KPMG

THE UNIVERSITY OF ARIZONA GLOBAL CAMPUS

Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

THE UNIVERSITY OF ARIZONA GLOBAL CAMPUS

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Independent Auditors' Report

Board of Directors
The University of Arizona Global Campus:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the University of Arizona Global Campus (the University), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Financial Responsibility Data Schedule (as required by the U.S Department of Education) and the Disaggregated Revenue Schedule are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Responsibility Data Schedule and the Disaggregated Revenue Schedule are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2023 on our consideration of the University of Arizona Global Campus' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University of Arizona Global Campus' 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 of Arizona Global Campus' internal control over financial reporting and compliance.

KPMG LLP

Phoenix, Arizona
August 31, 2023

THE UNIVERSITY OF ARIZONA GLOBAL CAMPUS

Statements of Financial Position

June 30, 2023 and 2022

(In thousands)

Assets		**2023**	**2022**
Current assets:			
Cash	$	40,234	34,175
Restricted cash		6,789	4,613
Accounts receivable, net		29,387	30,645
Prepaid expenses and other assets		7,984	3,111
Total current assets		84,394	72,544
Property and equipment, net		19,346	372
Operating lease right-of-use assets		10,440	1,284
Intangible assets		31,841	21,671
Prepaid expenses and other assets		15,469	16,681
Total assets	$	161,490	112,552
Liabilities and Net Assets			
Current liabilities:			
Accounts Payable	$	3,001	113
Accrued liabilities		8,253	2,817
Deferred revenue and student deposits		36,453	43,537
Operating lease liability, current		1,885	272
Total current liabilities		49,592	46,739
Operating lease liability, net of current portion		14,138	1,002
Total liabilities		63,730	47,741
Net assets without donor restrictions		97,760	64,811
Total net assets		97,760	64,811
Total liabilities and net assets	$	161,490	112,552

See accompanying notes to financial statements.

THE UNIVERSITY OF ARIZONA GLOBAL CAMPUS

Statements of Activities

Years ended June 30, 2023 and 2022

(In thousands)

		2023	2022
Student revenues (net of scholarships of $152,360 and $169,561)	$	246,409	290,433
Expenses:			
Instruction		37,823	40,844
Academic support		17,568	9,731
Student services		111,815	12,424
Institutional support		56,831	30,144
Operation and maintenance of plant		3,360	1,677
Depreciation and amortization		20,835	4,380
Affiliation agreement		1,333	1,333
Online program management services		13,303	187,201
Transition services		507	8,396
Total operating expenses		263,375	296,130
Decrease in net assets from operating activities		(16,966)	(5,697)
Other income (expense):			
Inherent contribution from acquisition		52,241	—
Other income (expense), net		(2,326)	553
Total other income		49,915	553
Change in net assets		32,949	(5,144)
Net assets, beginning of the period		64,811	69,955
Net assets, end of the period	$	97,760	64,811

See accompanying notes to financial statements.

THE UNIVERSITY OF ARIZONA GLOBAL CAMPUS

Statements of Cash Flows

Years ended June 30, 2023 and 2022

(In thousands)

		2023	2022
Cash flows from operating activities:			
Change in net assets	$	32,949	(5,144)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Provision for bad debt		6,376	10,756
Depreciation and amortization		20,835	4,380
Amortization of affiliation agreement		1,333	1,333
Noncash lease expense		2,466	207
Inherent contribution from acquisition		(52,241)	—
Changes in assets and liabilities:			
Accounts receivable		(5,119)	(7,020)
Prepaid expenses and other current assets		(1,133)	(10)
Other long-term assets		(123)	1,922
Accounts payable and accrued liabilities		6,606	(1,394)
Deferred revenue and student deposits		(7,084)	(9,204)
Operating lease liabilities		(2,906)	(217)
Net cash provided by (used in) operating activities		1,959	(4,391)
Cash flows from investing activities:			
Purchase of property and equipment		(289)	(376)
Cash received from acquisition		7,680	—
Capitalized costs for intangibles		(1,115)	—
Net cash provided by (used in) investing activities		6,276	(376)
Net change in cash		8,235	(4,767)
Cash and restricted cash, beginning of the period		38,788	43,555
Cash and restricted cash, end of the period	$	47,023	38,788
Supplemental schedule of noncash transactions:			
Accrued property and equipment	$	1,708	12
Operating lease right -of-use assets		(11,356)	(1,491)
Operating lease liabilities		17,656	1,491

See accompanying notes to financial statements.

