270.22	6.5%
Professional Fees and Services	3,006,836.81	2,555,758.89	451,077.92	17.6%
Other Contracted Services	3,322,239.98	5,931,925.22	(2,609,685.24)	-44.0%
Travel	211,957.55	209,392.95	2,564.60	1.2%
Materials and Supplies	7,047,635.79	6,702,587.92	345,047.87	5.1%
Utilities	820,898.00	975,043.89	(154,145.89)	-15.8%
Communications	301,912.27	216,446.53	85,465.74	39.5%
Repairs and Maintenance	1,738,595.65	1,561,388.61	177,207.04	11.3%
Rentals and Leases	395,335.98	384,746.01	10,589.97	2.8%
Printing and Reproduction	23,668.44	17,054.70	6,613.74	38.8%
Scholarships and Fellowships	5,987.50	10,989.68	(5,002.18)	-45.5%
Depreciation and Amortization	3,671,726.68	3,146,009.81	525,716.87	16.7%
Federal Sponsored Program Pass-Through to Other State Agencies	59,034.84	7,994.82	51,040.02	638.4%
Other Operating Expenses	939,970.09	883,688.10	56,281.99	6.4%
Total Operating Expenses	**55,225,387.91**	**52,031,185.90**	**3,194,202.01**	**6.1%**
Operating Loss	**(12,077,948.68)**	**(6,177,061.01)**	**(5,900,887.67)**	**-95.5%**
Other Nonoperating Adjustments				
State Appropriations	14,488,227.12	14,263,245.25	224,981.87	1.6%
Gift Contributions for Operations	91,913.92	56,614.92	35,299.00	62.3%
Net Investment Income	1,478,195.19	1,414,753.07	63,442.12	4.5%
Interest Expense on Capital Asset Financings	(480,481.24)	(508,093.68)	27,612.44	5.4%
Net Other Nonoperating Adjustments	**15,577,854.99**	**15,226,519.56**	**351,335.43**	**2.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**3,499,906.31**	**9,049,458.55**	**(5,549,552.24)**	**-61.3%**
Adjusted Margin % including Depreciation & Amortization	**5.9%**	**14.7%**		
Investment Gain (Losses)	(1,596,027.41)	2,328,230.49	(3,924,257.90)	-168.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**1,903,878.90**	**11,377,689.04**	**(9,473,810.14)**	**-83.3%**
Adj. Margin % with Investment Gains (Losses)	**3.3%**	**17.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**7,171,632.99**	**12,195,468.36**	**(5,023,835.37)**	**-41.2%**
Adjusted Margin % excluding Depreciation & Amortization	**12.1%**	**19.8%**		

4. U. T. System: Approval of allocation of $30.2 million of Intermediate Term Fund proceeds for Systemwide projects

RECOMMENDATION

The Chancellor concurs with the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the Executive Vice Chancellor for Health Affairs that $30.2 million of Intermediate Term Fund proceeds be allocated to the following U. T. Systemwide projects:

a. $6.0 million to fund the Regents' Outstanding Teaching Awards at both the U. T. System academic and health institutions;

b. $10.25 million for the Lower Rio Grande Valley Plan - Education and Health Initiatives (the LRGV Plan); and

c. $13.95 million for additional strategic initiatives to be determined by the Chancellor, which initiatives will be brought back for approval by the Board of Regents prior to funds being committed.

BACKGROUND INFORMATION

The University of Texas System Allocation Policy for Non-Endowment Funds was approved by the U. T. System Board of Regents on November 10, 2005, and effective on February 1, 2006, as part of the centralization of non-endowment funds. The Allocation Policy is intended to ensure that sufficient liquidity is available at all times to meet the needs of the U. T. System institutions and U. T. System Administration, while ensuring that all funds not needed for short-term liquidity purposes are invested with an appropriate time horizon to enhance the total return of the non-endowment funds. Non-endowment funds are invested in the Intermediate Term Fund (ITF) and Short Term Fund (STF) pursuant to the Allocation Policy.

From February 1, 2006 through August 31, 2014, the total value-added from the centralization of non-endowment funds is $1.1 billion.

The Allocation Policy permits sharing of investment returns from the ITF if the total investment return on the ITF in a fiscal year (and since ITF inception) is in excess of the national Consumer Price Index ("CPI-U") published by the Bureau of Labor Statistics plus 3.0%. The amount in excess of the CPI-U plus 3.0% is split with 90% of the excess return being retained by the institutions and 10% being distributed to System Administration. The funds distributed to System Administration are to be used exclusively for strategic initiatives that benefit the institutions, and all expenditures of the funds by System Administration require approval of the Board of Regents.

For Fiscal Year 2014 (and for the period since ITF inception), the total investment return on the ITF was in excess of CPI-U plus 3.0%. The 10% portion of the ITF excess return in Fiscal Year 2014 to be distributed to System Administration for Systemwide projects is $30.2 million. For Fiscal Year 2014, the total investment return on the ITF of 10.45% significantly exceeded the CPI-U plus 3.0% threshold of 4.75%.

On August 25, 2011, the U. T. System Board of Regents approved a $10 million investment in the Regents' Outstanding Teaching Awards for Fiscal Years 2012-2017. The Board approved funding a portion of the Teaching Awards as excess returns are generated on the Intermediate Term Fund. Of the authorized amount, $4.0 million has been funded to date. The requested amount of $6.0 million will be sufficient to fund the balance of the Regents' Outstanding Teaching Awards for Fiscal Years 2015-2017.

On August 25, 2011, the U. T. System Board of Regents also approved a $30 million investment in "The Lower Rio Grande Valley Plan - Education and Health Initiatives (the LRGV Plan)" to enhance higher educational and health opportunities in the LRGV and South Texas. The Board approved funding a portion of the LRGV Plan as excess returns are generated on the Intermediate Term Fund. Of the initiatives in the LRGV Plan, $19.75 million has been funded to date. The requested amount of $10.25 million will be sufficient to fund the balance of initiatives in the LRGV Plan.

5. U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended November 30, 2014, including report on impact of oil prices on investment portfolio

REPORT

Mr. Mark Warner, Senior Managing Director of UTIMCO, will report on the following performance and investment reports and on the impact of oil prices on the investment portfolio.

The November 30, 2014 UTIMCO Performance Summary Report is attached on Page 120.

The Investment Reports for the quarter ended November 30, 2014, are set forth on Pages 121 - 124.

Item I on Page 121 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was negative .62% versus its composite benchmark return of negative .85%. The PUF's net asset value increased by $168 million during the quarter to $17,533 million. The increase was due to $276 million PUF Lands receipts, less a net investment return of negative $108 million. No distribution was made to the Available University Fund (AUF) during the quarter.

Item II on Page 122 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was negative .32% versus its composite benchmark return of negative .85%. The GEF's net asset value decreased by $86 million during the quarter to $8,239 million.

Item III on Page 123 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was negative 1.04% versus its composite benchmark return of negative 2.05%. The net asset value increased during the quarter to $6,774 million due to net contributions of $231 million, less net investment return of negative $51 million and distributions of $186 million.

All exposures were within their asset class and investment type ranges. Liquidity was within policy.

Item IV on Page 124 presents book and market values of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus and Fidelity money market fund, decreased by $281 million to $1,976 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $20 million versus $21 million at the beginning of the period; equities: $74 million versus $81 million at the beginning of the period; and other investments: $2 million versus $10 million at the beginning of the period.

UTIMCO Performance Summary

November 30, 2014

	Net Asset Value 11/30/2014 (in Millions)	Periods Ended November 30, 2014 (Returns for Periods Longer Than One Year are Annualized)							
		Short Term		Year to Date		Historic Returns			
		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs
ENDOWMENT FUNDS									
Permanent University Fund	$ 17,533	1.14%	(0.62%)	(0.62%)	7.61%	9.16%	9.68%	9.12%	7.12%
Permanent Health Fund	1,097								
Long Term Fund	7,142								
General Endowment Fund	8,239	1.26%	(0.32%)	(0.32%)	7.44%	9.02%	9.75%	9.19%	7.17%
Separately Invested Funds	159								
Total Endowment Funds	25,931								
OPERATING FUNDS									
Intermediate Term Fund	6,774	0.70%	(1.04%)	(1.04%)	4.02%	5.04%	6.56%	6.44%	N/A
Short Term Fund and Debt Proceeds Fund	1,914								
Total Operating Funds	8,688								
Total Assets Under Management	$ 34,619								
VALUE ADDED (1) (Percent)									
Permanent University Fund		0.53%	0.23%	0.23%	1.11%	1.56%	1.19%	1.42%	1.63%
General Endowment Fund		0.65%	0.53%	0.53%	0.94%	1.42%	1.26%	1.49%	1.68%
Intermediate Term Fund		0.31%	1.01%	1.01%	1.47%	1.94%	1.76%	2.37%	N/A
VALUE ADDED (1) ($ IN MILLIONS)									
Permanent University Fund		$125	$68	$158	$160	$158	$353	$1,302	$2,552
General Endowment Fund		54	27	48	39	48	168	710	1,432
Intermediate Term Fund		19	13	41	27	41	272	616	-
Total Value Added		$198	$108	$247	$226	$247	$793	$2,628	$3,984

Footnote available upon request.

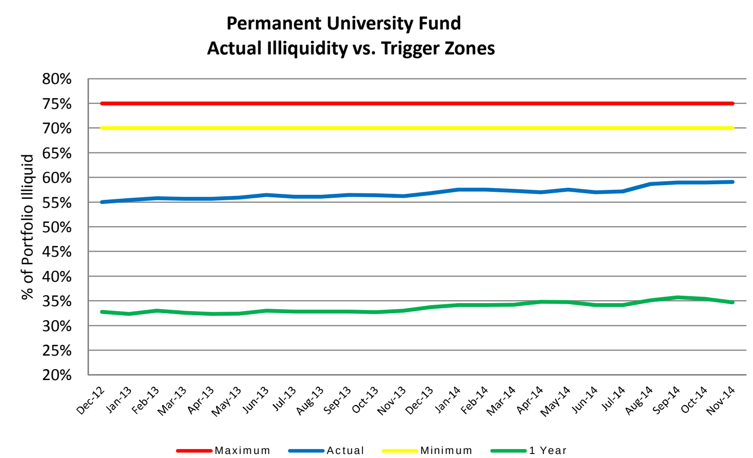
UTIMCO 1/6/2015

I. PERMANENT UNIVERSITY FUND
Investment Reports for Periods Ended November 30, 2014
Prepared in accordance with *Texas Education Code* Sec. 51.0032

	Fiscal Year to Date						
	Asset Allocation		Returns		Value Added		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management	Total
More Correlated and Constrained:							
Investment Grade	7.8%	7.2%	-0.68%	-3.13%	0.09%	0.09%	0.18%
Credit-Related	0.1%	0.0%	-2.58%	-2.67%	0.00%	0.00%	0.00%
Real Estate	2.5%	2.5%	-1.73%	0.76%	-0.01%	-0.06%	-0.07%
Natural Resources	6.9%	7.5%	-17.06%	-13.19%	-0.01%	-0.33%	-0.34%
Developed Country	15.2%	14.0%	3.90%	-0.12%	0.02%	0.56%	0.58%
Emerging Markets	9.2%	10.0%	-7.89%	-7.31%	0.02%	-0.07%	-0.05%
Total More Correlated and Constrained	**41.7%**	**41.2%**	**-3.91%**	**-4.77%**	**0.11%**	**0.19%**	**0.30%**
Less Correlated and Constrained	**30.2%**	**30.0%**	**1.54%**	**0.59%**	**0.02%**	**0.26%**	**0.28%**
Private Investments	**28.1%**	**28.8%**	**2.15%**	**3.38%**	**-0.01%**	**-0.34%**	**-0.35%**
Total	**100.0%**	**100.0%**	**-0.62%**	**-0.85%**	**0.12%**	**0.11%**	**0.23%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2014	Quarter Ended November 30, 2014	Fiscal Year to Date August 31, 2015
Beginning Net Assets	$14,853	$17,365	$17,365
PUF Lands Receipts	1,129	276	276
Investment Return (Net of Expenses)	2,260	(108)	(108)
Distributions to AUF	(877)	0	0
Ending Net Assets	$17,365	$17,533	$17,533

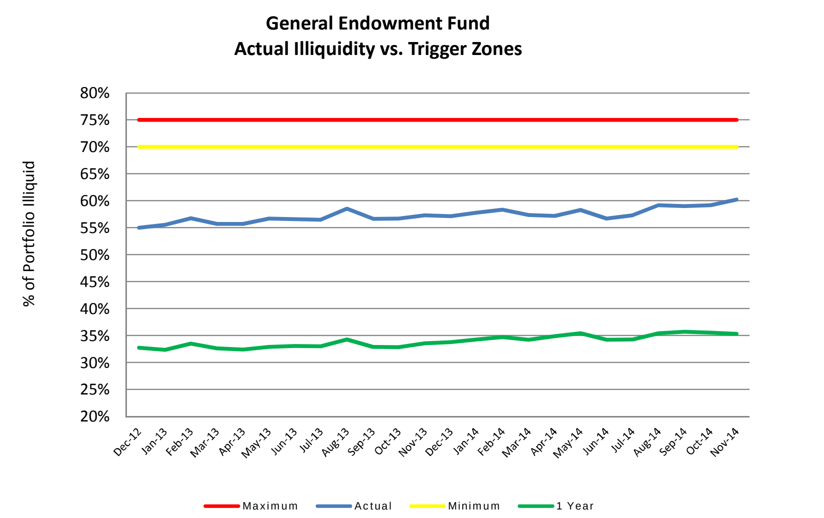


II. GENERAL ENDOWMENT FUND
Investment Reports for Periods Ended November 30, 2014
Prepared in accordance with *Texas Education Code* Sec. 51.0032

	Fiscal Year to Date						
	Asset Allocation		Returns		Value Added		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management	Total
More Correlated and Constrained:							
Investment Grade	6.2%	7.2%	-0.20%	-3.13%	0.12%	0.10%	0.22%
Credit-Related	0.1%	0.0%	-2.58%	-2.67%	0.00%	0.00%	0.00%
Real Estate	2.5%	2.5%	-1.74%	0.76%	-0.01%	-0.06%	-0.07%
Natural Resources	6.9%	7.5%	-17.00%	-13.19%	0.00%	-0.33%	-0.33%
Developed Country	15.4%	14.0%	3.90%	-0.12%	0.04%	0.56%	0.60%
Emerging Markets	9.6%	10.0%	-5.40%	-7.31%	0.03%	0.18%	0.21%
Total More Correlated and Constrained	**40.7%**	**41.2%**	**-3.22%**	**-4.77%**	**0.18%**	**0.45%**	**0.63%**
Less Correlated and Constrained	**30.7%**	**30.0%**	**1.54%**	**0.59%**	**0.02%**	**0.25%**	**0.27%**
Private Investments	**28.6%**	**28.8%**	**2.15%**	**3.38%**	**-0.04%**	**-0.33%**	**-0.37%**
Total	**100.0%**	**100.0%**	**-0.32%**	**-0.85%**	**0.16%**	**0.37%**	**0.53%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2014	Quarter Ended November 30, 2014	Fiscal Year to Date August 31, 2015
Beginning Net Assets	$7,396	$8,325	$8,325
Contributions	225	39	39
Withdrawals	(13)	(2)	(2)
Distributions	(371)	(97)	(97)
Investment Return (Net of Expenses)	1,088	(26)	(26)
Ending Net Assets	$8,325	$8,239	$8,239



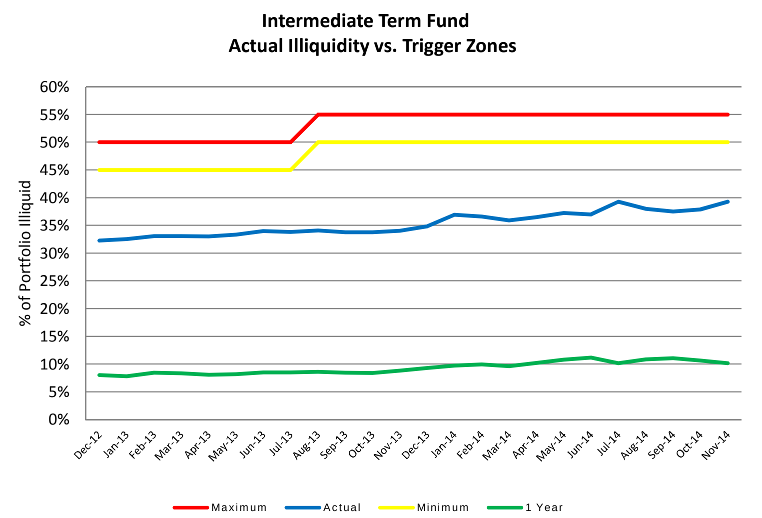
UTIMCO 1/6/2015

III. INTERMEDIATE TERM FUND
Investment Reports for Periods Ended November 30, 2014
Prepared in accordance with *Texas Education Code* Sec. 51.0032

	Fiscal Year to Date						
	Asset Allocation		Returns		Value Added		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management	Total
More Correlated and Constrained:							
Investment Grade	28.8%	30.0%	-1.64%	-3.13%	0.05%	0.40%	0.45%
Credit-Related	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	3.0%	3.0%	-1.73%	0.76%	-0.01%	-0.08%	-0.09%
Natural Resources	6.4%	7.0%	-16.87%	-13.19%	0.03%	-0.28%	-0.25%
Developed Country	9.6%	9.0%	4.04%	-0.12%	0.01%	0.37%	0.38%
Emerging Markets	5.9%	6.0%	-5.42%	-7.31%	0.00%	0.11%	0.11%
Total More Correlated and Constrained	**53.7%**	**55.0%**	**-3.08%**	**-4.19%**	**0.08%**	**0.52%**	**0.60%**
Less Correlated and Constrained	**46.3%**	**45.0%**	**1.54%**	**0.59%**	**-0.01%**	**0.42%**	**0.41%**
Private Investments	**0.0%**	**0.0%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total	**100.0%**	**100.0%**	**-1.04%**	**-2.05%**	**0.07%**	**0.94%**	**1.01%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2014	Quarter Ended November 30, 2014	Fiscal Year to Date August 31, 2015
Beginning Net Assets	$5,520	$6,665	$6,665
Contributions	2,111	651	651
Withdrawals	(1,391)	(420)	(420)
Distributions	(186)	(51)	(51)
Investment Return (Net of Expenses)	611	(71)	(71)
Ending Net Assets	$6,665	$6,774	$6,774



IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at November 30, 2014

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

($ thousands)

FUND TYPE

	CURRENT PURPOSE DESIGNATED		CURRENT PURPOSE RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		OPERATING FUNDS (DEBT PROCEEDS AND (SHORT TERM FUND)		TOTAL	
ASSET TYPES																
Cash & Equivalents:	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Beginning value 08/31/14	-	-	2,264	2,264	52,477	52,477	1,984	1,984	956	956	57,681	57,681	2,199,434	2,199,434	2,257,115	2,257,115
Increase/(Decrease)	-	-	12,094	12,094	(7,856)	(7,856)	(198)	(198)	611	611	4,651	4,651	(285,850)	(285,850)	(281,199)	(281,199)
Ending value 11/30/14	-	-	14,358	14,358	44,621	44,621	1,786	1,786	1,567	1,567	62,332	62,332	1,913,584	1,913,584	1,975,916	1,975,916
Debt Securities:																
Beginning value 08/31/14	-	-	18	18	11,333	12,124	8,584	8,815	-	-	19,935	20,957	-	-	19,935	20,957
Increase/(Decrease)	-	-	(5)	(4)	(23)	(227)	(925)	(958)	-	-	(953)	(1,189)	-	-	(953)	(1,189)
Ending value 11/30/14	-	-	13	14	11,310	11,897	7,659	7,857	-	-	18,982	19,768	-	-	18,982	19,768
Equity Securities:																
Beginning value 08/31/14	1,160	9,934	1,801	1,797	44,506	53,756	14,122	15,411	-	-	61,589	80,898	-	-	61,589	80,898
Increase/(Decrease)	-	651	(920)	(940)	(3,534)	(3,520)	(2,001)	(2,955)	-	-	(6,455)	(6,764)	-	-	(6,455)	(6,764)
Ending value 11/30/14	1,160	10,585	881	857	40,972	50,236	12,121	12,456	-	-	55,134	74,134	-	-	55,134	74,134
Other:																
Beginning value 08/31/14	-	-	6,868	6,868	6	6	535	109	3,051	3,051	10,460	10,034	-	-	10,460	10,034
Increase/(Decrease)	-	-	(6,546)	(6,546)	-	-	2	2	(1,381)	(1,381)	(7,925)	(7,925)	-	-	(7,925)	(7,925)
Ending value 11/30/14	-	-	322	322	6	6	537	111	1,670	1,670	2,535	2,109	-	-	2,535	2,109
Total Assets:																
Beginning value 08/31/14	1,160	9,934	10,951	10,947	108,322	118,363	25,225	26,319	4,007	4,007	149,665	169,570	2,199,434	2,199,434	2,349,099	2,369,004
Increase/(Decrease)	-	651	4,623	4,604	(11,413)	(11,603)	(3,122)	(4,109)	(770)	(770)	(10,682)	(11,227)	(285,850)	(285,850)	(296,532)	(297,077)
Ending value 11/30/14	1,160	10,585	15,574	15,551	96,909	106,760	22,103	22,210	3,237	3,237	138,983	158,343	1,913,584	1,913,584	2,052,567	2,071,927

Details of individual assets by account furnished upon request.

6. U. T. System Board of Regents: Report on activities of the University Lands Advisory Board

REPORT

Regent Cranberg, Chairman of the University Lands Advisory Board (ULAB), and Executive Vice Chancellor Kelley will report on activities related to the ULAB.

BACKGROUND INFORMATION

The ULAB was established by the Board of Regents on May 15, 2014, and the Regents' *Rules and Regulations*, Rule 10402, regarding Committees and Other Appointments, was subsequently editorially amended to include the ULAB.

On July 10, 2014, the U. T. System Board of Regents appointed the following members to the ULAB:

For terms of two years:

- Regent Cranberg, who has agreed to serve as Chairman;
- Regent Hildebrand; and
- Texas A&M University System Regent Morris Foster.

For terms of three years:

- Mr. Thomas L. Carter, Jr., President, CEO, and Chairman of Black Stone Minerals Company LP; and
- Mr. Frank D. Tsuru, CEO and President of M3Midstream LLC.

Executive Vice Chancellor for Business Affairs Scott Kelley serves as an *ex officio*, nonvoting member.

ULAB members advise the Board on operations and management of the University Lands Office, including hiring the University Lands Chief Executive, reviewing and recommending budgets to the Board, and providing strategic direction.

7. U. T. System: Authorization of $6,337,000 of Permanent University Funds to refresh and upgrade the Lonestar Supercomputing System infrastructure; the Shared Intrusion and Anomaly Detection services; the U. T. System Network simulation and monitoring capabilities; and the U. T. Austin Dell Medical School firewall infrastructure

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents authorize $6,337,000 of Permanent University Funds (PUF) to refresh and upgrade:

a. the Lonestar Supercomputing System infrastructure - $3,000,000;

b. the Shared Intrusion and Anomaly Detection services - $2,395,000;

c. the U. T. System Network simulation and monitoring capabilities - $442,000; and

d. the U. T. Austin Dell Medical School firewall infrastructure - $500,000.

Technical descriptions of each project are included in the documents on the following pages.

BACKGROUND INFORMATION

On November 11, 2010, the U. T. System Board of Regents approved a $3,000,000 investment in the original construction of the Lonestar 4 Supercomputing System platform located at the Texas Advanced Computing Center (TACC) that has reached the end of its operating life. The growth of utilization has also challenged the performance of the important computing asset deployed as part of the U. T. Research Cyberinfrastructure (UTRC) project. The proposed $3,000,000 will form the base investment of the Lonestar 5 Supercomputing System platform for the next four years.

On November 10, 2011, the U. T. System Board of Regents approved an allocation of Available University Funds to invest in information security enhancements across U. T. System. The U. T. System Network (Network) continues to provide services to all U. T. System institutions. The demand for network capacity and speed has continued to grow. As part of this growth, U. T. System needs to remain vigilant in management of security risks. The Network expansion and upgrades have surpassed the capabilities of U. T. System's current Intrusion Detection System (IDS) hardware. This hardware, originally launched in 2009, has proven to be highly effective at identifying incidents of malware activity, high risk security vulnerabilities, and outbound transmission of unencrypted sensitive data. Since its inception, the Network has resulted in a tenfold reduction in mistaken outbound transmission of unencrypted sensitive data. The requested $2,395,000 will be used to upgrade IDS equipment and software to maintain current services and will accommodate the new network bandwidth implementation.

With the growth and expansion of the Network, management and capacity planning issues continue to challenge Network technicians. The complexity of contemporary networks require a robust set of tools to manage and plan for network growth. In addition, U. T. System needs to stay ahead of potential security risks as hackers explore and exploit areas of vulnerability. The request for $442,000 will provide for a set of tools to augment the traffic monitoring system as well as simulation and modeling software to assist in managing and planning network growth.

As the U. T. Austin Dell Medical School emerges, a new network architecture needs to be explored. Increased security levels are required as part of the Health Insurance Portability and Accountability Act (HIPAA). To achieve the level of protection required by law while maintaining the necessary level of cost-effective flexibility, the proposed $500,000 will fund the upgrade of firewalls in the primary and secondary data centers at U. T. Austin. The newer firewall technology will permit the use of a newer technology that allows technicians to meet the requirement to segment and isolate Medical School network traffic.

Lonestar Supercomputing System Infrastructure

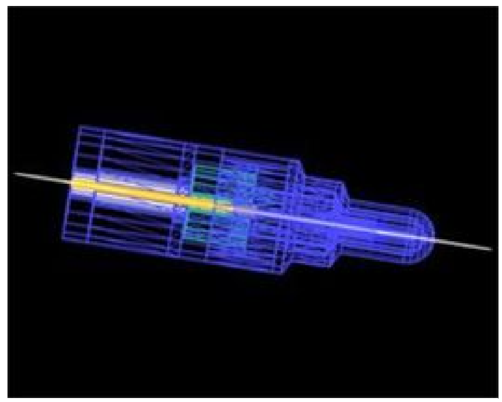
Objective

The existing U. T. System supercomputing system, Lonestar 4, is nearing the end of its life and requires a hardware refresh. The goals for this project are to replace the existing hardware to allow for substantially greater computing performance, provide greater access to the supercomputing system for U. T. System researchers, and meet a broader collection of U. T. System institutional needs.

Background

Since 2011, the Texas Advanced Computing Center (TACC) has operated a shared supercomputing resource on behalf of U. T. Austin, U. T. System, and the National Science Foundation (NSF). Deployed as part of the U. T. Research Cyberinfrastructure (UTRC) project, Lonestar 4 offers 302 TeraFlops of supercomputing performance on 1888 nodes housed in TACC's Commons Center datacenter at the U. T. Austin Pickle Research campus. This shared resource has enabled science and engineering research across U. T. System for the last four years.

For example, Michelle Mathis, a research medical physicist on the dosimetry team at U. T. M. D. Anderson Cancer Center, recently used 250,000 Lonestar 4 CPU hours to design ionization chambers for combined MRI and cancer radiotherapy systems. These combined systems allow for smaller and more accurate doses of radiation to be applied, making the fight against cancer safer and more effective.



Prototype ionization chamber design

Issues

- Components of Lonestar 4 are beginning to fail after four years of hard service. These parts are becoming increasingly hard to replace as time goes on and will soon no longer be under warranty.
- Specifically, the core high-speed InfiniBand network switch infrastructure is regularly losing interface ports to hardware failure.
- The performance of Lonestar 4's compute nodes now substantially lags performance available today.

2010 Investment (current)

On November 11, 2010, the U. T. System Board of Regents approved a $3,000,000 investment in the original construction of Lonestar 4. This investment was combined with $3,000,000 from U. T. Austin, $3,000,000 from NSF, and $3,000,000 from other institutions and U. T. Austin faculty to allow for deployment of a substantial computing resource. This investment equated to $750,000 per year in high-quality computing resources, which came at a significant discount unmatched in the marketplace. As a result of this investment, TACC has delivered 261M CPU hours to the U. T. System research community, supporting 553 unique projects and 738 unique users. A steady annual increase has been seen in both the number of users and the number of CPU hours used, with roughly a doubling of the number of CPU hours over the life of Lonestar 4. TACC's reach extends broadly into U. T. System, enabling research to users from:

Lonestar 4 Supercomputing System Infrastructure (cont.)

- University of Texas at Arlington
- University of Texas at Austin
- University of Texas at Brownsville
- University of Texas at Dallas
- University of Texas at El Paso
- University of Texas-Pan American
- University of Texas at San Antonio
- University of Texas at Tyler
- University of Texas Health Science Center at Houston
- University of Texas Health Science Center at San Antonio
- University of Texas Medical Branch at Galveston
- University of Texas M. D. Anderson Cancer Center
- University of Texas Southwestern Medical Center

2015 Investment (proposed)

TACC proposes U. T. System invest $3,000,000 in the construction and deployment of Lonestar 5 in late Spring 2015. TACC is working with U. T. Austin, U. T. System, and other institutional and faculty partners to aggregate sufficient funds to deploy a substantial new resource. There is a plan to purchase between 1000 and 2000 node with Intel's latest Xeon "Haswell" architecture CPUs to deliver between 800 TeraFlops and 1.6 PetaFlops of peak floating-point performance. Such a system would be between 2.7 and 5.5 times as powerful as the Lonestar 4 system it will replace. Lonestar 5 will also provide nearly three times as much memory bandwidth as Lonestar 4, a critical factor in performance of most scientific applications.

This investment would equate to $750,000 per year for four years and would give U. T. System researchers ongoing access to critical high-performance computing capability for the next four years.

Accountability

TACC has proven itself to be a reliable operator of High Performance Computing (HPC) services through the UTRC project for the last four years and has provided detailed statistics on delivery and utilization of HPC resources as part of this work. TACC also works with the UTRC Advisory Committee to determine future directions for hardware resources within the project.

