University of Oregon
A Member of the Oregon University System
2014 Annual Financial Report

UNIVERSITY OF OREGON

University of Oregon
2014 Annual Report

Table of Contents

State Board of Higher Education

Matthew W. Donegan, Board President	**Portland**
Jill W. Eiland, Board Vice President	**Portland**
Lynda M. Ciuffetti	**Corvallis**
Orcilia Forbes	**Corvallis**
Allyn C. Ford	**Roseburg**
James L. Francesconi	**Portland**
Farbodd Ganjifard	**Corvallis**
Paul J. Kelly, Jr.	**Portland**
Brittany Kenison	**Portland**
James E. Middleton	**Bend**
Emily J. Plec	**Monmouth**
Kirk E. Schueler	**Bend**
David V. Yaden	**Lake Oswego**

University of Oregon Executive Officers as of June 30, 2014

Michael R. Gottfredson
President

Scott Coltrane
Senior Vice President and Provost
Appointed Interim President, August, 2014

Jamie Moffitt
Vice President for Finance and Administration/CFO

Robin Holmes
Vice President for Student Affairs

Yvette Alex-Assensoh
Vice President for Equity and Inclusion

Michael Andreasen
Vice President for Advancement

Brad Shelton
Interim Vice President for Research and Innovation

Roger J. Thompson
Vice President for Enrollment Management

Randy Geller
General Counsel

The University of Oregon, founded in 1876, is the state's flagship institution. Located in Eugene, an energetic college town, the university offers academic excellence and hands-on learning opportunities in a welcoming atmosphere. Towering trees shade the 295 acre campus, where students, faculty members, and employees from a wide variety of backgrounds share a commitment to preserving the environment and pursuing innovation. The UO boasts more than 200 comprehensive academic programs and more than 25 research centers and institutes. In addition to the main campus, programs are offered at sites throughout the state.

UO IN PORTLAND: The UO's Portland presence gives the state's students and professionals even more hands-on opportunities in subjects such as journalism, architecture, digital arts, product design, law, and other continuing education courses.

OREGON INSTITUTE OF MARINE BIOLOGY: In the small coastal town of Charleston, the Oregon Institute of Marine Biology (OIMB) is a living classroom where small numbers of undergraduate and graduate students in biology, marine biology, general science, and environmental science study marine organisms in their natural habitats.

PINE MOUNTAIN OBSERVATORY: Perched on a remote mountaintop at 6,300 feet above sea level in central Oregon, the observatory is well placed to make the most of the dark skies that the high desert provides. The observatory, operated by the University of Oregon's Department of Physics, provides basic and advanced scientific research opportunities.

MISSION

The University of Oregon is a comprehensive research university that serves its students and the people of Oregon, the nation, and the world through the creation and transfer of knowledge in the liberal arts, the natural and social sciences, and the professions. It is the Association of American Universities flagship institution of the Oregon University System.

The university is a community of scholars dedicated to the highest standards of academic inquiry, learning, and service. Recognizing that knowledge is the fundamental wealth of civilization, the university strives to enrich the public that sustains it through:

- a commitment to undergraduate education, with a goal of helping the individual learn to question critically, think logically, communicate clearly, act creatively, and live ethically
- a commitment to graduate education to develop creators and innovators who will generate new knowledge and shape experience for the benefit of humanity
- a recognition that research, both basic and applied, is essential to the intellectual health of the university, as well as to the enrichment of the lives of Oregonians, by energizing the state's economic, cultural, and political structure
- the establishment of a framework for lifelong learning that leads to productive careers and to the enduring joy of inquiry
- the integration of teaching, research, and service as mutually enriching enterprises that together accomplish the university's mission and support its spirit of community
- the acceptance of the challenge of an evolving social, political, and technological environment by welcoming and guiding change rather than reacting to it
- a dedication to the principles of equality of opportunity and freedom from unfair discrimination for all members of the university community and an acceptance of true diversity as an affirmation of individual identity within a welcoming community
- a commitment to international awareness and understanding, and to the development of a faculty and student body that are capable of participating effectively in a global society
- the conviction that freedom of thought and expression is the bedrock principle on which university activity is based
- the cultivation of an attitude toward citizenship that fosters a caring, supportive atmosphere on campus and the wise exercise of civic responsibilities and individual judgment throughout life
- a continuing commitment to affordable public higher education

The last year has been a momentous one for the University of Oregon (UO). On July 1, 2014, the university was established as its own legal entity. It is now governed by a board of trustees rather than by the Oregon University System. The UO remains a public institution focused on a mission of academic excellence and access to higher education. However, this change in governance provides the university with unprecedented flexibility and the agility necessary to meet the challenges facing higher education.

A Transformative Year

Over the course of the last few years, the UO has worked with many stakeholders to plan one of the most important transformations for the university since its inception. This investment of time and effort culminated on July 1, 2014, when a new board of trustees, dedicated to the needs of the UO, took over fiduciary responsibility for governing the institution. Led by Chair Chuck Lillis and Vice Chair Ginevra Ralph, the board immediately focused on critical issues such as strategic planning and fundraising, and launched a search for a new president. While in this leadership transition, we actively worked with the board to ensure that the institution continues forward with its critical initiatives.

As a part of the governance transformation, the UO has taken over a variety of functions that were previously managed by the Oregon University System. These include treasury functions, internal audit, retirement plan management, and tax reporting. Our new legal status gives us the ability to maintain and invest our own assets, to issue our own debt, to more easily purchase and sell real estate, and to refine policies so they suit the specific needs of the UO and its mission.

As we move into the new year, the institution is focused on many critical projects that have a broad impact on the campus community. Students and faculty members can look forward to an enhanced academic plan and the launch of the Cluster of Excellence faculty-hiring program. The campus is engaged in creating a new framework vision plan to help inform future development of our physical campus and a new strategic diversity plan to guide efforts for equity and inclusion. There is a vast amount of positive activity and energy on campus.

Student Excellence and Access

Student interest in the university is strong. Over the last four years, we've seen the largest freshman application pools in our history. The university enrolled one of its highest-achieving and most diverse entering classes in our history this fall. We made great strides in our aspirations to provide affordable access and support to the best and brightest Oregonians. The Pathway Oregon program, which ensures that academically qualified, Federal Pell Grant-eligible Oregonians have their tuition and fees paid for through a combination of federal, state, and university funds, and receive academic support and career guidance, was expanded. The university also grew additional scholarship opportunities, including the Evans Scholars Program, which provides full tuition and housing for academically prepared students with unmet financial need. This fall, due to increased appropriations from the state legislature, we were able to avoid undergraduate tuition increases for Oregon residents. In addition, we were able to limit undergraduate tuition increases to 3 percent for nonresidents.

Our students accomplish amazing things while at Oregon. This past year we had our first Truman Scholar in more than 20 years, three students received Fulbright Scholarships, and we had a record number of Gilman Scholars. In addition, a student and a recent graduate each won a Peabody Award, and two recent graduates each won Pulitzer Prizes. The Robert D. Clark Honors College, one of the oldest continuously operating honors colleges within a public research university, continues to attract some of the best students in the country to our campus.

Our efforts to improve access and undergraduate support continue to benefit our students and the state. Currently, the UO has the highest retention and graduation rates (87 percent and 67 percent respectively) among all Oregon public universities. With additional financial aid, advising, and tutoring support for students, we hope to further increase these rates. The university is launching new undergraduate programs including an expanded collaborative Peer Advising Program, and enhanced Academic Residential Communities supporting cohort-based, interdisciplinary learning both inside and outside the classroom. Our strategic plans also call for expanding financial aid and student support programs to attract and retain Oregon students. These investments will support the state's "40/40/20" goal, which includes 40 percent of resident students earning a baccalaureate or higher degree by the year 2025.

Faculty Excellence

Our faculty once again engaged in extremely productive levels of research and discovery. The number of research grant submissions increased 16 percent and sponsored research awards rose 13 percent. The UO's return on research through licensing income (licensing income divided by research expenditures) in 2014 was 9.2 percent, which puts us among the top-performing research institutions nationally. Geri Richmond, Presidential Chair in Science and professor of chemistry, became president-elect of the American Association for the Advancement of Science and was appointed by President Obama to serve on the National Science Board; psychologist Helen Neville was elected to the National Academy of Sciences; biologist Chris Doe and psychologist Mary Rothbart were elected to the American Academy of Arts and Sciences; biological anthropologist Josh Snodgrass and biochemist Tom Stevens were elected fellows of the American Association for the Advancement of Science. These appointments are among the most prestigious honors in the academy.

This past year we were also recognized for the strength of our academic programs, with 21 UO graduate and professional programs ranked in the top 20 or top 20 percent in the country. The College of Education ranked sixth among public institutions, its Special Education Program ranked third in the nation, and three UO specialty law programs ranked in the top ten in the country.

To build on our research strength, we launched a new Clusters of Excellence faculty-hiring initiative. This new program will focus resources on hiring tenure-track faculty members in select areas with exceptional promise for growth and increased national prominence.

Athletic Excellence

Our sports programs continued to earn national attention this past year. In football, the Ducks took home their third straight bowl win, the women's softball team earned a World Series berth, the women's volleyball team advanced to the national championship match, and men's basketball earned a spot in the NCAA tournament in March. The women's acrobatics and tumbling team won their fourth straight national title. The UO continues to make its presence known in the national track scene: in indoor track, both the men's and the women's team won national titles, the men's team also won the outdoor national title, and the women's outdoor team took third place nationally. National recognition helps us promote the university across the country and around the world and fuels the demand for students who want to become a part of the UO community.

Campus Transformations

If you were to step onto our campus this fall, you would see a tremendous amount of construction activity geared toward providing a better learning and research environment for students and faculty members. Among the major projects is a $95 million renovation of the Erb Memorial Union (EMU). The project will add 80,000 square feet of renovated space to the student union, including new student organization and lounge space, eateries, a bike center, multi-functional auditorium, renovated craft center, as well as a plaza and green space outside. The $50 million Student Recreation Center (SRC) addition and renovation project will add 110,000 square feet of fitness space that includes new exercise, yoga, and cycling studios, a three-court gym, two swimming pools, a spa, and expanded locker rooms and lounge spaces. The $44 million renovation of Straub Hall in the heart of campus will add and renovate more than 1,000 classroom seats, as well as reconfiguring faculty lab and office space in this historic building (which was once a student dormitory). These three projects are scheduled to be completed in 2015 (Straub and SRC) and 2016 (EMU).

This past year, we also completed construction of the Hatfield-Dowlin Complex, which provides enhanced facilities for our student athletes and athletics department. Our next project is the renovation and expansion of the Science Commons and Research Library. The $16.75 million project will create a modern research facility with expanded collaboration space and updated technology.

As we move forward with planning for our campus, we have several high-priority projects on the horizon. They include, among others, a new "College and Careers Building," consolidating College of Arts and Sciences programs and housing the Career Center in a state-of-the-art hub for classrooms, offices, and collaborative spaces where students can work closely with faculty, and a renovation of historic Chapman Hall, which houses our nationally recognized Clark Honors College.

The Path Forward

It is an exciting time for the University of Oregon. A new $2 billion capital campaign is underway, and our generous friends have already pledged more than $700 million toward achieving this goal. Through continued generous philanthropy, increased organizational agility, and strategic focus, we will be able to advance our position as a premier public research university. With our new governance structure and the help of our entire community—faculty, staff, students, alumni, and friends—there is much we can look forward to accomplishing together.

Scott Coltrane
Interim President

The University of Oregon transitioned to independent governance under the UO Board of Trustees, creating opportunity for focused advocacy and more operational agility.

The UO enrolled its most academically prepared and ethnically and socioeconomically diverse freshman class ever, advancing its mission of providing educational access to students.

UO researchers submitted a record number of proposals for research, a 16.3 percent increase from the previous year. Among the many awards: the Department of Education awarded the UO a $3.5 million grant to Prevention Science Institute researchers to provide custom interventions for Oregon students during early elementary school years and awarded an $11.7 million dollar grant to education researchers to develop new models of student achievement.

Five additional UO faculty members joined elite national academies. Additionally, chemistry professor Geraldine "Geri" Richmond was elected by her peers as president-elect of the prestigious American Association for the Advancement of Science.

The UO opened the new 145,000 square foot Hatfield-Dowlin Football Performance center and added a new exhibition wing to the Museum of Natural and Cultural History. Progress was also made on the renovation of Straub Hall adding 1,000 new and renovated classroom seats, and the 110,000 square foot expansion of the Student Recreation Center, both of which are scheduled for completion in 2015. Construction also began on an 80,000 square foot renovation of the Erb Memorial Union.

The UO announced the addition of a new scholarship program that will triple the number of Evans Scholars on campus. These four year tuition and housing scholarships are awarded to qualifying students with financial need.

[This page intentionally left blank.]

CliftonLarsonAllen LLP
8390 East Crescent Parkway, Suite 600
Greenwood Village, CO 80111
303-779-5710 | fax 303-779-0348
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Members of the Board of Trustees

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the University of Oregon (the University), an institution of higher education of the Oregon University System (the System), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the 2014 and 2013 financial statements of the discretely presented component unit, which represents 100 percent of the assets, net assets, and revenues of the University of Oregon Foundation (the Foundation) for 2014 and 2013. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University of Oregon as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 (A), the financial statements present only the University, and do not purport to, and do not, present fairly the financial position of the System as of June 30, 2014 and 2013, the changes in its financial position, or its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 (A), effective July 1, 2014, the University became an independent public body separate from the System due to the passing of Senate Bill 270.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 10 – 16 and the schedule of funding progress of Other Post Employment Benefits on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Message from the Interim President has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 17, 2014

For the Year Ended June 30, 2014 (dollars in millions)

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Oregon (UO) for the years ended June 30, 2014, 2013 and 2012. UO's primary campus is in Eugene, but programs are also offered in Portland, at the Oregon Institute of Marine Biology in Charleston, and at the Pine Mountain Observatory outside of Bend.

Annual Full Time Equivalent (FTE) Student Enrollment Summary

	2014	2013	2012	2011	2010
Annual FTE	**24,268**	24,418	24,543	23,716	22,635

Understanding the Financial Statements

The MD&A is intended to foster a greater understanding of UO's financial activities. Since this presentation includes summarized formats, it should be read in conjunction with the financial statements, which have the following six components.

Independent Auditor's Report presents an unmodified opinion rendered by an independent certified public accounting firm, CliftonLarsonAllen LLP, on the fairness in presentation (in all material respects) of the financial statements.