(1) Description of the Organization

The University of Arizona Global Campus ("University" or "UAGC"), established in December 2020, is a nonprofit corporation organized under the laws of the State of Arizona. The University operates in affiliation with the University of Arizona and its sole member is the University of Arizona Foundation. The mission of the University is to expand access to higher education for adult learners and other non-traditional students, expand and accelerate online higher education offerings aimed at workforce and economic development goals within the State of Arizona, and extend those same offerings to a national and international student audience consistent with the mission of the University of Arizona.

The University offers associates, bachelors, masters, and doctoral degree programs that are delivered primarily online. The University is comprised of two colleges: the Forbes School of Business and Technology® and the College of Arts and Sciences.

(2) Acquisition Transaction

On July 31, 2022, the University of Arizona and the University entered into a definitive Asset Purchase and Sale Agreement ("Purchase Agreement") with Zovio Inc., to acquire certain tangible and intangible academic and related operations, assets, and certain related liabilities ("Institutional Assets") comprising Zovio, a for-profit education services company located in Chandler, Arizona. In exchange for the transfer of the Institutional Assets, the University paid Zovio total cash consideration of $1.00.

Concurrently with the acquisition of the Institutional Assets, the University and Zovio ended a long-term strategic services agreement ("Strategic Services Agreement" or "SSA") and a transition services agreement ("Transition Services Agreement" or "TSA"). Under the SSA, Zovio provided recruiting, financial aid support, student counseling, institutional support, information technology, and academic support services to the University. The SSA had an initial term of fifteen (15) years, subject to renewal options, although the University had the right to terminate the agreement after seven (7) years subject to the payment of a termination fee equal to one-hundred percent (100%) of the services fees paid to Zovio in the trailing twelve (12) month period (payable half in cash and half in an unsecured note). Under the TSA, Zovio provided certain services to the University on a transition basis in return for fees equal to Zovio's direct costs to provide such services. The University could transition any of these services at any time on a six-month advance notice, and all such services would be transitioned to the University within three years of the effective date of the TSA.

The assets acquired and liabilities assumed were recorded at their provisional fair values in the statement of financial position as of July 31, 2022, the acquisition date. The provisional fair values were determined using the acquisition method of accounting, in accordance with ASC Subtopic 958-805, *Business Combinations*.

The following table summarizes the provisional fair values of the assets acquired and liabilities assumed (in thousands):

Cash consideration for net assets acquired	$	—
Total estimated purchase price		—
Identifiable net assets acquired:		
Cash		5,000
Restricted cash		2,680
Prepaid expenses and other current assets		4,006
Property and equipment		21,283
Intangible assets		25,572
Total liabilities		(6,300)
Total identifiable net assets acquired		52,241
Inherent contribution	$	52,241

As the fair value of the Institutional Assets acquired exceeded the purchase price of $1.00, the transaction resulted in an inherent contribution. The inherent contribution is an outcome of the seller rightsizing the company due to regulatory challenges in the higher ed market and subsequently the seller dissolved. The inherent contribution is reported within other income (expense) in the statements of activities, in accordance with ASC Subtopic 958-805.

The intangible assets are comprised of educational partnership relationships and student leads of which the fair value of both intangibles were determined using the Replacement Cost method. The educational partnership relationships have a useful life of approximately 3 years and the student leads have a useful life of approximately 3 months. The University incurred acquisition related expenses of $3.0 million for the year ended June 30, 2023.