Value Statement

Lonestar 4 has provided substantial value to the U. T. System research community over the last four years. Ongoing access to HPC systems is critical for scientific research at all U. T. System institutions. Pooled funding between U. T. System, U. T. Austin, NSF, and other institutions provides for a larger and more capable resource than any one institution can manage alone.

Prepared by: The Office of Systemwide Information Services
January 2015

Shared Intrusion and Anomaly Detection Service

Objective

The existing U. T. System shared intrusion and anomaly detection infrastructure is nearing its end of life and is in need of a hardware refresh. Below are the specific goals for this project:

1. Upgrade existing shared intrusion and anomaly detection infrastructure to accommodate higher speed networks (e.g., 100 Gigabits per second).
2. Implement a shared intrusion and anomaly detection infrastructure that can scale with the demands of the U. T. System over the next three years.
3. Ensure security services are extended to the shared data centers: Arlington Data Center (ARDC); Texas Advanced Computing Center (TACC); and Houston Data Center (HDC).

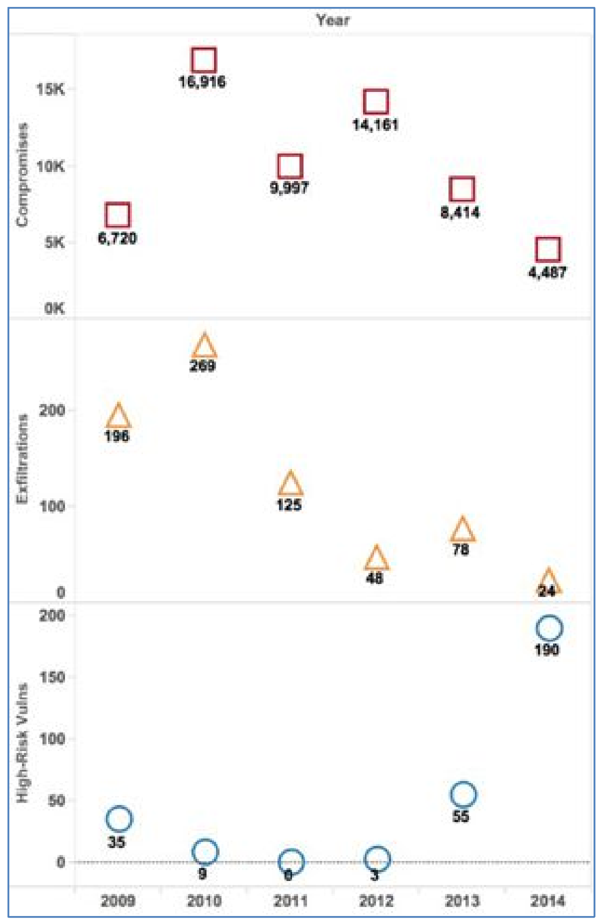
Background

Since 2009, the U. T. Austin Information Security Office has managed a shared intrusion and anomaly detection service for all U. T. System institutions connected to the U. T. System managed network.

The U. T. Austin Information Security Office has been able to share the security research of the team and a now commercialized incident management tool (Panopticon) is available 24x7x365 to provide a virtually automated security service to the U. T. System institutions.

This shared intrusion and anomaly detection service has been instrumental in defending the U. T. System institutions. Specifically, it has helped to control outbreak situations; developed shared intelligence across U. T. System with respect to quickly evolving malicious attacks; and has proactively detected sensitive data exfiltration events (e.g., social security numbers, credit card numbers, medical record numbers). U. T. System is using a now commercialized detection capability (Senf) and has proactively identified high-risk vulnerabilities across U. T. System before system compromises have occurred.

Please note the table to the right, which depicts the number of compromises, data exfiltration events, and high-risk vulnerabilities that have been reported to the U. T. System institutions via Senf since March 2009. Data through August 2014 is also included.



In several cases, U. T. System institutions have been able to augment their local security controls based on findings from the shared intrusion and anomaly detection service. In other cases, some U. T. System institutions have been able to decommission their local externally-facing intrusion detection services in lieu of this service.

Prepared by: The Office of Systemwide Information Services
January 2015

Shared Intrusion and Anomaly Detection Service (cont.)

Issues

- The current service was designed for a network based on 10-Gigabits per second connectivity and the tremendous growth of the U. T. System network (commodity and research networks) in recent years has not allowed the service to properly keep pace.
- The current hardware used by the service is almost four years old. Given the extreme environments these devices are subjected to, the recommended lifecycle is three to four years. Please note that the vendor does provide generous trade-in credit for this hardware.
- The current design does not provide security coverage for the U. T. System shared data centers (ARDC, TACC, and HDC) and it is important to do so given how extensively leveraged these facilities are today.

2011 investment (current)

On November 10, 2011, the U. T. System Board of Regents approved an allocation of Available University Funds to invest in information security enhancements across U. T. System and the following investment was made to refresh the shared intrusion and anomaly detection infrastructure:

Sourcefire Intrusion Detection Hardware & Software Licenses	**$811,878**
Ixia/Anue Traffic Aggregation Hardware & Optics	**$504,034**
Total	**$1,315,912**

This investment equated to $329,000 per year in high quality incident response services. This pricing is unmatched in the marketplace. To completely outsource this function to a qualified third party would cost approximately $1,000,000-$3,000,000 per year for a network the size of the U. T. System network and there would be no investment in staff development or cross-campus collaboration occurring. Additionally, a third party would not be as familiar as the existing body of local security professionals with the unique business functions of the U. T. System.

2015 Investment (proposed)

The following investment is recommended for a 2015 purchase:

Sourcefire Intrusion Detection Hardware & Software Licenses	**$995,000**
Ixia/Anue Traffic Aggregation Hardware & Optics	**$1,400,000**
Total	**$2,395,000**

The cost for this investment is 82% greater than the previous purchase, but the aggregate bandwidth consumption has grown by 180% since 2009 and is expected to continue to grow at a rapid pace over the next four years.

U. T. System Office of Telecommunications Services (OTS) staff will install three intrusion detection arrays and three traffic aggregation chassis at the three major U. T. System network egress points (in Austin, Dallas, and Houston). OTS staff will also configure the new traffic aggregation hardware such that shared data center traffic will also benefit from the shared intrusion and anomaly detection service – a new offering.

It should also be noted that the traffic aggregation hardware would be of significant use to OTS in analyzing and troubleshooting the U. T. System network.

Prepared by: The Office of Systemwide Information Services
January 2015

Shared Intrusion and Anomaly Detection Service (cont.)

This investment would equate to approximately $598,750 per year for four years and would provide not only high quality security hardware, but would also include the incident response services of the U. T. Austin Information Security Office. Additionally, this investment ensures that the three U. T. System shared data centers are properly covered.

Accountability

The U. T. Austin Information Security Office has proven to be a reliable partner in managing this service over the years. Operationally, the service has performed remarkably well and the U. T. Austin Information Security Office has been quick to share summary reports with U. T. System Chief Information Security Officers every month.

If this proposal is approved, the U. T. Austin Information Security Office is prepared to procure hardware in early 2015, with a deployment goal of March 2015 (to Austin, Dallas, and Houston).

Value Statement

This service has provided value to U. T. System institutions in a variety of ways over the years. Specifically, it has:

- helped institutions to identify poor administrative practices that previously went undetected;
- provided institutions with a failsafe for internal security controls;
- saved institutions time required for incident response and reverse-engineering of malicious code;
- allowed institutions to limit impact of a system compromise, by being able to prevent access to known external command and control botnets; and
- evolved awareness and skillset of institutions of real-time threats.

Prepared by: The Office of Systemwide Information Services
January 2015

U. T. System Network Simulation and Monitoring Capabilities

Objective

The U. T. System Network (Network) provides high-speed production and research networks to the institutions (10 and 100 Gigabit per second). Below are the specific goals for this project:

1. Add the capability to simulate the Network to increase reliability and facilitate growth.
2. Add network use and capacity monitoring to assist with proactive forecasting for future architectures.
3. Build a foundation for future information security deployments at strategic locations within the Network that are not traditional egress points.

Background

U. T. System operates a trans-Texas network for both production and research needs. Reliance on the Network has increased with its growth in both size and complexity. Furthermore, as technologies and downstream applications are changing at rapid rates, it is essential that forecasting tools are in place to understand usage, predict growth patterns, and plan for the future.

Issues

- Network engineers are not able to simulate changes to the current production Network, which has resulted in unexpected outages.
- Inability to measure and differentiate types of traffic to plan for efficient growth for some U. T. institutions.
- Increasing need for information security monitoring closer to some U. T. System's institutions (e.g., to identify intra-campus issues).

2015 Investment (proposed)

The following investment is recommended: $442,000, as more fully described below.

Network Monitoring & Modeling Tools for OTS	
Juniper Software Collection & Modeling (2-yr license)	$126,000
El Paso Traffic Aggregator + Collection Capability	$100,000
San Antonio Traffic Aggregator + Collection Capability	$108,000
Valley Traffic Aggregator + Collection Capability	$108,000
Total	$442,000

1. Software to simulate and model the Network, enabling staff to test changes prior to deployment on the running Network.
2. Traffic monitoring systems at El Paso, San Antonio, and the Rio Grande Valley (Network flow monitoring servers); Austin, Dallas, and Houston already have traffic monitoring systems in place.
3. Construct the foundation for monitoring at El Paso, San Antonio, and the Rio Grande Valley (fiber optic network tap equipment). Those areas are currently monitored less granularly from Austin, Dallas, and Houston.

Prepared by: The Office of Systemwide Information Services
January 2015

U. T. System Network Simulation and Monitoring Capabilities (cont.)

Accountability

U. T. System Office of Telecommunication Services (OTS) has successfully implemented complex, large-scale projects with U. T. System funding focused on:

a. building and operating the current Network;
b. building and operating the U. T. Research Cyberinfrastructure (UTRC) project;
c. support previous network security implementations in three cities; and
d. support the U. T. System Shared Services Initiatives.

Value Statement

The proposal enhances value by:

- increasing the reliability of the U. T. System Network used by all institutions;
- providing network utilization information to support the expanding academic, health, and research missions; and
- building the foundation for future information security monitoring.

Prepared by: The Office of Systemwide Information Services
January 2015

U. T. Austin Dell Medical School Firewall Infrastructure

Objective

As the U. T. Austin Dell Medical School comes online, it is necessary to enhance network security for the University Data Centers (UDC), and, to begin preparations for the data centers and participating units to support the higher security levels that the Health Insurance Portability and Accountability Act (HIPAA) requires. Below are the specific goals for this project:

1. Upgrade existing data center firewalls that are past vendor support.
2. Upgrade campus network backbone to support multiple security levels for different uses.
3. Add backbone firewalls to begin enforcement of security levels for medical and other sensitive data.

Background

Due to its size and diversity, U. T. Austin operates a federated network. Network security is enforced at the unit/department level, with the exception of the UDC, which provides network security as part of its overall services. This posture has enabled tailored approaches to network security that offers more isolation than could be achieved by a single firewall at the border of campus. With over 250,000 devices connected across campus, the campus network represents similar risks of the public Internet.

Issues

- High performance firewalls necessary for the UDC are expensive. That cost is reflected in the rates charged to customers locating servers in the data centers and can discourage usage leading to poor decisions on server location and operations.
- Unit/department level firewalls offer more isolation than a border firewall, but they do not provide an overarching security policy for sensitive data, such as medical records, that a border firewall can provide. Multiple borders are needed across the campus network for different security domains.

2015 Investment (proposed)

The following investment is recommended for a 2015 purchase: $500,000

1. Upgrade the firewalls in the primary and backup data centers to modern/supported versions.
2. Upgrade the campus network backbone to support multiple security levels for different uses (introduction of multi-protocol labeled switching in core routers). This seed funding would enable units to make their own local investments in capable network equipment for their buildings when they wish to work with the medical school on sensitive data. For example, units in different buildings, such as Psychology, Anthropology, and the Dell Medical School, could all share the same brain scans securely. The Dell Medical School and the UDC will be capable of sharing information securely as part of this investment.
3. Acquire a firewall to implement multiple borders, or security levels, for the campus network (inter-VRF filtering).

Prepared by: The Office of Systemwide Information Services
January 2015

U. T. Austin Dell Medical School Firewall Infrastructure (cont.)

Accountability

U. T. Austin ITS Networking and Telecommunications (N&T) has previously implemented projects with U. T. System funding for:

a. backup network operations center;
b. data center network upgrades/capacity increases to reduce cost and encourage centralization;
c. U. T. Research Cyberinfrastructure (UTRC); and
d. support for numerous Information Security Office projects funded by U. T. System.

If this proposal is approved, U. T. Austin is prepared to procure hardware in the summer of 2015, with completed deployment by January 2016.

Value Statement

This proposal enhances value by:

- keeping data center cost recovery charged to units low, further encouraging server migration to the UDC, as opposed to local information technology (IT) closets, where they are more secure and professionally operated;
- providing the seed funding to enable multi-discipline/department participation with the new Dell Medical School, while keeping regular academic traffic segregated from sensitive medical data; and
- enabling the campus network backbone to provide isolation and more advanced security features for networks critical to university operations (such as those used to operate building HVAC/electrical/security systems).

Prepared by: The Office of Systemwide Information Services
January 2015

8. U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2014

INTRODUCTION

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

The Analysis of Financial Condition has been prepared since 1995 to track financial ratios to determine if the financial condition of the institutions is improving or declining. This analysis compares trends for Fiscal Year 2010 through Fiscal Year 2014.

REPORT

The 2014 Analysis of Financial Condition, which is set forth on the following pages, is a broad annual financial evaluation that rates U. T. System institutions based on factors analyzed as either “Satisfactory," “Watch," or “Unsatisfactory."

An Executive Summary of the report may be found on Pages 139 - 140. For the first time since 1997, all 15 institutions were rated "Satisfactory." The ratings of U. T. Permian Basin, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler were upgraded from “Watch” to “Satisfactory” as a result of an improvement in their financial condition in 2014.

2014 Analysis of Financial Condition

February 2015

The University of Texas System
2014 Analysis of Financial Condition

Executive Summary

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

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

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

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

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

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

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

U. T. Permian Basin’s, UTMB’s and UTHSC-Tyler’s ratings were all upgraded from “Watch” to “Satisfactory” as a result of an improvement in their financial condition in 2014. U. T. Permian Basin’s CFI improved from 0.3 in 2013 to 2.3 in 2014. The operating expense coverage ratio increased by 0.4 months to 2.4 months, which was higher than U. T. System Administration’s benchmark of 2.0 months. In addition, the annual operating deficit was near breakeven for 2014 as compared to a ($6.0) million deficit for 2013.

UTMB’s CFI increased from 2.2 in 2013 to 3.1 in 2014. The operating expense coverage ratio increased by 0.5 months to 2.3 months in 2014, which showed improvement in each of the last five years and exceeded U. T. System Administration’s benchmark of 2.0 months for the first time in the past five years. The annual operating margin remained positive at $7.4 million or 0.4%. The last time that UTMB was rated “Satisfactory” was in 1997.

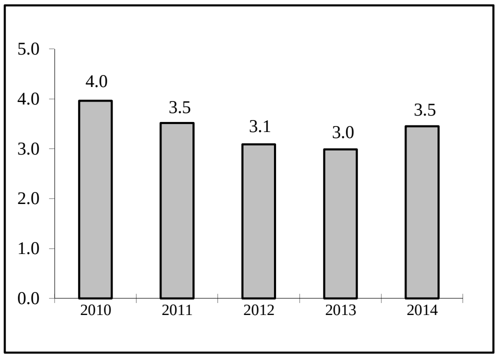
UTHSC-Tyler’s CFI increased from 0.4 in 2013 to 3.3 in 2014. The operating expense coverage ratio increased by 0.4 months to 2.5 months in 2014, which was above the benchmark of 2.0 months established by U. T. System Administration. The annual operating margin was $1.7 million or 1.1% for 2014 which was a significant improvement over the deficit of ($16.7) million or (13.9%) for 2013. Although UTHSC-Tyler was removed from “Watch,” there is still concern over UTHSC-Tyler’s core operations. While UTHSC-Tyler's operating performance improved significantly in 2014, it is important to note the sizeable impact net Delivery System Reform Incentive Payments (DSRIP) revenue had on UTHSC-Tyler's operating results. If the net DSRIP revenue had not been recognized in 2014, UTHSC-Tyler's annual operating deficit would have been ($13.6) million or (10.2%). UTHSC-Tyler is working diligently to improve the margin from core operations by the time DSRIP is expected expire in fiscal year 2017.

All of the other U. T. institutions’ ratings remained “Satisfactory” for 2014. The majority of the CFIs in 2014 for all of the other institutions rated as “Satisfactory” increased either as a result of an increase in the fair value of investments or an increase in the operating margin. The majority of the institutions rated as “Satisfactory” also experienced an improvement in the operating expense coverage ratio due to a growth in unrestricted net position, also as a result of an increase in the fair value of investments or an increase in the operating margin. The operating expense coverage ratios for the institutions rated “Satisfactory” were above U. T. System Administration’s benchmark of 2.0 months.

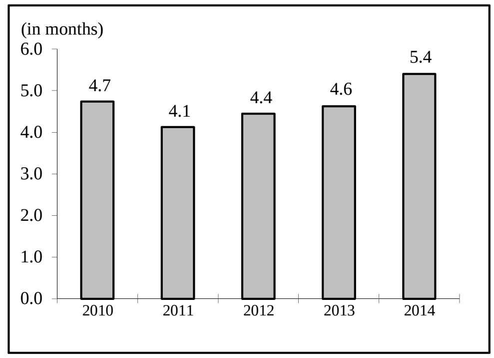
The University of Texas at Arlington
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

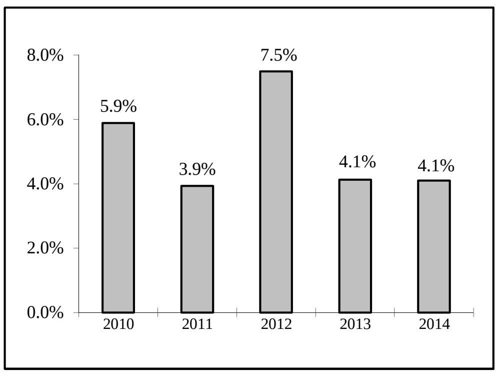
Composite Financial Index



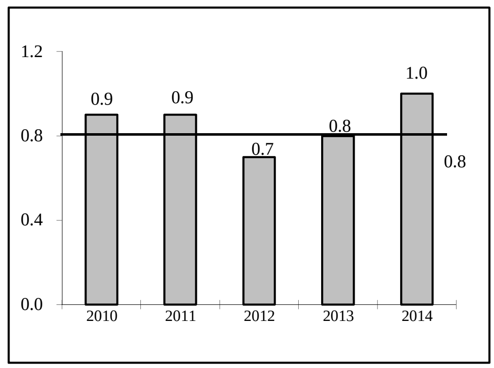
Operating Expense Coverage Ratio



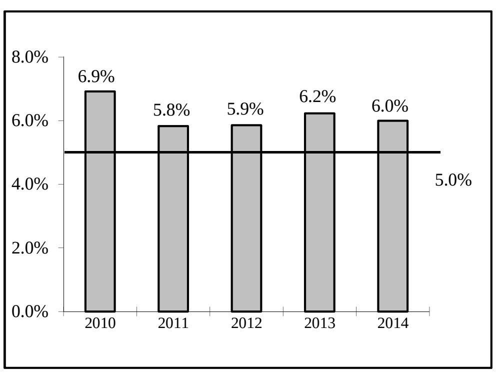
Annual Operating Margin Ratio



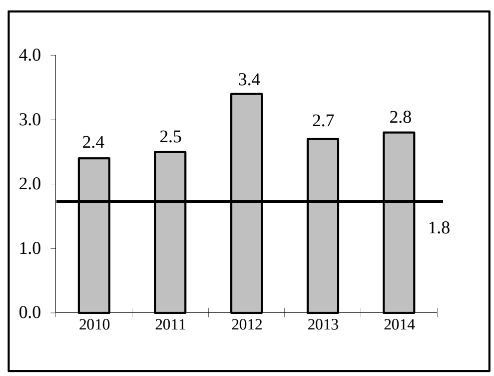
Expendable Resources to Debt Ratio



Debt Burden Ratio

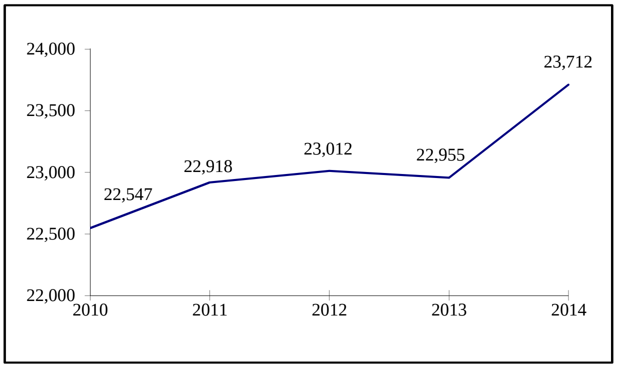


Debt Service Coverage Ratio



The University of Texas at Arlington
2014 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Arlington's CFI increased from 3.0 in 2013 to 3.5 in 2014 primarily as a result of increases in the primary reserve and the expendable resources to debt ratios. The increase in the primary reserve ratio was generated by growth in both total restricted expendable net position (excluding restricted expendable for capital projects) and total unrestricted net position, which are discussed below. The increase in the expendable resources to debt ratio is also discussed below.

Operating Expense Coverage Ratio - U. T. Arlington's operating expense coverage ratio increased from 4.6 months in 2013 to 5.4 months in 2014 due to the growth in total unrestricted net position of $39.1 million, which was partially offset by a $13.5 million increase in total operating expenses (including interest expense). The increase in total unrestricted net position was primarily attributable to the operating activity in designated funds as a result of an increase in net tuition and fees, a decrease in transfers out for capital asset purchases, and an increase in the fair value of investments allocated to designated funds. The increase in total operating expenses was largely driven by the following: a $9.4 million increase in salaries and wages and payroll related costs as a result of faculty recruitment and retention efforts, as well as merit increases and corresponding increases in payroll related costs; a $3.0 million increase in depreciation and amortization expense due to the recognition of a full year of depreciation expense on College Park, as well as the completion of various projects that were placed into service in 2014; a $2.2 million increase in other operating expenses primarily resulting from increases in discounts on credit cards, membership fees, other fees, insurance, official occasion expenses, increased Educational Program support for projects and pass-through expenses; a $1.9 million increase in other contracted services mostly attributable to contracted services fro the Academic Partnership Program; and a $1.4 million increase in professional fees and services primarily due to an increase in instructors fees for Enterprise Development and an increase in other professional fees, including executive searches and the Asia Business Programs. These increases in expenses were partially offset by decreases in the following: a $2.1 million decrease in scholarships and fellowships resulting from the change in reporting of Pell Grants in 2013; a $1.0 million decrease in rentals and leases caused by the cessation of leases for the PeopleSoft HR/Finance project co-location site and other office space leases; and a $0.9 million decrease in interest expense.

Annual Operating Margin Ratio - Although U. T. Arlington's annual operating margin ratio remained unchanged at 4.1% for 2014, the annual operating margin actually increased by $0.5 million. The stability of this ratio was a result of the growth in total operating expenses of $13.5 million almost completely offsetting the growth in total operating revenues of $14.0 million. The increase in total operating revenues was primarily due to the following: a $28.8 million increase in net tuition and fees resulting from a decrease in tuition discounting due to the change in reporting of Pell Grants in 2013; a $6.6 million increase in net sales and services of educational activities largely driven by an increase in Texas Department of Transportation (TXDOT) revenue, which is considered a vendor relationship, an increase in Global Academic Initiative for the Asia Business Programs and an increase in registration for Enterprise Development; a $5.3 million increase in state appropriations; and a $1.8 million increase in net investment income (excluding realized gains/losses). These increases in revenues were partially offset by the following: a decrease of $27.4 million in sponsored program revenue (including nonexchange sponsored programs and including the adjustment for the portion of Texas Research Incentive Program (TRIP) funding received in 2013 but not included until 2014) primarily due to the change in reporting of Pell Grants in 2013; and a decrease in gifts for operations of $2.5 million as a result of a pledge received from Shimadzu Scientific Instruments in 2013.

Late in 2013 U. T. Arlington received $1.2 million in TRIP funding from the Texas Higher Education Coordinating Board. Given that these funds were received so close to year-end, U. T. Arlington spent only $4,000 of these funds in 2013. Therefore, in order to more appropriately match revenues with expenses the $1.2 million of unspent TRIP funding was removed from 2013 nonexchange sponsored program revenue and was added to 2014 nonexchange sponsored program revenue.

Expendable Resources to Debt Ratio - U. T. Arlington's expendable resources to debt ratio increased from 0.8 in 2013 to 1.0 in 2014. The increase in this ratio was attributable to the growth in both total unrestricted net position of $39.1 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $12.2 million, as well as a decrease of $16.1 million in the amount of debt outstanding. The increase in total restricted expendable net position (excluding restricted expendable for capital projects) was primarily due to increases in investment income and the fair value of investments in restricted funds, as well as the increase in the fair value of investments in endowment funds.

Debt Burden Ratio - U. T. Arlington's debt burden ratio decreased from 6.2% in 2013 to 6.0% in 2014 as a result of a $0.4 million decrease in debt service payments and the $13.5 million increase in total operating expenses, as previously discussed.

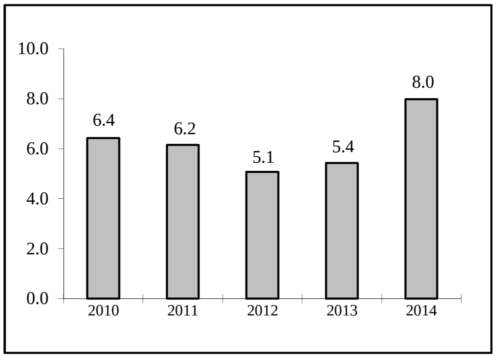
Debt Service Coverage Ratio - U. T. Arlington's debt service coverage ratio increased from 2.7 in 2013 to 2.8 in 2014. The increase in this ratio was attributable to the slight improvement in operating performance and the decrease in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Arlington's FTE student enrollment increased 3.3% due to increased enrollment in Master's Graduate Programs and on-line Academic Partnership Programs.

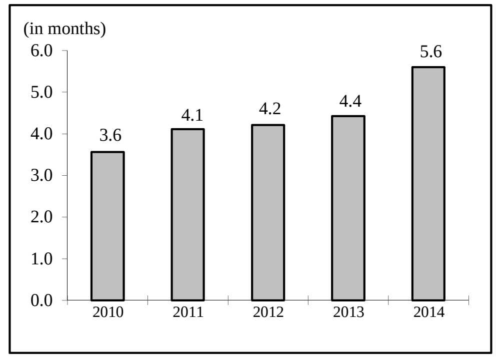
The University of Texas at Austin
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

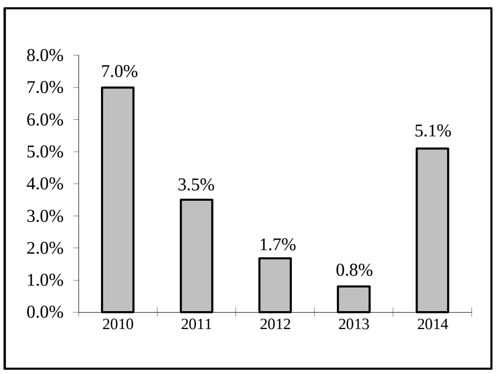
Composite Financial Index



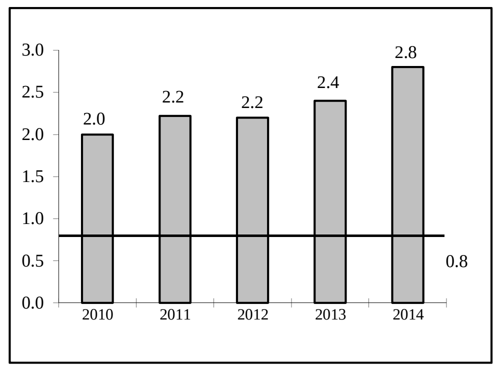
Operating Expense Coverage Ratio



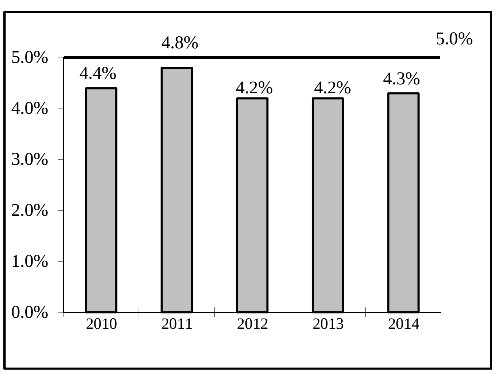
Annual Operating Margin Ratio



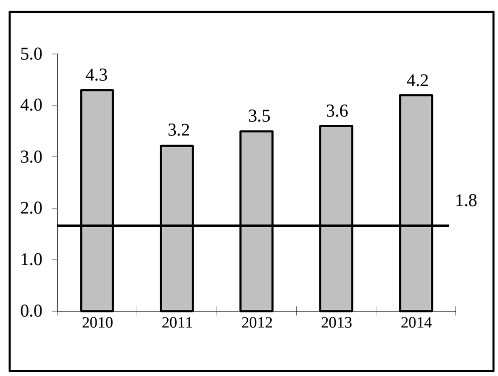
Expendable Resources to Debt Ratio



Debt Burden Ratio

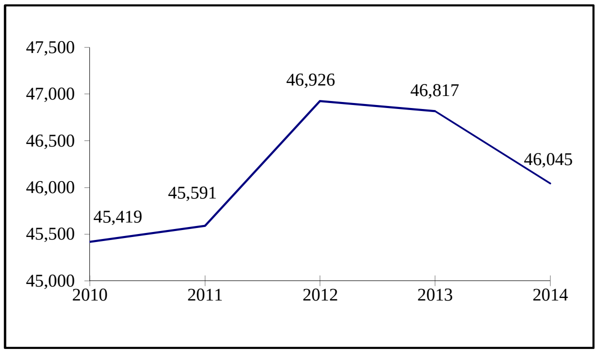


Debt Service Coverage Ratio



The University of Texas at Austin
2014 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Austin's CFI increased from 5.4 in 2013 to 8.0 in 2014 as a result of increases in all 4 core ratios. The increase in the return on net position ratio was largely attributable to the following: an improvement in operating performance, as discussed below; the net increase in the fair value of investments of $265.4 million in 2014 as compared to $107.5 million in 2013; an increase of $231.5 million in gifts and sponsored programs for capital acquisitions primarily due to a $212.0 million gift from MA Photo Acquisition, LLC for the Magnum Photo Collection for the Harry Ransom Center; and an $833.7 million increase in bond proceeds transferred to U. T. Austin for the Dell Medical School and Rowling Hall. The increase in the primary reserve ratio was due to the growth in both total unrestricted net position and total restricted expendable net position (excluding expendable for capital projects) combined with a decrease in total operating expenses, discussed below. The increases in the expendable resources to debt and annual operating margin ratios are discussed below.