Statement of Net Position (SNP) presents a snapshot of UO assets, deferred outflows, liabilities, deferred inflows and net position under the accrual basis of accounting at the end of each fiscal year presented. The SNP helps the reader understand the types and amounts of assets available to support operations; how much UO owes to vendors and bond holders; and net position delineated based upon its availability for future expenditures.

Statement of Revenues, Expenses, and Changes in Net Position (SRE) presents UO revenues and expenses categorized between operating, nonoperating and other related activities. The SRE reports the UO operating results for each fiscal year presented.

Statement of Cash Flows (SCF) provides information about UO's sources (receipts) and uses (payments) of cash during the fiscal year. The SCF classifies sources and uses of cash into four categories, and assists in determining whether UO has the ability to generate future net cash flows to meet its obligations as they come due.

Notes to the Financial Statements (Notes) provide additional information to clarify and expand on the financial statements.

The Component Unit, comprised of a supporting foundation, is discretely presented in the UO financial statements and in Notes 2 and 19.

The MD&A provides an objective analysis of UO's financial activities based on currently known facts, decisions, and conditions. The MD&A discusses the current and prior year results in comparison to the current and two previous fiscal years. Unless otherwise stated, all years refer to the fiscal year ended June 30.

Statement of Net Position

The term "Net Position" refers to the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources, and is an indicator of UO's current financial condition. Changes in net position that occur over time indicate improvement or deterioration in UO's financial condition. The following summarizes UO assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position:

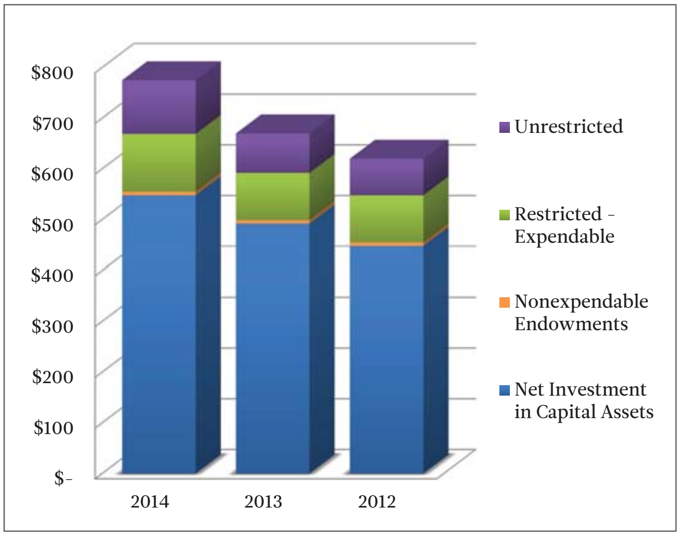
Condensed Statement of Net Position

As of June 30,	**2014**	2013	2012
Current Assets	**$ 295**	$ 182	$ 199
Noncurrent Assets	**202**	188	182
Capital Assets, Net	**1,241**	1,131	1,098
Total Assets	**$ 1,738**	$ 1,501	$ 1,479
Deferred Outflows of Resources	**8**	10	5
Current Liabilities	**$ 182**	$ 129	$ 144
Noncurrent Liabilities	**789**	712	720
Total Liabilities	**$ 971**	$ 841	$ 864
Deferred Inflows of Resources	-	-	-
Net Investment in Capital Assets	**$ 548**	$ 492	$ 448
Restricted - Nonexpendable	**7**	7	7
Restricted - Expendable	**114**	93	93
Unrestricted	**106**	78	72
Total Net Position	**$ 775**	$ 670	$ 620

Total Net Position

Changes to Total Assets reflected a larger increase than changes to Total Liabilities which caused Total Net Position to increase $105 million or 16% during 2014 as compared to an increase of $50 million or 8% in 2013.

As illustrated by the following graph, the make-up of net position changed between 2014, 2013 and 2012.



Comparison of fiscal year 2014 to fiscal year 2013

- **Net Investment in Capital Assets** increased $56 million. Capital asset increases of $156 million were offset by a $46 million increase to accumulated depreciation and a $54 million increase to long-term debt outstanding attributable to the capital assets.
- **Restricted Expendable Net Assets** increased $21 million from 2013 to 2014. Net assets relating to funds reserved for debt service increased by $8 million mainly because the Oregon University System issued $84 million in new debt on UO's behalf, which resulted in a larger amount of debt service in the sinking funds reserve. Net assets relating to the funding of capital projects increased $3 million primarily as a result of an increase in the number of new construction and improvement projects in 2014. Net assets related to gifts, grants and contracts increased $9 million due to increased gifts and unrealized endowment gains. Net assets related to student loans increased $1 million.
- **Unrestricted Net Assets** increased $29 million. This was primarily due to positive results in the Education & General and Service Center fund groups. Additionally, the new UO Internal Bank recorded $10 million in Unrestricted Net Assets. These assets were utilized to make debt payments on behalf of UO early in fiscal year 2015. However, because no external restriction exists, these monies are classified as unrestricted for purposes of this report.

Comparison of fiscal year 2013 to fiscal year 2012

- **Net Investment in Capital Assets** increased $44 million. Capital asset increases of $78 million were offset by a $45 million increase to accumulated depreciation and a $11 million decrease to long-term debt outstanding attributable to the capital assets
- **Restricted Expendable Net Assets** was unchanged from 2013 to 2014.
- **Unrestricted Net Assets** increased by $6 million resulting mainly from increased operating revenues and increased state appropriations.

Total Assets and Liabilities

Total Assets increased $237 million, or 16%, and Total Liabilities increased $130 million, or 15% during the year ended 2014. Total Assets increased $22 million, or 1%, and Total Liabilities decreased $23 million, or 2% during the year ended 2013. Securities lending is excluded from the following discussion and analysis because the net activity is zero (equal amounts of assets and liabilities, equal amounts of income and expense) and its inclusion can distort the analysis of the business activities of UO. See "Note 2. Cash and Investments" for additional information relating to securities lending. Absent the securities lending balances, 2014 Total Assets increased $229 million or 17% and Total Liabilities increased $123 million or 15% and 2013 Total Assets increased $33 million or 3% and Total Liabilities decreased $13 million or 2%. Current assets exceed current obligations.

Comparison of fiscal year 2014 to fiscal year 2013

- **Current Assets** increased $106 million, or 63%. Current cash and cash equivalents increased $98 million due to the conversion of some investments to cash prior to the university governance changes effective July 1, 2014 and increased holdings of cash for operations at year end. Accounts receivable increased $6 million. Increases to State, Other Government, Private Gifts, Grants and Contracts and Other Receivables of $16 million were offset by a $10 million decrease in student tuition and fees and federal grants and contracts receivable.
- **Noncurrent Assets** increased $13 million, or 7%. Year-end cash balances in capital construction funds increased $40 million compared to the prior year because of increased borrowing activity throughout the year. Investments decreased $28 million due to a change in the OUS investment strategy resulting from the change in university governance effective July 1, 2014.
- **Capital Assets, Net** increased $110 million, or 10%. Capitalized acquisitions net of disposals and adjustments included $152 million in real property and $4 million in personal property. Real property acquisitions during FY 2014 included the donation of a completed $84 million football complex and $56 million of construction in progress for the Student Recreation Center and Straub Hall. Accumulated depreciation increased by $46 million. See "Capital Assets" in this MD&A for additional information relating to these variances.
- **Current Liabilities** increased $46 million, or 24%, due to increases across all categories. The current portion of Long-Term Liabilities increased by $17 million due to increased debt borrowing and increased compensated absences liability. Accounts Payable and Accrued Liabilities increased $20 million due to increases in services and supplies, accrued interest, and contract retainage payable.

For the Year Ended June 30, 2014 (dollars in millions)

Unearned revenue increased by $7 million due to increases in Athletics unearned revenue and prepaid tuition and fees. Deposits increased $2 million.

- **Noncurrent Liabilities** increased $77 million, or 11%, primarily due to debt issued for the construction of capital assets. Refer to "Debt Administration" later in this MD&A for additional information.

Comparison of fiscal year 2013 to fiscal year 2012

- **Current Assets** decreased $7 million, or 4%. Accounts receivable increased $8 million. Increases to receivables related to federal grants and contracts, auxiliary enterprises and other operating activities and component unit of $17 million were offset by decreases in receivables from State, Other Government and Private Gifts, Grants and Contracts, Student tuition and fees and other receivables of $4 million along with a $5 million increase in allowances for bad debt. Cash and cash equivalents decreased $11 million in support of operations.
- **Noncurrent Assets** increased $6 million, or 3%. Year-end cash balances in capital construction funds increased $7 million compared to the prior year. Investments decreased $3 million primarily relating to the OUS investment strategy.
- **Capital Assets, Net** increased $33 million, or 3%. Capitalized acquisitions net of disposals and adjustments included $64 million in real property and $14 million in personal property. Accumulated depreciation increased by $45 million. See "Capital Assets" in this MD&A for additional information relating to these variances.
- **Current Liabilities** decreased $5 million, or 4%. Accounts payable and accrued liabilities decreased $6 million; Deposits decreased $6 million; the current portion of long-term liabilities increased $9 million; unearned revenue decreased $2 million.
- **Noncurrent Liabilities** decreased $8 million, or 1%. Internal Bank loans due to OUS decreased $19 million while other long term liabilities increased $11 million

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

Due to the classification of certain revenues as nonoperating revenue, UO shows a loss from operations. State General Fund Appropriations, nonexchange grants and non-capital gifts, although considered nonoperating revenue under Governmental Accounting Standards Board (GASB) 35 and reflected accordingly in the nonoperating section of the SRE, are used solely for operating purposes.

The following summarizes the revenue and expense activity of UO:

Condensed Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30,	2014	2013	2012
Operating Revenues	$ 646	$ 621	$ 595
Operating Expenses	789	739	702
Operating Loss	(143)	(118)	(107)
Nonoperating Revenues, Net of Expenses	133	120	113
Other Revenues	115	48	22
Increase in Net Position	105	50	28
Net Position, Beginning of Year	670	620	592
Net Position, End of Year	$ 775	$ 670	$ 620

Net Position increased by $105 million or 16% in 2014 compared to an increase of $50 million or 8% in 2013.

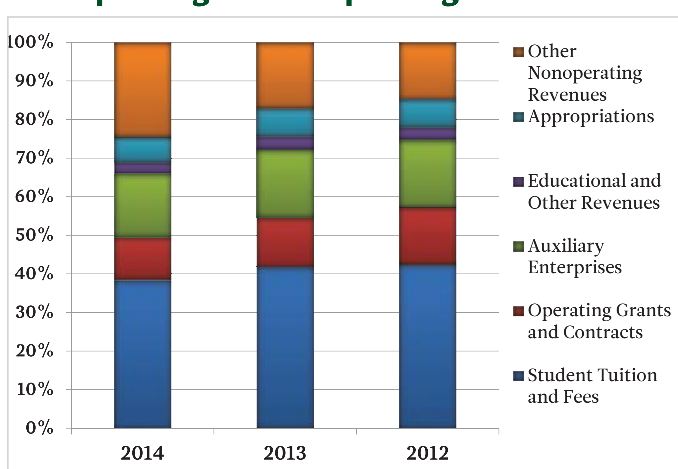
Revenues

Revenues increased $108 million, or 13%, in 2014 over 2013.

Total Operating and Nonoperating Revenues

For the Year Ended June 30,	2014	2013	2012
Student Tuition and Fees	$ 361	$ 344	$ 324
Grants and Contracts	104	105	113
Auxiliary Enterprises	155	145	133
Educational and Other	26	27	25
Total Operating Revenues	646	621	595
Appropriations	62	61	56
Grants	32	31	32
Investment Activity	20	17	13
Capital Grants and Gifts	107	33	16
Other Nonoperating Items	63	59	51
Total Nonoperating Revenues	284	201	168
Total Revenues	$ 930	$ 822	$ 763

Total Operating and Nonoperating Revenues



Operating Revenues

Operating revenues increased $25 million in 2014, or 4% over 2013, to $646 million. Operating revenues increased $26 million in 2013, or 4% over 2012. These changes are primarily due to increases in Student Tuition and Fees and Auxiliary Enterprises Revenues.

Comparison of fiscal year 2014 to fiscal year 2013

Student Tuition and Fees increased $17 million, or 5%, in 2014 compared to 2013.

- Higher tuition and fee rates accounted for $20 million of the increase.
- Fee remissions and scholarship allowances reduced tuition and fees by $7 million more than in the prior period.
- Bad debt expense, primarily related to the maintenance of the allowance for bad debt, decreased by $4 million.

Federal, State and Nongovernmental Grants and Contracts decreased $1 million, or 1%, in 2014 compared to 2013.

- Federal grant and contract revenues were relatively unchanged from 2013 to 2014.
- State grant activity was relatively unchanged from 2013 to 2014.
- Nongovernmental grant activity decreased $1 million.

Auxiliary Enterprises revenues increased $10 million, or 7%, compared to the prior year.

- Student Health, Building and Incidental Fee revenue increased $4 million due to a new Recreation Center Bond building fee.
- Housing and Dining revenues increased by $2 million in 2014 as the result of increased rates and student occupancy.
- Athletics revenues increased by $4 million due to increased event revenues from television broadcasting rights and ticket sales.

Comparison of fiscal year 2013 to fiscal year 2012

- **Student Tuition and Fees** increased $20 million or 6% in 2013 compared to 2012. Higher tuition and fee rates accounted for $25 million of the increases. Higher tuition revenue was offset by a $5 million increase in fee remissions, and scholarship and bad debt allowances.
- **Federal, State and Nongovernmental Grants and Contracts** decreased $8 million or 7% in 2013 compared to 2012. Federal grant and contract revenues decreased by $4 million in 2013 relating to decreased research and development grants and contracts. State, Local and Nongovernmental grant activity also decreased by $4 million.
- **Auxiliary Enterprise** revenues increased by $12 million or 9% due to increased student health and incidental fees, increased Housing and Dining rates and occupancy, and the growth in athletics revenues from television broadcasting rights.

Nonoperating Revenues

The increase in Nonoperating Revenues of $83 million during 2014 resulted from increases in all of the related categories. The increase in Nonoperating Revenues of $33 million during 2013 resulted from increases in all of the related categories except nonoperating grants.