(3) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

(b) Cash and Restricted Cash

Cash consists of cash on hand and deposits held at financial institutions. Restricted cash primarily consists of funds held for students from financial aid programs under Title IV of the Higher Education Act of 1965 (“Title IV programs”). To a lesser extent, restricted cash also includes amounts held as collateral in connection with a lease acquired under the Zovio transaction. The following table provides a summary of cash, and restricted cash reported within the statements of financial position as of June 30, 2023 and 2022 (in thousands):

		2023	2022
Cash	$	40,234	34,175
Restricted cash		6,789	4,613
Total cash and restricted cash	$	47,023	38,788

(c) Accounts Receivable and Allowance for Credit Losses

Accounts receivable represent the University's unconditional right to consideration arising from the transfer of tuition, digital course materials, and technology and other fees under contracts with students. Students generally fund their education costs through grants and/or loans under various Title IV programs, Veteran's Administration ("VA") benefits, tuition assistance from military and corporate employers, and/or personal funds. With the exception of students enrolled under the Full Tuition Grant ("FTG") program, payments are due on the respective course start date and are generally considered delinquent 120 days after that date.

Accounts receivable are initially recorded at the amount management expects to collect under each student contract and are adjusted for an allowance for credit losses at each reporting date. The University determines its allowance for credit losses using a loss-rate method combined with an aging schedule approach, which is appropriate given the short-term nature of a substantial majority of the University's receivables and as collections vary significantly based upon a receivable's aging bucket. Management believes historical loss information is a reasonable basis on which to determine current expected credit losses for accounts receivable held at the statements of financial position date because the risk characteristics of the University's students and its credit practices have not changed significantly over time. Management calculates separate historical loss rates for receivables under the FTG program and receivables from all other customers, on the basis of the different risk profiles and historical loss-rate experience with each type of customer. Additionally, the University continuously monitors macroeconomic activity as well as other current conditions (e.g. internal Title IV processing times, economic downturns, cohort default rates, etc.) and their potential impact on collections to ensure the historical experience remains in line with current conditions and future short-term expectations.

The allowance for credit losses is recorded within institutional support in the statements of activities. The University writes-off accounts receivable when the student account is deemed uncollectible, which typically occurs when the University has exhausted all collection efforts.

(d) Leases

The University determines if an arrangement is a lease at inception and evaluates the lease agreement to determine whether the lease is a finance or operating lease under ASC 842, *Leases*. Right-of-use ("ROU") assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

Key estimates and judgments are used in determining (i) the discount rate used to discount the unpaid lease payments to present value, (ii) the lease term, and (iii) lease payments.

(i) The University discounts unpaid lease payments using its incremental borrowing rate or the implicit interest rate in the lease if that rate is readily determinable. The University's incremental borrowing rate for a lease is the rate of interest it would expect to pay in order to borrow an amount equal to the lease payments under similar terms.

(ii) The lease term for the University's leases includes the noncancelable period of the lease plus any additional periods covered by either an option to extend (or not to terminate) the lease that the University is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.

(iii) Lease payments included in the measurement of the lease liability comprise of fixed payments, including in-substance fixed payments, owed over the lease term and variable lease payments that depend on an index or rate, initially measured using the index or rate at the lease commencement date.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received. The ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus or minus any prepaid or accrued lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable lease payments associated with the University's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. These variable lease payments are recorded as lease expense and reported as other operating expenses in statements of activities and changes in net assets.

The University evaluates its operating leases for impairment whenever events or changes in circumstances indicate that the carrying amount of the ROU asset may not be recoverable. Additionally, the University monitors for events or changes in circumstances that require a reassessment of its leases. If a reassessment results in the remeasurement of a lease liability, a corresponding adjustment would be made to the carrying amount of the ROU asset. For lease agreements with non-lease components, the University has elected a policy of non-separation and therefore lease, and non-lease components are accounted for as a single combined lease component.

(e) Definite-Lived Intangible Assets

Definite-lived intangible assets relate to purchased intangibles and are amortized on a straight- line basis over their estimated useful life. Purchased intangibles include capitalized curriculum costs (including digital course materials, capitalized course development costs, developed partnerships (associated with the Zovio Acquisition)), and the University's trademark agreement with Forbes. Definite-lived intangible assets are tested for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds fair value, in accordance with ASC 360, *Property, Plant, and Equipment*. Impairment is calculated as the excess of the asset's carrying value over its fair value.