Operating Expense Coverage Ratio - U. T. Austin's operating expense coverage ratio increased from 4.4 months in 2013 to 5.6 months in 2014 due to the growth in total unrestricted net position of $210.3 million combined with a decrease in total operating expenses (including interest expense) of $47.0 million. The increase in total unrestricted net position was primarily driven by the activity in educational and general funds and designated funds, including an increase in state appropriations and increases in investment income and the fair value of investments, as well as an increase in unrestricted funding intended for capital projects. Additionally, the transfer from the Available University Fund (AUF) increased $33.5 million over the prior year. The decrease in total operating expenses was largely attributable to a $53.0 million decrease in depreciation and amortization expense due to an adjustment made in 2013 to correct the accumulated amortization of 4 large gifted software licenses which resulted in larger than normal amortization in 2013 and only a partial year left to amortize in 2014.

Annual Operating Margin Ratio - U. T. Austin's annual operating margin ratio increased from 0.8% for 2013 to 5.1% for 2014 due to an increase in total operating revenues of $61.6 million and a decrease in total operating expenses of $47.0 million as mentioned above. The increase in total operating revenues was primarily generated by the following: a $55.0 million increase in net sales and services of educational activities largely due to program income from Central Health for the operations of the Dell Medical School; a $33.5 million increase in the transfer from the AUF; a $21.7 million increase in state appropriations; a $13.1 million increase in gifts for operations primarily as a result of a $5.0 million pledge from the Dell Foundation for the new medical school and a $5.0 million pledge from the O'Donnell Foundation for the Texas Advanced Computing Center (TACC); and a $7.7 million increase in net investment income (excluding realized gains/losses). These increases in revenues were partially offset by decreases in the following: a $50.8 million decrease in sponsored program revenue (including nonexchange sponsored programs) primarily due to the purchase of the Stampede Super Computer at TACC in 2013 which caused a $24.8 million spike in 2013 activity with no comparable purchase in 2014, a decrease in activity related to Dr. Barufaldi's Texas Education Agency (TEA) Awards totaling $9.8 million for the Texas MSP Professional Development Network program, and the change in reporting of Pell Grants in 2013; and a $15.4 million decrease in net tuition and fees resulting from the effect of the change in reporting of Pell Grants in 2013 and the impact on tuition discounting.

Expendable Resources to Debt Ratio - U. T. Austin's expendable resources to debt ratio increased from 2.4 in 2013 to 2.8 in 2014. The increase in this ratio was attributable to increases in both total unrestricted net position of $210.3 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $380.1 million. The growth in total restricted expendable net position (excluding restricted expendable for capital projects) was primarily due to increases in gifts for operations, investment income, the net increase in the fair value of investments, and gifts and sponsored programs for capital acquisitions in restricted funds.

Debt Burden Ratio - U. T. Austin's debt burden ratio increased slightly from 4.2% in 2013 to 4.3% in 2014 as a result of a $1.7 million increase in debt service payments.

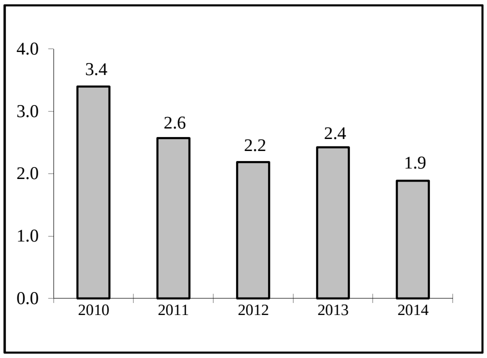
Debt Service Coverage Ratio - U. T. Austin's debt service coverage ratio increased from 3.6 in 2013 to 4.2 in 2014. The increase in this ratio was generated by the improvement in operating performance as discussed in the annual operating margin ratio above.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Austin's FTE student enrollment decreased in Fall 2014 for the second year in a row as part of a continuing trend returning rates to normal following a large spike in Fall 2012, which was attributed to an effort to improve the admissions yield rate as part of the Enrollment Management and Graduation Rate Initiatives.

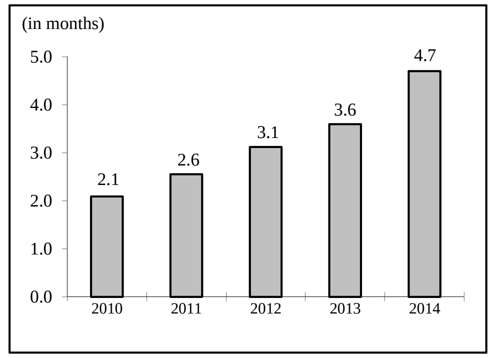
The University of Texas at Brownsville
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

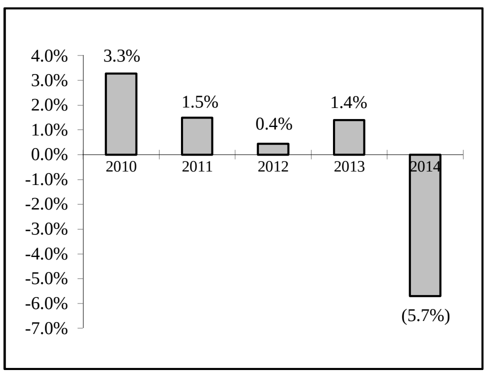
Composite Financial Index



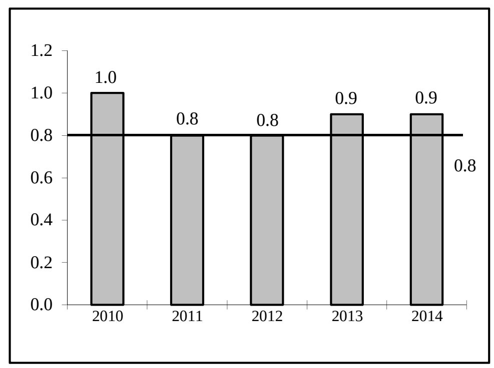
Operating Expense Coverage Ratio



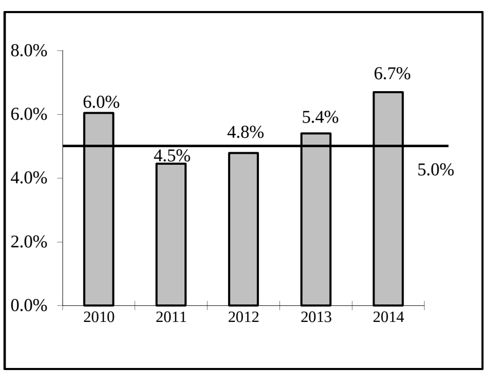
Annual Operating Margin Ratio



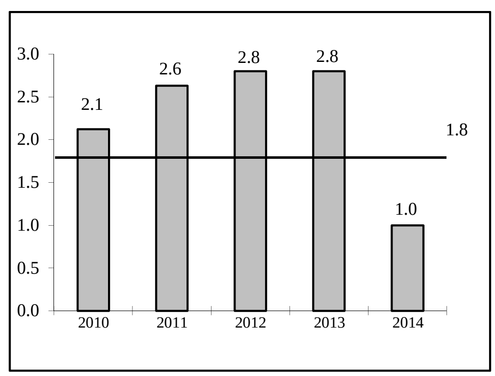
Expendable Resources to Debt Ratio



Debt Burden Ratio

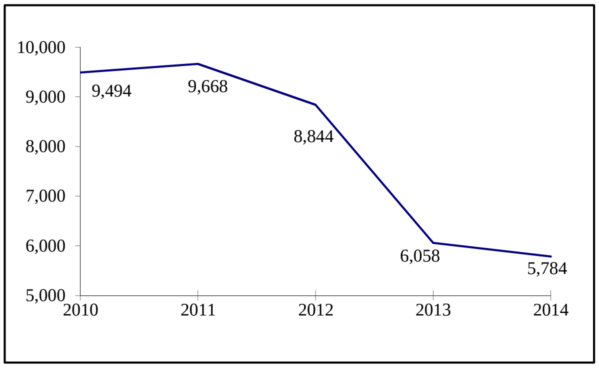


Debt Service Coverage Ratio



The University of Texas at Brownsville
2014 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Brownsville's CFI decreased from 2.4 in 2013 to 1.9 in 2014 primarily as a result of a decrease in the annual operating margin ratio which is discussed below.

Operating Expense Coverage Ratio - U. T. Brownsville's operating expense coverage ratio increased from 3.6 months in 2013 to 4.7 months in 2014 due to the reduction in total operating expenses (including interest expense) of $41.7 million. The decrease in total operating expenses was primarily attributable to the following: a $23.5 million decrease in scholarships and fellowships as result of a 30% decrease in overall semester credit hour enrollment due to the end of the partnership with Texas Southmost College (TSC) combined with the change in reporting of Pell Grants in 2013; and a $21.8 million decrease in salaries and wages and payroll related costs due to a reduction in force implemented in 2013 as a direct result of the termination of the partnership between U. T. Brownsville and TSC.

Annual Operating Margin Ratio - U. T. Brownsville's annual operating margin ratio decreased significantly from 1.4% for 2013 to (5.7%) for 2014 as the reduction in total operating revenues of $50.7 million exceeded the reduction in total operating expenses of $41.7 million. The decrease in total operating revenues was primarily attributable to a $53.8 million decrease in sponsored program revenue (including nonexchange sponsored programs) resulting from the termination of the partnership between U. T. Brownsville and TSC, the change in reporting of Pell Grants in 2013, and the Biomedical American Recovery and Reinvestment Act (ARRA) grant which ended in 2013. In addition, U. T. Brownsville incurred one-time costs associated with the termination of the partnership with TSC in the amount of $4.6 million and also incurred one-time costs of $1.8 million in preparation for the formation of the new university, U. T. Rio Grande Valley. If the one-time costs were eliminated, the annual operating margin ratio would have been (0.3%).

Expendable Resources to Debt Ratio - U. T. Brownsville's expendable resources to debt ratio remained unchanged at 0.9 in 2014. The stability of this ratio was due to a decrease in total unrestricted net position of $1.7 million combined with a decrease of $0.3 million in the amount of debt outstanding. The decrease in total unrestricted net position was directly related to the reduction in operating performance as discussed above.

Debt Burden Ratio - U. T. Brownsville's debt burden ratio increased from 5.4% in 2013 to 6.7% in 2014 as a result of the decrease in total operating expenses as previously discussed. Due to the termination of the partnership with TSC, debt service payments increased as a result of acquiring additional buildings from TSC.

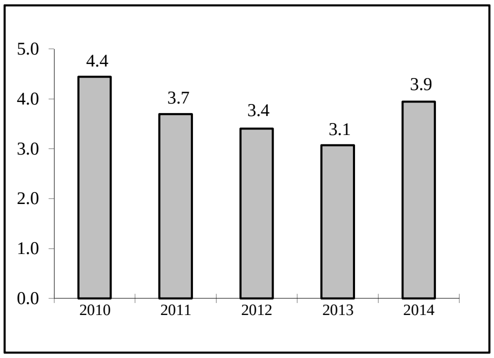
Debt Service Coverage Ratio - U. T. Brownsville's debt service coverage ratio decreased from 2.8 in 2013 to 1.0 in 2014. The sizeable decrease in this ratio was attributable to the reduction in operating performance as discussed in the annual operating margin ratio. As previously mentioned, U. T. Brownsville's operating performance was affected by the one-time costs incurred with the termination of the partnership between U. T. Brownsville and TSC in the amount of $4.6 million and one-time costs incurred of $1.8 million in preparation for U. T. Rio Grande Valley. If these one-time costs were eliminated, the debt service coverage ratio would have been 2.0.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Brownsville's FTE student enrollment decreased 4.5% from 6,058 in the fall of 2013 to 5,784 in the fall of 2014 as a result of increased admission standards from the previous two years. In addition, since U. T. Brownsville no longer offers remedial courses, enrollment was affected by the new more rigorous TSI state exam.

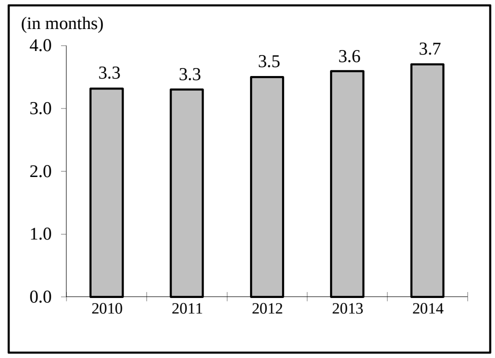
The University of Texas at Dallas
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

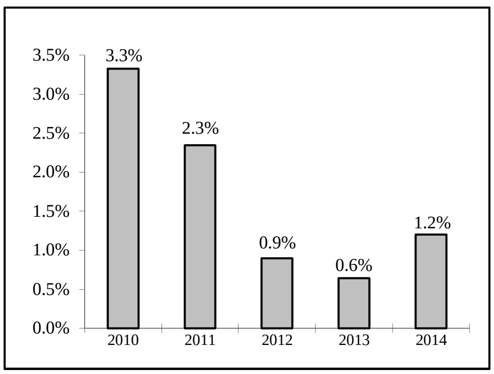
Composite Financial Index



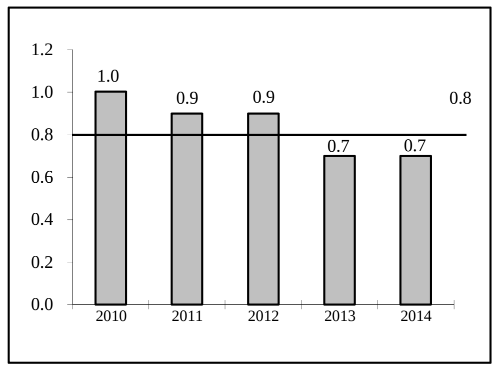
Operating Expense Coverage Ratio



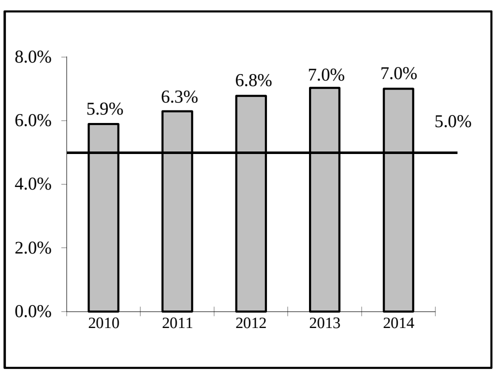
Annual Operating Margin Ratio



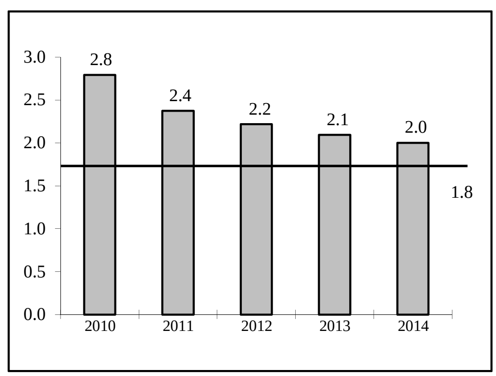
Expendable Resources to Debt Ratio



Debt Burden Ratio

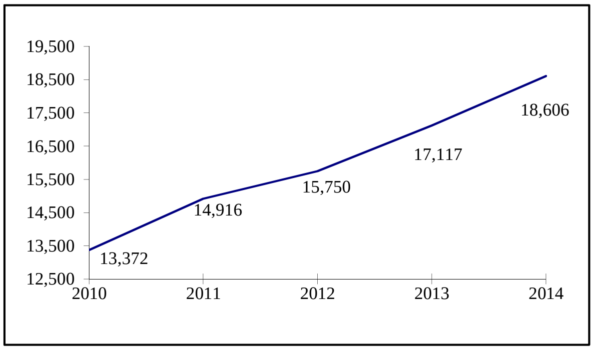


Debt Service Coverage Ratio



The University of Texas at Dallas
2014 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Dallas' CFI increased from 3.1 in 2013 to 3.9 in 2014 primarily due to an increase in the return on net position ratio. The increase in the return on net position ratio was largely driven by improved operating performance and an increase in additions to permanent endowments.

Operating Expense Coverage Ratio - U. T. Dallas' operating expense coverage ratio increased from 3.6 months in 2013 to 3.7 months in 2014 due to the growth in total unrestricted net position of $19.2 million, which was largely offset by the increase in total operating expenses (including interest expense) of $50.9 million. The increase in total unrestricted net position was primarily attributable to an increase in student fees resulting from enrollment growth, additional housing revenue generated from the Waterview Park Apartments and the Student Housing Living/Learning Center, and an increase in unrestricted funds functioning as endowments. The increase in total operating expenses was due to the following: a $24.2 million increase in salaries and wages and payroll related costs as a result of an increase in new faculty hires and merit increases; a $9.7 million increase in depreciation and amortization expense attributable to the recognition of a full year of depreciation expense on buildings that were placed into service in 2013, combined with the Jindal School of Management Phase II, the Student Housing Living/Learning Center Phase IV, and the Parking Structure Phase III which were all placed into service in 2014; a $5.0 million increase in other contracted services due to increases in on-line database purchases, electronic/resource sharing publication subscriptions, research and peer reviewed articles for students, as well as an increase in Time Warner cable/Wi-Fi services for University Village, services to clean and encapsulate the accessible supply ductwork to Jonsson Academic Center, diagnostic lab fees and pavement services; a $4.3 million increase in scholarships and fellowships due to a change in the reporting of Pell Grants which should have occurred in 2013 but U. T. Dallas did not incorporate until 2014; a $2.9 million increase in rentals and leases as a result of increased lease expenses for Synergy Park North Center and various information technology related equipment; and a $1.8 million increase in other operating expenses due to increases in expenses and registration fees for meetings, conferences and seminars, insurance premiums, and fees and other charges.

Annual Operating Margin Ratio - U. T. Dallas' annual operating margin ratio increased from 0.6% for 2013 to 1.2% for 2014 as a result of the growth in total operating revenues of $54.3 million exceeding the growth in total operating expenses of $50.9 million. The increase in total operating revenues was primarily due to the following: an $18.6 million increase in net tuition and fees generated by an increase in enrollment and an increase in tuition; a $13.7 million increase in net investment income (excluding realized gains/losses); a $12.6 million increase in state appropriations; a $6.1 million increase in gifts for operations mostly due to a $5.0 million gift received from the Communities Foundation of Texas in 2014; a $4.2 million increase in auxiliary enterprises revenue driven by increased revenue from the Waterview Park Apartments and the Student Housing Living/Learning Center; a $4.1 million increase in net sales and services of educational activities largely attributable to increased revenue generated from Synergy Park North Center; and a $3.6 million increase in sponsored program revenue primarily due to a change in the reporting of Pell Grants which should have occurred in 2013 but U. T. Dallas did not incorporate until 2014. The variance on sponsored program revenue includes nonexchange sponsored programs and the adjustment for the portion of the Texas Research Incentive Program (TRIP) funding received in 2013 but not included until 2014. These increase in revenue were partially offset by a decrease in other operating revenues of $3.7 million primarily due to a decrease in lease income from the license agreement with Janssen Biotech for U. T. Dallas owned intellectual property and the Waterview Park ground lease.

Late in 2013 U. T. Dallas received $10.2 million in TRIP funding from the Texas Higher Education Coordinating Board. Given that these funds were received so close to year-end, U. T. Dallas was not able to spend $5.0 million of these funds in 2013. Therefore, in order to more appropriately match revenues with expenses the $5.0 million of unspent TRIP funding was removed from 2013 nonexchange sponsored program revenue and was added to 2014 nonexchange sponsored program revenue.

Expendable Resources to Debt Ratio - U. T. Dallas' expendable resources to debt ratio remained unchanged at 0.7 in 2014. The stability of this ratio was attributable to the growth in total unrestricted net position of $19.2 million, as previously discussed, and the growth in total restricted expendable net position (excluding restricted expendable for capital projects) of $44.3 million, offset by an increase in the amount of debt outstanding of $91.3 million. The majority of the increase in total restricted expendable net position (excluding restricted expendable for capital projects) was primarily due to the appreciation on the endowment funds and increase in restricted gifts for operations. The increase in debt outstanding was related to a variety of projects including the Student Housing Living/Learning Center Phase IV, the Parking Structure Phase III, the Jindal School of Management Phase II, and existing space renovations.

Debt Burden Ratio - U. T. Dallas' debt burden ratio was 7.0% in 2013 and 2014. This ratio remained unchanged due to the increase of $3.2 million in debt service payments which was offset by the growth in total operating expenses.

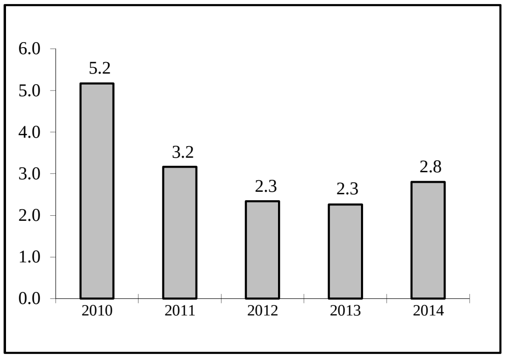
Debt Service Coverage Ratio - U. T. Dallas' debt service coverage ratio decreased from 2.1 in 2013 to 2.0 in 2014 as a result of the increase in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Dallas' FTE student enrollment increased by 8.7% from 2013 to 2014. The upward trend in FTE student enrollment relative to gross enrollment reflects the effects of the university's guaranteed tuition plan, which encourages full-time status, federal and state eligibility requirements for aid for domestic students and visa requirements for international students. In the fall of 2014, undergraduate FTEs rose 9.1% over the fall of 2013 while the FTEs for masters student enrollment increased by 9.7%.

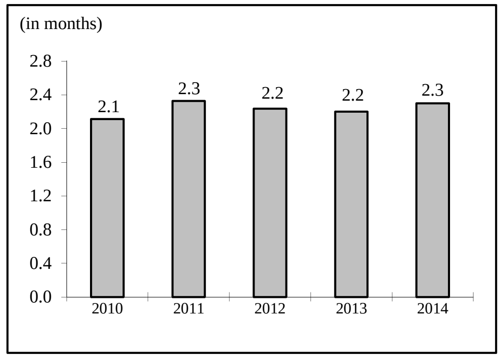
The University of Texas at El Paso
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

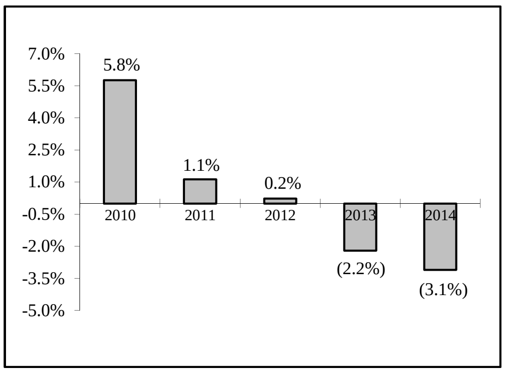
Composite Financial Index



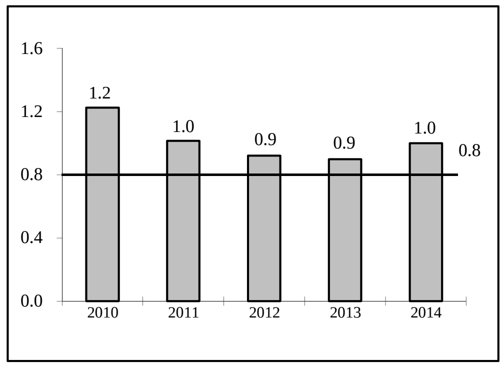
Operating Expense Coverage Ratio



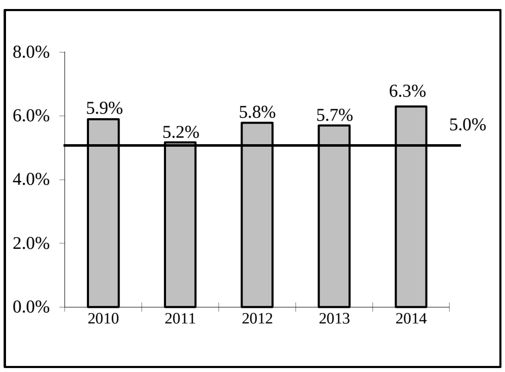
Annual Operating Margin Ratio



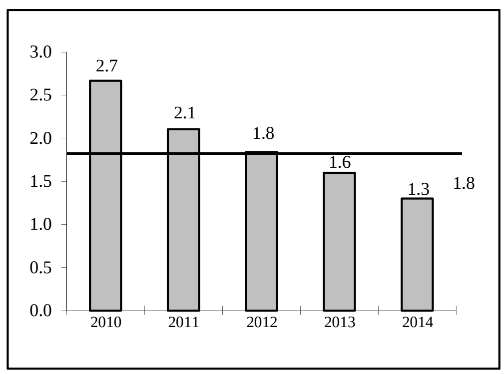
Expendable Resources to Debt Ratio



Debt Burden Ratio

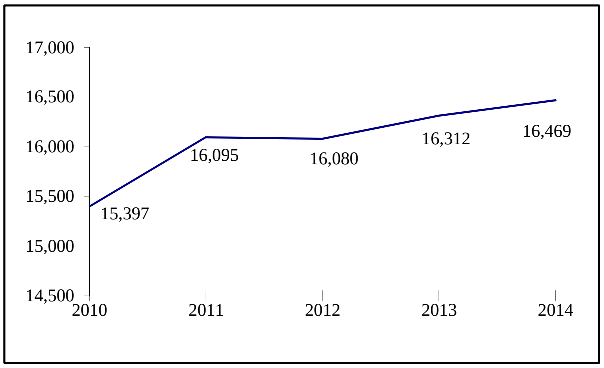


Debt Service Coverage Ratio



The University of Texas at El Paso
2014 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. El Paso's CFI increased from 2.3 in 2013 to 2.8 in 2014 as a result of increases in the primary reserve and return on net position ratios. The increase in the primary reserve ratio was a result of the growth in both total unrestricted net position and total restricted expendable net position (excluding restricted expendable for capital projects) discussed below. The increase in the return on net position ratio was largely attributable to a decrease in the amount of debt outstanding as compared to an increase in the prior year.

Operating Expense Coverage Ratio - U. T. El Paso's operating expense coverage ratio increased from 2.2 months in 2013 to 2.3 months in 2014 due to the growth in total unrestricted net position of $4.1 million, which was mostly offset by the increase in total operating expenses (including interest expense) of $3.7 million. The increase in total unrestricted net position was primarily attributable to an increase in unrestricted funding in unexpended plant funds. The increase in total operating expenses was largely driven by the following: a $5.4 million increase in salaries and wages and payroll related costs primarily as a result of new faculty lines, tenure promotions, mid-year faculty market adjustments, summer salaries for the College of Science, new lines in the Border Biomedical Research Center, salaries for temporary employees related to the PeopleSoft implementation, bonuses and increased salaries expense in Intercollegiate Athletics, and increased benefits expenses due to the increased salaries expenses and an average 7.0% increase in Higher Education Group Insurance; a $0.6 million increase in depreciation and amortization expense resulting from various capital projects that were placed into service in 2014, as well as the recognition of a full year of depreciation expense on the Swimming and Fitness Center Phase II; a $0.6 million increase in travel primarily due to increases in research related travel; a $0.6 million increase in professional fees and services largely attributable to consulting expenses incurred due to the implementation of PeopleSoft on May 1, 2014. These increases in expenses were partially mitigated by a decrease of $3.0 million in scholarships and fellowships as a result of the change in the reporting of Pell Grants in 2013.

Annual Operating Margin Ratio - U. T. El Paso's annual operating margin ratio decreased from (2.2%) for 2013 to (3.1%) for 2014 as the growth in total operating expenses of $3.7 million exceeded the growth in total operating revenues of $0.2 million. The increase in total operating revenues was primarily driven by increases in the following: a $17.6 million increase in net tuition and fees resulting from the change in the method of Pell Grant recognition in 2013, which was offset by tuition discounting; a $5.8 million increase in other operating revenues largely attributable to a pending reimbursement from the state for payroll expenses; and a $1.2 million increase in net sales and services of educational activities generated by increases in on-line courses through the P3 Program. These increases in revenues were almost completely offset by decreases in the following: a $19.4 million decrease in sponsored program revenue (including nonexchange sponsored programs and including the adjustment for the portion of Texas Research Incentive Program (TRIP) funding received in 2013 but not included until 2014); a $2.4 million decrease in gifts for operations; and a $1.3 million decrease in auxiliary enterprises primarily due to reduced season ticket sales and gate receipts for athletic events.

During the last quarter of 2013 U. T. El Paso received $5.1 million in Texas Research Incentive Program (TRIP) funding from the Texas Higher Education Coordinating Board. Given that these funds were received so close to year-end, U. T. El Paso was not able to spend $4.7 million of these funds in 2013. Therefore, in order to more appropriately match revenues with expenses the $4.7 million of unspent TRIP funding was removed from 2013 nonexchange sponsored program revenue and was added to 2014 nonexchange sponsored program revenue.

Expendable Resources to Debt Ratio - U. T. El Paso's expendable resources to debt ratio increased from 0.9 in 2013 to 1.0 in 2014. The increase in this ratio was due to the growth in both total unrestricted net position of $4.1 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $18.5 million, as well as a decrease of $4.5 million in the amount of debt outstanding. The increase in total restricted expendable net position (excluding restricted expendable for capital projects) was primarily attributable to an increase in the appreciation on the endowment funds.