Comparison of fiscal year 2014 to fiscal year 2013

Government Appropriations increased $1 million, or 2%. State appropriations for UO operations increased by $2 million or 4% due to increased funding received from the State of Oregon. Debt service appropriations decreased $1 million. See "Note 12. Government Appropriations" for additional information relating to changes in appropriations.

Grants were relatively unchanged from 2013 to 2014.

Investment Activity revenues increased $3 million in 2014. See "Note 10. Investment Activity" for additional information relating to these changes.

Capital Grants and Gifts increased $74 million in 2014 due to the donation of a completed athletic facility.

Other Nonoperating Items increased $4 million in 2014.

- Other gifts increased by $7 million in 2014 compared to 2013.
- Adjustments to Capital Assets increased $1 million in 2014 compared to 2013.
- Nonoperating transfers from the Chancellor's Office decreased $4 million.

Comparison of fiscal year 2013 to fiscal year 2012

- **Government Appropriations** increased $5 million, or 9%. State appropriations for UO operations increased by $3 million or 6% due to higher funding received from the State of Oregon. Appropriations for debt service increased $2 million because of higher levels of debt service in 2013. See "Note 12. Government Appropriations" for additional information relating to changes in appropriations.
- **Grants** were relatively unchanged from 2012 to 2013.
- **Investment Activity** revenues increased $4 million in 2013 due to the retained interest earnings on all cash balances.
- **Capital Grants and Gifts** increased $17 million in 2013.
- **Other Nonoperating Items** increased $8 million in 2013 due to increases in gift revenues and net nonoperating transfers in from the Chancellor's Office.

Expenses

Operating Expenses

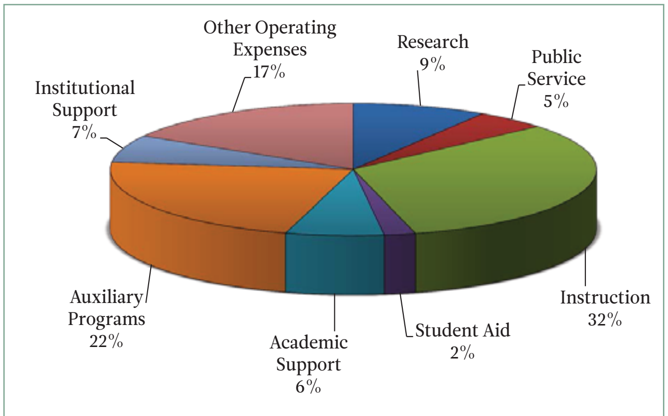
Operating expenses increased $50 million in 2014, or 7%, over 2013, to $789 million. The 2014 increase resulted from higher expenses in many categories, with the biggest overall increases in Instruction and Auxiliary programs. Operating expenses increased $37 million in 2013, or 5%, over 2012, to $739 million. The 2013 increase resulted from higher expenses in many categories, with the biggest overall increases in Instruction and Auxiliary programs. The following summarizes operating expenses by functional classification:

For the Year Ended June 30, 2014 (dollars in millions)

Operating Expense by Function

For the Year Ended June 30,	2014	2013	2012
Instruction	**$ 254**	$ 240	$ 226
Auxiliary Programs	**175**	165	149
Research	**71**	71	78
Institutional Support	**53**	51	53
Academic Support	**51**	47	43
Public Service	**38**	38	38
Student Aid	**16**	16	14
Other Operating Expenses	**131**	111	101
Total Operating Expenses	**$ 789**	$ 739	$ 702

2014 Operating Expense by Function



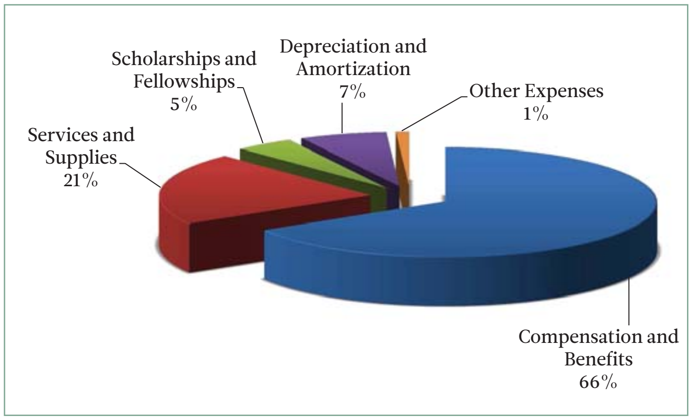
Due to the way in which expenses are incurred by UO, variances are presented and explained by analyzing changes in the natural classification of expenses. Each natural classification analysis can be applied to many of the functional expense caption items.

The following summarizes operating expenses by natural classification:

Operating Expenses by Natural Classification

For the Year Ended June 30,	2014	2013	2012
Compensation and Benefits	**$ 523**	$ 492	$ 467
Services and Supplies	**169**	154	151
Scholarships and Fellowships	**36**	37	34
Depreciation and Amortization	**53**	47	41
Other Expenses	**8**	9	9
Total Operating Expenses	**$ 789**	$ 739	$ 702

2014 Operating Expenses by Natural Classification



Comparison of fiscal year 2014 to fiscal year 2013

Compensation and Benefits costs increased $31 million, or 6%, in 2014 compared to 2013 primarily due to:

- Higher wage costs attributed to increased FTE and average salaries/wages in Unclassified, Classified, and Graduate Teaching Fellow employee categories (approximately $18 million).
- Increased retirement and health insurance costs (approximately $8 million).
- Fee remissions for graduate students (approximately $2 million or 8%).

Services and Supplies expense increased $15 million, or 10%, during 2014. This increase was seen across many categories including general supplies, utilities, rentals and leases, and miscellaneous other services and supplies. This was partially offset by lower subcontractor and fees and services expenses.

Scholarships and Fellowships expenses decreased $1 million, or 3%, when comparing 2014 to 2013. This net decrease corresponds to the revenue increases in student financial aid from institutional and private sources, offset by a decrease in federal and foundation student aid in fiscal year 2014. This expense category does not include Fee Remissions, which are reported as reductions to Student Tuition and Fee Revenues.

Depreciation and Amortization expense increased $6 million during 2014 primarily due to recently constructed or refurbished buildings being placed in service during 2014.

Nonoperating Expenses

Interest Expense was relatively unchanged from 2013 to 2014.

Comparison of fiscal year 2013 to fiscal year 2012

Compensation and Benefits costs increased $25 million, or 5%, in 2013 compared to 2012 primarily due to:

- Higher wage costs attributed to additional faculty and staff (approximately $12 million)
- Increased retirement and health insurance costs (approximately $3)
- Increased student and graduate employment (approximately $2 million)

For the Year Ended June 30, 2014 (dollars in millions)

- Fee remissions for graduate students (approximately $3 million or 10%).

Services and Supplies expense increased $3 million, or 2%, during 2013. This increase was seen across many categories including general supplies, rentals and leases, utilities, and assessments. These increases were partially offset by lower maintenance and repairs, subcontractor and other services and supplies expenses.

Scholarships and Fellowships costs increased $3 million, or 9%, when comparing 2013 and 2012. This net increase corresponds to revenue increases from foundation and institutional sources. State and federal sources were relatively unchanged from 2012 to 2013.

Depreciation and Amortization expense increased $6 million during 2013 primarily due to recently constructed or refurbished buildings being placed in service during 2013.

Nonoperating Expenses

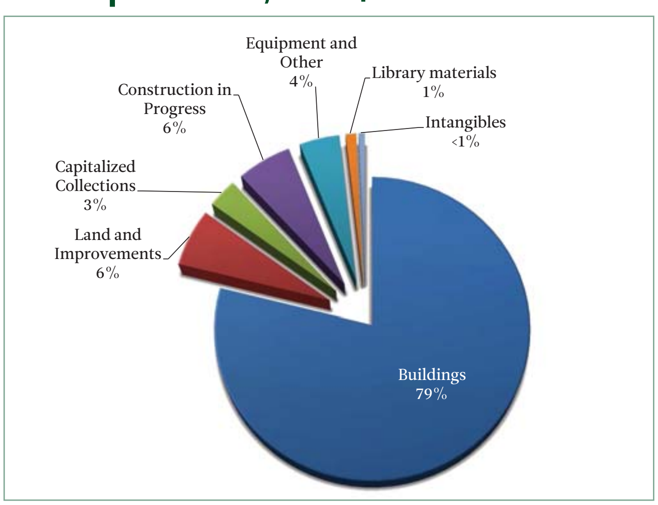
Interest Expense increased by $2 million, or 7%.

Capital Assets and Related Financing Activities

Capital Assets

At June 30, 2014, UO had $1.8 billion in capital assets, less accumulated depreciation of $599 million, for net capital assets of $1.2 billion. At June 30, 2013, UO had $1.7 billion in capital assets, less accumulated depreciation of $553 million, for net capital assets of $1.1 billion. During fiscal year 2014, $99 million in construction projects were completed and placed into service. UO is committed to a comprehensive program of capital investment and facility maintenance that includes addressing current maintenance needs and minimizing UO's deferred maintenance backlog. State, federal, private, debt, and internal UO funding were all used to accomplish UO's capital objectives.

2014 Capital Assets, Net – $1.24 Billion



Changes to Capital Assets

	2014	2013	2012
Capital Assets, Beginning of Year	**$ 1,684**	$ 1,606	$ 1,474
Add: Purchases/Construction	**165**	81	136
Less: Retirements/Disposals/Adjustments	**(9)**	(3)	(4)
Total Capital Assets, End of Year	**1,840**	1,684	1,606
Accum. Depreciation, Beginning of Year	**(553)**	(508)	(470)
Add: Depreciation Expense	**(53)**	(47)	(41)
Less: Retirements/Disposals/Adjustments	**7**	2	3
Total Accum. Depreciation, End of Year	**(599)**	(553)	(508)
Total Capital Assets, Net, End of Year	**$ 1,241**	$ 1,131	$ 1,098

Capital additions totaled $165 million for 2014, $81 million for 2013, and $136 million for 2012.

Accumulated depreciation at June 30, 2014 increased $46 million, which represented $53 million in depreciation and amortization expense offset by $7 million in asset retirements and adjustments. Accumulated depreciation at June 30, 2013 increased $45 million, which represented $47 million in depreciation and amortization expense offset by $2 million in asset retirements and adjustments. Depreciation expense was $53 million during 2014 compared to $47 million during 2013 and $41 million in 2012.

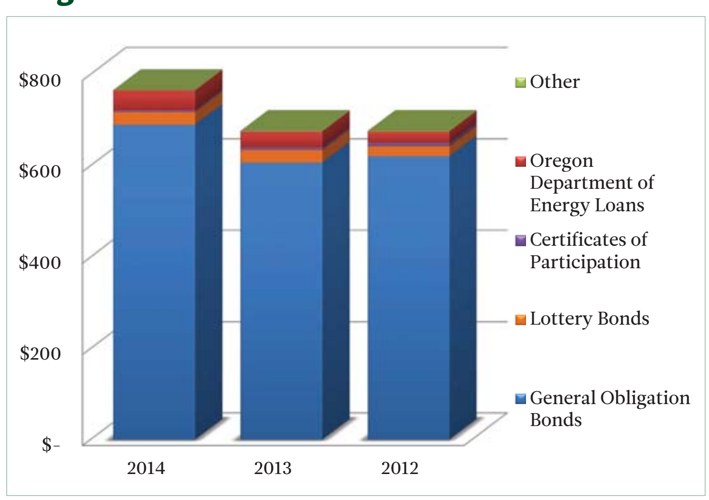
Capital Commitments

UO has outstanding capital commitments on partially completed and planned but not yet started construction projects authorized by the Oregon State Legislature of $72 million as of June 30, 2014. See "Note 17. Commitments and Contingent Liabilities" for additional information relating to capital construction commitments.

Debt Administration

During 2014 and 2013, OUS issued debt on behalf of UO totaling $84 million and $9 million, respectively, with the proceeds earmarked for construction and acquisition of capital assets and for refunding outstanding debt obligations. General Obligation Bonds increased $84 million during 2014.

Long-term Debt



Economic Outlook

Funding for the major activities of the UO comes from a variety of sources including tuition and fees, financial aid programs, federal and state appropriations, grants, private and government contracts, donor gifts, and investment earnings. Revenues are also generated through recovery of costs associated with federal grants and contract activities, which serve to offset related administrative and facilities costs at the university.

State funding levels continue to challenge the UO's ability to meet its public mission of teaching, research and service. While state funding to the UO has increased slightly over the last few years, it is still dramatically lower than the level of state contribution that existed prior to the last recession. This low level of state support, combined with rising expenses, particularly labor costs, has put increasing pressure on the institution to raise tuition.

In order to address some of these financial challenges, the 2013 legislature enacted SB 270 which granted independent governing boards of trustees to the University of Oregon, Portland State University, and Oregon State University. This legislation established the University of Oregon Board of Trustees and shifted governance functions of the State Board of Higher Education to the local institutional level. The UO Board of Trustees has broad financial management authority, is able to issue institution-specific revenue bonds, and retains the authority to hire and evaluate the university president. The 2013 legislature also took action to reduce the large unfunded liability of the Public Employees Retirement System (PERS) and reduce the costs of these benefits to state employers.

In FY2014 and FY2015, the legislature increased state operating support specifically to "buy-down" or limit increases in resident, undergraduate tuition. This resulted in an average tuition increase of 2.66% in FY2014 and decrease of .36% in FY2015 for undergraduate residents.

Despite legislative changes, a major challenge going forward continues to be balancing low levels of state funding with aspirations related to Oregon's 40/40/20 goals. The UO Board of Trustees and university leadership remain committed to meeting these challenges and ensuring the long-term financial health of UO to carry out its core mission as a premier public residential research institution.

[This page intentionally left blank.]