Debt Burden Ratio - U. T. El Paso's debt burden ratio increased from 5.7% in 2013 to 6.3% in 2014 as a result of a $2.5 million increase in debt service payments.

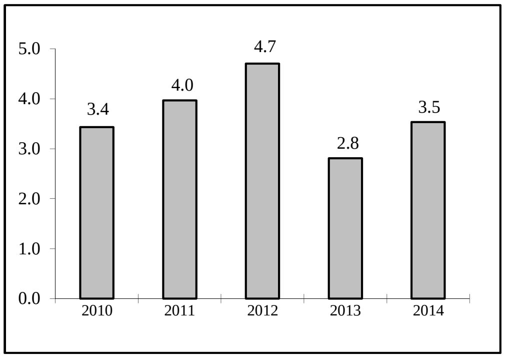
Debt Service Coverage Ratio - U. T. El Paso's debt service coverage ratio decreased from 1.6 in 2013 to 1.3 in 2014. The decrease in this ratio resulted from the reduction in operating margin, as discussed in the annual operating margin ratio, combined with the increase in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. El Paso's FTE student enrollment slightly. Undergraduate semester credit hours increased by 1.3%.

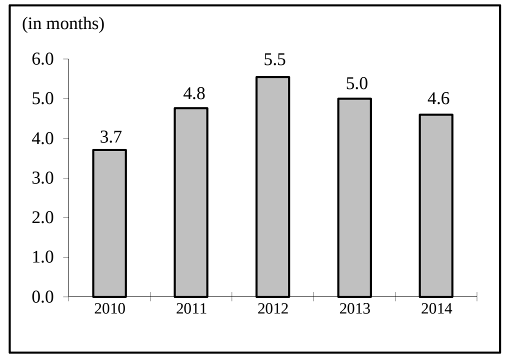
The University of Texas-Pan American
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

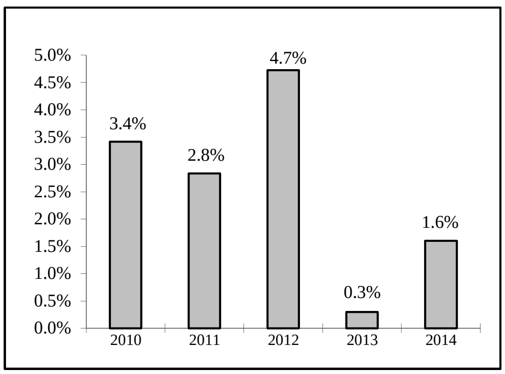
Composite Financial Index



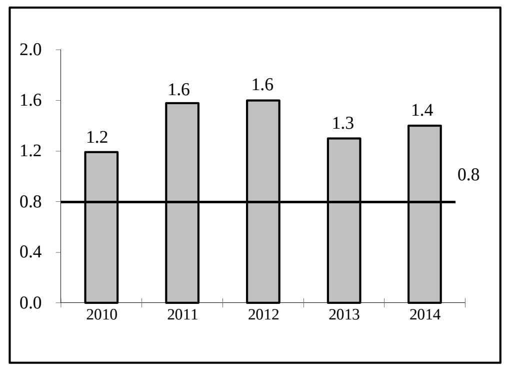
Operating Expense Coverage Ratio



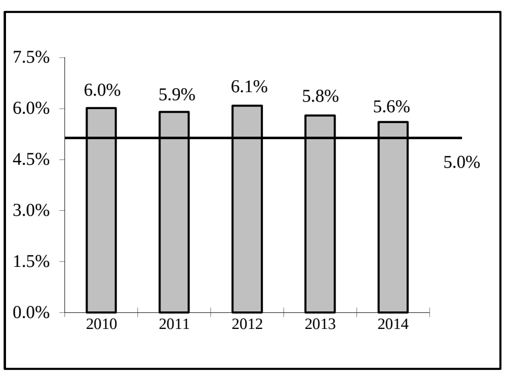
Annual Operating Margin Ratio



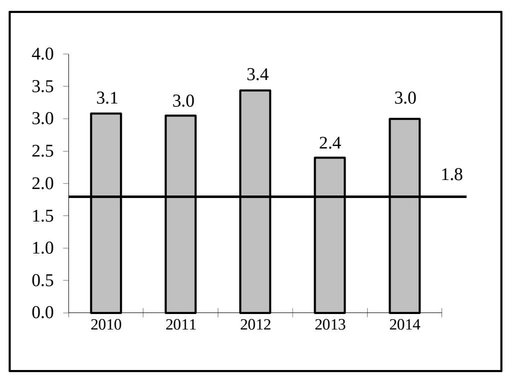
Expendable Resources to Debt Ratio



Debt Burden Ratio

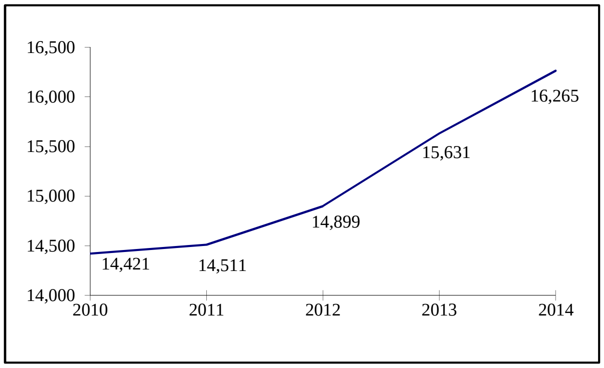


Debt Service Coverage Ratio



The University of Texas-Pan American
2014 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Pan American's CFI increased from 2.8 in 2013 to 3.5 in 2014 primarily as a result of an increase in the return on net position ratio. The increase in the return on net position ratio was largely attributable to the increase in operating performance, as discussed below, and the net increase in the fair value of investments of $8.0 million in 2014 as compared to $1.9 million in 2013. Additionally, the debt outstanding decreased by $7.4 million.

Operating Expense Coverage Ratio - U. T. Pan American's operating expense coverage ratio decreased from 5.0 months in 2013 to 4.6 months in 2014 primarily due to a $15.9 million increase in total operating expenses (including interest expense). The increase in total operating expenses was largely attributable to the following: a $9.8 million increase in salaries and wages and payroll related costs as a result of a 3.0% merit salary adjustment for faculty and staff; and an $8.2 million increase in scholarships and fellowships directly related to a 4.0% increase in student enrollment and additional financial aid awarded for the TEXAS Grant and Pell Grant programs. These increases in expenses were partially offset by a decrease in repairs and maintenance of $2.8 million due to one-time projects which occurred in 2013 with no comparable projects in 2014.

Annual Operating Margin Ratio - U. T. Pan American's annual operating margin ratio increased from 0.3% for 2013 to 1.6% for 2014 as a result of the growth in total operating revenues of $19.4 million exceeding the growth in total operating expenses of $15.6 million. Total operating revenues increased primarily due to a $27.5 million increase in net tuition and fees caused by a decrease in tuition discounting as a result of the change in reporting of Pell Grants in 2013, as well as a 4.0% increase in student enrollment. This increase in revenue was partially offset by the related decrease in federal nonexchange sponsored programs of $17.6 million. Also contributing to the increase in total operating revenues was an increase in state appropriations of $4.7 million and an increase in sponsored programs (excluding nonexchange sponsored programs) of $7.0 million. Federal sponsored programs increased primarily due to increased funding for capital equipment purchases and new awards, while state sponsored program pass-throughs from state agencies increased as a result of an increase in the TEXAS Grant Program.

Expendable Resources to Debt Ratio - U. T. Pan American's expendable resources to debt ratio increased from 1.3 in 2013 to 1.4 in 2014. The increase in this ratio was attributable to a decrease of $7.4 million in the amount of debt outstanding.

Debt Burden Ratio - U. T. Pan American's debt burden ratio decreased from 5.8% in 2013 to 5.6% in 2014 as a result of the increase in total operating expenses as previously discussed.

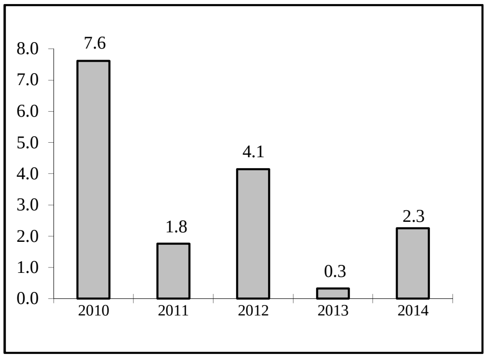
Debt Service Coverage Ratio - U. T. Pan American's debt service coverage ratio increased from 2.4 in 2013 to 3.0 in 2014. The increase in this ratio was a result of the improved operating performance, as mentioned above, and relatively stable debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Pan American's FTE student enrollment increased from 15,631 in Fall 2013 to 16,265 in Fall 2014, which was a 4.1% increase. Overall enrollment went up from 20,053 in Fall 2013 to 21,015 in Fall 2014, a 4.8% increase. A quality advisement program and several other student success initiatives are helping student retention and timely graduation.

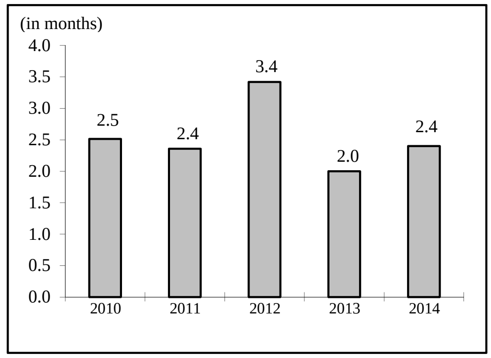
The University of Texas of the Permian Basin
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

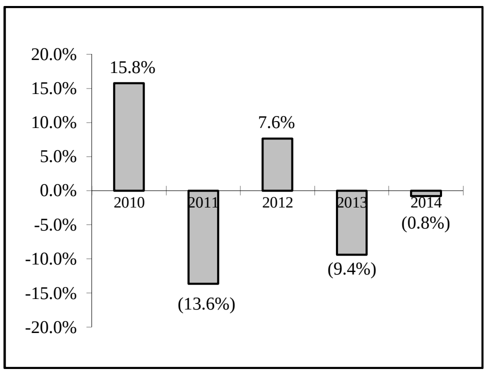
Composite Financial Index



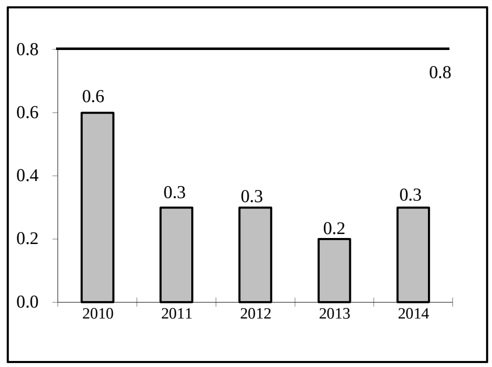
Operating Expense Coverage Ratio



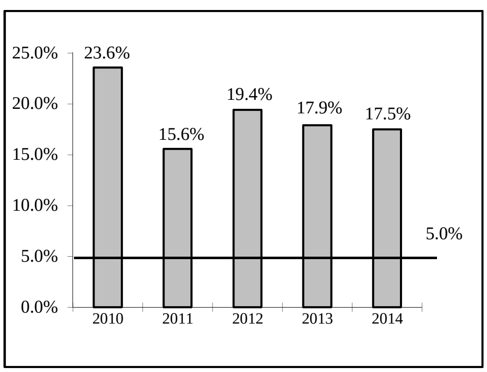
Annual Operating Margin Ratio



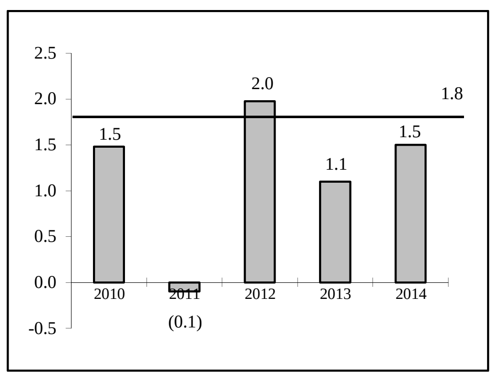
Expendable Resources to Debt Ratio



Debt Burden Ratio

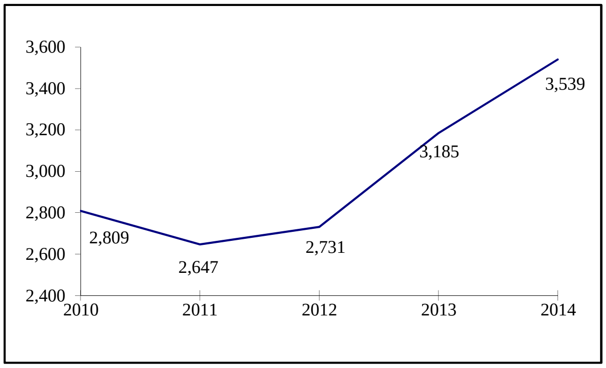


Debt Service Coverage Ratio



The University of Texas of the Permian Basin
2014 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Permian Basin's CFI increased from 0.3 in 2013 to 2.3 in 2014 as a result of increases in the return on net position, annual operating margin and primary reserve ratios. The increase in the return on net position ratio was primarily driven by the improvement in operating performance, a larger net increase in the fair value of investments, and an increase in the amount of bond proceeds transferred to U. T. Permian Basin for capital projects. The increase in the annual operating margin ratio is discussed below. The increase in the primary reserve ratio was largely attributable to the growth in total unrestricted net position and total restricted expendable net position (excluding restricted expendable for capital projects), which are also discussed in more detail below.

Operating Expense Coverage Ratio - U. T. Permian Basin's operating expense coverage ratio increased from 2.0 months in 2013 to 2.4 months in 2014 due to an increase in total unrestricted net position of $2.9 million. The growth in total unrestricted net position was primarily attributable to an increase in net tuition and fees resulting from a 19.0% increase in student headcount and a 21.0% increase in semester credit hours (SCH), as well as tuition now correctly being reported on an accrual basis.

A*nnual Operating Margin Ratio* - U. T. Permian Basin's annual operating margin ratio improved from (9.4%) for 2013 to (0.8%) for 2014 due to the growth in total operating revenues of $8.5 million outpacing the growth in total operating expenses (including interest expense) of $3.1 million. The increase in total operating revenues was primarily attributable to an $8.6 million increase in net tuition and fees, as discussed above, and a $2.1 million increase in state appropriations. These increases in operating revenues were partially offset by a $1.0 million decrease in sponsored program revenue (including nonexchange sponsored programs) due to the change in reporting of Pell Grants in 2013 and a $0.7 million decrease in gifts for operations as a result of a decrease in new pledges for 2014 as compared to new pledges in 2013. The increase in total operating expenses was mostly due to the following: a $4.1 million increase in salaries and wages and payroll related costs attributable to merit increases and additional adjunct faculty to support the 21.0% enrollment growth; a $0.7 million increase in professional fees and services resulting from payments for the Academic Partnership for assistance in obtaining enrollments in certain online courses; a $0.5 million increase in utilities due to the expansion of student housing; and a $0.4 million increase in other operating expenses primarily attributable to increases in insurance costs, grant expenses related to pass-throughs and participation fees, and a change in reporting of registration fees from travel to other operating expenses. These increases in operating expenses were partially offset by decreases in the following: a $1.6 million decrease in scholarships and fellowships resulting from the change in reporting of Pell Grants in 2013; a $0.5 million decrease in other contracted services largely due to a decrease of grant and HVAC service contracts; and a $0.5 million decrease in repairs and maintenance primarily as a result of increased expenses in 2013 for sidewalks and Turf Specialties. The Turf Specialties expense was reimbursed in 2014.

Expendable Resources to Debt Ratio - U. T. Permian Basin's expendable resources to debt ratio increased from 0.2 in 2013 to 0.3 in 2014. The increase in this ratio was generated by the growth in both total unrestricted net position of $2.9 million, as previously discussed, and total restricted expendable net position (excluding restricted expendable for capital projects) of $4.3 million, which was largely offset by an increase of $15.1 million in the amount of debt outstanding. The increase in total restricted expendable net position (excluding restricted expendable for capital projects) was primarily attributable to the increase in appreciation on the endowment funds. The increase in the debt outstanding was related to the Student Housing Phase VI project.

Debt Burden Ratio - U. T. Permian Basin's debt burden ratio decreased from 17.9% in 2013 to 17.5% in 2014 as a result of the increase in total operating expenses, as discussed above.

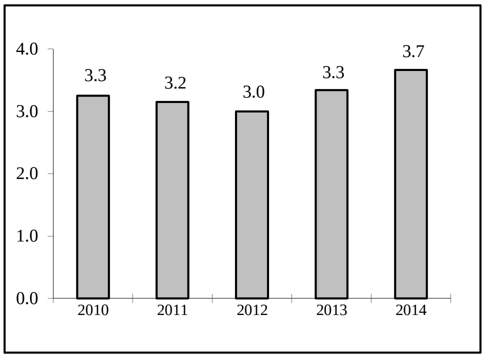
Debt Service Coverage Ratio - U. T. Permian Basin's debt service coverage ratio increased from 1.1 in 2013 to 1.5 in 2014. The increase in this ratio was attributable to the improvement in operating performance as discussed in the annual operating margin ratio.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Permian Basin's FTE student enrollment increased as a result of dual credit and the Academic Partnership programs. U. T. Permian Basin had an 88.0% increase in headcount and a 50.0% increase in semester credit hours (SCH) in dual credit students. The students enrolled in the Academic Partnership programs increased 208.0% in headcount and 430.0% in SCH.

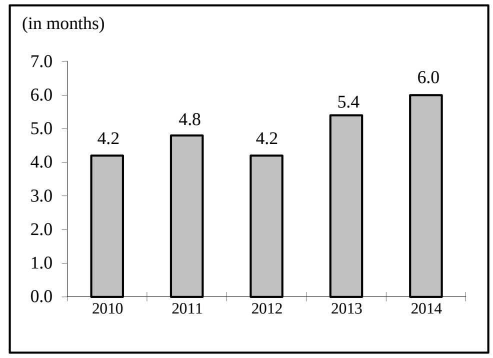
The University of Texas at San Antonio
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

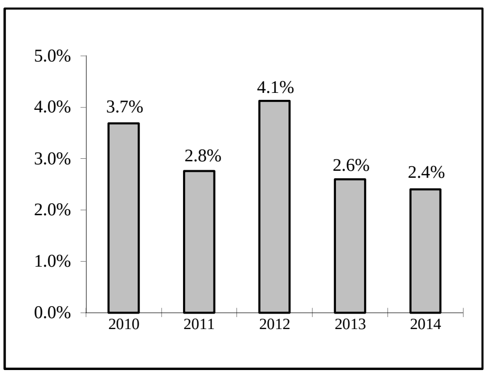
Composite Financial Index



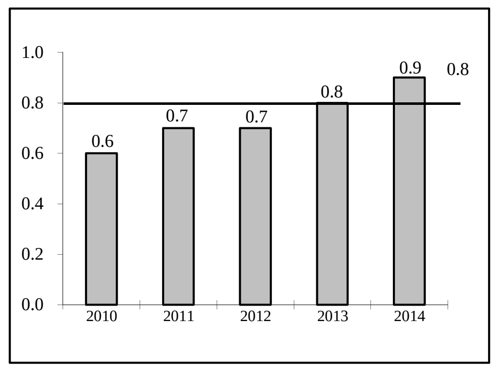
Operating Expense Coverage Ratio



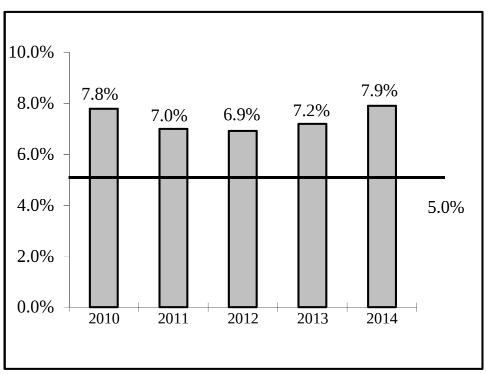
Annual Operating Margin Ratio



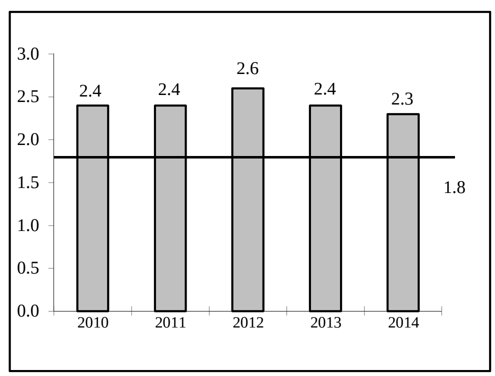
Expendable Resources to Debt Ratio



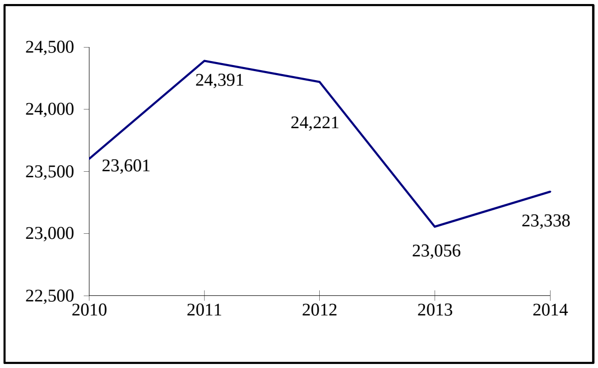
Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas at San Antonio
2014 Summary of Financial Condition
Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. San Antonio's CFI increased from 3.3 in 2013 to 3.7 in 2014 largely as a result of an increase in the primary reserve ratio. The increase in the primary reserve ratio was driven by increases in total unrestricted net position and restricted expendable net position (excluding restricted expendable for capital projects), combined with the decrease in total operating expenses, all of which are discussed in more detail below.

Operating Expense Coverage Ratio - U. T. San Antonio's operating expense coverage ratio increased from 5.4 months in 2013 to 6.0 months in 2014 due to an increase in total unrestricted net position of $21.7 million and a decrease in total operating expenses (including interest expense) of $10.6 million. The growth in total unrestricted net position was primarily attributable to the operating activity in designated and auxiliary funds, as well as the increase in the fair value of investments allocated to designated and auxiliary funds. The decrease in total operating expenses was largely due to the following: a $13.8 million decrease in scholarships and fellowships as a result of the change in reporting of Pell Grants in 2013; a $3.8 million decrease in repairs and maintenance due to a reduction in expenses for grounds maintenance that was outsourced and larger non-recurring expenses in 2013 for computer security initiatives and office renovations; a $1.5 million decrease in travel attributable to a reduction in travel expenses related to the PeopleSoft project; a $1.4 million decrease in materials and supplies primarily due to a reduction in expenses for computer equipment as compared to the prior year when computer equipment was purchased in conjunction with the Information Security Assurance Initiative; and a $1.3 million decrease in professional fees and services for educational services related to programs like the Africa reading project which were contracted and expired in 2013. These decrease in expenses were partially offset by increases in the following: a $4.6 million increase in depreciation and amortization expense largely due to San Saba Hall, the Park West Facilities, intramural field improvements and roadway improvements which were completed and placed into service in 2014, as well as the recognition of a full year of depreciation expense on projects that were placed into service in the prior year; a $3.0 million increase in salaries and wages and payroll related costs as a result of a 2.0% merit increase; a $1.4 million increase in other operating expenses driven by increases in professional membership dues, official occasions and conference workshops/seminars; and a $1.4 million increase in other contracted services resulting from the outsourcing of housekeeping and grounds keeping services.

Annual Operating Margin Ratio - U. T. San Antonio's annual operating margin ratio decreased from 2.6% for 2013 to 2.4% for 2014 due to a larger decrease in total operating revenues of $11.6 million as compared to the decrease in total operating expenses of $10.6 million. The decrease in total operating revenues was attributable to the following: a $33.1 million decrease in sponsored program revenue (including nonexchange sponsored programs and including the adjustment for the portion of Texas Research Incentive Program (TRIP) funding received in 2013 but not included until 2014) primarily due to the change in reporting of Pell Grants in 2013 and decreased federal activity, with the largest decreases in funding from the Department of Health and Human Services, National Science Foundation and Department of Homeland Security; and a $2.4 million decrease in other operating revenues largely caused by revenue received in the prior year for the Information Security Assurance Initiative. These decreases in revenues were partially offset by increases in the following: a $10.4 million increase in state appropriations; a $5.7 million increase in auxiliary enterprises revenue as a result of revenue generated from a new dormitory that was placed into service in August 2013, as well as increases in parking and meal revenue; a $3.8 million increase in net tuition and fees related to a decrease in tuition discounting associated with the change in the reporting of Pell Grants in 2013; an increase in gifts for operations of $1.9 million; an increase in net investment income (excluding realized gains/losses) of $1.1 million; and a $1.0 million increase in net sales and services of educational activities due to increases in course and instructor fees, as well as program income and conference registration revenue.

Late in 2013 U. T. San Antonio received $2.2 million in TRIP funding from the Texas Higher Education Coordinating Board. Given that these funds were received so close to year-end, U. T. San Antonio was not able to spend $0.6 million of these funds in 2013. Therefore, in order to more appropriately match revenues with expenses the $0.6 million of unspent TRIP funding was removed from 2013 nonexchange sponsored program revenue and was added to 2014 nonexchange sponsored program revenue.

Expendable Resources to Debt Ratio - U. T. San Antonio's expendable resources to debt ratio increased from 0.8 in 2013 to 0.9 in 2014. The slight increase in this ratio was due to the growth in both total unrestricted net position of $21.7 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $16.2 million combined with a decrease of $17.3 million in the amount of debt outstanding. The increase in total restricted expendable net position (excluding restricted expendable for capital projects) was largely driven by the activity in restricted funds, as well as an increase in the appreciation on endowment funds.

Debt Burden Ratio - U. T. San Antonio's debt burden ratio increased from 7.2% in 2013 to 7.9% in 2014 due to an increase in debt service payments of $3.3 million and the decrease in total operating expenses as previously discussed.

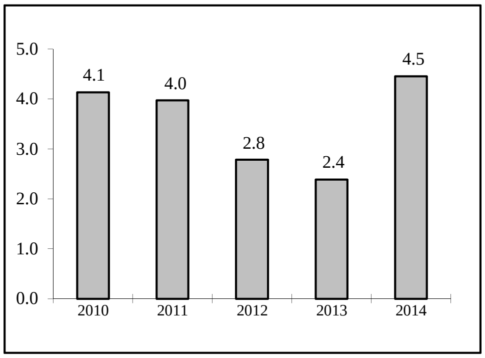
Debt Service Coverage Ratio - U. T. San Antonio's debt service coverage ratio decreased from 2.4 in 2013 to 2.3 in 2014. The change in this ratio was attributable to the decline in operating performance as discussed in the annual operating margin ratio.

Full-Time Equivalent (FTE) Student Enrollment - U. T. San Antonio's FTE student enrollment was higher than 2013 due to an increase in undergraduate semester credit hours.

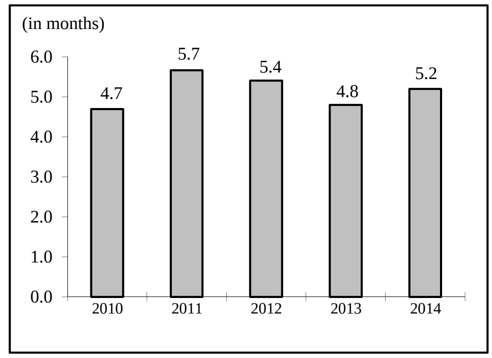
The University of Texas at Tyler
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

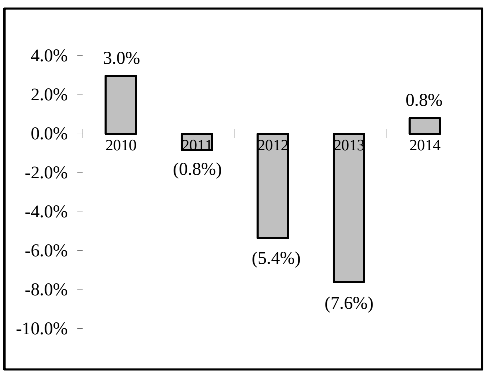
Composite Financial Index



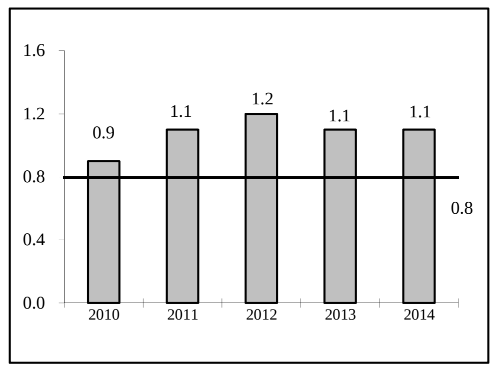
Operating Expense Coverage Ratio



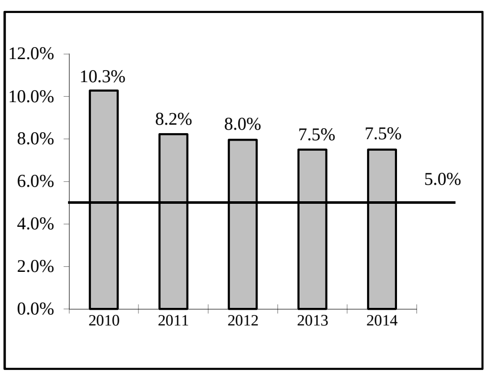
Annual Operating Margin Ratio



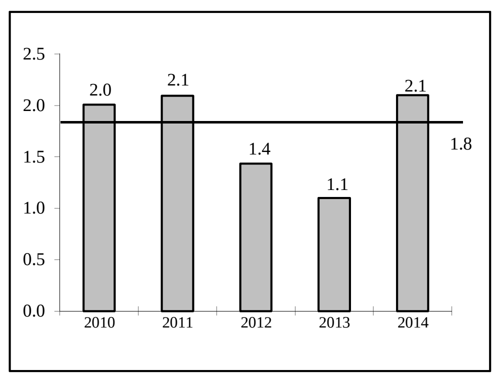
Expendable Resources to Debt Ratio



Debt Burden Ratio

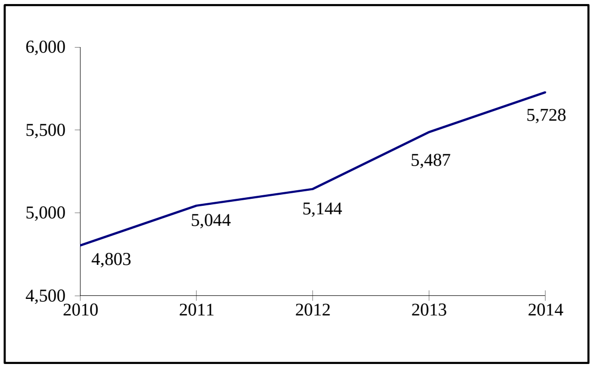


Debt Service Coverage Ratio



The University of Texas at Tyler
2014 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Tyler's CFI increased from 2.4 in 2013 to 4.5 in 2014 due to increases in the return on net position, annual operating margin and primary reserve ratios. The increase in the return on net position ratio was largely driven by an increase in the amount of bond proceeds transferred to U. T. Tyler for the purchase of Eagles Landing and the construction of the College of Pharmacy building. The improvement in the annual operating margin ratio is discussed below. The increase in the primary reserve ratio was primarily a result of the growth in total unrestricted net position and the growth in total restricted expendable net position (excluding expendable for capital projects), which are also discussed below.

Operating Expense Coverage Ratio - U. T. Tyler's operating expense coverage ratio increased from 4.8 months in 2013 to 5.2 months in 2014 due to the growth in total unrestricted net position of $5.1 million, which was partially offset by an increase in total operating expenses (including interest expense) of $4.8 million. The increase in total unrestricted net position was primarily attributable to the net increase in the fair value of investments allocated to designated funds and funds allocated for the music building. The increase in total operating expenses was largely due to the following: a $5.6 million increase in salaries and wages and payroll related costs as a result of merit increases and market adjustments combined with staffing for the addition of the College of Pharmacy and Ingenuity Center; a $1.7 million increase in other contracted services generated by increases in the payments for the Academic Partnership program as well as the Medical Services Management Fee; and a $0.8 million increase in other operating expenses primarily due to conference related expenses. These increases in expenses were partially mitigated by a decrease of $3.5 million in scholarships and fellowships expense as a result of the change in reporting of Pell Grants in 2013.

Annual Operating Margin Ratio - U. T. Tyler's annual operating margin ratio improved from (7.6%) for 2013 to 0.8% for 2014 due to the growth in total operating revenues of $13.4 million outpacing the growth in total operating expenses of $4.8 million. The increase in total operating revenues was largely attributable to the following: a $5.5 million increase in net tuition and fees driven by continued enrollment growth; a $4.9 million increase in state appropriations; a $4.6 million increase in gifts for operations due to the recognition of the Fisch gift for the College of Pharmacy; and a $1.2 million increase in auxiliary enterprises revenue as a result of increases in housing, food and vending revenues related to the growth in enrollment. These increases in revenues were partially offset by decreases in the following: a $1.9 million decrease in sponsored program revenue (including nonexchange sponsored programs) primarily due to the change in reporting of Pell Grants in 2013; and a $0.7 million decrease in other operating revenues attributable to one-time funding in 2013 for Information Security Assurance Initiative and MS license renewal agreement with U. T. Austin.

Expendable Resources to Debt Ratio - U. T. Tyler's expendable resources to debt ratio remained unchanged at 1.1 in 2014. The stability of this ratio was a result of the growth in both total unrestricted net position of $5.1 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $12.1 million offset by an increase of $22.0 million in the amount of debt outstanding. The increase in restricted expendable net position (excluding restricted expendable for capital projects) was largely attributable to the Fisch gift for the College of Pharmacy combined with an increase in the appreciation on the endowment funds. The increase in debt outstanding was related to funding for the College of Pharmacy and the Cambridge apartment acquisition.

Debt Burden Ratio - U. T. Tyler's debt burden ratio was 7.5% in both 2013 and 2014. This ratio remained unchanged due to the increase in debt service payments of $0.7 million which was offset by the increase in operating expenses.

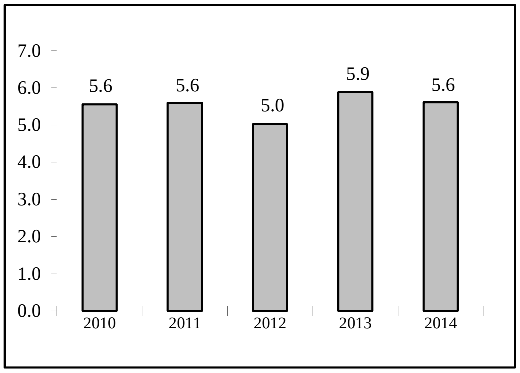
Debt Service Coverage Ratio - U. T. Tyler's debt service coverage ratio increased from 1.1 in 2013 to 2.1 in 2014 as a result of the improvement in the annual operating margin as discussed above.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Tyler's FTE student enrollment increased by 241 or 4.4% from 2013. This increase was due to continued efforts in student recruitment and retention.

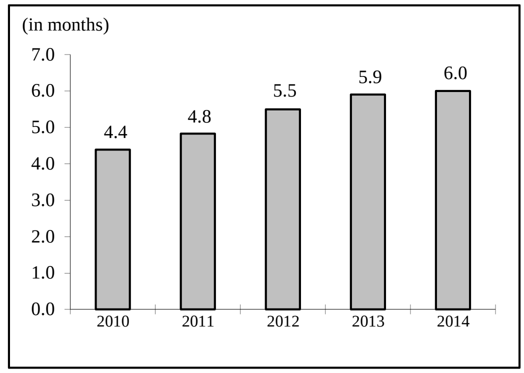
The University of Texas Southwestern Medical Center
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

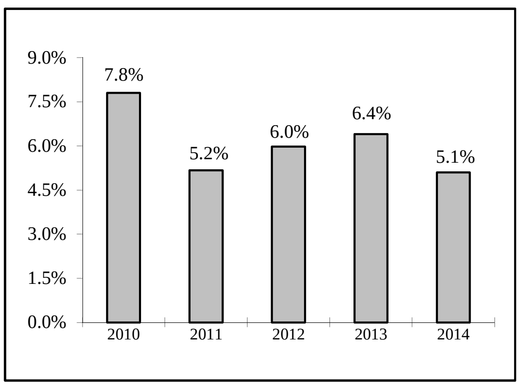
Composite Financial Index



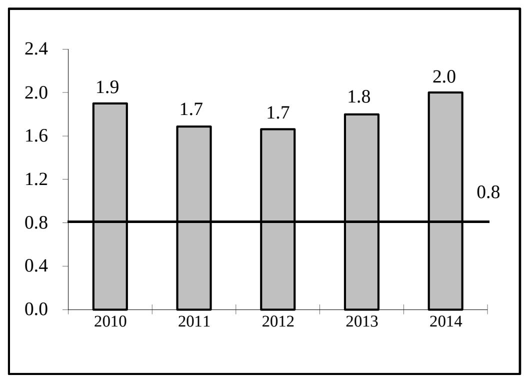
Operating Expense Coverage Ratio



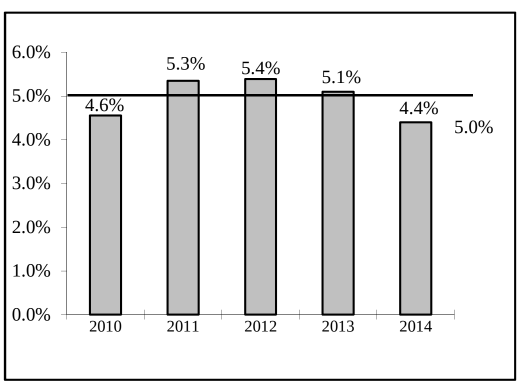
Annual Operating Margin Ratio



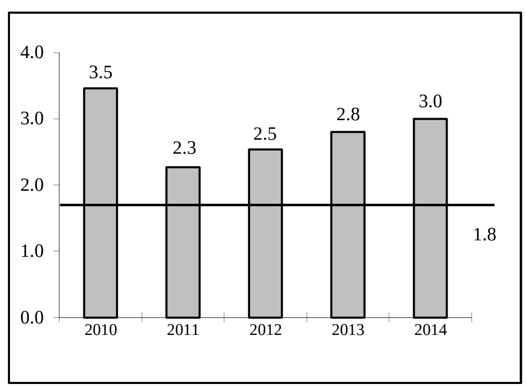
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Southwestern Medical Center
2014 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Southwestern Medical Center's (Southwestern) CFI decreased from 5.9 in 2013 to 5.6 in 2014 largely as a result of a decrease in the primary reserve ratio. The reduction in the primary reserve ratio was driven by the increase in total operating expenses as discussed below.

Operating Expense Coverage Ratio - Southwestern's operating expense coverage ratio increased from 5.9 months in 2013 to 6.0 months in 2014 due to an increase in total unrestricted net position of $107.0 million, which was largely offset by the increase in total operating expenses (including interest expense) of $185.5 million. The growth in total unrestricted net assets was primarily attributable to the improved operating results of the physician practice plan and the hospitals. Total operating expenses increased largely due to the following: a $97.8 million increase in salaries and wages and payroll related costs as a result of a 3.0% merit pool for faculty and staff; a $32.8 million increase in materials and supplies primarily related to the increase in patient volumes, which resulted in higher costs for drugs, chemical reagents, implants, medical supplies, and medical instruments, as well as increased expenses for furniture and equipment not capitalized; a $27.6 million increase in other contracted services largely due to increases in miscellaneous purchased services ($9.9 million), vendor contract labor ($6.2 million), and the reclassification of some expenses ($9.1 million) from other operating expenses; and a $25.5 million increase in depreciation and amortization expense primarily as a result of decreasing the useful life of the St. Paul Hospital building and garage which will be replaced with the William P. Clements Jr. University Hospital scheduled to open in December 2014, along with the depreciation and amortization expense associated with various equipment and software purchases.

Annual Operating Margin Ratio - Southwestern's annual operating margin ratio decreased from 6.4% for 2013 to 5.1% for 2014 as the growth in total operating expenses of $185.5 million exceeded the growth in total operating revenues of $166.4 million. The increase in total operating revenues was primarily driven by the following: a $76.6 million increase in net sales and services of hospitals resulting from an increase of approximately 10,800 in outpatient visits over the prior year; a $38.5 million increase in net professional fees largely attributable to increased patient volumes; a $23.3 million increase in state appropriations; a $21.8 million increase in sponsored program revenues primarily due to increases in the contracts with Parkland Memorial Hospital and Children's Medical Center along with sizeable grants received from the Howard Hughes Medical Institute and Coam Cancer Sponsored Research; and a $7.0 million increase in gifts for operations largely due to a one-time gift received for Brain Research in 2014.

Expendable Resources to Debt Ratio - Southwestern's expendable resources to debt ratio increased from 1.8 in 2013 to 2.0 in 2014. The increase in this ratio resulted from the growth in both total unrestricted net position of $107.0 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $43.3 million, and a reduction of $40.4 million in the amount of debt outstanding. The increase in restricted expendable net position (excluding restricted expendable for capital projects) was largely driven by the increase in the appreciation on endowment funds.

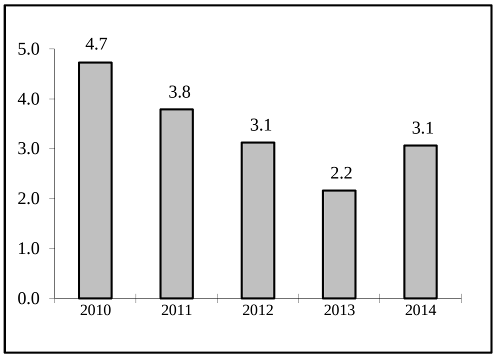
Debt Burden Ratio - Southwestern's debt burden ratio decreased from 5.1% in 2013 to 4.4% in 2014 due to a decrease of $5.5 million in debt service payments and the increase in total operating expenses previously discussed.

Debt Service Coverage Ratio - Southwestern's debt service coverage ratio increased from 2.8 in 2013 to 3.0 in 2014. The increase in this ratio was attributable to the decrease in debt service payments.

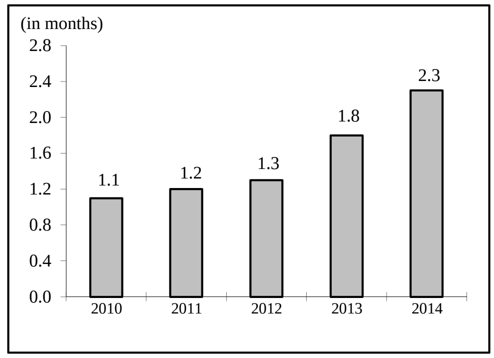
The University of Texas Medical Branch at Galveston
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

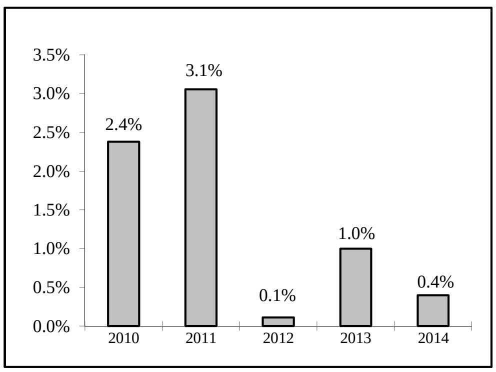
Composite Financial Index



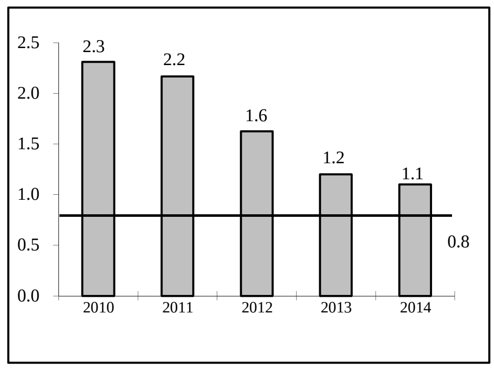
Operating Expense Coverage Ratio



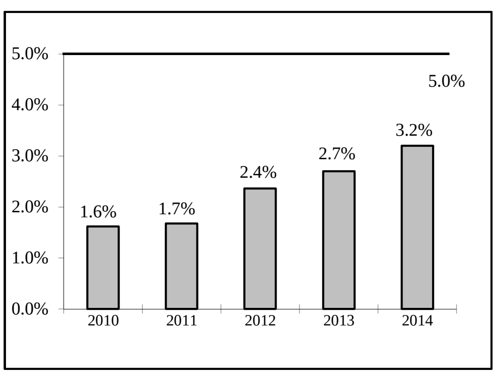
Annual Operating Margin Ratio



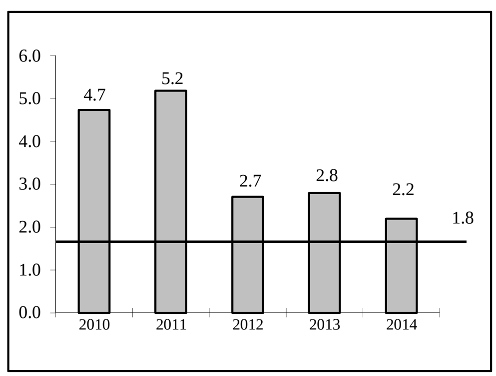
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Medical Branch at Galveston
2014 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Medical Branch - Galveston's (UTMB) CFI increased from 2.2 in 2013 to 3.1 in 2014 due to an increase in the return on net position ratio. The increase in the return on net position ratio was largely driven by a greater change in net position of $293.5 million in 2014. The larger change in net position was primarily driven by the following: a $110.6 million increase in the amount of bond proceeds transferred to UTMB for the Victory Lakes Specialty Care Center Expansion, the Jennie Sealy Replacement Hospital and Hurricane *Ike* recovery projects; a $70.2 million increase in gifts and sponsored programs for capital acquisitions primarily related to the Jennie Sealy Replacement Hospital and Hurricane *Ike* recovery projects; the net increase in fair value of investments of $62.6 million in 2014 as compared to $18.7 million in 2013 for a change between years of $43.9 million; and an increase in state appropriations of $34.8 million.

Operating Expense Coverage Ratio - UTMB's operating expense coverage ratio increased from 1.8 months in 2013 to 2.3 months in 2014 as a result of an increase in total unrestricted net position of $70.1 million, which was partially offset by a $56.1 million increase in total operating expenses (including interest expense). The increase in total unrestricted net position was largely attributable to a $54.1 million increase in unexpended plant funds as a result of funding for capital initiatives and a $14.1 million increase in educational and general funds associated with hospital operations. Total operating expenses increased primarily due to the following: a $55.3 million increase in salaries and wages ($44.3 million or 5%) and payroll related costs ($11.0 million or 5%) as a result of merit increases and salary administration to reward performance and aid in retaining and attracting talent; a $7.7 million increase in cost of goods sold attributable to increased cost of flu vaccines, new protocols for Hepatitis C, and some increases in floor stock, as well as the pharmacy department making compounded products to address back orders and national shortages; a $5.7 million increase in material and supplies due to an increase in medical/surgical supplies for Sentry Program pharmacies and increased patient volume; and a $4.4 million increase in depreciation and amortization expense. These increases in expenses were partially offset by decreases in the following: a $9.3 million decrease in other contracted services attributable to a modification in intercompany labor costs which resulted in an increase in salaries and wages and a decrease in other contracted services over the prior year; and a $9.2 million decrease in other operating expenses mainly due to decreases in federal subcontracts and the hospital contract with the physician practice plan.

UTMB's operating expenses include those expenses incurred in the delivery of the Texas Department of Criminal Justice (TDCJ) contract. This contract is a cost reimbursement contract and as such is not expected to generate net position. Reviewing UTMB excluding the TDCJ contract expenses of $439.5 million presents a ratio that more clearly reflects UTMB's ability to meet future business obligations. The operating expense coverage ratio excluding the TDCJ contract would equal 3.1 months as compared to 2.3 months when included.

Annual Operating Margin Ratio - UTMB's annual operating margin ratio decreased from 1.0% for 2013 to 0.4% for 2014 as a result of the growth in total operating expenses of $56.1 million outpacing the growth in total operating revenues of $47.5 million. Total operating revenues increased primarily due to the following: a $47.1 million increase in net sales and services of hospitals attributable to an increase in volume as evidenced by an increase in admissions of 5.4% and an increase in outpatient visits of 8.3%, as well as an estimated 5.0% rate increase effective mid-February 2014; a $34.8 million increase in state appropriations; and a $13.6 million increase in other operating revenues primarily due to an increase in the Delivery System Reform Incentive Payments associated with the Medicaid Section 1115 Demonstration combined with an increase in contract pharmacy revenue as the number of contract pharmacies increased from 6 to 16 as part of the Sentry Program;. These increases in revenues were partially offset by a decrease in sponsored programs revenue of $16.0 million primarily due to contracts that were not renewed and a reduction in federal support for the Child Health and Dental program, as well as support from FEMA.

Expendable Resources to Debt Ratio - UTMB's expendable resources to debt ratio decreased slightly from 1.2 in 2013 to 1.1 in 2014. The decrease in this ratio was attributable to an increase of $155.8 million in the amount of debt outstanding related to the capital projects mentioned in the CFI above. This increase in debt outstanding was partially offset by an increase in total restricted expendable net position (excluding restricted expendable for capital projects) of $33.0 million and an increase in total unrestricted net position of $70.1 million as discussed above. The increase in restricted expendable net position (excluding restricted expendable for capital projects) was primarily due to an increase in the appreciation on endowment funds.

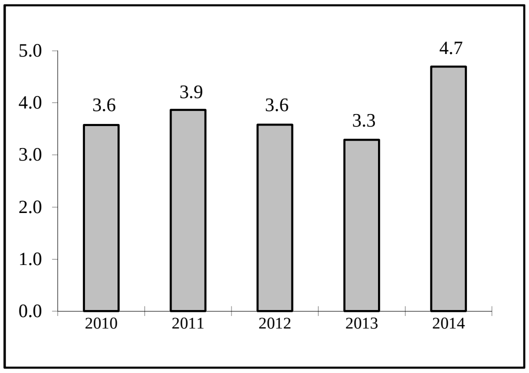
Debt Burden Ratio - UTMB's debt burden ratio increased from 2.7% in 2013 to 3.2% in 2014 as a result of a $9.9 million increase in debt service payments.

Debt Service Coverage Ratio - UTMB's debt service coverage ratio decreased from 2.8 in 2013 to 2.2 in 2014. The decrease in this ratio was due to both the decrease in the annual operating margin, as previously discussed, and the increase in debt service payments.

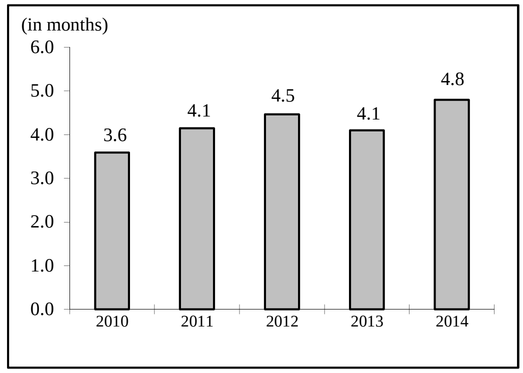
The University of Texas Health Science Center at Houston
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

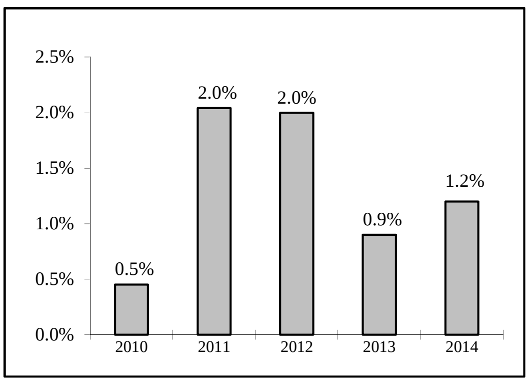
Composite Financial Index



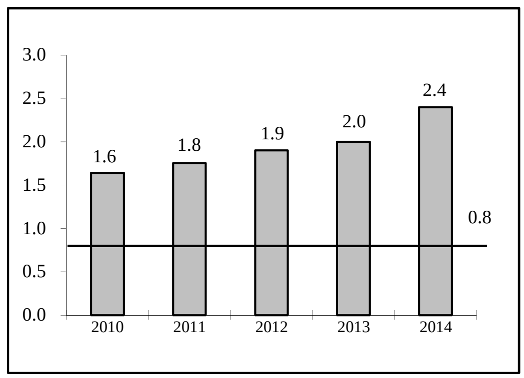
Operating Expense Coverage Ratio



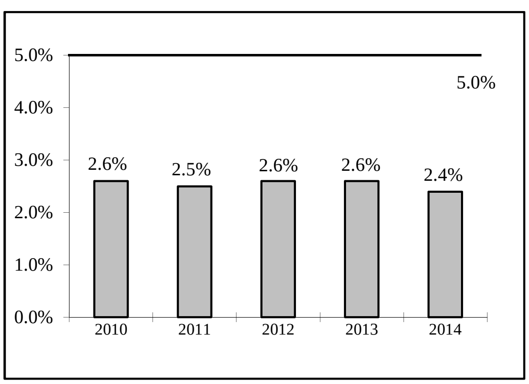
Annual Operating Margin Ratio



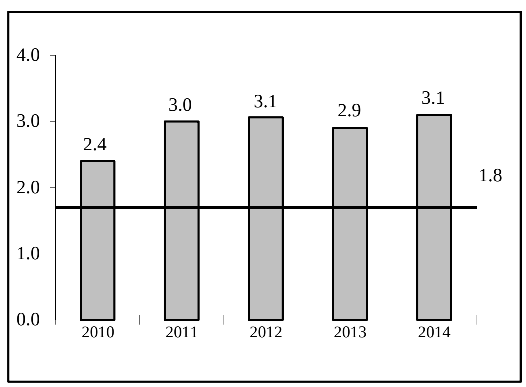
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Houston
2014 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - Houston's (UTHSC-Houston) CFI increased from 3.3 in 2013 to 4.7 in 2014 as a result of increases in the primary reserve, return on net position, and expendable resources to debt ratios. The increase in the primary reserve ratio was largely driven by the $98.3 million increase in total unrestricted net position as discussed below. The increase in the return on net position was the result of a larger change in net position of $104.5 million in 2014 as compared to the change in net position in 2013 of $13.7 million. The larger change in net position in 2014 was primarily caused by the expansion of clinic operations and a larger net increase in the fair value of investments of $47.8 million in 2014 as compared to $12.0 million in 2013.

Operating Expense Coverage Ratio - UTHSC-Houston's operating expense coverage ratio increased from 4.1 months in 2013 to 4.8 months in 2014 due to the growth in total unrestricted net position of $98.3 million, which was a 25.8% increase over the prior year. The increase in total unrestricted net position was partially mitigated by the growth in total operating expenses of 8.9% or $98.3 million (including interest expense). The net increase in the fair value of investments allocated to designated funds and growth in the physician practice plan were the primary contributors to the increase in total unrestricted net position. The increase in total operating expenses was largely attributable to the expansion of the clinic operations. The operating expenses that comprised the majority of the increase are as follows: a net $66.3 million increase in salaries and wages and payroll related costs associated with approximately 110 new faculty/staff physicians and 345 additional staff; a $22.2 million increase in other contracted services as a result of a change in the reporting of amounts paid to temporary employment agencies from salaries and wages to other contracted services; a $5.0 million increase in rentals and leases due to the growth and expansion of the clinics; and a $4.1 million increase in federal sponsored program pass-throughs to other state agencies attributable to new subcontracts with Texas A&M Engineering Experiment Station, U. T. Austin and U. T. M. D. Anderson Cancer Center.

Annual Operating Margin Ratio - UTHSC-Houston's annual operating margin ratio increased from 0.9% for 2013 to 1.2% for 2014 as a result of the increase in total operating revenues of $103.2 million exceeding the growth in total operating expenses of $98.3 million. The increase in total operating revenues was primarily due to the following: a $37.0 million increase in sponsored programs revenue (including nonexchange sponsored programs) primarily attributable to expanded contracted services with Memorial Hermann Hospital and Harris County Hospital District; a $36.5 million increase in net professional fees due to higher gross charge volumes resulting from increased faculty recruitment and growth in the physician practice plan; a $31.3 million increase in state appropriations; and a $12.6 million increase in other operating revenues primarily attributable to an increase of $12.0 million in Delivery System Reform Incentive Payments.

Expendable Resources to Debt Ratio - UTHSC-Houston's expendable resources to debt ratio increased from 2.0 in 2013 to 2.4 in 2014. The increase in this ratio was due to growth in both total unrestricted net position of $98.3 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $14.9 million. The increase in total restricted expendable net position (excluding restricted expendable for capital projects) was primarily attributable to the increase in the appreciation on the endowment funds.

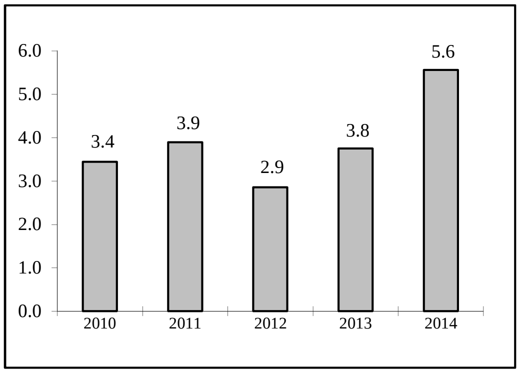
Debt Burden Ratio - UTHSC-Houston's debt burden ratio decreased from 2.6% in 2013 to 2.4% in 2014 as a result of the increase in total operating expenses previously discussed.

Debt Service Coverage Ratio - UTHSC-Houston's debt service coverage ratio increased from 2.9 in 2013 to 3.1 in 2014. The increase in this ratio was attributable to the improvement in operating performance as discussed in the annual operating margin ratio above.