As of June 30,	University 2014	2013
	(In thousands)	
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	$ 191,989	$ 93,543
Collateral from Securities Lending (Note 2)	19,330	12,221
Accounts Receivable, Net (Note 3)	70,912	64,746
Notes Receivable, Net (Note 4)	4,055	3,538
Inventories	3,706	3,720
Prepaid Expenses	5,269	4,022
Total Current Assets	295,261	181,790
Noncurrent Assets		
Cash and Cash Equivalents (Note 2)	76,588	36,868
Investments (Note 2)	106,617	134,673
Notes Receivable, Net (Note 4)	16,952	16,584
Due From Other OUS Funds and Entities	1,395	-
Capital Assets, Net of Accumulated Depreciation (Note 5)	1,240,807	1,131,326
Total Noncurrent Assets	1,442,359	1,319,451
Total Assets	$ 1,737,620	$ 1,501,241
DEFERRED OUTFLOWS OF RESOURCES	$ 8,779	$ 9,386
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	$ 49,551	$ 29,714
Deposits	6,638	4,622
Obligations Under Securities Lending (Note 2)	19,330	12,221
Current Portion of Long-Term Liabilities (Note 8)	46,050	29,110
Unearned Revenues	60,161	53,101
Total Current Liabilites	181,730	128,768
Noncurrent Liabilities		
Long-Term Liabilities (Note 8)	789,237	467,061
Due to Other OUS Funds and Entities	-	244,955
Total Noncurrent Liabilities	789,237	712,016
Total Liabilities	$ 970,967	$ 840,784
DEFERRED INFLOWS OF RESOURCES	$ -	$ -
NET POSITION		
Net Investment in Capital Assets	$ 547,604	$ 491,719
Restricted For:		
Nonexpendable Endowments	7,422	7,412
Expendable:		
Gifts, Grants and Contracts	38,749	30,389
Student Loans	26,337	25,292
Capital Projects	38,881	35,658
Debt Service	9,879	1,854
Unrestricted	106,560	77,519
Total Net Position	$ 775,432	$ 669,843

The accompanying notes are an integral part of these financial statements.

As of June 30,		Component Unit 2014		2013
		(In thousands)		
ASSETS				
Cash and Cash Equivalents	**$**	**19,097**	$	30,716
Contributions, Pledges and Grants Receivable, Net		**102,432**		93,339
Investments (Note 2)		**793,941**		733,939
Prepaid Expenses and Other Assets		**14,094**		12,640
Property and Equipment, Net		**17,393**		8,304
Total Assets	**$**	**946,957**	$	878,938
LIABILITIES				
Accounts Payable and Accrued Liabilities	**$**	**1,305**	$	1,672
Accounts Payable to University		**14**		81
Obligations to Beneficiaries of Split-Interest Agreements		**50,335**		42,590
Deposits and Unearned Revenue		**17,318**		16,401
Long-Term Liabilities		**28,513**		24,779
Total Liabilities	**$**	**97,485**	$	85,523
NET ASSETS				
Unrestricted	**$**	**11,741**	$	10,035
Temporarily Restricted		**442,359**		414,149
Permanently Restricted		**395,372**		369,231
Total Net Assets	**$**	**849,472**	$	793,415

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30,	University 2014	2013
	(In thousands)	
OPERATING REVENUES		
Student Tuition and Fees (Net of Allowances of $60,505 and $57,665, respectively)	**$ 360,951**	$ 344,313
Federal Grants and Contracts	**95,089**	95,157
State and Local Grants and Contracts	**2,110**	1,821
Nongovernmental Grants and Contracts	**6,840**	7,909
Educational Department Sales and Services	**15,761**	15,494
Auxiliary Enterprises Revenues (Net of Allowances of $3,391 and $3,145, respectively)	**155,512**	145,106
Other Operating Revenues	**10,303**	10,818
Total Operating Revenues	**646,566**	620,618
OPERATING EXPENSES		
Instruction	**253,585**	239,858
Research	**70,607**	71,234
Public Service	**37,895**	37,674
Academic Support	**51,418**	47,211
Student Services	**35,593**	32,294
Auxiliary Programs	**175,486**	164,860
Institutional Support	**52,937**	50,636
Operation and Maintenance of Plant	**49,660**	47,417
Student Aid	**16,486**	15,902
Other Operating Expenses	**45,600**	31,589
Total Operating Expenses (Note 11)	**789,267**	738,675
Operating Loss	**(142,701)**	(118,057)
NONOPERATING REVENUES (EXPENSES)		
Government Appropriations (Note 12)	**49,431**	47,342
Financial Aid Grants	**31,852**	31,758
Investment Activity (Note 10)	**20,491**	17,228
Gain (Loss) on Sale of Assets, Net	**(295)**	54
Interest Expense	**(34,971)**	(34,351)
Other Nonoperating Items	**66,460**	58,077
Net Nonoperating Revenues	**132,968**	120,108
Income (Loss) Before Other Nonoperating Revenues	**(9,733)**	2,051
Debt Service Appropriations (Note 12)	**12,363**	13,600
Capital Grants and Gifts	**106,627**	32,767
Changes to Permanent Endowments	**10**	2
Transfers within OUS	**(3,678)**	937
Total Other Nonoperating Revenues	**115,322**	47,306
Increase In Net Position	**105,589**	49,357
NET POSITION		
Beginning Balance	**669,843**	620,486
Ending Balance	**$ 775,432**	$ 669,843

The accompanying notes are an integral part of these financial statements.

For The Year Ended June 30,	Component Unit 2014	Component Unit 2013
	(In thousands)	
REVENUES		
Grants, Bequests and Gifts	**$ 75,321**	$ 143,468
Investment Income (Loss), Net	**79,602**	67,365
Change in Value of Life Income Agreements	**6,356**	4,584
Other Revenues	**1,166**	1,240
Total Revenues	**162,445**	216,657
EXPENSES		
University Support	**99,315**	136,937
General and Administrative	**7,073**	6,900
Total Expenses	**106,388**	143,837
Increase In Net Assets	**56,057**	72,820
NET ASSETS		
Beginning Balance	**793,415**	720,595
Ending Balance	**$ 849,472**	$ 793,415

The accompanying notes are an integral part of these financial statements.

For the Year Ended June 30,	University 2014	2013
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	**$ 363,550**	$ 352,730
Grants and Contracts	**116,494**	91,467
Educational Department Sales and Services	**15,761**	15,494
Auxiliary Enterprises Operations	**155,162**	138,729
Payments to Employees for Compensation and Benefits	**(520,823)**	(489,682)
Payments to Suppliers	**(173,035)**	(168,496)
Student Financial Aid	**(35,764)**	(36,411)
Other Operating Receipts (Payments)	**(4,335)**	12,850
Net Cash Provided (Used) by Operating Activities	**(82,990)**	(83,319)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government Appropriations	**49,431**	46,761
Financial Aid Grants	**31,852**	31,758
Private Gifts Received for Endowment Purposes	**10**	2
Other Gifts and Private Contracts	**66,460**	58,077
Net Agency Fund Receipts (Payments)	**2,016**	(6,243)
Net Transfers Within OUS	**(5,207)**	(10,786)
Net Cash Provided (Used) by Noncapital Financing Activities	**144,562**	119,569
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Service Appropriations	**12,188**	13,600
Capital Grants and Gifts	**21,949**	13,639
Bond Proceeds from Capital Debt	**95,218**	58,324
Sales of Capital Assets	**2,266**	927
Purchases of Capital Assets	**(78,656)**	(62,571)
Interest Payments on Capital Debt	**(22,691)**	(35,399)
Principal Payments on Capital Debt	**(6,491)**	(42,749)
Net Cash Provided (Used) by Capital and Related Financing Activities	**23,783**	(54,229)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Sales (Purchases) of Investments	**36,528**	(1,778)
Interest on Investments and Cash Balances	**16,283**	15,190
Net Cash Provided (Used) by Investing Activities	**52,811**	13,412
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**138,166**	(4,567)
CASH AND CASH EQUIVALENTS		
Beginning Balance	**130,411**	134,978
Ending Balance	**$ 268,577**	$ 130,411

The accompanying notes are an integral part of these financial statements.

For the Year Ended June 30,	University 2014	2013
	(In thousands)	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	**$ (142,701)**	$ (118,057)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	**52,746**	47,064
Changes in Assets and Liabilities:		
Accounts Receivable	**(5,991)**	(7,116)
Notes Receivable	**(885)**	(582)
Inventories	**14**	(753)
Prepaid Expenses	**(1,247)**	1,966
Accounts Payable and Accrued Liabilities	**6,103**	(5,352)
Long-Term Liabilities	**1,911**	1,061
Unearned Revenue	**7,060**	(1,550)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (82,990)**	$ (83,319)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS		
Capital Assets Acquired by Incurring Capital Lease Obligations	**$ -**	$ 37
Capital Assets Acquired by Gifts-in-Kind	**84,678**	19,128
Increase in Fair Value of Investments Recognized as a Component of Investment Activity	**4,208**	2,038
Internal Bank Loans Converted to XI-F(1) Debt	**320,079**	-

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Oregon State Board of Higher Education (Board), a citizen board appointed by the Governor with confirmation by the State Senate, governs the seven state-supported institutions of higher learning (institutions) in Oregon. These institutions are known as the Oregon University System (OUS). The law creating the Board was passed in 1929 by the Oregon Legislature and went into effect July 1, 1931. The University of Oregon (UO) is one of the seven universities that make up the OUS.

The UO financial reporting entity is reported under the heading of University on the Basic Financial Statements. The UO reporting entity also includes one university foundation which is reported as a discretely presented component unit in the UO Financial Statements. See "Note 19. University Foundation" for additional information relating to this component unit. Organizations that are not financially accountable to UO, such as booster and alumni organizations, are not included in the reporting entity.

UO is also reported as one of the seven universities that make up OUS and is reported as part of the OUS Annual Financial Report. OUS is a part of the primary government of the State of Oregon (State) and is included as a proprietary (enterprise) fund in the Comprehensive Annual Financial Report issued by the State.

These financial statements present only UO, including the discretely presented component unit described above, and are not intended to present the financial position, changes in financial position, or, where applicable, the cash flows of the OUS as a whole in conformity with accounting principles generally accepted in the United States of America.

Senate Bill 270 was passed by the Oregon Legislature during fiscal year 2014 and established the University of Oregon as an independent public body legally separate from OUS as of July 1, 2014. UO will not be included in the OUS financial reporting entity starting with the fiscal year 2015 financial report. UO will be included as a component unit in the Comprehensive Annual Financial Report issued by the State starting with the fiscal year 2015 financial report.

B. Financial Statement Presentation

UO financial accounting records are maintained in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB No. 35 and modified by GASB No. 65 provides a comprehensive, entity-wide perspective of UO assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

In preparing the financial statements, significant interfund transactions and balances between university funds have been eliminated. Unless otherwise stated, dollars are presented in thousands.

Financial statements of the university foundation are presented in accordance with generally accepted accounting principles prescribed by the Financial Accounting Standards Board (FASB).

NEWLY IMPLEMENTED ACCOUNTING STANDARDS

UO implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for the fiscal year ended June 30, 2014. GASB 65 amended or superseded the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. Certain items that were previously reported as assets and liabilities are now classified as deferred outflows or deferred inflows of resources, and certain items are now recognized as expenses or revenues in the period incurred. As a result of the implementation, UO reclassified $8,776 in unamortized gain/(loss) on refundings previously reported as a liability to deferred outflows for financial statement purposes.

UO implemented GASB Statement No. 66, *Technical Corrections–2012–an amendment of GASB Statements No. 10 and No. 62,* effective for the fiscal year ended June 30, 2014. GASB 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The adoption of GASB 66 did not materially impact the UO financial statements.

The Oregon Public Employees Retirement System (PERS) implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25,* effective for the fiscal year ended June 30, 2014. GASB 67 improves accounting and financial reporting by state and local governments for pensions and pension plans, and therefore applies directly to PERS, and indirectly to UO. The measurement of net pension liability in accordance with GASB 67 will increase liabilities for UO as it implements GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* in fiscal year 2015.

UO implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the fiscal year ended June 30, 2014. GASB 70 improves the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The adoption of GASB 70 did not materially impact the UO financial statements.

UPCOMING ACCOUNTING STANDARDS

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* GASB 68 improves accounting and financial reporting by state and local governments for pensions, and is effective for the fiscal year ending June 30, 2015. The State is currently evaluating the impact of this standard on future financial statements. Information relating to any increase in the liabilities of UO is unavailable at this time. The adoption of GASB 68 is expected to have a significant negative impact on the unrestricted net position of UO.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. GASB 69 requirements are effective for the fiscal year ending June 30, 2015. UO is analyzing the effects of the adoption of GASB 69 and is uncertain of the impact on the financial statements and related reporting requirements at this time.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the measurement Date - An Amendment of GASB Statement No. 68.* GASB 71 updates GASB 68 and refers to contributions, if any, made to a defined benefit pension plan after the measurement date of the beginning net pension liability. These requirements are effective for the fiscal year ending June 30, 2015. The adoption of GASB 71 is not expected to have a material impact on the UO financial statements.

C. Basis of Accounting

For financial reporting purposes, UO is considered a special-purpose government engaged only in business-type activities. Accordingly, the UO financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when incurred.

D. Cash and Cash Equivalents

Cash and cash equivalents includes highly liquid investments with original maturities of three months or less. Cash and cash equivalents consists of: Cash on hand; cash and investments held by the State of Oregon in the Oregon Short-Term Fund (OSTF); cash and cash equivalents restricted for the payment of the current portion of debt service; and cash deposits, if any, of debt proceeds in investment funds held by a trustee.

E. Investments

Investments are reported at fair value as determined by market prices. Unrealized gains or losses on investments are reported as investment activity in the Statement of Revenues, Expenses, and Changes in Net Position.

Investments are classified as noncurrent assets in the Statement of Net Position.

F. Inventories

Inventories are recorded at the lower of average cost or market and consist primarily of supplies in storerooms and physical plant stores.

G. Capital Assets

Capital assets are recorded at cost on the date acquired or at fair market value on the date donated. UO capitalizes equipment with unit cost of five thousand dollars or more and an estimated useful life of greater than one year. UO capitalizes real property expenditures that increase the functionality and/or extend the useful life of the real property if total expenditures exceed the capitalization thresholds of $50 to $100, depending on the type of real property. Intangible assets valued in excess of $100 are capitalized. Expenditures below the capitalization threshold and repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

UO capitalizes interest expense on projects exceeding $20 million that are partially or fully funded by XI-F debt or internally generated funds. Total interest of $24,014 and $22,801 was incurred on XI-F debt, of which $374 and $1,024 was capitalized for the fiscal years ended 2014 and 2013, respectively.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings, 10 to 20 years for infrastructure and land improvements, 10 years for library books and 5 to 11 years for equipment. Amortization terms of intangible assets vary depending on the factors relating to the specific asset. Depreciation is not applied to museum collections, works of art or historical treasures, or library special collections.

H. Unearned Revenues

Unearned revenues include amounts received for tuition and fees, grants and contracts, lease income and auxiliary enterprises activities in which cash has been received, but revenues will be earned in subsequent fiscal year(s).