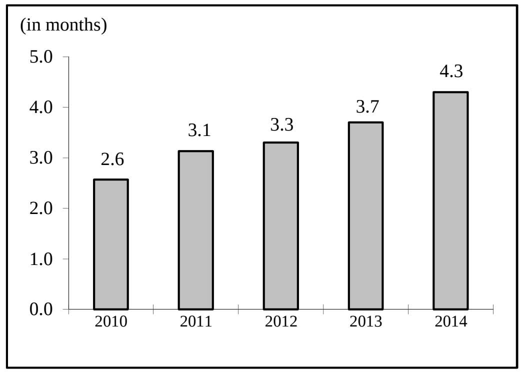
The University of Texas Health Science Center at San Antonio
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

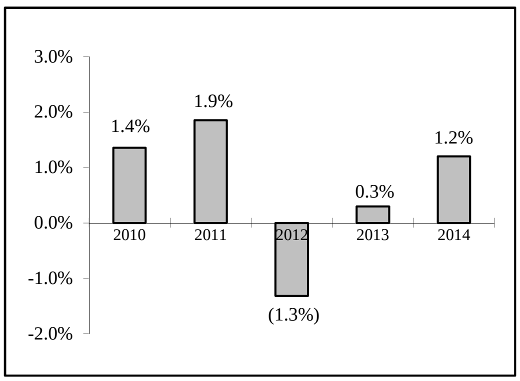
Composite Financial Index



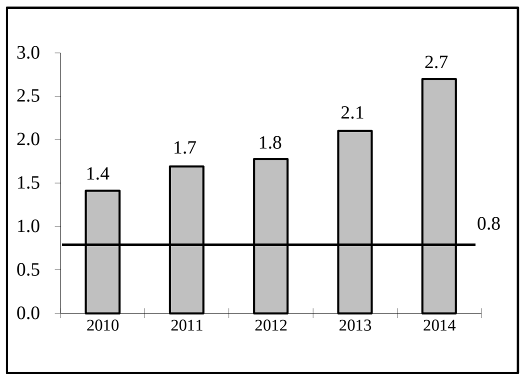
Operating Expense Coverage Ratio



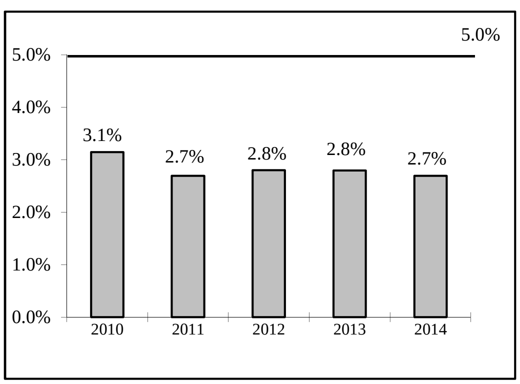
Annual Operating Margin Ratio



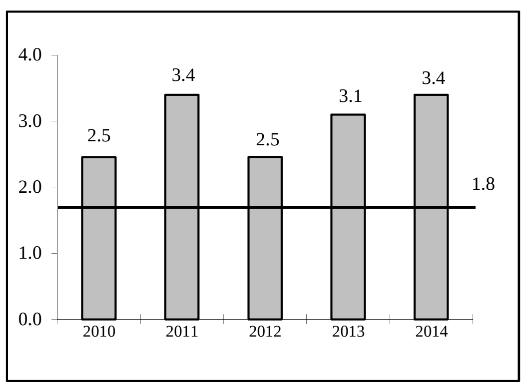
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at San Antonio
2014 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - San Antonio's (UTHSC-San Antonio) CFI increased from 3.8 in 2013 to 5.6 in 2014 primarily due to increases in the return on net position, expendable resources to debt and primary reserve ratios. The increase in the return on net position ratio was attributable to a larger change in net position of $140.0 million in 2014 as compared to the change in net position in 2013 of $30.6 million. The larger change in net position was primarily driven by a decrease in anticipated bond proceeds in 2014 as opposed to a large increase in anticipated bond proceeds in 2013. Anticipated proceeds reduce net position as the bonds have not yet been issued. The net increase in the fair value of investments of $62.5 million in 2014 as compared to $20.1 million in 2013, and the $21.2 million increase in state appropriations also contributed to the increase in the return on net position ratio. The increase in the primary reserve ratio resulted from the growth in total unrestricted net position and total restricted expendable net position (excluding restricted expendable for capital projects) as discussed below. The factors contributing to the increase in the expendable resources to debt ratio are also mentioned below.

Operating Expense Coverage Ratio - UTHSC-San Antonio's operating expense coverage ratio increased from 3.7 months in 2013 to 4.3 months in 2014 due to a net increase in total unrestricted net position of $45.9 million which included an increase in total operating expenses (including interest expense) of $20.3 million discussed below. The growth in total unrestricted net position was primarily attributable to the net increase in the fair value of investments allocated to designated funds, an increase in state appropriations, and the overall operating activity in designated funds discussed below.

Annual Operating Margin Ratio - UTHSC-San Antonio's annual operating margin ratio increased from 0.3% for 2013 to 1.2% for 2014 as the growth in total operating revenues of $27.4 million outpaced the growth in total operating expenses of $20.3 million. The increase in total operating revenues was primarily attributable to the following: a $21.2 million increase in state appropriations; and a $10.5 million increase in net professional fees resulting from the implementation of the *Patients First* initiative to increase clinical activity as recommended by the Institutional Sustainability Task Force (ISTF). Total operating expenses increased largely due to the following: a $13.0 million increase in other contracted services as a result of expenses for projects related to the Delivery System Reform Incentive Payments (DSRIP) associated with the Medicaid Section 1115 Demonstration, as well as increased payments to sub-recipients related to federal sponsored programs; an $8.9 million increase in salaries and wages and payroll related costs attributable to staff merit increases, faculty performance-based compensation plans, and recruitment efforts; and, a $2.5 million increase in professional fees and services primarily associated with engaged consulting services to gain efficiencies within the clinical enterprise and administrative operations.

Expendable Resources to Debt Ratio - UTHSC-San Antonio's expendable resources to debt ratio increased from 2.1 in 2013 to 2.7 in 2014. The increase in this ratio was a result of increases in both total unrestricted net position of $45.9 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $47.4 million, as well as a decrease of $11.7 million in the amount of debt outstanding. The growth in total restricted expendable net position was primarily due to an increase in the investment appreciation on endowment funds.

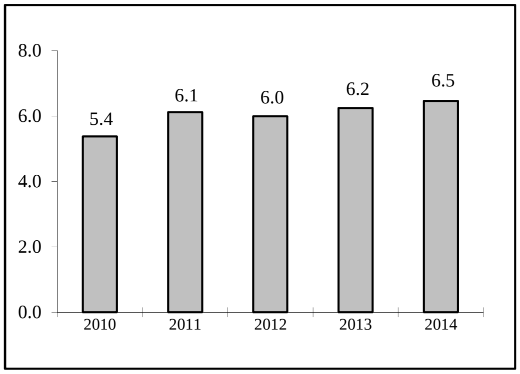
Debt Burden Ratio - UTHSC-San Antonio's debt burden ratio decreased from 2.8% in 2013 to 2.7% in 2014 as a result of flat debt service requirements and the increase in total operating expenses previously discussed, indicating a lower dependency on borrowed funds to support operations.

Debt Service Coverage Ratio - UTHSC-San Antonio's debt service coverage ratio increased from 3.1 in 2013 to 6.4 in 2014 due to the improvement in operating performance as discussed in the annual operating margin ratio above.

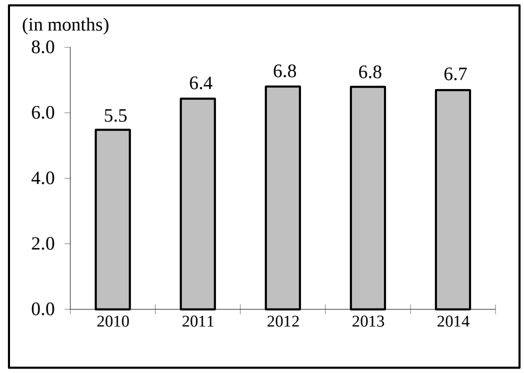
The University of Texas M. D. Anderson Cancer Center
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

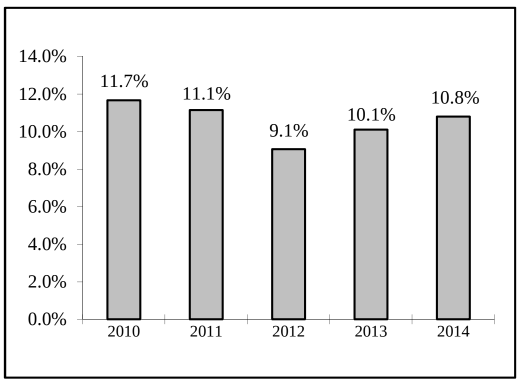
Composite Financial Index



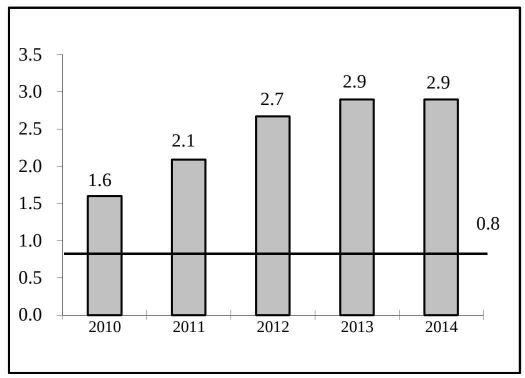
Operating Expense Coverage Ratio



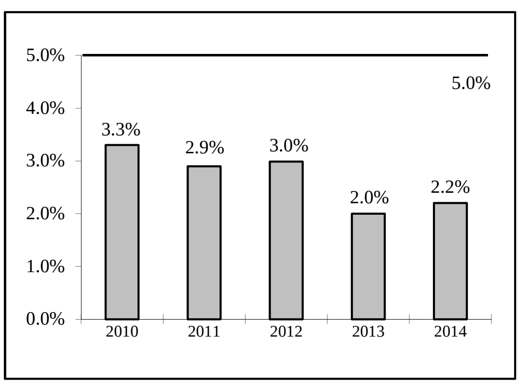
Annual Operating Margin Ratio



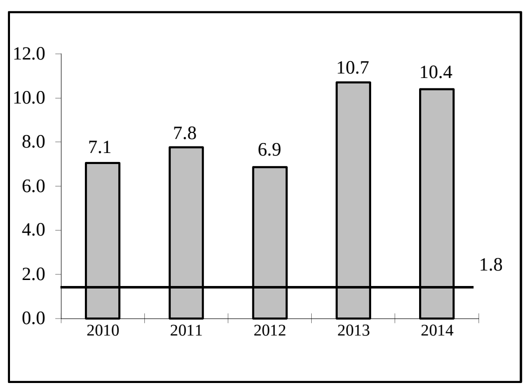
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas M. D. Anderson Cancer Center
2014 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. M. D. Anderson Cancer Center's (M. D. Anderson) CFI increased from 6.2 in 2013 to 6.5 in 2014 primarily as a result of an increase in the return on net position and annual operating margin ratios. The increase in the return on net position ratio was largely driven by the net increase in the fair value of investments of $204.4 million in 2014 as compared to $68.0 million in 2013 for a change between years of $136.4 million, and improved operating performance discussed below.

Operating Expense Coverage Ratio - M. D. Anderson's operating expense coverage ratio decreased slightly from 6.8 months in 2013 to 6.7 months in 2014 primarily due to an increase in total operating expenses (including interest expense) of $92.7 million. The increase in total operating expenses was largely attributable to the following: a $39.4 million increase in salaries and wages and payroll related costs resulting from merit increases, as well as the retainment and recruitment of world class investigators; a $35.8 million increase in materials and supplies primarily due to an increase in the purchase of patient chargeable drugs resulting from the growth in hospital activities combined with an increase in patient-charged medical supplies, such as blood products and transplant tissues, which was also a direct result of the increase in patient volumes related to perioperative services; a $20.9 million increase in other contracted services as a result of increased advertising expenses, increased postal expenses for the University Cancer Foundation gifts, and increased bank fees due to a delay in posting credit card fees in 2013; an $11.1 million increase in depreciation and amortization expense due to the recognition of a full year of depreciation expense on buildings that were placed into service in 2013, as well as buildings that were placed into service in 2014 such as the R. Lee Clark Clinic, the R. E. Bob Smith building, the Radiology Outpatient Center expansion and the Mid Campus Building 1 Phase 3; and a $5.2 million increase in rentals and leases primarily attributable to rent for the Life Science Plaza which was not a part of M. D. Anderson in 2013, and the Woodlands and Bay Area leases. These increases in expenses were partially offset by a decrease of $21.0 million in professional fees and services due to the following: costs related to the EPIC project that were previously expensed were moved to Construction in Progress as the EPIC project transitioned from the preliminary project phase to the application development phase requiring these expenses to be capitalized; decreases in consulting expenses for the CARE System Upgrade and for the ERP Integration; and decreased marrow donor expenses and legal expenses.

Annual Operating Margin Ratio - M. D. Anderson's annual operating margin ratio increased from 10.1% for 2013 to 10.8% for 2014 as the growth in total operating revenues of $133.2 million outpaced the growth in total operating expenses of $92.7 million. The increase in total operating revenues was primarily due to the following: a $146.9 million increase in net sales and services of hospitals due to increased patient volumes and fee increases; a $30.8 million increase in state appropriations; a $24.0 million increase in other operating revenues largely attributable to an increase in revenues from the international patient program, the recognition of $10.9 million in Delivery System Reform Incentive Payments (DSRIP) associated with the Medicaid Section 1115 Demonstration as compared to $1.6 million in DSRIP revenue recognized in 2013, and consulting fee revenue from the Center for Global Oncology and the Immunology Platform per a collaboration agreement with Pfizer and Glaxo Smith Kline; an increase in investment income of $15.3 million; and a $9.9 million increase in net professional fees resulting from increased patient activity and volumes. These revenue increases were partially offset by a decrease of $55.1 million in gifts for operations primarily due to gifts received from Hill and Johnson in 2013 with no such comparable gifts in 2014.

Expendable Resources to Debt Ratio - M. D. Anderson's expendable resources to debt ratio remained unchanged at 2.9 in 2014. The stability of this ratio was attributable to the relatively small growth in total unrestricted net position of only $19.1 million or 0.9% as well as an increase in debt of only $11.0 million.

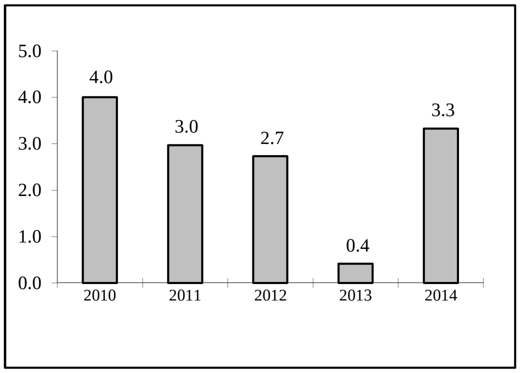
Debt Burden Ratio - M. D. Anderson's debt burden ratio increased from 2.0% in 2013 to 2.2% in 2014 due to an increase of $6.9 million in debt service payments.

Debt Service Coverage Ratio - M. D. Anderson's debt service coverage ratio decreased from 10.7 in 2013 to 10.4 in 2014 as a result of the increase in debt service payments.

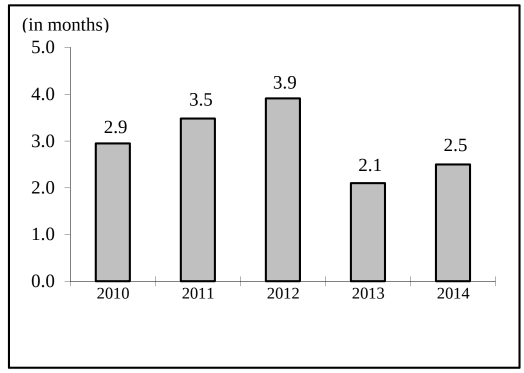
The University of Texas Health Science Center at Tyler
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

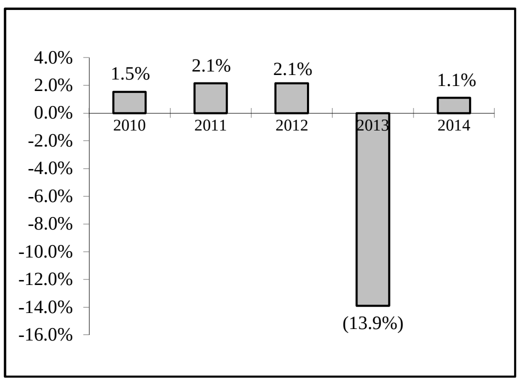
Composite Financial Index



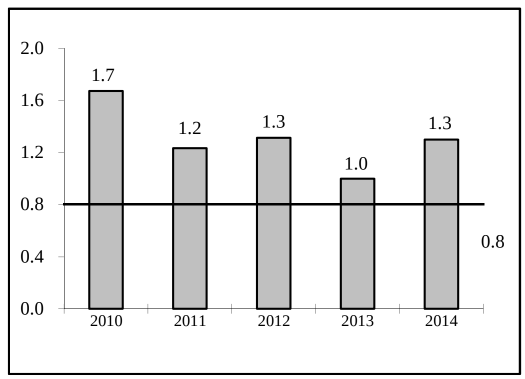
Operating Expense Coverage Ratio



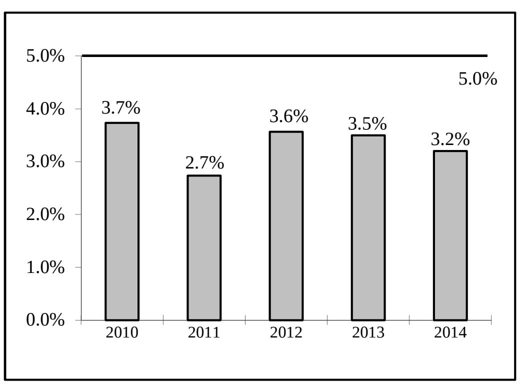
Annual Operating Margin Ratio



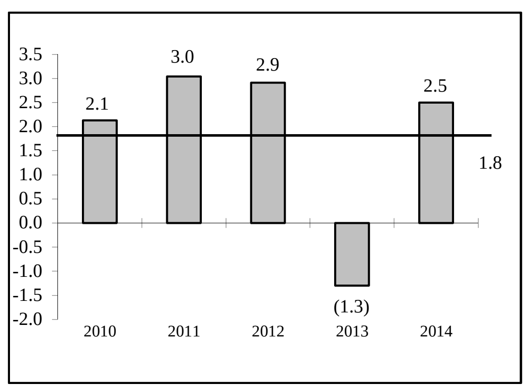
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Tyler
2014 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - Tyler's (UTHSC-Tyler) CFI increased significantly from 0.4 in 2013 to 3.3 in 2014 as a result of increases in the return on net position, annual operating margin, and expendable resources to debt ratios. The increase in the return on net position ratio was largely driven by the improvement in operating performance. The increases in the annual operating margin and expendable resources to debt ratios are discussed below.

Operating Expense Coverage Ratio - UTHSC-Tyler's operating expense coverage ratio increased from 2.1 months in 2013 to 2.5 months in 2014 due to an increase in total unrestricted net position of $8.9 million, which was partially offset by the increase in total operating expenses (including interest expense) of $22.4 million. The growth in total unrestricted net position was primarily attributable to $15.4 million of net Delivery System Reform Incentive Payments (DSRIP) associated with the Medicaid Section 1115 Demonstration recognized in 2014. The increase in total operating expenses was largely due to the following: a $9.3 million increase in salaries and wages and payroll related costs as a result of additional employees hired for DSRIP related projects and physicians for the behavioral health program; a $6.8 million increase in other contracted services due to DSRIP project expenses, as well as expenses related to a contract for staffing and food service for the behavioral health program; a $3.5 million increase in materials and supplies primarily attributable to increases in pharmacutical drugs and medical supplies related to the behavioral health expansion and new clinic openings, supplies for the catheterization lab for the new cardiologist, and non-capitalized equipment for the Academic Center completion; a $1.0 million increase in repairs and maintenance largely due to increased information technology maintenance and service contracts purchased, several repairs to physical plant, increased equipment repairs and service agreements for new equipment in pathology, and non-capital expenses related to behavioral health and other hospital remodeling; and a $1.0 million increase in depreciation and amortization expense primarily as a result of the Academic Center Phase II which was placed into service in 2014, as well as the recognition of a full year of depreciation and amortization expense on projects that were placed into service in 2013.

Annual Operating Margin Ratio - UTHSC-Tyler's annual operating margin ratio improved significantly from (13.9%) for 2013 to 1.1% for 2014 as the growth in total operating revenues of $40.8 million exceeded the growth in total operating expenses of $22.4 million. The increase in total operating revenues was primarily due to the following: a $21.2 million increase in other operating revenues resulting from a $21.1 million increase in DSRIP revenue recognized as compared to the prior year; a $10.9 million increase in net sales and services of hospitals due a 6.0% increase in inpatient admissions, a 12.0% increase in outpatient clinic visits, a 7.0% increase in ancillary visits, the addition of 7 new faculty members and higher physician productivity, and a 14.0% increase in net collections from the Patient Financial Services due to new processes and leadership; and a $7.3 million increase in state appropriations. The increase in operating expenses was discussed above.

While UTHSC-Tyler's operating performance improved significantly in 2014, it is important to note the sizeable impact net DSRIP revenue had on UTHSC-Tyler's operating results. UTHSC-Tyler recognized $15.4 million of net DSRIP revenue as compared to $4.5 million (including the initial anchor payment) in 2013. If the net DSRIP revenue had not been recognized in 2014, then UTHSC-Tyler's annual operating margin would have been ($13.6) million or (10.2%).

Expendable Resources to Debt Ratio - UTHSC-Tyler's expendable resources to debt ratio increased from 1.0 in 2013 to 1.3 in 2014. The increase in this ratio was due to the increase in both total unrestricted net position of $8.9 million, as discussed above, and the increase in total restricted expendable net position (excluding restricted expendable for capital projects) of $1.3 million, combined with a decrease of $2.0 million in the amount of debt outstanding.

Debt Burden Ratio - UTHSC-Tyler's debt burden ratio decreased from 3.5% in 2013 to 3.2% in 2014 as a result of the increase in total operating expenses as previously discussed.

Debt Service Coverage Ratio -UTHSC-Tyler's debt service coverage ratio increased substantially from (1.3) in 2013 to 2.5 in 2014. The increase in this ratio was attributable to the improvement in operating performance as discussed in the annual operating margin ratio above.

Appendix A - Definitions of Evaluation Factors

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

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

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

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

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

$$\frac{\text{Op Rev+GR+Op Gifts+NonexchSP+Inv Inc+RAHC\&AUF Trans+NSERB Appr+HEAF for Op Exp+TRIP–Op \& Int Exp}}{\text{Op Rev+GR+Op Gifts+NonexchSP+Inv Inc+RAHC\&AUF Trans+NSERB Approp+HEAF for Op Exp+TRIP}}$$

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

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

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

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

Appendix A - Definitions of Evaluation Factors (Continued)

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

$$\frac{\text{Op Rev+GR+Op Gifts+NonexchSP+Norm Inv Inc+RAHC\&AUF Trans+NSERB+Total HEAF+TRIP–Op Exp+Depr}}{\text{Debt Service Transfers}}$$

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

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

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

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

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

Appendix A - Definitions of Evaluation Factors (Continued)

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

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

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

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

Appendix B - Calculation of Composite Financial Index
Academic Institutions
As of August 31, 2014

U. T. Arlington

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.60	/	0.133	=	4.51	x	35.0%	=	1.58
Annual Operating Margin	4.10%	/	1.3%	=	3.15	x	10.0%	=	0.32
Return on Net Position	7.20%	/	2.0%	=	3.60	x	20.0%	=	0.72
Expendable Resources to Debt	1.00	/	0.417	=	2.40	x	35.0%	=	0.84
							CFI		3.5

U. T. Austin

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	1.40	/	0.133	=	10.53	x	35.0%	=	3.68
Annual Operating Margin	5.10%	/	1.3%	=	3.92	x	10.0%	=	0.39
Return on Net Position	15.60%	/	2.0%	=	7.80	x	20.0%	=	1.56
Expendable Resources to Debt	2.80	/	0.417	=	6.71	x	35.0%	=	2.35
							CFI		8.0

U. T. Brownsville

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.40	/	0.133	=	3.01	x	35.0%	=	1.05
Annual Operating Margin	-5.70%	/	1.3%	=	-4.38	x	10.0%	=	-0.44
Return on Net Position	5.20%	/	2.0%	=	2.60	x	20.0%	=	0.52
Expendable Resources to Debt	0.90	/	0.417	=	2.16	x	35.0%	=	0.76
							CFI		1.9

U. T. Dallas

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.70	/	0.133	=	5.26	x	35.0%	=	1.84
Annual Operating Margin	1.20%	/	1.3%	=	0.92	x	10.0%	=	0.09
Return on Net Position	14.20%	/	2.0%	=	7.10	x	20.0%	=	1.42
Expendable Resources to Debt	0.70	/	0.417	=	1.68	x	35.0%	=	0.59
							CFI		3.9

U. T. El Paso

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.60	/	0.133	=	4.51	x	35.0%	=	1.58
Annual Operating Margin	-3.10%	/	1.3%	=	-2.38	x	10.0%	=	-0.24
Return on Net Position	6.20%	/	2.0%	=	3.10	x	20.0%	=	0.62
Expendable Resources to Debt	1.00	/	0.417	=	2.40	x	35.0%	=	0.84
							CFI		2.8

Appendix B - Calculation of Composite Financial Index
Academic Institutions
As of August 31, 2014
(continued)

U. T. Pan American

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.50	/	0.133	=	3.76	x	35.0%	=	1.32
Annual Operating Margin	1.60%	/	1.3%	=	1.23	x	10.0%	=	0.12
Return on Net Position	9.20%	/	2.0%	=	4.60	x	20.0%	=	0.92
Expendable Resources to Debt	1.40	/	0.417	=	3.36	x	35.0%	=	1.18
							CFI		3.5

U. T. Permian Basin

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.50	/	0.133	=	3.76	x	35.0%	=	1.32
Annual Operating Margin	-0.80%	/	1.3%	=	-0.62	x	10.0%	=	-0.06
Return on Net Position	7.50%	/	2.0%	=	3.75	x	20.0%	=	0.75
Expendable Resources to Debt	0.30	/	0.417	=	0.72	x	35.0%	=	0.25
							CFI		2.3

U. T. San Antonio

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.70	/	0.133	=	5.26	x	35.0%	=	1.84
Annual Operating Margin	2.40%	/	1.3%	=	1.85	x	10.0%	=	0.18
Return on Net Position	8.80%	/	2.0%	=	4.40	x	20.0%	=	0.88
Expendable Resources to Debt	0.90	/	0.417	=	2.16	x	35.0%	=	0.76
							CFI		3.7

U. T. Tyler

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.90	/	0.133	=	6.77	x	35.0%	=	2.37
Annual Operating Margin	0.80%	/	1.3%	=	0.62	x	10.0%	=	0.06
Return on Net Position	11.00%	/	2.0%	=	5.50	x	20.0%	=	1.10
Expendable Resources to Debt	1.10	/	0.417	=	2.64	x	35.0%	=	0.92
							CFI		4.5

Appendix B - Calculation of Composite Financial Index
Health Institutions
As of August 31, 2014

Southwestern

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.90	/	0.133	=	6.77	x	35.0%	=	2.37
Annual Operating Margin	5.10%	/	1.3%	=	3.92	x	10.0%	=	0.39
Return on Net Position	11.70%	/	2.0%	=	5.85	x	20.0%	=	1.17
Expendable Resources to Debt	2.00	/	0.417	=	4.80	x	35.0%	=	1.68
							CFI		5.6

UTMB

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.30	/	0.133	=	2.26	x	35.0%	=	0.79
Annual Operating Margin	0.40%	/	1.3%	=	0.31	x	10.0%	=	0.03
Return on Net Position	13.20%	/	2.0%	=	6.60	x	20.0%	=	1.32
Expendable Resources to Debt	1.10	/	0.417	=	2.64	x	35.0%	=	0.92
							CFI		3.1

UTHSC-Houston

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.60	/	0.133	=	4.51	x	35.0%	=	1.58
Annual Operating Margin	1.20%	/	1.3%	=	0.92	x	10.0%	=	0.09
Return on Net Position	10.10%	/	2.0%	=	5.05	x	20.0%	=	1.01
Expendable Resources to Debt	2.40	/	0.417	=	5.76	x	35.0%	=	2.01
							CFI		4.7

UTHSC-San Antonio

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.70	/	0.133	=	5.26	x	35.0%	=	1.84
Annual Operating Margin	1.20%	/	1.3%	=	0.92	x	10.0%	=	0.09
Return on Net Position	13.60%	/	2.0%	=	6.80	x	20.0%	=	1.36
Expendable Resources to Debt	2.70	/	0.417	=	6.47	x	35.0%	=	2.27
							CFI		5.6

M. D. Anderson

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.70	/	0.133	=	5.26	x	35.0%	=	1.84
Annual Operating Margin	10.80%	/	1.3%	=	8.31	x	10.0%	=	0.83
Return on Net Position	13.50%	/	2.0%	=	6.75	x	20.0%	=	1.35
Expendable Resources to Debt	2.90	/	0.417	=	6.95	x	35.0%	=	2.43
							CFI		6.5

UTHSC-Tyler

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.30	/	0.133	=	2.26	x	35.0%	=	0.79
Annual Operating Margin	1.10%	/	1.3%	=	0.85	x	10.0%	=	0.08
Return on Net Position	13.60%	/	2.0%	=	6.80	x	20.0%	=	1.36
Expendable Resources to Debt	1.30	/	0.417	=	3.12	x	35.0%	=	1.09
							CFI		3.3

Appendix C - Calculation of Expendable Net Position
Academic Institutions
As of August 31, 2014
(In Millions)

Institution	Restricted Expendable Net Position: Capital Projects	Restricted Expendable Net Position: Funds Functioning Restricted	Restricted Expendable Net Position: Other Expendable	Restricted Expendable Net Position: Total	Total Unrestricted Net Position	Total Expendable Net Position	Less: Restricted Exp for Cap. Projects	Total Exp. Net Position Excluding Cap. Projects
U. T. Arlington	$ 15.0	4.6	68.4	88.0	234.2	322.2	(15.0)	307.3
U. T. Austin	89.7	217.8	1,971.6	2,279.0	1,117.3	3,396.4	(89.7)	3,306.7
U. T. Brownsville	0.1	-	6.2	6.4	48.4	54.7	(0.1)	54.6
U. T. Dallas	16.9	20.3	192.9	230.1	155.0	385.1	(16.9)	368.2
U. T. El Paso	7.0	18.6	137.5	163.1	75.9	239.0	(7.0)	231.9
U. T. Pan American	11.8	1.3	20.3	33.4	102.8	136.1	(11.8)	124.4
U. T. Permian Basin	9.5	0.1	21.0	30.6	14.7	45.4	(9.5)	35.8
U. T. San Antonio	0.1	1.4	72.5	74.0	241.4	315.4	(0.1)	315.3
U. T. Tyler	10.4	0.5	50.9	61.8	49.4	111.2	(10.4)	100.8

Appendix C - Calculation of Expendable Net Position
Health Institutions
As of August 31, 2014
(In Millions)

Institution	Restricted Expendable Net Position: Capital Projects	Restricted Expendable Net Position: Funds Functioning Restricted	Restricted Expendable Net Position: Other Expendable	Restricted Expendable Net Position: Total	Total Unrestricted Net Position	Total Expendable Net Position	Less: Restricted Exp for Cap. Projects	Total Exp. Net Position Excluding Cap. Projects
Southwestern	$ 20.2	26.9	910.5	957.6	1,045.6	2,003.3	(20.2)	1,983.1
UTMB	39.1	31.8	229.3	300.1	320.6	620.7	(39.1)	581.7
UTHSC-Houston	1.6	27.4	161.8	190.8	479.6	670.4	(1.6)	668.8
UTHSC-San Antonio	(0.4)	14.8	237.7	252.2	272.8	525.0	0.4	525.4
M. D. Anderson	173.2	67.1	585.0	825.3	2,080.8	2,906.0	(173.2)	2,732.9
UTHSC-Tyler	(1.0)	1.0	19.5	19.5	32.7	52.2	1.0	53.2

Appendix D - Calculation of Annual Operating Margin
Academic Institutions
As of August 31, 2014
(In Millions)

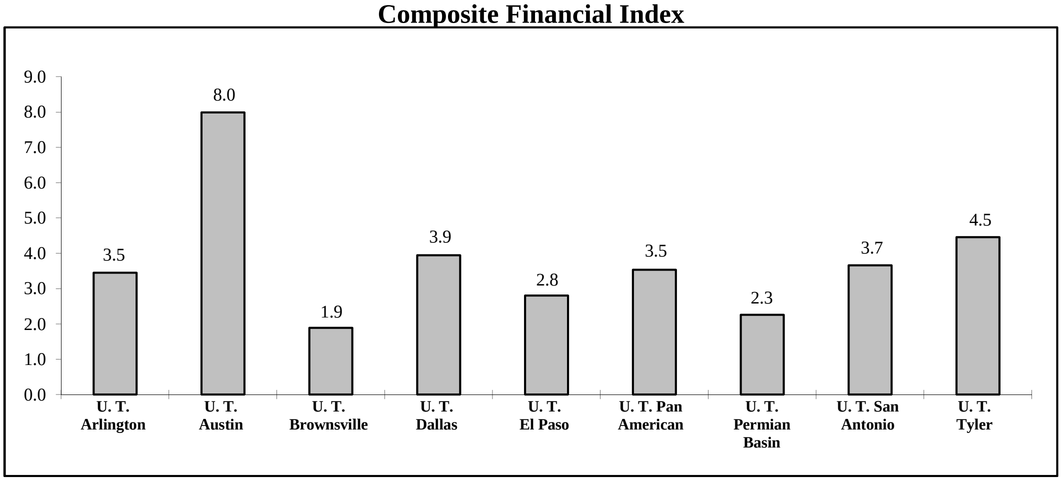
Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Less: Nonoperating Items Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.	Margin From SRECNA	Other Adjustments Minus: Realized Gains/ (Losses)	Plus: AUF Transfer	Plus: NSERB	Plus: TRIP & Other	Plus: HEAF for Op. Exp.	Plus: Interest Expense	Annual Operating Margin
U. T. Arlington	$ 59.2	-	(0.2)	(0.4)	25.6	34.1	-	-	-	1.2	-	(13.0)	22.3
U. T. Austin	247.9	12.4	(11.0)	(23.6)	265.4	4.7	71.9	242.8	-	-	-	(46.8)	128.8
U. T. Brownsville	(7.6)	-	(0.2)	4.0	2.1	(13.6)	0.1	-	-	6.1	3.6	(2.7)	(6.7)
U. T. Dallas	36.3	-	-	(2.3)	28.6	10.1	2.7	-	6.5	5.0	-	(12.6)	6.3
U. T. El Paso	21.1	0.6	(0.4)	(0.1)	32.1	(11.0)	(3.4)	-	-	4.0	-	(8.2)	(11.8)
U. T. Pan American	14.5	0.9	(0.2)	(0.4)	8.0	6.1	1.5	-	-	-	2.9	(3.3)	4.2
U. T. Permian Basin	8.3	0.1	-	-	3.2	5.0	0.3	-	-	-	-	(5.2)	(0.5)
U. T. San Antonio	62.7	-	(0.2)	(0.2)	25.5	37.5	3.1	-	-	(6.3)	-	(16.2)	11.8
U. T. Tyler	14.6	-	-	-	9.9	4.7	-	-	-	-	-	(3.8)	0.9

Appendix D - Calculation of Annual Operating Margin
Health Institutions
As of August 31, 2014
(In Millions)

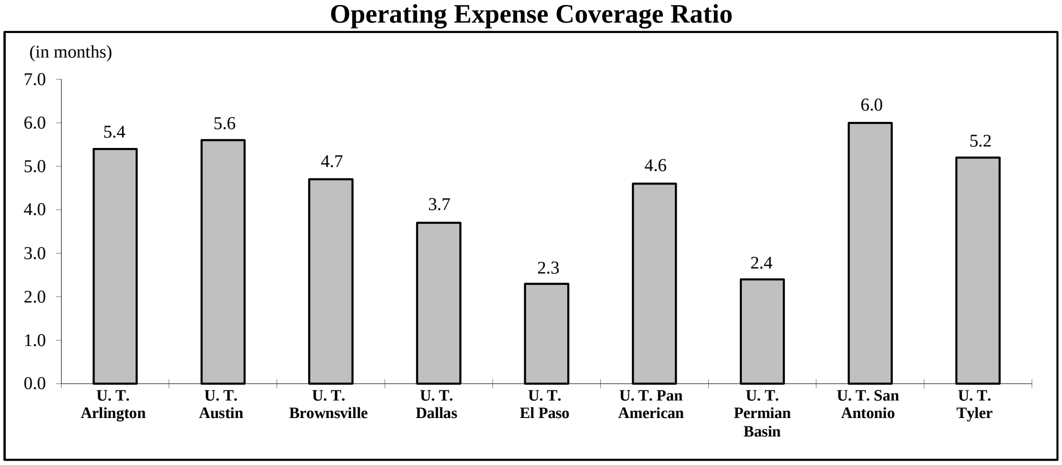
Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Less: Nonoperating Items Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.	Margin From SRECNA	Other Adjustments Minus: Realized Gains/ (Losses)	Plus: RAHC Transfer	Plus: Interest Expense	Annual Operating Margin
Southwestern	$ 313.6	0.6	(0.2)	(5.4)	181.8	136.8	4.3	-	(19.8)	112.7
UTMB	80.2	0.4	(1.1)	(1.2)	62.6	19.4	4.9	-	(7.1)	7.4
UTHSC-Houston	77.3	1.7	-	(0.4)	47.8	28.3	3.1	0.6	(11.4)	14.4
UTHSC-San Antonio	80.5	-	(0.1)	(0.5)	62.5	18.6	0.5	0.6	(9.1)	9.6
M. D. Anderson	729.7	-	(0.4)	(0.9)	204.4	526.7	39.5	-	(37.0)	450.2
UTHSC-Tyler	8.5	-	-	-	4.5	4.0	0.8	-	(1.5)	1.7

Appendix E - Academic Institutions' Evaluation Factors
2014 Analysis of Financial Condition

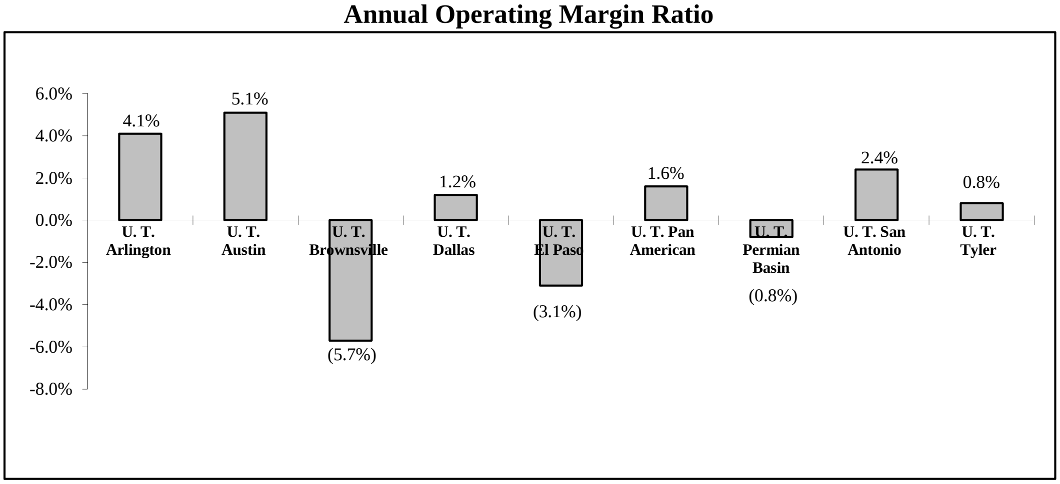
Composite Financial Index



Operating Expense Coverage Ratio

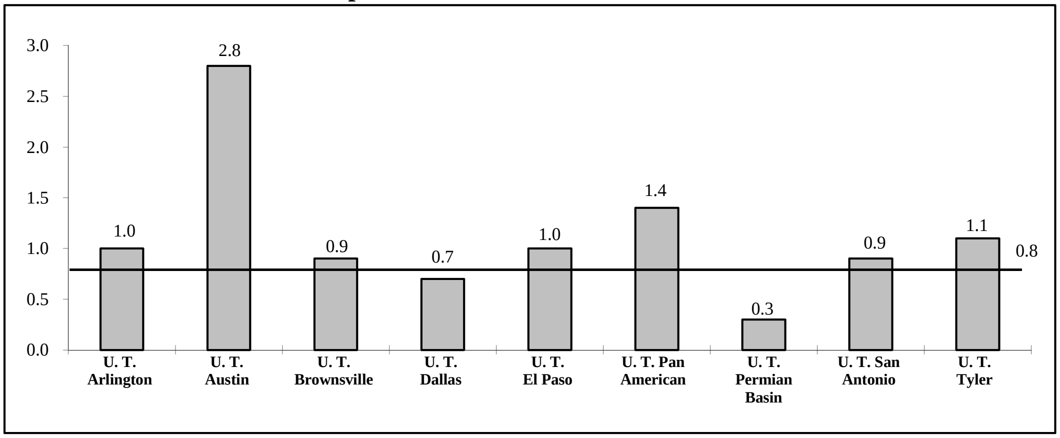


Annual Operating Margin Ratio

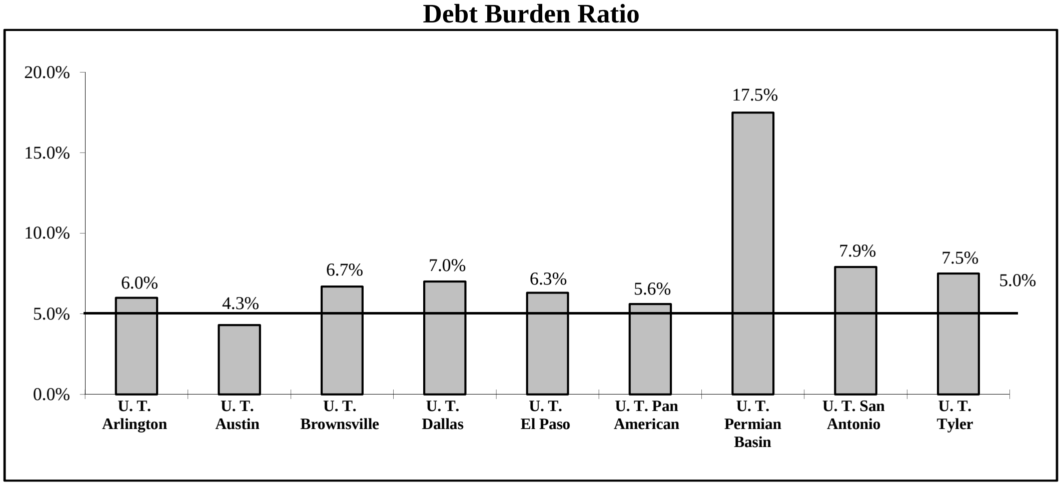


Appendix E - Academic Institutions' Evaluation Factors
2014 Analysis of Financial Condition

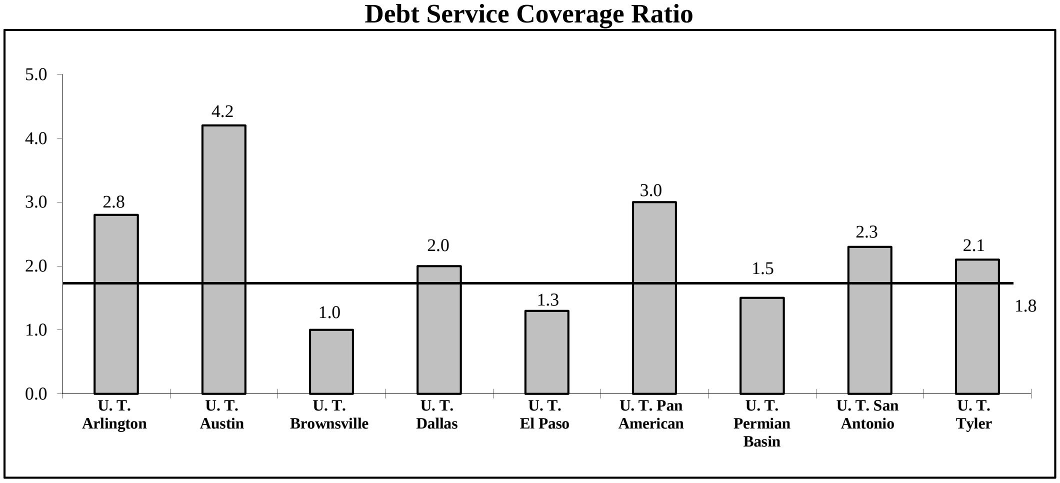
Expendable Resources to Debt Ratio



Debt Burden Ratio

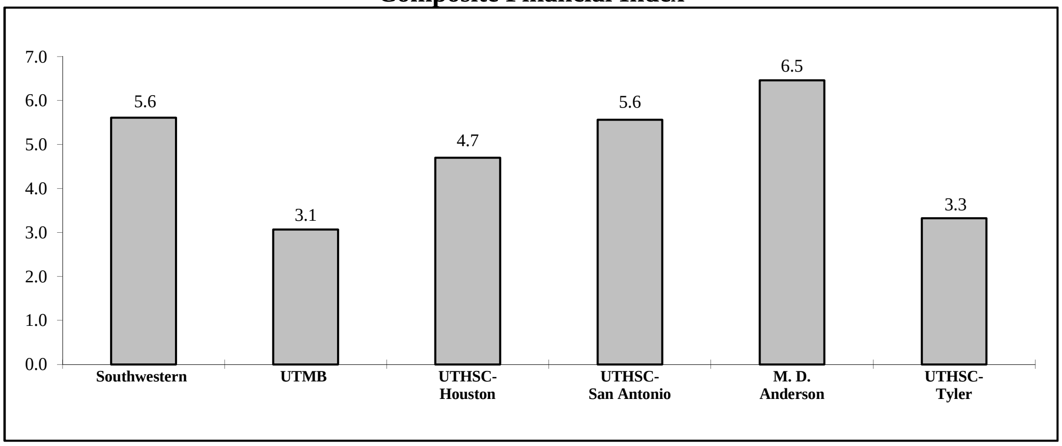


Debt Service Coverage Ratio

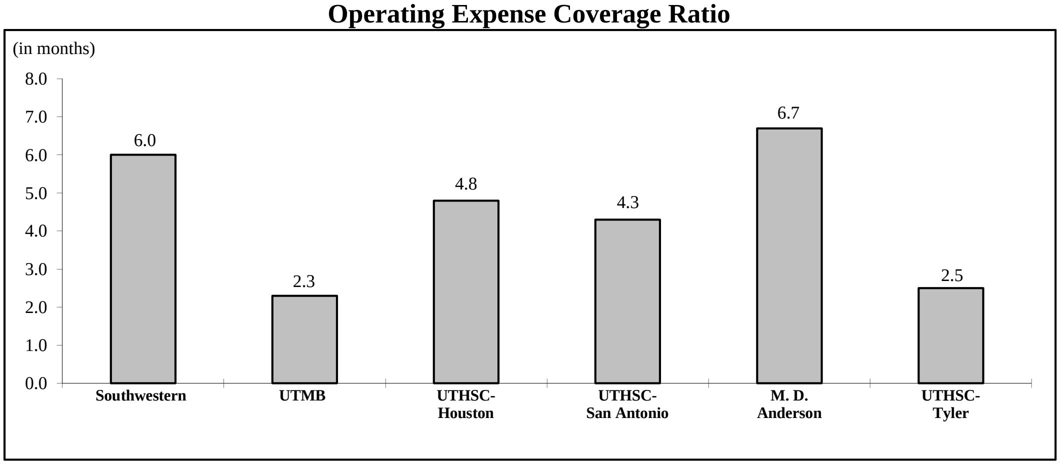


Appendix E - Health Institutions' Evaluation Factors
2014 Analysis of Financial Condition

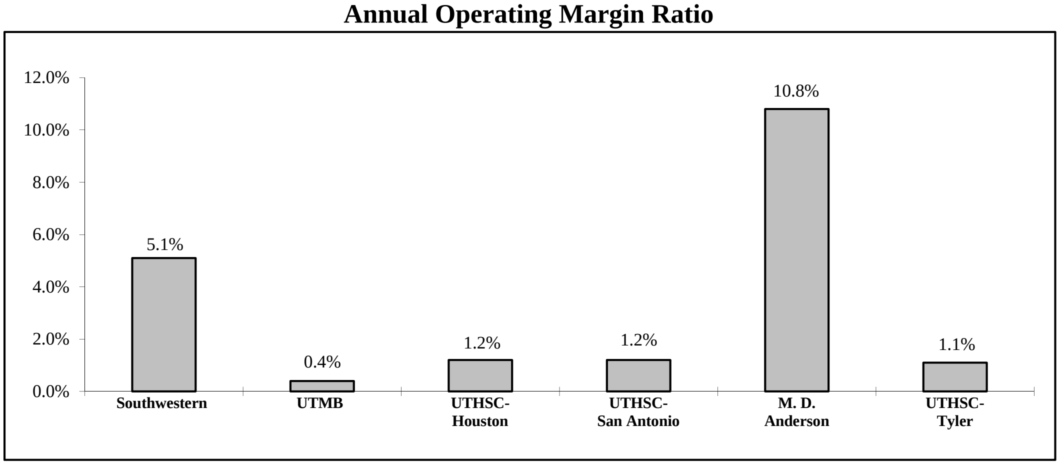
Composite Financial Index



Operating Expense Coverage Ratio

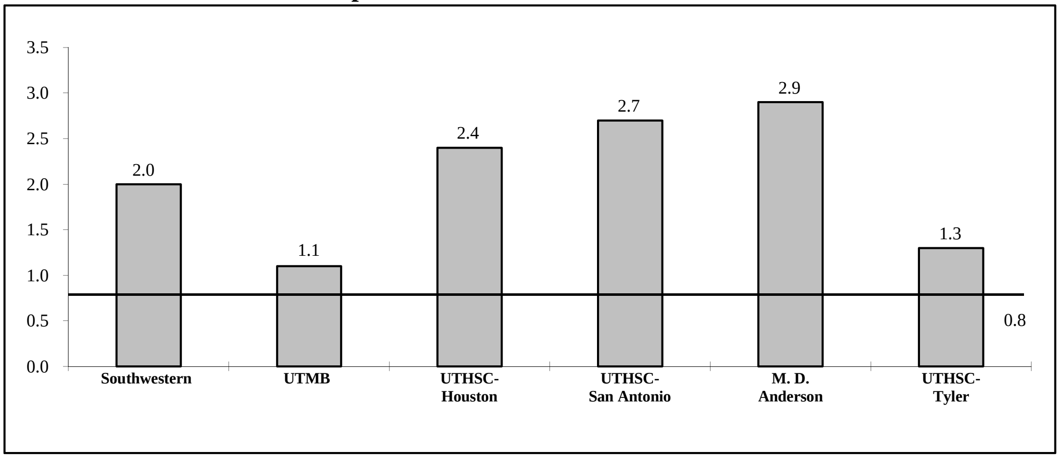


Annual Operating Margin Ratio

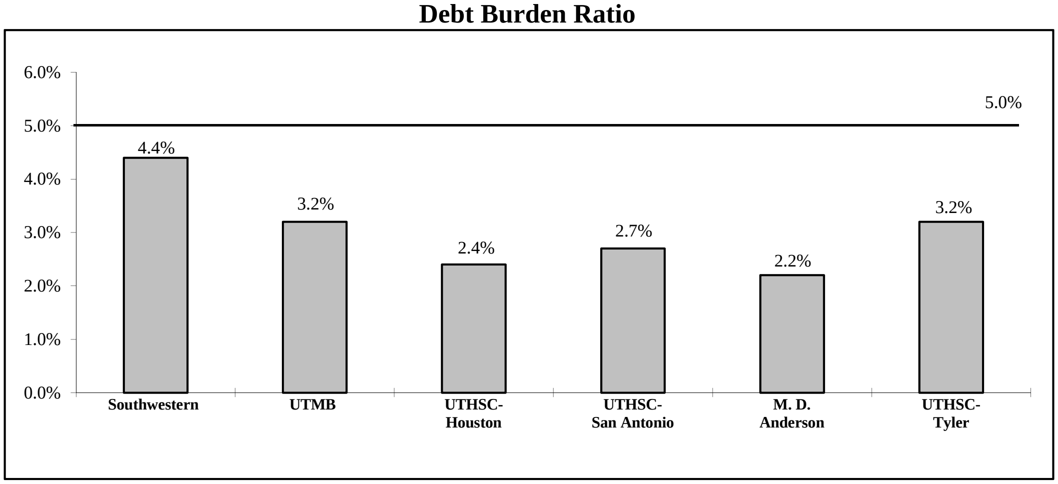


Appendix E - Health Institutions' Evaluation Factors
2014 Analysis of Financial Condition

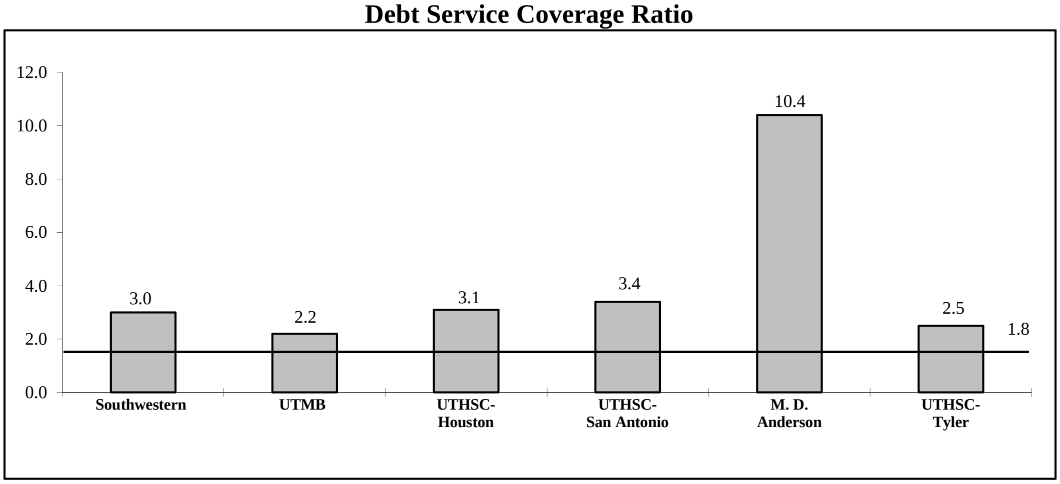
Expendable Resources to Debt Ratio



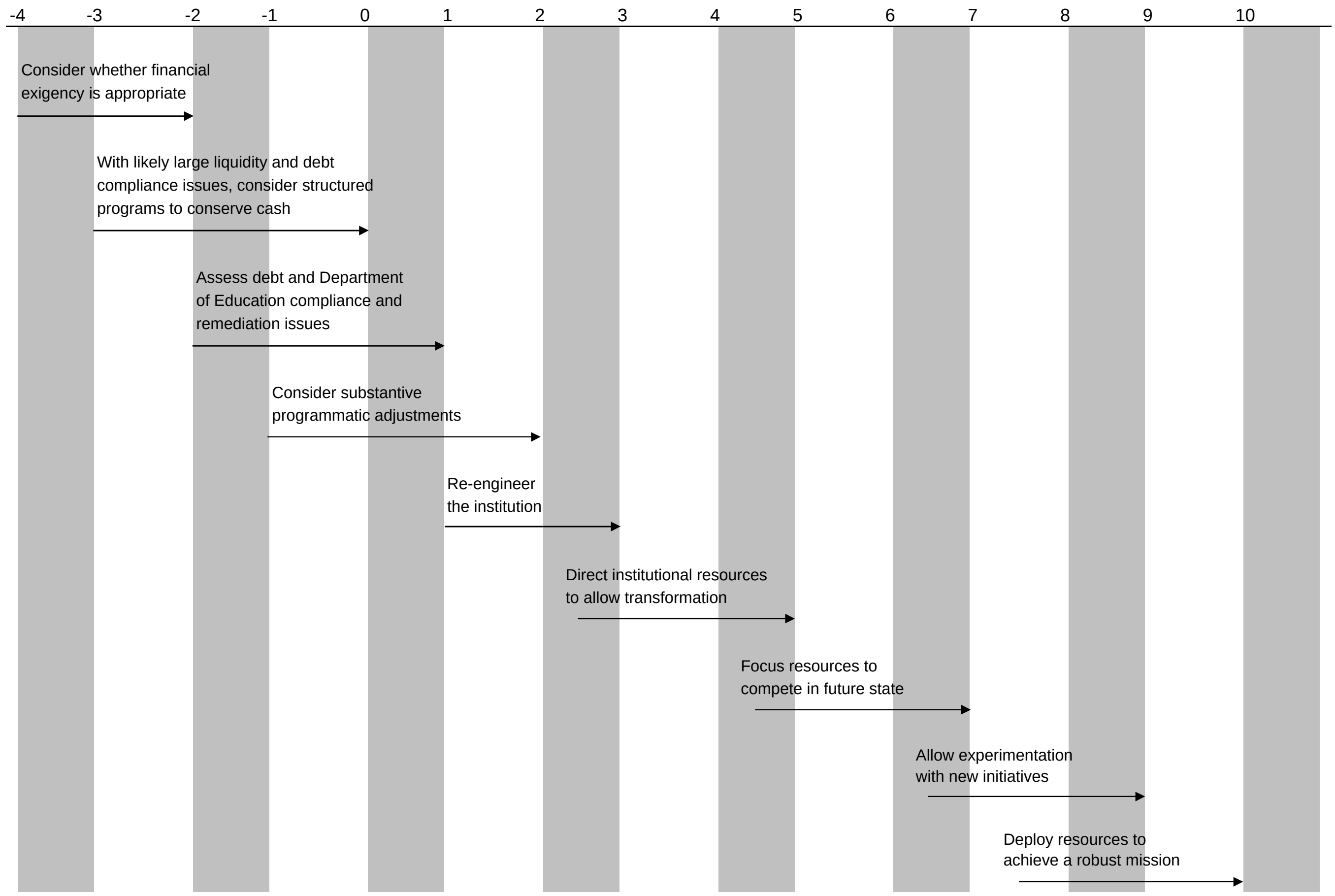
Debt Burden Ratio



Debt Service Coverage Ratio

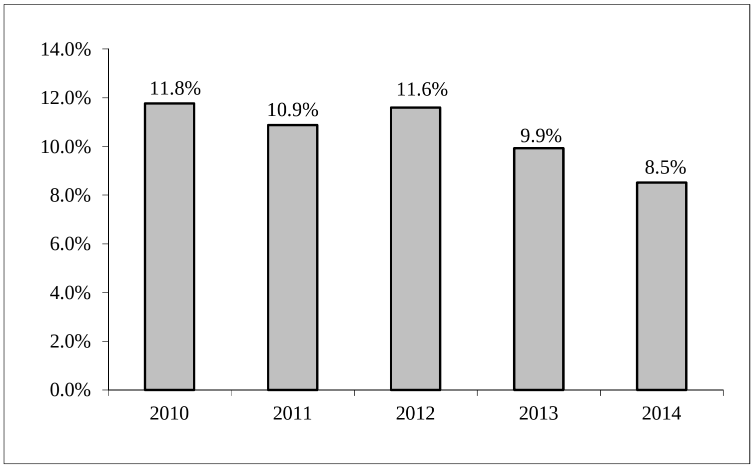


Appendix F - Scale for Charting CFI Performance



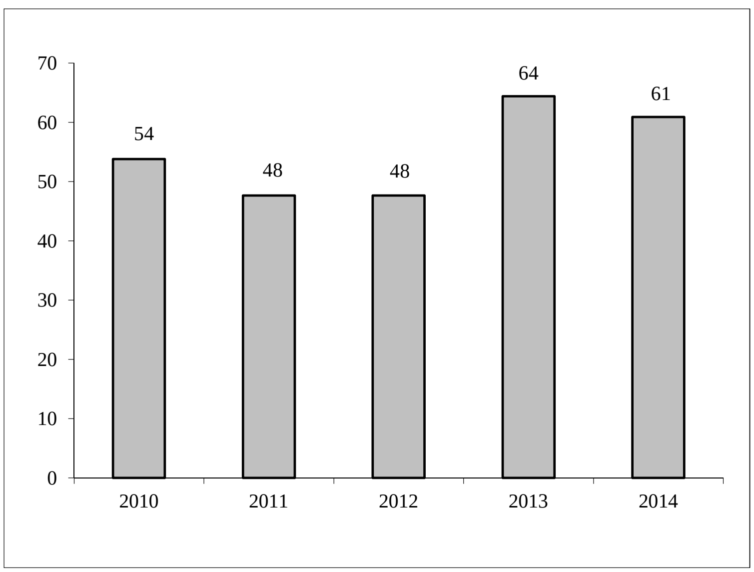
Appendix G - Key Hospital Operating Factors
The University of Texas Southwestern Medical Center

Annual Operating Margin Ratio



The annual operating margin ratio decreased from 9.9% for 2013 to 8.5% for 2014 as the growth in total operating revenues of $79.8 million (10.6%) lagged behind the growth in total operating expenses of $83.7 million (12.3%). The increase in total operating expenses, which exceeded the growth in volume, was driven by additional costs for information resources, plant and engineering and other fixed costs. Much of this increase was associated with the preparation of infrastructure and systems for the new Clements University Hospital.