I. Compensated Absences

UO accrues a liability for vacation leave and other compensated absences that were earned but not used during the current or prior fiscal year for which employees can receive compensation in a future period. Sick leave is recorded as an expense when paid. There is no payout provision for unused sick leave and no liability exists for terminated employees.

J. Net Position

UO's net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets represents the total investment in capital assets, net of accumulated depreciation and amortization, and outstanding debt obligations related to those capital assets.

RESTRICTED – NONEXPENDABLE ENDOWMENTS

Restricted nonexpendable endowments consist of funds in which donors have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income. The income may either be expended or, depending on the terms of the gift instrument, added to principal.

RESTRICTED – EXPENDABLE

Restricted expendable includes resources which UO is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

UNRESTRICTED

Unrestricted are resources that may be used at the discretion of the Board.

When an expense is incurred that can be paid using both restricted or unrestricted resources, restricted resources are generally applied first.

K. Endowments

Oregon Revised Statutes (ORS) Section 351.130 gives UO the authority to use the interest, income, dividends, or profits of endowments. Current OUS Board policy is to annually distribute, for spending purposes, four percent of the preceding 20 quarter moving average of the market value of the endowment funds and to maintain the purchasing power of the funds as nearly as prudent investment permits. In accordance with current board policy, the amount available for distribution during fiscal year 2015 is estimated to be $1,070. For the years ended June 30, 2014 and 2013, the net amount of appreciation available for authorization for expenditure was $18,476 and $15,126, respectively.

Nonexpendable Endowments on the Statement of Net Position of $7,422 and $7,412 at June 30, 2014 and 2013, respectively, represent the original corpus of true endowment funds and does not include the accumulated gains of those endowments.

L. Income Taxes

UO is treated as a governmental entity for tax purposes. As such, UO is generally not subject to federal and state income taxes. However, UO remains subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption from income taxes. No income tax is recorded because there are no taxes due to unrelated business income during fiscal year 2014 for UO.

M. Revenues and Expenses

UO has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues and expenses generally have the characteristics of exchange transactions. These transactions can be defined as an exchange in which two or more entities both receive and sacrifice value, such as purchases and sales of goods or services. Examples of operating revenues include student tuition and fees, sales and services of auxiliary enterprises, most federal, state and local grants and contracts, and other operating revenues. Examples of operating expenses include employee compensation, benefits and related expense, scholarships and fellowships, utilities, supplies and other services, professional fees, and depreciation expenses of capital assets.

Nonoperating revenues generally have the characteristics of nonexchange transactions. In a nonexchange transaction, UO receives value without directly giving equal value in exchange. Examples of nonoperating revenues include state appropriations, nonexchange grants, gifts, and contributions. Nonoperating expenses are defined in GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Examples of nonoperating expenses include interest on capital asset related debt and bond expenses.

N. Allowances

Student tuition and fees and campus housing revenues included in auxiliary enterprises revenues are reported net of scholarship allowances. A scholarship allowance is the difference between the revenues charged to students and the amounts actually paid. UO has two types of scholarship allowances that net into tuition and fees. Tuition and housing waivers, provided directly by UO, amounted to $32,570 and $28,925 for the fiscal years ended 2014 and 2013, respectively. Revenues from financial aid programs (e.g., Pell Grants, Supplemental Educational Opportunity Grants, and Oregon Opportunity Grants) used for paying student tuition and fees and campus housing was estimated to be $29,784 and $26,507 for the fiscal years ended 2014 and 2013, respectively. Bad debt expense is included as an allowance to operating revenues and is estimated to be $1,542 and $5,378 for the fiscal years ended 2014 and 2013, respectively.

O. Federal Student Loan Programs

UO receives proceeds from the Federal Direct Student Loan Program. Since UO transmits these grantor supplied moneys without having administrative or direct financial involvement in the program, these loans are reported in an agency fund. Federal student loans received by UO students but not reported in operations was $148,060 and $152,025 for the fiscal years ended 2014 and 2013, respectively.

For the Year Ended June 30, 2014 (dollars in thousands)

P. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, revenues and expenses, at the date of the financial statements. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

OUS centrally manages the cash and investments of the System's member universities on a consolidated basis. The invested assets of OUS are managed through several investment pools at the Oregon State Treasury (State Treasury), which commingle the invested assets of all member universities including UO. Each investment pool has a board approved investment policy and set of objectives identifying risk and return parameters for each investment pool.

In general, deposits and investment securities as described below are exposed to various risks such as credit, concentration of credit, custodial credit, interest rate and foreign currency. Although the objective of each investment pool is to preserve capital within defined risk parameters, it is likely that the value of the investment securities will fluctuate during short periods of time, and possible that such changes could materially affect the amounts reported in the financial statements. For more information on the OUS Portfolio risk exposure, see the OUS 2014 Annual Financial Statements at **www.ous.edu/sites/default/files/cont-div/annual_financial_reptg/fy2014_afs.pdf**.

A. Cash and Cash Equivalents

DEPOSITS WITH STATE TREASURY

UO maintains the majority of its cash balances on deposit with the State Treasury. These deposits at the State Treasury are held, on a pooled basis as described above, in the Oregon Short-Term Fund (OSTF). The OSTF is a cash and investment pool for use by all state agencies. The State Treasurer invests these deposits in high-grade short-term investment securities. At the fiscal years ended June 30, 2014 and 2013, UO cash and cash equivalents on deposit at State Treasury were $268,381 and $130,212, respectively.

Cash and Cash Equivalents are classified as current and noncurrent which include both restricted and unrestricted cash. The 2014 current portion includes $3,072 in restricted agency funds for payroll liabilities and $8,095 restricted for debt service payments. The noncurrent portion includes $3,301 in restricted agency funds for UO student groups and campus organizations.

The 2013 current portion included $1,411 in restricted agency funds for payroll liabilities and undistributed student loans. The noncurrent portion included $3,093 in restricted agency funds for UO student groups and campus organizations.

A copy of the State Treasury audited annual financial report may be obtained by writing to the Oregon State Treasury, 350 Winter St. NE, Suite 100, Salem, OR 97301-3896 or by linking to **oregon.gov/treasury/AboutTreasury/Pages/Annual-Reports.aspx**.

CUSTODIAL CREDIT RISK—DEPOSITS

Custodial credit risk is the risk that, in the event of a financial institution failure, cash balances will not be returned to a depositor. Since UO cash balances are deposited with the State Treasury, custodial credit risk is tied to the ongoing viability of the State Treasury.

FOREIGN CURRENCY RISK—DEPOSITS

Deposits in foreign currency run the risk of changing value due to fluctuations in foreign exchange rates. State Treasury deposits are in U.S. currency and therefore not exposed to foreign currency risk.

To mitigate foreign currency risks for prospective study abroad activities, UO periodically enters into forward foreign currency contracts. At June 30, 2014 and 2013, respectively, these contracts totaled $477 and $1 and had a net fair value loss of $2 and $0. The net fair value loss is reported as Deferred Outflows on the Statement of Net Position.

June 30, 2014

Notional Currency	Notional Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value Adj
GBP	$ 152	$ 256	4/2/2014	5/31/2015	$ 1.7103	$ 3
EUR	158	221	4/2/2014	5/31/2015	1.3692	(5)

June 30, 2013

Notional Currency	Notional Amount	Principal Amount	Effective Date	Maturity Date	Contract Rate	Fair Value Adj
CAD	$ 1	$ 1	2/11/2013	9/30/2013	$ 1.0200	$ 0

OTHER DEPOSITS

For the years ended June 30, 2014 and 2013, UO had vault and petty cash balances of $198 and $199, respectively. Additionally, UO had small amounts of cash invested with a fiscal agent relating to debt issuances.

B. Investments

UO funds are invested by the State Treasury. UO investments are managed by OUS Treasury Management, which also develops and manages investment policy. OUS investment policies are governed by statute, the Oregon Investment Council (Council), and the Board. In accordance with ORS, investments of those funds are managed as a prudent investor would do, exercising reasonable care, skill and caution. While the State Treasury is authorized to utilize demand deposit accounts and fixed-income investments, equity investments must be directed by external investment managers who are under contract to the Council.

For the Year Ended June 30, 2014 (dollars in thousands)

Investments are all classified as noncurrent and include both restricted and unrestricted funds. At June 30, 2014, of the total $106,617 in investments, $32,667 are restricted endowments.

At June 30, 2013, of the total $134,673 in investments, $28,304 were restricted endowments

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the Statement of Net Position.

Significant events in domestic and international investment markets or aggressive action by the Federal Open Market Committee to influence both short and long-term interest rates contribute to price volatility. Consequently, the fair value of UO's portion of OUS pooled investments is exposed to price volatility which could result in a substantial change in the fair value of certain investments from the amounts reported as of June 30, 2014.

OUS monitors endowment investments to identify any accounts for which estimated fair value is less than historical value. As of June 30, 2014, UO had no individually named permanent endowment funds with estimated fair values that, in total, were less than their permanently restricted or historical value.

UO's total investments are invested through the OUS investment pools. As of June 30, 2014, $73,950 were individually held investments managed by the State Treasury; $32,598 were invested in a portfolio that is managed for the benefit of pooled gifts and endowments; and $69 were separately invested endowments of UO. As of June 30, 2013, $37,451 were invested in an intermediate term pool managed by State Treasury; $68,887 were individually held investments managed by the State Treasury; $28,265 were invested in a portfolio that is managed for the benefit of pooled gifts and endowments; and $70 were separately invested endowments of UO. UO follows the OUS endowment investment policy and follows State Treasury policy for investments of unspent bond proceeds.

Investments of the UO discretely presented component unit are summarized at June 30, 2014 and 2013 as follows:

COMPONENT UNIT

Fair Value at June 30,	2014	2013
Investment Type:		
Corporate Stocks, Bonds, Securities and Mutual Funds	$ **248,444**	$ 211,493
Investment in Common Stock, Voting Trust and Partnerships	**500,964**	442,481
Money Market Funds and Certificates of Deposit	**44,533**	79,318
Other	**-**	647
Total Investments	$ **793,941**	$ 733,939

CREDIT RISK

Credit risk is the risk that the issuer of an investment fails to fulfill its obligations. OUS has an investment policy for each segment of its investment portfolio. Of these, the policy on the endowment has the least restrictive credit requirements. The policy requires fixed income securities to have an average credit quality of A or better and limits below investment grade bonds to no more than 15% of the bond portfolio, exclusive of guaranteed investment contracts. The policy also permits holding unrated investments such as common stock, venture capital funds, and real estate. UO, as a member university of the OUS, follows the OUS policy on investments.

Based on these parameters, as of June 30, 2014 and 2013, approximately 79.6 percent and 85.9 percent, respectively, of investments in the OUS Pool are subject to credit risk reporting. Corporate bonds rated by the credit agencies as lower medium to high quality, indicating the issuer has a strong capacity to pay principal and interest when due, totaled $154,485 and $242,704 in fiscal years 2014 and 2013, respectively. Corporate bonds which have not been evaluated by the rating agencies totaled $79,936 and $55,907 in fiscal years 2014 and 2013, respectively. The OUS Investment Pool totalled $299,160 and $364,717 at June 30, 2014 and 2013, respectively, of which UO owned $106,617 or 35.6 percent and $134,673 or 36.9 percent, respectively.

CUSTODIAL CREDIT RISK

Custodial credit risk refers to OUS investments that are held by others and not registered in OUS's or the State Treasury's name. This risk typically occurs in repurchase agreements where cash is transferred to a broker-dealer in exchange for securities, but the securities are held by a separate trustee in the name of the broker-dealer. There are policy provisions around securities lending to control this risk. See "C. Securities Lending" in this footnote for additional information.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk refers to potential losses if total investments are concentrated with one or few issuers. OUS policy for reducing this risk in fixed income securities is that, with the exception of U.S. Government and Agency issues, no more than 10% of the bond portfolio, at market value, will be invested in securities of a single issuer or no more than five percent of the individual issue. For all other types of fixed income investments, not more than five percent of the market value of any investment fund was invested in any single security, unless part of an index fund.

For the Year Ended June 30, 2014 (dollars in thousands)

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that investments may lose value due to fluctuations in foreign exchange rates. Of the total OUS Investment Pool of $299,160, $29,970 in deposits and mutual funds are primarily invested in international debt and international equities at June 30, 2014. Approximately $6,201 of these investments have foreign currency exchange contracts to offset the associated foreign currency risk. A foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. Risk associated with such contracts includes adverse changes in the value of the currency and the failure of the counterparty to perform.

INTEREST RATE RISK

Investments in fixed income securities are subject to the risk that changes in interest rates will adversely affect the fair value of the investments. Securities in the OUS Investment Pool held subject to interest rate risk totaling $245,840 and $314,357 had an average duration of 3.04 and 3.52 for fiscal years 2013 and 2014, respectively. Duration measures the change in the value of a fixed income security that will result from a 1% change in interest rates.

C. Securities Lending

In accordance with State investment policies, the State Treasurer participates in securities lending transactions. The State Treasurer has authorized its custodian to act as its agent in the lending of the UO and OSTF's securities pursuant to a form of loan agreement, in accordance with OSTF investment policies. There have been no significant violations of the provisions of securities lending agreements during the year ended June 30, 2014. Amounts reported on UO's Statement of Net Position as Collateral From and Obligations Under Securities Lending are a percent share of the amount owned by OUS in total.

The State Treasurer's securities lending agent lent short-term and fixed income securities and received as collateral U.S. dollar cash. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned security. The State Treasurer did not impose any restrictions during the year on the amount of the loans that the securities lending agent made on its behalf. The State Treasurer is fully indemnified by its securities lending agent against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

The Custodian is authorized by the Securities Lending Agreement to invest cash collateral received for UO securities on loan in the OSTF. At June 30, 2014, the OSTF comprised commercial paper, U.S. agency securities, time certificates of deposit (TCD), and corporate notes. The funds' rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third party custodian, which holds the funds' securities in the State of Oregon's name.

The cash collateral of OSTF securities on loan was invested in a short-term investment fund (STIF) maintained by the custodial agent, into U.S. agency securities, and corporate notes. The investments were held by a third-party custodian in the State of Oregon's name. The STIF is not rated by a nationally recognized statistical rating organization, although the STIF's portfolio rules provide minimum requirements with respect to the credit quality of the STIF.

The State Treasurer and borrowers maintain the right to terminate all securities lending transactions on demand. As a consequence, the maturities of investments made with the cash collateral generally do not match the maturities of the securities loans.

3. ACCOUNTS RECEIVABLE

Accounts Receivable, including amounts due from component units, comprised the following:

	June 30, 2014	June 30, 2013
Student Tuition and Fees	**$ 23,059**	$ 25,502
Auxiliary Enterprises and Other Operating Activities	**13,947**	13,597
Federal Grants and Contracts	**12,504**	20,049
Component Units	**9,684**	8,909
State, Other Government, and Private Gifts, Grants and Contracts	**3,180**	1,459
Other	**19,599**	5,679
	81,973	75,195
Less: Allowance for Doubtful Accounts	**(11,061)**	(10,449)
Accounts Receivable, Net	**$ 70,912**	$ 64,746

4. NOTES RECEIVABLE

Student loans made through the Federal Perkins Loan Program comprise substantially all of the Federal Student Loans receivable at June 30, 2014 and 2013. The program is funded through interest earnings and repayment of loans. Under certain conditions, the repayment of loans can be forgiven at differing annual rates ranging from 10 to 100 percent.

Federal Perkins loans deemed uncollectible are assigned to the U.S. Department of Education for collection. UO has provided an allowance for uncollectible loans, which in management's opinion will absorb loans that will ultimately be written off.

For the Year Ended June 30, 2014 (dollars in thousands)

Notes Receivable comprised the following:

	June 30, 2014			June 30, 2013		
	Current	**Noncurrent**	**Total**	Current	Noncurrent	Total
Institutional and Other Student Loans	**$ 2,177**	**$ 2,957**	**$ 5,134**	$ 4,874	$ 685	$ 5,559
Federal Student Loans	**3,851**	**17,326**	**21,177**	3,568	17,629	21,197
	6,028	**20,283**	**26,311**	8,442	18,314	26,756
Less: Allowance for Doubtful Accounts	**(1,973)**	**(3,331)**	**(5,304)**	(4,904)	(1,730)	(6,634)
Notes Receivable, Net	**$ 4,055**	**$ 16,952**	**$ 21,007**	$ 3,538	$ 16,584	$ 20,122

5. CAPITAL ASSETS

The following schedule reflects the changes in capital assets:

	Balance July 1, 2012	Additions	Transfer Completed Assets	Retire. And Adjust.	Balance June 30, 2013	**Additions**	**Transfer Completed Assets**	**Retire. And Adjust.**	**Balance June 30, 2014**
Capital Assets, Non-depreciable/Non-amortizable:									
Land	$ 48,171	$ 2,829	$ -	$ -	$ 51,000	**$ -**	**$ -**	**$ -**	**$ 51,000**
Capitalized Collections	34,408	3,188	-	-	37,596	**475**	**-**	**674**	**38,745**
Construction in Progress	186,505	48,831	(219,544)	-	15,792	**155,290**	**(99,237)**	**(1)**	**71,844**
Intangible Assets in Progress	-	-	-	-	-	**83**	**-**	**12**	**95**
Total Capital Assets, Non-depreciable/Non-amortizable	269,084	54,848	(219,544)	-	104,388	**155,765**	**(99,237)**	**673**	**161,684**
Capital Assets, Depreciable/ Amortizable:									
Equipment	97,250	10,366	-	(2,911)	104,705	**5,321**	**1,768**	**(5,927)**	**105,867**
Library Materials	122,884	2,469	-	(52)	125,301	**2,357**	**-**	**(765)**	**126,893**
Buildings	1,016,282	5,979	218,388	(11)	1,240,638	**-**	**95,321**	**(608)**	**1,335,351**
Land Improvements	31,822	6,899	472	-	39,193	**374**	**-**	**(2,558)**	**37,009**
Improvements Other Than Buildings	9,727	-	306	-	10,033	**795**	**-**	**-**	**10,828**
Infrastructure	44,254	-	378	-	44,632	**-**	**2,148**	**-**	**46,780**
Intangible Assets	14,274	770	-	-	15,044	**187**	**-**	**(12)**	**15,219**
Total Capital Assets, Depreciable/Amortizable	1,336,493	26,483	219,544	(2,974)	1,579,546	**9,034**	**99,237**	**(9,870)**	**1,677,947**
Less Accumulated Depreciation/ Amortization for:									
Equipment	(68,123)	(7,960)	-	2,055	(74,028)	**(8,119)**	**-**	**5,528**	**(76,619)**
Library Materials	(107,229)	(3,290)	-	39	(110,480)	**(3,126)**	**-**	**655**	**(112,951)**
Buildings	(289,206)	(31,032)	-	6	(320,232)	**(36,444)**	**-**	**443**	**(356,233)**
Land Improvements	(9,259)	(2,047)	-	-	(11,306)	**(2,292)**	**-**	**-**	**(13,598)**
Improvements Other Than Buildings	(8,116)	(261)	-	-	(8,377)	**(338)**	**-**	**-**	**(8,715)**
Infrastructure	(19,894)	(1,719)	-	-	(21,613)	**(1,794)**	**-**	**-**	**(23,407)**
Intangible Assets	(5,817)	(755)	-	-	(6,572)	**(633)**	**-**	**(97)**	**(7,302)**
Total Accumulated Depreciation/ Amortization	(507,644)	(47,064)	-	2,100	(552,608)	**(52,746)**	**-**	**6,529**	**(598,825)**
Total Capital Assets, Net	$ 1,097,933	$ 34,267	$ -	$ (874)	$ 1,131,326	**$ 112,053**	**$ -**	**$ (2,668)**	**$ 1,240,806**
Capital Assets Summary									
Capital Assets, Non-depreciable/ Non-amortizable	$ 269,084	$ 54,848	$ (219,544)	$ -	$ 104,388	**$ 155,848**	**$ (99,237)**	**$ 685**	**$ 161,684**
Capital Assets, Depreciable/ Amortizable	1,336,493	26,483	219,544	(2,974)	1,579,546	**9,034**	**99,237**	**(9,870)**	**1,677,947**
Total Cost of Capital Assets	1,605,577	81,331	-	(2,974)	1,683,934	**164,882**	**-**	**(9,185)**	**1,839,631**
Less Accumulated Depreciation/ Amortization	(507,644)	(47,064)	-	2,100	(552,608)	**(52,746)**	**-**	**6,529**	**(598,825)**
Total Capital Assets, Net	$ 1,097,933	$ 34,267	$ -	$ (874)	$ 1,131,326	**$ 112,136**	**$ -**	**$ (2,656)**	**$ 1,240,806**

For the Year Ended June 30, 2014 (dollars in thousands)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts Payable and Accrued Liabilities comprised the following:

	June 30, 2014	June 30, 2013
Services and Supplies	$ 24,232	$ 18,665
Accrued Interest	12,631	-
Salaries and Wages	7,079	6,562
Payroll Related Expenses	2,394	2,352
Contract Retainage Payable	3,215	2,135
Total	$ 49,551	$ 29,714

7. OPERATING LEASES

A. Receivables/Revenues

UO receives income for land, property and equipment that is leased to non-State entities. Rental income received from leases was $1,458 and $2,199 for the years ended June 30, 2014 and 2013, respectively. The original cost of assets leased, net of depreciation, was $15,786 and $18,442 for the years ended June 30, 2014 and 2013, respectively. Minimum future lease revenue for noncancelable operating leases at June 30, 2014 were:

For the year ending June 30, 2014	
2015	$ 561
2016	390
2017	378
2018	352
2019	288
2020-2024	1,452
2025-2029	1,413
2030-2034	1,060
2035-2039	1,062
2040-2044	993
2045-2049	665
2050-2054	83
2055 and After	208
Total Minimum Operating Lease Revenues	$ 8,905

B. Payables/Expenses

UO leases building and office facilities and other equipment under noncancelable operating leases. Total costs for such leases and rents were $8,612 and $8,384 for the years ended June 30, 2014 and 2013. Minimum future lease payments on operating leases at June 30, 2014 were:

For the year ending June 30,	
2015	$ 6,619
2016	5,288
2017	4,202
2018	3,256
2019	3,189
2020-2024	14,966
2025-2029	4,442
2030-2031	89
Total Minimum Operating Lease Payments	$ 42,051

For the Year Ended June 30, 2014 (dollars in thousands)

8. LONG-TERM LIABILITIES

Long-term liability activity was as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to OUS:						
General Obligation Bonds XI-F(1)	$ 233,817	$ 342,179	$ -	$ 575,996	$ 17,874	$ 558,122
Internal Bank Loans	254,204	74,120	(328,324)	-	-	-
General Obligation Bonds XI-G	100,619	111	-	100,730	3,854	96,876
General Obligation Bonds XI-Q	15,256	-	(1,629)	13,627	1,700	11,927
Certificates of Participation (COPs)	5,024	-	(1,405)	3,619	859	2,760
Lottery Bonds	28,396	-	(807)	27,589	1,007	26,582
Oregon Department of Energy Loans (SELP)	34,915	9,516	(1,033)	43,398	1,633	41,765
Capital Leases	503	-	(476)	27	9	18
Installment Purchase	2	-	(2)	-	-	-
Total Long-Term Debt	672,736	425,926	(333,676)	764,986	26,936	738,050
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	31,891	-	(819)	31,072	575	30,497
Compensated Absences	15,673	16,807	(14,845)	17,635	16,083	1,552
Other Postemployment Benefits	6,231	355	-	6,586	-	6,586
Employee Deferred Compensation	11,412	2,155	(1,350)	12,217	2,040	10,177
Employee Termination Liabilities	1,486	66	(340)	1,212	316	896
Unearned Revenue	1,697	-	(118)	1,579	100	1,479
Total Other Noncurrent Liabilities	68,390	19,383	(17,472)	70,301	19,114	51,187
Total Long-Term Liabilities	$ 741,126	$ 445,309	$ (351,148)	$ 835,287	$ 46,050	$ 789,237

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amount Due Within One Year	Long-Term Portion
Long-Term Debt						
Due to OUS:						
General Obligation Bonds XI-F(1)	$ 236,823	$ 14,086	$ (17,092)	$ 233,817	$ -	$ 233,817
Internal Bank Loans	263,700	-	(9,496)	254,204	9,249	244,955
General Obligation Bonds XI-G	100,464	21,054	(20,899)	100,619	-	100,619
General Obligation Bonds XI-Q	16,496	-	(1,240)	15,256	1,630	13,626
Certificates of Participation (COPs)	6,772	-	(1,748)	5,024	1,406	3,618
Lottery Bonds	21,749	10,825	(4,178)	28,396	807	27,589
Oregon Department of Energy Loans (SELP)	25,640	10,235	(960)	34,915	1,309	33,606
Capital Leases	527	36	(60)	503	64	439
Installment Purchase	4	-	(2)	2	2	-
Total Long-Term Debt	672,175	56,236	(55,675)	672,736	14,467	658,269
Other Noncurrent Liabilities						
PERS pre-SLGRP pooled Liability	32,602	-	(711)	31,891	593	31,298
Compensated Absences	14,812	11,275	(10,414)	15,673	12,204	3,469
Other Postemployment Benefits	5,266	965	-	6,231	-	6,231
Employee Deferred Compensation	10,887	1,881	(1,356)	11,412	1,430	9,982
Employee Termination Liabilities	1,843	81	(438)	1,486	316	1,170
Unearned Revenue	1,797	-	(100)	1,697	100	1,597
Total Other Noncurrent Liabilities	67,207	14,202	(13,019)	68,390	14,643	53,747
Total Long-Term Liabilities	$ 739,382	$ 70,438	$ (68,694)	$ 741,126	$ 29,110	$ 712,016

For the Year Ended June 30, 2014 (dollars in thousands)

The schedule of principal and interest payments for UO debt is as follows:

For the Year Ending June 30,	General Obligation Bonds XI-F(1)	XI-G	XI-Q	SELP	COPs	Lottery Bonds	Capital Leases	Total Payments	Principal	Interest
2015	$ 42,514	$ 7,714	$ 2,183	$ 3,625	$ 942	$ 1,995	$ 12	$ 58,985	$ 23,528	$ 35,457
2016	43,455	7,715	2,190	3,624	420	2,005	12	59,421	24,521	34,900
2017	43,434	7,732	1,697	3,625	302	2,012	8	58,810	24,485	34,325
2018	42,411	7,793	1,280	3,625	302	2,018	-	57,429	24,718	32,711
2019	41,931	7,568	1,277	3,624	220	2,112	-	56,732	25,520	31,212
2020-2024	201,910	38,183	3,594	18,124	1,104	12,981	-	275,896	140,100	135,796
2025-2029	189,588	34,645	1,727	18,123	1,104	10,435	-	255,622	156,264	99,358
2030-2034	167,440	26,084	1,725	10,588	-	4,101	-	209,938	148,239	61,699
2035-2039	146,290	9,849	690	810	-	-	-	157,639	131,782	25,857
2040-2044	36,816	-	-	-	-	-	-	36,816	33,203	3,613
Accreted Interest									9,961	(9,961)
									$ 742,321	$ 484,967
Total Future Debt Service	**955,789**	**147,283**	**16,363**	**65,768**	**4,394**	**37,659**	**32**	**1,227,288**		
Less: Interest Component of Future Payments	(396,516)	(49,049)	(4,368)	(22,370)	(1,061)	(11,598)	(5)	(484,967)		
Principal Portion of Future Payments	**559,273**	**98,234**	**11,995**	**43,398**	**3,333**	**26,061**	**27**	**742,321**		
Adjusted by: Unamortized Bond Premiums	16,723	2,496	1,632	-	286	1,528	-	22,665		
Total Long-Term Debt	**$ 575,996**	**$ 100,730**	**$ 13,627**	**$ 43,398**	**$ 3,619**	**$ 27,589**	**$ 27**	**$ 764,986**		

The State of Oregon and the OUS Board issue various debt instruments to fund capital projects at all OUS institutions, including UO. These debt instruments include General Obligation bonds under articles XI-F(1), XI-G, and XI-Q of the Oregon Constitution, Certificates of Participation (COPs) and Lottery bonds. Principal and interest amounts due relating to UO's share of these debt issuances are payable to OUS. In addition, UO also borrows funds from the Oregon Department of Energy. UO pays these debt obligations directly.

A. General Obligation Bonds XI-F(1)

XI-F(1) bonds, with effective yields ranging from 0.14 percent to 7.0 percent, are due serially through 2043. During the fiscal year ended June 30, 2014, the OUS Board issued bonded indebtedness applicable to UO as follows:

- XI-F(1) Taxable and Tax Exempt bond Series 2013 NO, $115,105, with an effective rate of 4.3 percent, due serially through 2044 for capital construction.