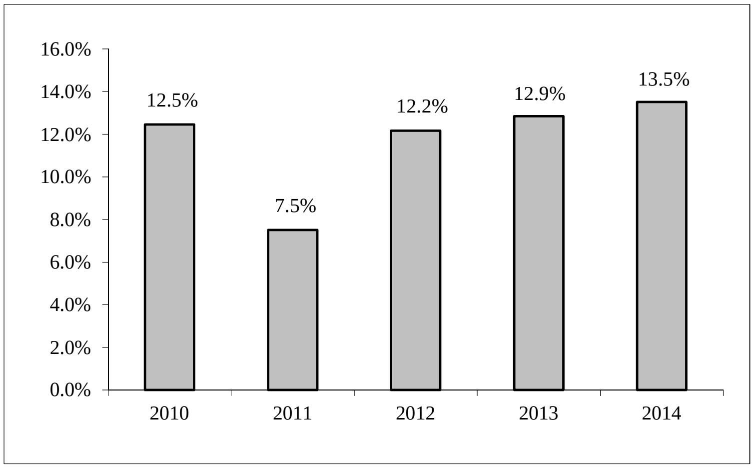
Net Accounts Receivable (in days)



The decrease in net accounts receivable days from 64 in 2013 to 61 in 2014 was attributable to continued improvement in the revenue cycle operations. Patient collections were almost $800.0 million in 2014. The mix of revenue and accounts shifted from larger inpatient accounts to more smaller outpatient accounts needing additional resources. As part of the improvement plan, a clinical documentation improvement program was implemented as well as increased training and improvement initiatives with coding staff. While this resulted in improved collections, it has also served to slow the progress of reducing the overall days in accounts receivable.

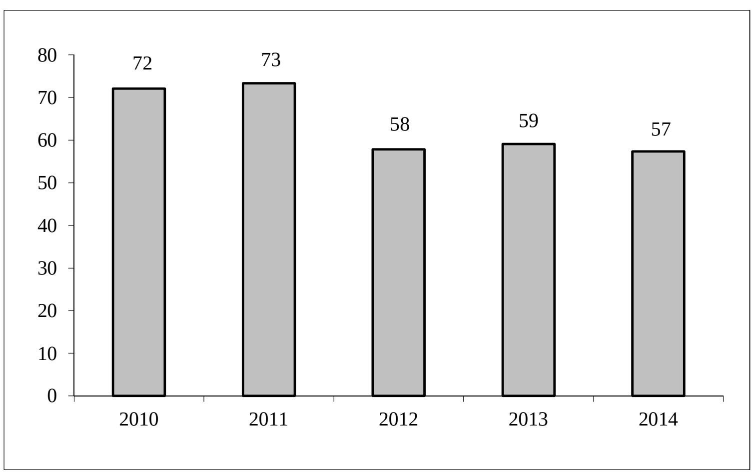
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Southwestern Medical Center

Annual Operating Margin Ratio



The annual operating margin ratio increased from 12.9% for 2013 to 13.5% for 2014 primarily due to $5.6 million Medicaid reimbursement under the Affordable Care Act (ACA) and an increase of $19.0 million related to contractual income. Southwestern also received an additional $2.8 million in Delivery System Reform Incentive Payments in 2014.

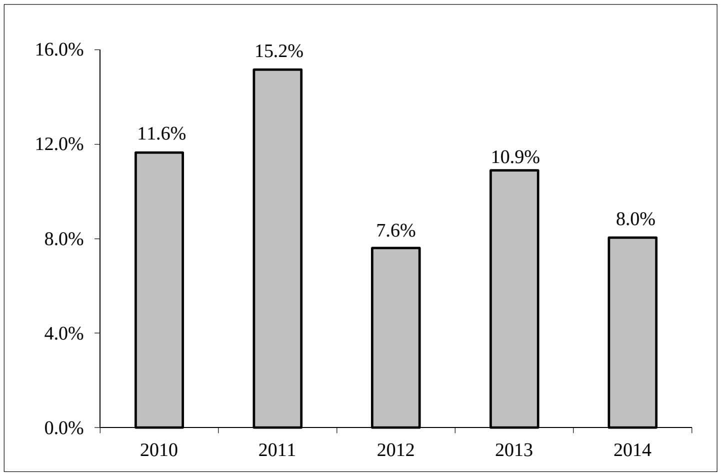
Net Accounts Receivable (in days)



Net accounts receivable (in days) decreased from 59 days in 2013 to 57 days in 2014. This decrease was attributable to an increase in patient revenues of $38.0 million mainly due to billing efficiency and other additional collections, which consisted of the affiliated hospital appealed collections and the ACA payment.

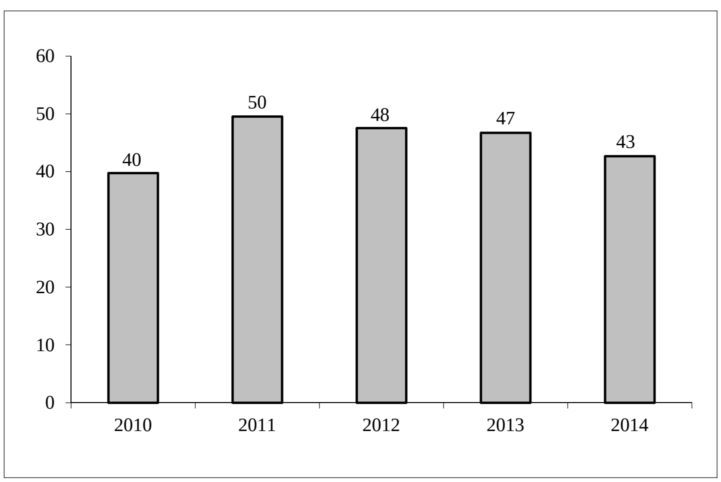
Appendix G - Key Hospital Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



UTMB Hospitals and Clinics' annual operating margin ratio decreased from 10.9% for 2013 to 8.0% for 2014. The hospitals and clinics experienced operating revenue increases of 8.2% due to volume, case mix and general revenue increases. However, operating expenses increased by 11.7% which outpaced the growth in operating revenues. The increases in operating expenses occurred mainly in the following: depreciation and amortization expense, salaries and wages and payroll related costs, medical supplies and pharmacy as a result of higher volumes.

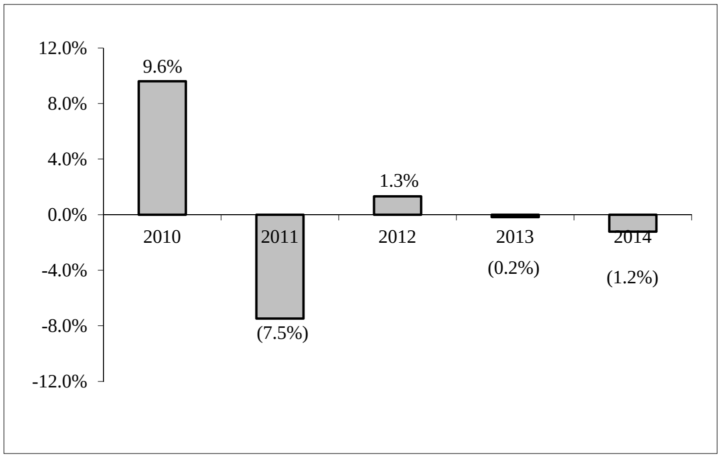
Net Accounts Receivable (in days)



Net accounts receivable in days decreased 8.5% between 2013 and 2014 from 47 days to 43 days. This decrease was partially due to enhancements to the billing and collection processes under the new billing system implemented on April 1, 2013.

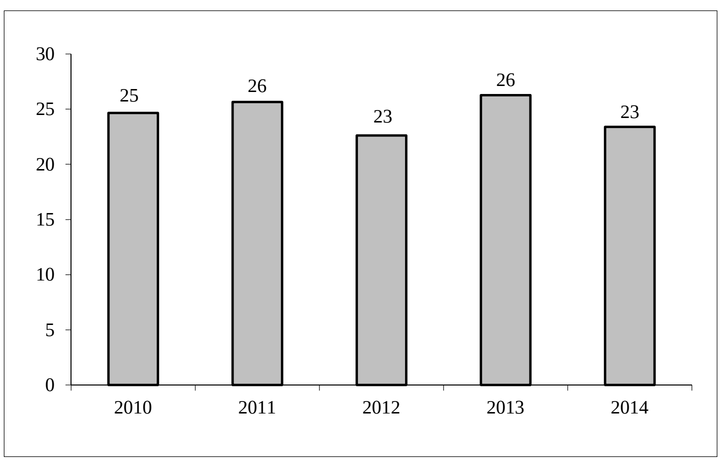
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



The annual operating margin ratio decreased from (0.2%) for 2013 to (1.2%) for 2014. Although operating revenues increased by 1.8%, operating expenses increased by 2.9%. The increase in operating expenses was primarily due to salaries and wages and payroll related costs related to incentive accruals as a result of the implementation of the new faculty compensation plan. In 2014 UTMB received a professional liability insurance (PLI) rebate of $1.3 million which was less than the PLI rebate received in 2013 of $3.2 million.

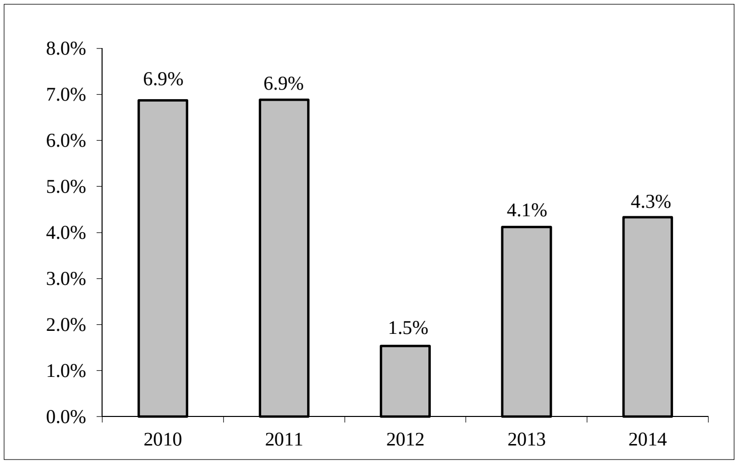
Net Accounts Receivable (in days)



Net accounts receivable in days decreased 11.5% between 2013 and 2014 from 26 days to 23 days. This decrease was partially due to enhancements to the billing and collection processes under the new billing system implemented on April 1, 2013.

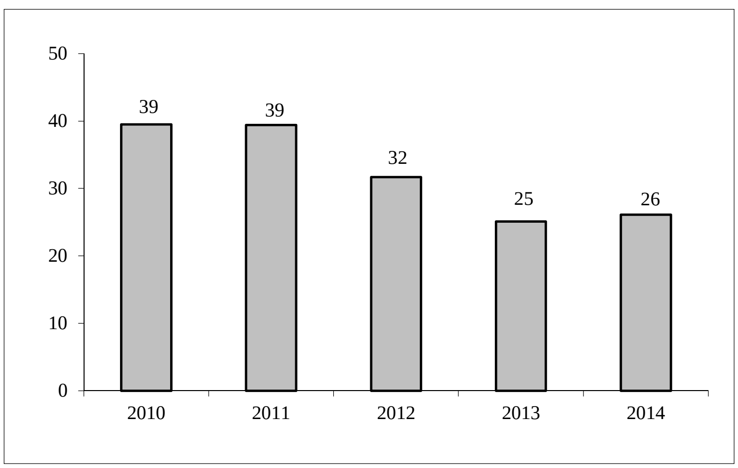
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



The annual operating margin ratio increased from 4.1% for 2013 to 4.3% for 2014 primarily because the hospital was able to distribute fixed costs over additional beds as a result of increased funding from the State of Texas to provide a longer term treatment program.

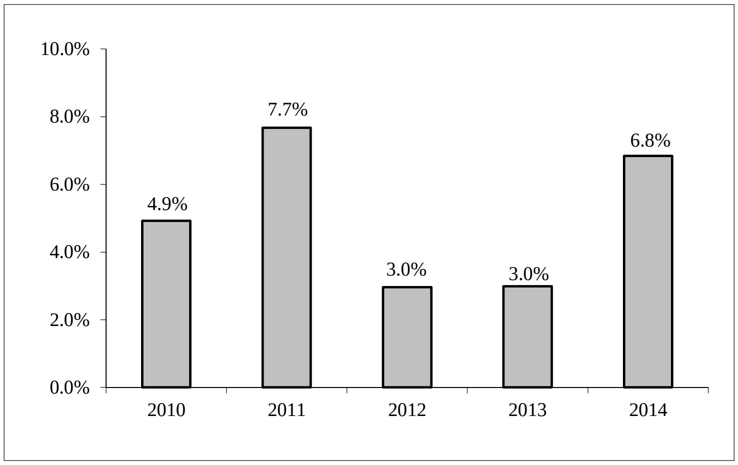
Net Accounts Receivable (in days)



The net accounts receivable in days remained relatively constant over the last two years. The hospital continued to improve its billing and collection processes, including reviewing and working denials from managed care companies, identifying patients who qualify for indigent status, and recognizing patient bad debts.

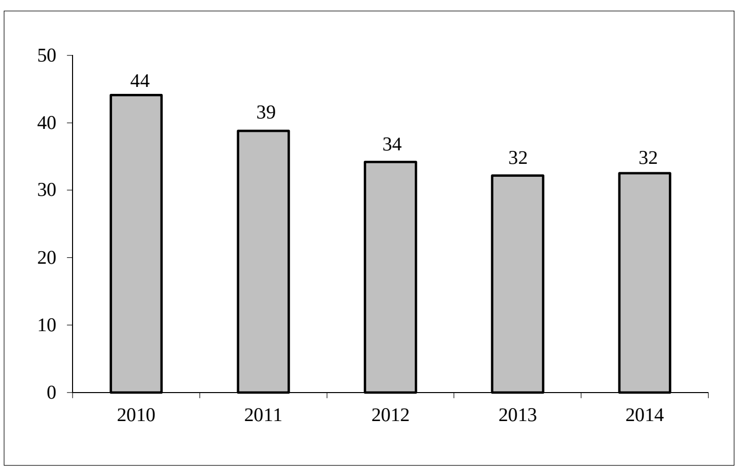
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



The annual operating margin ratio increased from 3.0% for 2013 to 6.8% for 2014 primarily due to the growth of the physician practice plan. The physician practice plan recognized an increase in operating expenses of 17.1% while operating revenues increased 21.9%. Although operating expenses increased in total, primarily due to the addition of faculty and the acquisition and opening of new clinics, there were significant expense reductions in some departments (Internal Medicine, Diagnostic Imaging, Obstetrics/Gynecology, Pediatrics and Neurology). Operating revenues increased due to increases in professional fee revenue, contractual income, Delivery System Reform Incentive Payments, uncompensated care revenue associated with the Medicaid Section 1115 Demonstration Program, and Affordable Care Act payments.

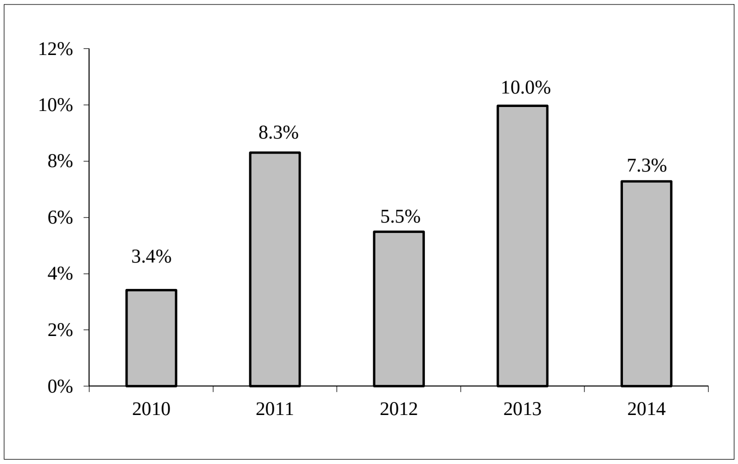
Net Accounts Receivable (in days)



Net accounts receivable (in days) remained constant at 32 days from 2013 to 2014. The practice plan has focused heavily on improving the revenue cycle in the last two years, adding a vice president for the Revenue Cycle and adjusting contractual terms with McKesson. Decreasing charge lag and increasing/improving timely follow-up are among the issues focused on to improve collection rates.

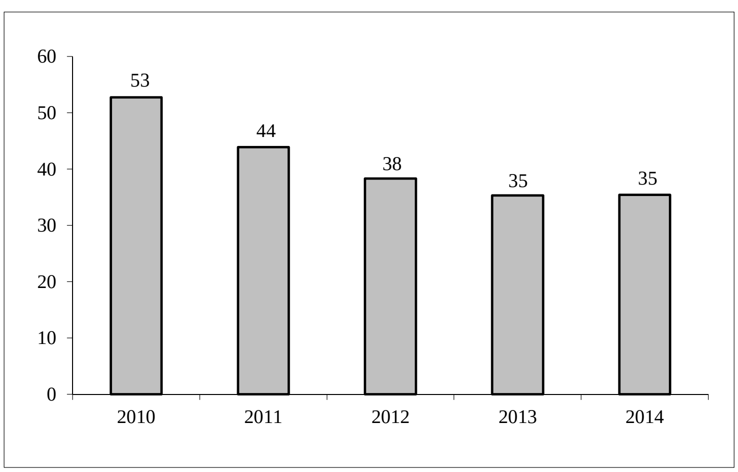
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at San Antonio

Annual Operating Margin Ratio



The annual operating margin comprises all medical clinical operations, including patient activities provided through the Cancer Therapy and Research Center. The decrease in the annual operating margin ratio was primarily attributable to the Delivery System Reform Incentive Payment (DSRIP) program associated with the Medicaid Section 1115 Demonstration. DSRIP activity generated $15.0 million more in revenues and $19.1 million more in operating expenses, thus largely contributing to the $3.9 million decrease in overall operating margin. Excluding DSRIP activity, operations remained relatively flat from the prior year. Operating revenues increased by $27.5 million over the prior year, $14.0 million of which was due to accounting changes associated with contracts with University Health System (UHS), while operating expenses increased by $25.0 million due to service requirements associated with UHS contracts, consulting engagements targeted at clinical expansion and enhancement activities, and faculty recruitments and compensation efforts aligned with productivity-based compensation plans. In addition, UTHSC-San Antonio received a professional liability insurance (PLI) rebate of $2.3 million less in 2014 than in 2013. UTHSC-San Antonio continues to be committed to reinvesting incremental operating revenues towards recruitment efforts, addressing faculty compensation issues, expanding programs and departments, streamlining billing operations and patient services, as well as developing and implementing an infrastructure necessary to meet the goals and challenges of healthcare reform.

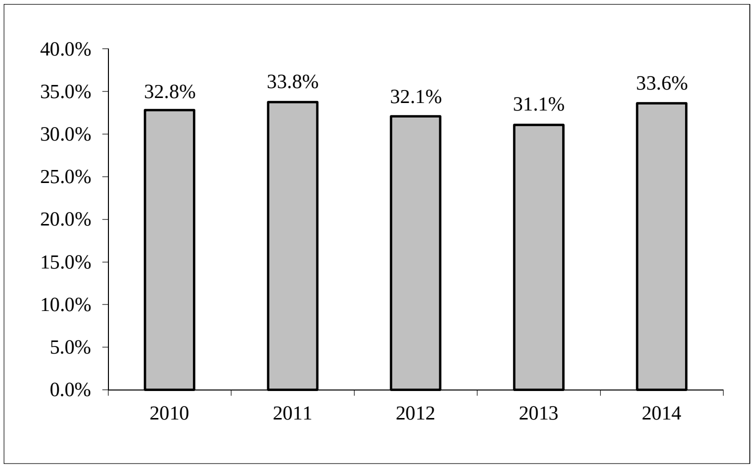
Net Accounts Receivable (in days)



The sustainment of days outstanding of net receivables was attributable to the continued approach implemented by U. T. Medicine-San Antonio that aggressively serves to accelerate the identification of bad debts during the collection cycle. The continued use of effective collection and pre-collection agency contracts in 2014 allowed for better management of accounts and sustaining a consistent write-off period of accounts to bad debt at 120 days.

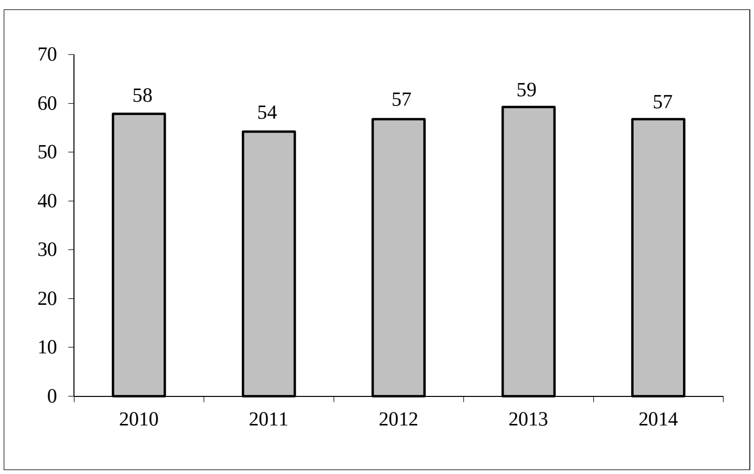
Appendix G - Key Hospital Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The annual operating margin ratio increased from 31.1% for 2013 to 33.6% for 2014. The increase in this ratio was due to continued efforts to increase patient volumes while managing the growth in operating costs. Additionally, the hospital received $9.2 million more net revenue from the Delivery System Reform Incentive Payment associated with the Medicaid Section 1115 Demonstration program in 2014 than 2013.

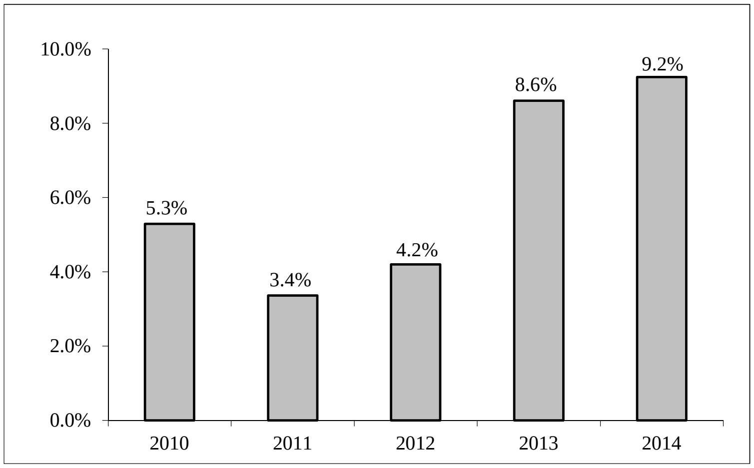
Net Accounts Receivable (in days)



The accounts receivable measured in days declined from 59 days in 2013 to 57 days in 2014 due to internal efforts to accelerate coding, billing and cash collection efforts ahead of ICD-10 and Epic implementations. Further gains in these areas were slowed by extended appeals reviews with various managed care and governmental payors.

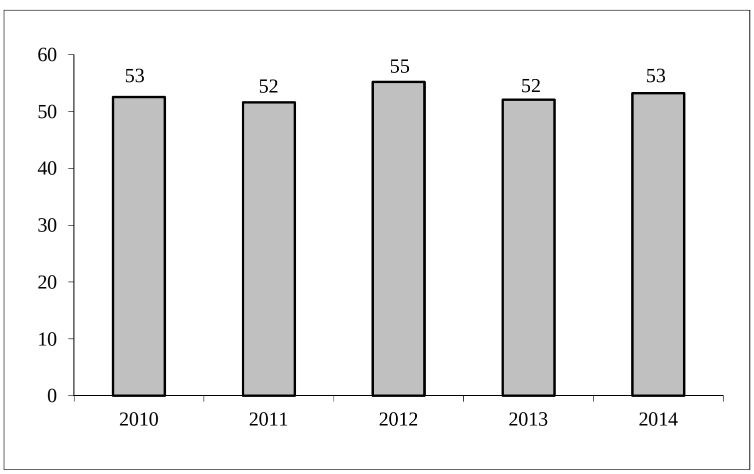
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The increase in the annual operating margin ratio from 8.6% for 2013 to 9.2% for 2014 was attributable to an overall increase in patient activity and volumes as compared to 2013 coupled with a slower growth rate in expenses during 2014.

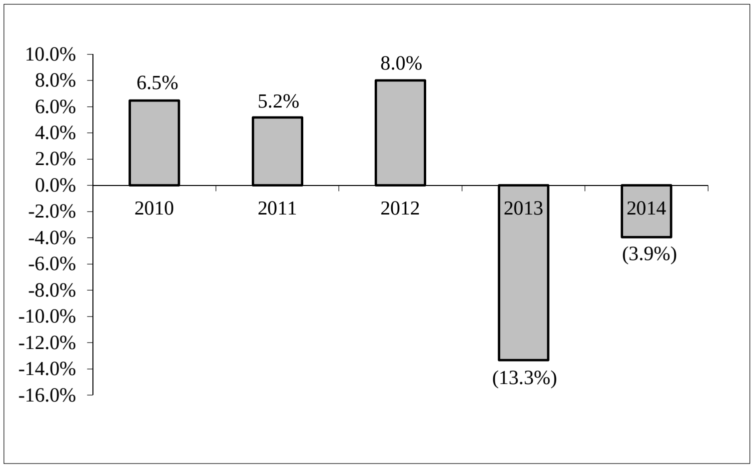
Net Accounts Receivable (in days)



The accounts receivable measured in days increased slightly from 52 days in 2013 to 53 days in 2014 due to claims under external extended appeals reviews with various managed care and governmental payors.

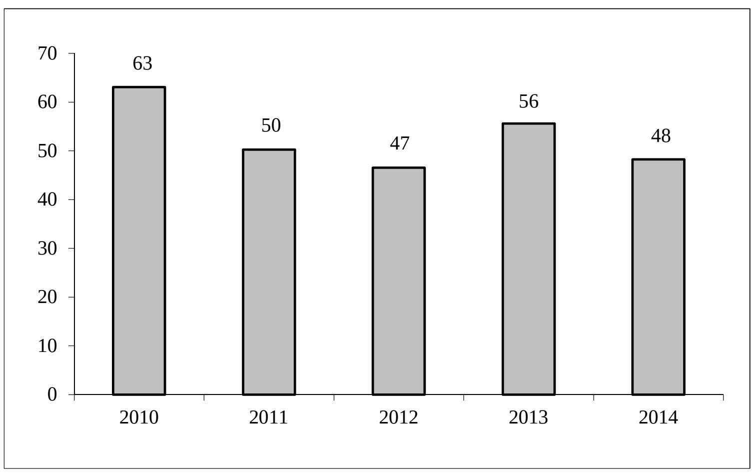
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The improvement in the annual operating margin ratio was primarily due to a $7.4 million increase in net patient billings, a $2.4 million increase in contractual revenue, and a $7.3 million increase in general appropriations. The main factor contributing to the increase in patient billings was the growth in cardiology and oncology services. The increase in contractual revenue was attributable to the behavioral health contract with the Department of State Health Services). These revenue increases were partially offset by a $9.0 million increase in expenses primarily due to the following: a $6.5 million increase in personnel costs; a $3.0 million increase in supplies; and a $1.0 million increase in repairs and maintenance.

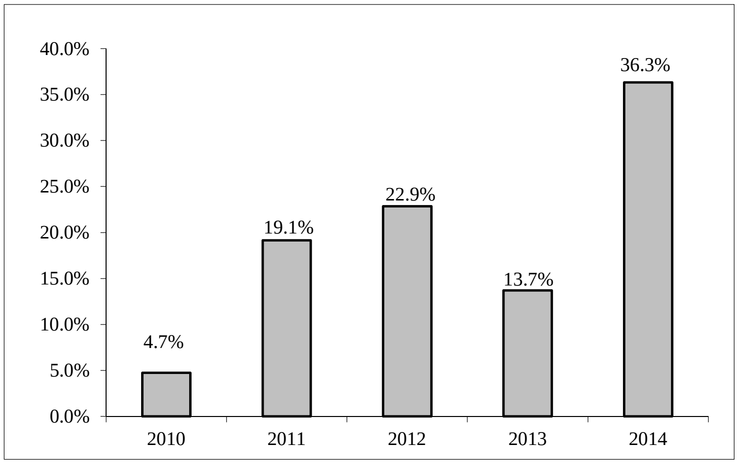
Net Accounts Receivable (in days)



Net accounts receivable decreased by 8 days primarily due to a 14.5% increase in net collections, which includes a 4.0% increase in bad debt as compared to a 12.7% increase in gross patient billings. The collection responsibilities for several payor types were moved from outside collection services to in-house operations, which resulted in better performing collection efforts.

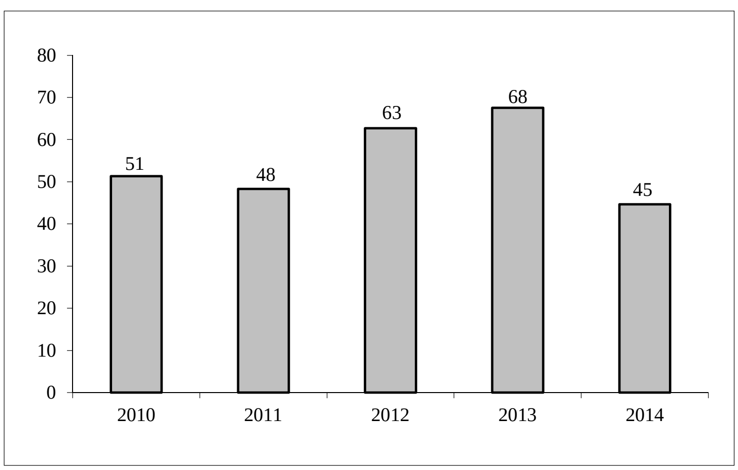
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The significant increase in the annual operating margin ratio was primarily due to net revenue of $15.4 million from the Delivery System Reform Incentive Payment (DSRIP) associated with the Medicaid Section 1115 Demonstration program as compared to $2.1 million in net revenue from DSRIP in 2013 excluding anchor payments. Net patient revenues also increased $1.3 million as a result of increased cardiology and oncology volumes, which contributed to the improvement in the annual operating margin ratio.

Net Accounts Receivable (in days)



Net accounts receivable decreased by 23 days primarily due to a 14.8% increase in net collections. The collection responsibilities for several payor types were moved from outside collection services to in-house operations, which resulted in better performing collection efforts.