UO's portion of the 2013 NO bond sale for new money projects was a par value of $10,190, the proceeds of which funded the following project:

- Erb Memorial Union $10,190

During the fiscal year ended June 30, 2013, the OUS Board issued $231,970 of Series 2013 AB XI-F(1) taxable and nontaxable bonds with an effective rate of 2.9 percent, due serially through 2043 for capital construction and refunding.

UO received a portion of the 2013 AB bond sale for refunding of previously held debt and a portion for new money projects. The new money projects was a par value of $2,260, the proceeds of which funded the Erb Memorial Union project.

B. Internal Bank

Through June 30, 2014, OUS managed an internal bank on behalf of the system universities. One primary role of the internal bank was to provide capital construction funding for OUS universities, including UO. As a result of the pending changes in university governance effective July 1, 2014 (See Note 1), the internal bank was closed, with all loans called and repaid prior to June 30, 2014. Prior to the closing of the internal bank, UO internal bank loans totaled $323,669. Of those loans, $320,079 were converted to XI-F(1) debt and $3,590 was repaid directly to the internal bank. Of the $320,079 of XI-F(1) debt converted from internal bank loans, $74,120 was new debt from the 2013 NO bond sale.

C. General Obligation Bonds XI-G

XI-G bonds, with effective yields ranging from 0.25 percent to 7.0 percent, are due serially through 2042. During the fiscal years ended June 30, 2014 the State and OUS did not issue any XI-G bonds on UO's behalf.

During the fiscal year ended June 30, 2013, the State issued bonded indebtedness on behalf of OUS as follows:

- $71,345 of 2013 CD XI-G Taxable and Tax Exempt bonds with an effective rate of 2.8 percent due serially through 2037, for capital construction and refunding.

To achieve debt service savings, $69,945 of the proceeds from the 2013 CD sale were used to refund a portion of the Series 2004 E, Series 2005 B and Series 2005 D bonds. UO did not receive any new money from the 2013 CD sale. All proceeds from that sale to the benefit of UO were applied to the refunding.

D. General Obligation Bonds XI-Q

XI-Q bonds, with effective yields ranging from 0.69 percent to 4.4 percent, are due serially through fiscal year 2036. During the fiscal years ended June 30, 2014 and 2013, the State and OUS did not issue any XI-Q bonds on UO's behalf,

E. Oregon Department of Energy Loans

UO has entered into loan agreements with the State of Oregon Department of Energy (DOE) Small Scale Energy Loan Program (SELP) for energy conservation projects at UO. UO makes monthly loan payments (principal and interest) to the DOE in accordance with the loan agreements. SELP loans, with interest rates ranging from 2.0 percent to 6.0 percent, are due through 2033.

F. Certificates of Participation

COPs, with effective yields ranging from 2.1 percent to 6.2 percent, are due through fiscal year 2035. The State has not issued COPs on behalf of OUS since fiscal year 2010.

G. Lottery Bonds

Lottery Bonds, with effective yields ranging from 0.48 percent to 5.3 percent, are due through fiscal year 2033. During the fiscal year ended June 30, 2014, the State issued no Lottery Bonds on OUS's behalf.

During the fiscal year ended June 30, 2013, the State issued on OUS's behalf, $108,414 of Series 2013 ABC taxable and tax exempt, with an effective rate of 3.2 percent due serially through 2033 for technology projects, construction and refunding.

UO's portion of the 2013 ABC sale for new money projects was a par value $6,665, the proceeds of which funded various deferred maintenance projects.

H. Defeased Debt

UO participates in a debt portfolio managed by OUS. From time to time and when fiscally appropriate, OUS will sell bonds and use the proceeds to defease other debt.

During the year ended June 30, 2014, OUS issued no XI-F(1), XI-G, XI-Q or Lottery Bonds to be used to defease previously issued debt.

During the year ended June 30, 2013, OUS issued $196,135 in XI-F(1) bonds with an average interest rate of 3.2 percent to refund $184,615 in XI-F(1) bonds with an average interest rate of 5.1 percent. The net proceeds of the bonds were $208,711 (after bond premium of $13,911 and payment of $1,335 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $16,462. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 23 years by $25,014 and resulted in an economic gain of $19,773.

During the year ended June 30, 2013, OUS issued $69,945 in XI-G bonds with an average interest rate of 3.2 percent to refund $64,840 in XI-G bonds with an average interest rate of 5.1 percent. The net proceeds of the bonds were $71,636 (after bond premium of $2,173 and payment of $482 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $6,278. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 13 years by $9,072 and resulted in an economic gain of $7,130.

During the year ended June 30, 2013, OUS issued $4,543 in XI-Q bonds with an average interest rate of 5.0 percent to refund $4,675 in COPs with an average interest rate of 5.0 percent. The net proceeds of the bonds were $5,605 (after bond premium of $1,086 and payment of $24 in underwriting and issuance costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $734. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 19 years by $224 and resulted in an economic gain of $180.

During the year ended June 30, 2013, OUS issued $11,703 in Lottery Bonds with an average interest rate of 1.7 percent to refund $10,995 in Lottery Bonds with an average interest rate of 5.1 percent. The net proceeds of the bonds were $11,638 (after payment of $65 in underwriting costs).

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $648. The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 10 years by $1,478 and resulted in an economic gain of $1,419.

I. Financial Guarantees

OUS, including the UO as a member university, is a governmental agency of the State of Oregon. Therefore the State of Oregon is ultimately responsible for OUS's financial obligations. As of June 30, 2014, no amounts have been paid by the State of Oregon for OUS's financial obligations, both cumulatively and during the current reporting period.

J. Employee Deferred Compensation

UO has a Section 415(m) excess benefit plan. Section 415(m) plans are unfunded plans used as a means of deferring taxation on regular pension plan contributions by public employees in excess of the limitations otherwise imposed on the OUS 403(b) plan. The 415(m) plan is offered to highly compensated employees whose contributions would otherwise be limited by Internal Revenue Code Section 415.

For the Year Ended June 30, 2014 (dollars in thousands)

K. Employee Termination Liabilities

UO has a severance agreement with one former employee relating to early termination of his employment contract. The future payout of this liability extends for four years. This liability was calculated using a discounted present value of expected future benefit payments, with a discount rate of 0.57 percent.

L. Capital Leases

UO has acquired assets under capital lease agreements. The cost of UO assets held under capital leases totaled $37 and $665 as of June 30, 2014 and 2013, respectively. Accumulated depreciation of lease equipment totaled $12 and $212 for June 30, 2014 and 2013, respectively.

The lease purchase (capital lease) contracts run through fiscal year 2017. The capital leases are recorded at the present value of the minimum future lease payments at the inception date. The interest rates on capitalized leases is 15.14 percent.

M. State and Local Government Rate Pool

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP), and local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP effective January 1, 2002, at which time a transitional, pre-SLGRP liability was created. The pre-SLGRP liability is essentially a debt owed to the SLGRP by the SCCP employers. The balance of the pre-SLGRP pooled liability attributable to the State is being amortized over the period ending December 31, 2027. The liability is allocated by the State of Oregon, based on salaries and wages, to all proprietary funds and the government-wide reporting fund in the State Comprehensive Annual Financial Report. Interest expense was paid in the amount of $2,012 and $2,108 for June 30, 2014 and 2013, respectively. Principal payments of $819 and $711 were applied to the liability for June 30, 2014 and 2013 respectively.

9. PRIOR PERIOD RESTATEMENT

There are no prior period restatements or corrections for UO for fiscal year 2014 or 2013.

10. INVESTMENT ACTIVITY

Investment Activity detail is as follows:

	June 30, 2014	June 30, 2013
Net Appreciation of Investments	**4,208**	2,038
Royalties and Technology Transfer Income	**11,640**	11,181
Endowment Income	**988**	1,003
Gain (Loss) on Sale of Investment	**-**	19
Investment Earnings	**3,655**	2,987
Total Investment Activity	**$ 20,491**	$ 17,228

11. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The Statement of Revenues, Expenses and Changes in Net Position report operating expenses by their functional classification. The following displays operating expenses by natural classification:

	June 30, 2014	June 30, 2013
Compensation and Benefits	**$ 523,411**	$ 491,979
Services and Supplies	**169,385**	153,995
Scholarships and Fellowships	**35,764**	36,411
Depreciation and Amortization	**52,746**	47,064
Other Expenses	**7,961**	9,226
Total Operating Expenses	**$ 789,267**	$ 738,675

12. GOVERNMENT APPROPRIATIONS

Government appropriations comprised the following:

June 30, 2014	General Operations	Debt Service	Total
State General Fund	**$ 48,931**	**$ 10,391**	**$ 59,322**
State Lottery Funding	**500**	**1,972**	**2,472**
Total Appropriations	**$ 49,431**	**$ 12,363**	**$ 61,794**

June 30, 2013	General Operations	Debt Service	Total
State General Fund	$ 46,402	$ 11,803	$ 58,205
State Lottery Funding	940	1,797	2,737
Total Appropriations	$ 47,342	$ 13,600	$ 60,942

13. EMPLOYEE RETIREMENT PLANS

The University of Oregon, as a member university of the OUS, offers various retirement plans to qualified employees as described below.

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM/ OREGON PUBLIC SERVICE RETIREMENT PLAN

Oregon Public Employees Retirement System (System) holds assets in a pension trust and provides a statewide defined benefit retirement plan in which UO employees are eligible to participate. The plan is administered by the Public Employees Retirement Board (Retirement Board) as required by Chapters 238 and 238A of the ORS. An employee is considered vested and eligible for retirement benefits if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment.

The State of Oregon **Public Employees Retirement System** (PERS) is a single cost-sharing multiple-employer defined benefit plan consisting of multiple tiers of membership. The 1995 Oregon Legislature enacted a law creating a second tier of PERS benefits. Employees hired into an eligible position prior to January 1, 1996 are enrolled in Tier One, while employees hired into an eligible position on or after January 1, 1996 but before August 29, 2003 are enrolled in Tier Two.

For the Year Ended June 30, 2014 (dollars in thousands)

Tier One members are eligible for retirement with unreduced benefits at age 58 or at any age with 30 or more years of service. Employees may retire after reaching age 55; however, benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service.

Tier Two members are eligible for retirement with unreduced benefits at age 60 or at any age with 30 or more years of service. Employees may retire after reaching age 55; however, benefits are reduced if retirement occurs prior to age 60 with less than 30 years of service.

PERS employee contributions requirements are established by ORS 238A.330 and are credited to an employee's account in the Individual Account Program and may be amended by an act of the Oregon Legislature. PERS employer contributions are set by the PERS Board based on actuarial valuations performed in odd numbered years. Beginning July 1, 1979, the employee's contribution rate of 6 percent has been paid by the employer. The UO employer contribution rates for Tier One and Two are as follows:

	2014	2013
General Service	**9.86%**	9.55%
Police and Fire	**17.13%**	17.40%

The Retirement Bond Debt Service Assessment was authorized by the State of Oregon Legislature in 2003 to sell general obligation bonds in the amount of $2 billion to pay a PERS unfunded actuarial liability. This action reduced the PERS contribution rate for PERS covered employers in the State actuarial pool in November 2003.

The Oregon Department of Administrative Services coordinates the debt service assessments to PERS employers to cover the bond debt service payments. PERS employers are assessed a percentage of PERS-subject payroll to fund the payments. The assessment rate is adjusted biennially over the life of the twenty-four year debt repayment schedule.

The payroll assessment for the pension obligation bond began May 2004 and is currently at a rate of 6.33 percent. Payroll assessments for the fiscal years ended June 30, 2014 and 2013 were $12,244 and $10,783, respectively.

The **Oregon Public Service Retirement Plan** (OPSRP) is composed of a pension program and an **Individual Account Program** (IAP). OPSRP defined benefit component is part of the single cost-sharing defined benefit plan administered by PERS. IAP within the OPSRP is considered a defined contribution plan for financial reporting purposes. The 2003 Oregon Legislature enacted ORS 238.025 creating OPSRP. Employees hired into eligible positions on or after August 29, 2003 are enrolled.

OPSRP members are eligible for retirement with unreduced benefits at age 65 or age 58 with 30 or more years of service. Employees may retire after reaching age 55; however, benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service.

OPSRP contribution requirements are established by ORS and may be amended by an act of the Oregon Legislature. OPSRP collects contributions from both employers and employees for the purpose of funding retirement benefits. Beginning July 1, 1979, the employee's contribution rate of 6 percent has been paid by the employer. The UO employer contribution rates for OPSRP were as follows:

	2014	2013
General Service	**8.14%**	8.05%
Police and Fire	**10.87%**	10.76%

PERS members as of January 1, 2004 have their employee contribution (paid by the employer) deposited to the defined contribution portion of the OPSRP and their employer contribution credited to the defined benefit portion of the OPSRP. They continue to retain their existing PERS accounts and other benefits associated with PERS membership.

UO employer contributions to PERS and OPSRP for the years ended June 30, 2014 and 2013 were $16,681 and $15,142, respectively, equal to the required contributions for that year.

An actuarial valuation of the System is performed every two years to determine the level of employer contributions. The most recently completed valuation was performed as of December 31, 2013. The valuation included projected payroll growth at 3.75 percent. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. It is adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The actuarial accrued liability at December 31, 2013, for PERS and OPSRP, determined through an actuarial valuation performed as of that date, was $58.6 billion and $1.8 billion, respectively. PERS and OPSRP net assets available for benefits on that date (valued at market) were $48.1 billion and $1.2 billion, respectively. Information for OUS, including UO as a member university, as a stand-alone entity is not available.

PERS issues a separate, publicly available financial report that contains audited financial statements and required supplementary information. The report includes ten-year historical trend information showing the progress made in accumulating sufficient assets to pay benefits when due. That report may be obtained by writing to Fiscal Services Division, PERS, 11410 SW 68th Parkway, Tigard, OR 97223, or by linking to **oregon.gov/pers/pages/section/financial_reports/financials.aspx**, or by calling 1-888-320-7377 or 1-503-598-7377 (in Portland Metro area).

For the Year Ended June 30, 2014 (dollars in thousands)

OPTIONAL RETIREMENT PLAN

The 1995 Oregon Legislature enacted legislation that authorized OUS to offer a defined contribution retirement plan as an alternative to PERS. The Board appointed a Retirement Plan Committee to administer the Optional Retirement Plan (ORP) and established trustees to manage plan assets placed with mutual funds and insurance companies. Beginning April 1, 1996, the ORP was made available to UO unclassified faculty and staff who are eligible for PERS membership. Employees choosing the ORP may invest the employee and employer contributions in one of multiple investment companies.

The ORP consists of three tiers. Membership under ORP Tier One and Tier Two is determined using the same criteria as PERS. The third tier is determined by membership under the OPSRP. Under the ORP Tier One, Tier Two and OPSRP Equivalent, the employee's contribution rate is 6 percent and is paid by the employer. The employer contribution rates for the ORP are as follows:

	2014	2013
ORP Tier One	16.50%	16.14%
ORP Tier Two	16.50%	16.14%
OPSRP Equivalent	6.42%	6.21%

TEACHER'S INSURANCE AND ANNUITY ASSOCIATION/ COLLEGE RETIREMENT EQUITIES FUND

Eligible unclassified employees may participate in the Teacher's Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) retirement program, a defined contribution plan, on all salary in excess of forty-eight hundred dollars per calendar year. Employee contributions are directed to PERS on the first forty-eight hundred dollars. The employer contribution to TIAA-CREF is an amount sufficient to provide an annuity pension equal to the employee's contributions. To participate in this retirement option, employees must have been hired on or before September 9, 1995. This plan was closed to new enrollment at the time the ORP started in 1996.

SUPPLEMENTAL RETIREMENT PLAN (SRP)

UO maintains an IRC Section 414(d) cash balance defined benefit plan to provide a specific benefit value to the UO university president upon separation. The 414(d) plan is qualified under IRC Section 401(a) as a governmental plan. As of June 30, 2014, the plan was fully funded.

SUMMARY OF PENSION PAYMENTS

UO total payroll for the year ended June 30, 2014 was $343,800, of which $278,740 was subject to retirement contributions.

The following schedule lists payments made by UO for the fiscal year:

	June 30, 2014			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
PERS/OPSRP	$ 16,681	5.98%	$ 11,175	4.01%
ORP	9,332	3.35%	5,064	1.82%
TIAA-CREF	64	0.02%	64	0.02%
SRP	100	0.04%	-	0.00%
Total	$ 26,177	9.39%	$ 16,303	5.85%

Of the employee share, the employer paid $11,175 of PERS/OPSRP, $5,064 of ORP, and $64 of TIAA-CREF during the fiscal year ended June 30, 2014.

UO total payroll for the year ended June 30, 2013 was $324,867, of which $259,314 was subject to retirement contributions. The following schedule lists payments made by UO for the fiscal year:

	June 30, 2013			
	Employer Contribution	As a % of Covered Payroll	Employee Contribution	As a % of Covered Payroll
PERS/OPSRP	$ 15,142	5.84%	$ 10,277	3.96%
ORP	8,831	3.41%	4,763	1.84%
TIAA-CREF	61	0.02%	61	0.02%
SRP	135	0.05%	-	0.00%
Total	$ 24,169	9.32%	$ 15,101	5.82%

Of the employee share, the employer paid $10,277 of PERS/OPSRP, $4,763 of ORP, and $61 of TIAA-CREF during the fiscal year ended June 30, 2013.

14. OTHER POSTEMPLOYMENT BENEFITS

During the year ended June 30, 2014, UO was a part of OUS as a participant in the defined benefit postemployment health care plan.

Plan Description. UO participates in a defined benefit postemployment healthcare plan, administered by the Public Employees Benefit Board (PEBB), which offers medical, dental and vision benefits to eligible retired state employees and their beneficiaries. The PEBB plan is an agent multiple-employer postemployment healthcare plan. Chapter 243 of the ORS assigns PEBB the authority to establish and amend the benefit provisions of the PEBB plan. As the administrator of the PEBB plan, PEBB has the authority to determine postretirement benefit increases and decreases. PEBB does not issue a separate, publicly available financial report.

The PEBB plan allows UO employees retiring under PERS or OPSRP to continue their healthcare on a self-pay basis until eligible for Medicare, usually at age 65. This plan creates an "implicit rate subsidy" because the healthcare insurance premiums paid by UO for its employees is based on a blended premium of both employees and retirees combined, which is a higher premium than would have been paid for employees alone.

For the Year Ended June 30, 2014 (dollars in thousands)

The PEBB plan is also offered to retirees of other Oregon state agencies. Therefore, the amounts presented in this note are limited to UO's share, estimated at 9 percent of the total PEBB plan costs attributable to the State of Oregon. This allocation was based on health insurance premiums paid by state agencies during fiscal year 2014.

Funding Policy. UO's current policy is to pay the implicit rate subsidy on a pay-as-you-go basis. For fiscal years 2014 and 2013, UO paid healthcare insurance premiums of $69,455 and $67,341, respectively. The portion of the insurance premiums attributable to the implicit rate subsidy was estimated to be $602 and $769 for the fiscal years ended 2014 and 2013, respectively.

Annual OPEB Cost and Net OPEB Obligation. UO's annual OPEB expense is calculated based on UO's annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of UO's annual OPEB expense for the year, the amount actually contributed to the plan, and changes in UO's net OPEB obligation:

	June 30, 2014	June 30, 2013
Annual Required Contribution	$ 1,164	$ 1,924
Interest on Net OPEB Obligation	239	208
Adjustment to Annual Required Contribution	(455)	(398)
Prior Year Adjustment	9	-
Annual OPEB Cost	957	1,734
Contributions Made	(602)	(769)
Increase in Net OPEB Obligation	355	965
Net OPEB Obligation - Beginning of Year	6,231	5,266
Net OPEB Obligation - End of Year	$ 6,586	$ 6,231

The UO annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2014, 2013 and 2012 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB CostContributed	Net OPEB Obligation
2014	**$ 957**	**15%**	**$ 6,586**
2013	1,734	28%	6,231
2012	1,607	31%	5,266

Funding Status and Funding Progress. The funded status of the UO OPEB plan for June 30, 2014 and 2013 were as follows:

	June 30, 2014	June 30, 2013
Actuarial Accrued Liabilities	$ 9,539	$ 14,231
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability	$ 9,539	$ 14,231
Funded Ratio	0.00%	0.00%
Covered Payroll (active plan members)	$ 278,740	$ 259,314
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	3.42%	5.49%

Actuarial valuations, prepared biennially, involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Accrual Methods and Assumptions. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between UO and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	June 30, 2014	June 30, 2013
Actuarial Valuation Date	7/1/2013	7/1/2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percentage	Level Percentage
Amortization Period	15 Years (open)	15 Years (open)
Investment Rate of Return	3.5%	3.5%
Projected Salary Increases	3.5%	3.5%
Initial Healthcare Inflation Rates	3.6% (medical), 2.2% (dental)	4% (medical), 2.7% (dental)
Ultimate Healthcare Inflation Rates	5.4% (medical), 5.0% (dental)	5.5% (medical), 5% (dental)

15. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others, for which UO is an income beneficiary, are not recorded in the financial records. The approximate value of such trust funds at June 30, 2014 and 2013 was $787 and $868, respectively.

16. RISK FINANCING

UO participates in the OUS Risk Management Fund managed by the OUS Office of Risk Management. The following risks have been transferred to the OUS fund:

- Real property loss for university owned building, equipment, automobiles and other types of property
- Tort Liability claims brought against UO, its officers, employees or agents
- Workers' compensation and employers liability
- Crime, Fiduciary

For the Year Ended June 30, 2014 (dollars in thousands)

- Specialty lines of business including marine, medical practicums, international travel, fine art, aircraft, camps, clinics and other items.

In July of 2012, in accordance with ORS 351.096, the Oregon State Board of Higher Education Finance & Administration Committee established the Oregon University System (OUS) Risk Management Program to protect the life safety, reputation, financial, operations, and property risks associated with the System's broad scope of enterprise activities. The OUS Office of Risk Management manages the program in a transparent manner using best practices and industry standards for risk financing including risk retention and transfer, and risk controls while supporting an enhanced culture of risk mitigation within the system. In the policy year ending June 30, 2014, risk mitigation efforts included tightening review of claims and loss prevention efforts which resulted in a decrease of $3 million in case reserves.

In addition to the Office of Risk Management, the program is comprised of the Risk Oversight Committee and the Risk Council. The Risk Oversight Committee has responsibility for overseeing the strategic direction of the program and the Risk Council executes the program strategy. The Risk Oversight Committee is comprised of representatives from each of the seven OUS institutions. The financing for this program is provided through the establishment of a Risk Fund consisting of three sub-funds for Casualty, Property, and Workers' Compensation. The Risk Oversight Committee has oversight responsibility for this fund.

During the year ending June 30, 2014, the Office of Risk Management purchased excess commercial general liability insurance above the self-insurance layer among other underlying coverage as noted above. The total insurable value of property was re-assessed at $9 billion and included a $500 million limit with sub-limits for business interruption, earth movement, and flood. In addition, the universities applied a membership credit of over $190 towards seismic gas shut-off valves in 2013-2014 to help minimize fire damage in the event of an earthquake. The casualty program covers general tort claims as well as director's and officers, errors and omissions, and employment liability. Limits of liability for this program total $50 million and for general liability and educator's legal liability, this is an excess of over $1 million in the self-insured program.

UO is charged an assessment to cover the OUS Risk Management Fund's cost of servicing claims and payments based on the OUS Risk Allocation Model and actuarial estimates of the amounts needed to pay prior and current-year claims.

17. COMMITMENTS AND CONTINGENT LIABILITIES

Outstanding commitments on partially completed and planned but not initiated construction projects authorized by the Oregon State Legislature totaled approximately $83,458 at June 30, 2014. These commitments will be primarily funded from gifts and grants, bond proceeds, and other UO funds. Refer to the table accompanying this note for projects relating to construction commitments as of June 30, 2014.

UO is contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Management is of the opinion that the outcome of such matters will not have a material effect on the financial statements.

UO participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor for expenditures disallowed under terms of the grant. Management believes that disallowances, if any, will not have a material effect on the financial statements.

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to ORS 657. UO reimburses the Oregon Employment Division on a quarterly basis for actual benefits paid. Each year resources are budgeted to pay current charges. The amount of future benefit payments to claimants and the resulting liability to UO cannot be reasonably determined at June 30, 2014.

CONSTRUCTION COMMITMENTS AS OF JUNE 30, 2014

Project Description	Total Commitment	Completed to Date	Outstanding Commitmen
Allen Hall	$ 10,873	$ 7,456	$ 3,417
Anstett Hall	6,760	5,682	1,078
Capital Repair	40,801	34,908	5,893
Central Kitchen/Woodshop	8,500	242	8,258
Erb Memorial Union	43,622	12,882	30,740
Fenton Hall	3,111	2,454	657
Global Scholars Hall	33,000	29,507	3,493
Science Library	1,000	432	568
Straub Hall	39,632	24,766	14,866
Student Recreation Center	33,950	23,596	10,354
Projects with <$500 thousand remaining to be spent	11,205	10,005	1,200
Project Budgets <$1 million	6,841	3,907	2,934
	$ 239,295	$ 155,837	$ 83,458

18. SUBSEQUENT EVENTS

BONDED INDEBTEDNESS

On July 29, 2014, the State issued on behalf of OUS $13,361 in Lottery Bonds with an average interest rate of 5.0 percent to refund $14,250 in Lottery Bonds with an average interest rate of 5.0 percent. The net proceeds of the bonds were $15,831 (after payment of $65 in underwriting costs and bond premium of $2,534).

UO's share of the refunding was $292 in new bonds to refund $311 in previously issued debt. The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of $23 The refunding was undertaken to reduce total debt service payments (principal and interest) over the next 12 years by $35 and resulted in an economic gain of $29.

OREGON UNIVERSITY SYSTEM STRUCTURE CHANGES

Effective July 1, 2014, UO is an independent legal entity governed by the Board of Trustees of the University of Oregon. See Note 1 for additional information about this change in legal status.

RISK MANAGEMENT STRUCTURE CHANGES

Effective as of July 1, 2014, the OUS Risk Fund (see Note 16) was transferred to the Public University Risk Management and Insurance Trust (Trust). The Trust is a separate legal entity which operates for the benefit of the participating universities. Under provisions of SB 270, UO is required to participate in the Trust until June 30, 2015. At that time, membership in the Trust becomes optional. All assets and liabilities of the previously established OUS Risk Fund are transferred to the Trust on the effective date. The following risks have also been transferred from the Fund to the Trust:

- Real property loss for university owned building, equipment, automobiles and other types of property
- Tort liability claims brought against the universities, their officers, employees or agents
- Workers' compensation and employers liability
- Crime, Fiduciary
- Specialty lines of business including marine, medical practicums, international travel, fine art, aircraft, camps, clinics and other items.

19. UNIVERSITY FOUNDATION

Under policies approved by the Board, individual university foundations may be established to provide assistance in fund raising, public outreach and other support for the mission of UO. The UO Foundation is a legally separate, tax-exempt entity with an independent governing board. Although UO does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the university, the foundation is considered a component unit of UO and is discretely presented in the financial statements. The financial activity is reported for the year ended June 30, 2014.

During the years ended June 30, 2014 and 2013 gifts of $67,633 and $61,722, respectively, were transferred from the university foundation to UO. The UO affiliated foundation is audited annually and received an unmodified audit opinion.

Please see the financial statements for the UO component unit on pages 19 and 21 of this report.

Complete financial statements for the foundation may be obtained on the UO Foundation's website at **http://www.uo-foundation.org** or by writing to the following:

- *University of Oregon Foundation, 1720 E. 13th Avenue, Suite 410, Eugene, OR 97403-2253*

Required Supplementary Information (dollars in thousands)

Funding Status of Other Postemployment Benefits

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2010	-	13,212	13,212	0.0%	220,606	6.0%
6/30/2011	-	14,051	14,051	0.0%	231,781	6.1%
6/30/2012	-	13,662	13,662	0.0%	248,948	5.5%
6/30/2013	-	14,231	14,231	0.0%	259,314	5.5%
6/30/2014	-	9,539	9,539	0.0%	278,740	3.4%

[This page intentionally left blank.]

For information about the financial data included in this report, contact:

Jamie Moffitt
Vice President for Finance and Administration/CFO
103 Johnson Hall
1283 University of Oregon
Eugene, OR 97403-1283
541-346-3003

University of Oregon
www.uoregon.edu; 541-346-3003
Office of the Vice President for Finance and Administration/CFO
Eugene, OR 97403-1283