(f) Indefinite-Lived Intangible Assets

The University has one purchased indefinite-lived intangible asset, which relates to its accreditation. The University's accreditation is considered to have an indefinite-life because there is no foreseeable limit on the period of time over which it is expected to contribute to the cash flows of the University. The University tests its indefinite-lived intangible asset for impairment annually or more frequently if events and circumstances warrant it. To perform this assessment, in accordance with ASC 350, *Intangibles – Goodwill and Other*, the University assesses the fair value of the asset to determine whether it is greater or less than its carrying value. Determining the fair value of indefinite-lived intangible assets is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions are inherently uncertain and may include such items as growth rates used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions, and a determination of appropriate market comparables.

(g) Revenues and Deferred Revenues

Revenues are recognized when control of the promised goods or services are transferred to the institution's students, in an amount that reflects the consideration the University expects to be entitled in exchange for those goods or services. Determining whether a valid student contract exists includes an assessment of whether amounts due under the contract are collectible. The University performs this assessment at the beginning of every contract and subsequently thereafter if new information indicates there has been a significant change in facts and circumstances.

The University's contracts with students generally include multiple performance obligations, which it identifies by assessing whether each good and service promised in the contract is distinct. For each performance obligation, the University allocates the transaction price, including fixed and variable consideration, on the basis of the relative standalone selling prices of each good or service in the contract, which is determined using observable prices.

The University generates the majority of its revenue from tuition, technology fees, and digital course materials related to students whose primary funding source is governmental aid. Tuition represents amounts charged for course instruction and technology fees represent amounts charged for the student's use of the technology platform on which course instruction is delivered. Digital course materials fees represent amounts charged for the digital textbooks that accompany the majority of courses taught at the institution. With the exception of students attending courses within the University's three-week conditional admission period, the majority of tuition and technology fees are recognized as revenue as control of the services is transferred to the student, which occurs over the applicable period of instruction. Similarly, the majority of digital course materials fees are recognized as revenue when control of the product has been transferred to the student, which occurs when the student is granted unrestricted access to the digital textbook (generally, on the first day of the course). Revenue generated from students within the conditional admission period is deferred and recognized when the student matriculates into the institution, which occurs in the fourth week of the course.

Students generally enroll in a program that encompasses a series of five to six week courses that are taken consecutively over the length of the program. With the exception of those students under conditional admission and students enrolled under the FTG program, students are billed on a payment period basis, on the first day of a course. Students under conditional admission are billed for the payment period upon matriculation.

If a student's attendance in a class precedes the receipt of cash from the student's source of funding, the University establishes an account receivable and corresponding deferred revenue in the amount of the tuition due for that payment period. Cash received either directly from the student or from the student's source of funding reduces the balance of accounts receivable due from the student. Financial aid from sources such as the federal government's Title IV programs pertains to the online student's award year and is generally divided into two disbursement periods. As such, each disbursement period may contain funding for up to four courses. Financial aid disbursements are typically received during the student's attendance in the first or second course. Since the majority of disbursements cover more courses than for which a student is currently enrolled, the amount received in excess effectively represents a prepayment from the online student for up to four courses. At the end of each accounting period, the deferred revenue and related account receivable balances are reduced to reflect amounts only attributable to the current course.

In certain cases, the University provides scholarships to students who qualify under various programs. These scholarships are recognized as direct reductions of revenue consistent with the timing of recognition associated with the related performance obligations. Also, for certain students, the University does not expect to collect 100% of the consideration to which it is contractually entitled on the basis of historical practice that shows those students may receive discounts or price adjustments that represent implied price concessions, which are accounted for as variable consideration. The majority of these implied price concessions relate to amounts charged to students for goods and services, which management has determined will not be covered by the student's primary funding source (generally, government aid) and, as a result, the student will become directly financially responsible for them. The reduction in the transaction price that results from this estimate of variable consideration reflects the amount the University does not expect to be entitled to in exchange for the goods and services it will transfer to the students, as determined using historical experience and current factors, and includes performing a constraint analysis. These estimates of variable consideration are also recorded as direct reductions of revenue consistent with the timing of recognition associated with the related performance obligation.

A portion of tuition, technology fees, and digital course materials fees revenues is generated from contracts with students enrolled under the FTG program, which is a 12-month grant that, when combined with a corporate partner's annual tuition assistance program, enables eligible students to earn their degree without incurring student loan debt. Students enrolled under this program are eligible to take up to ten undergraduate or eight graduate courses per 12-month grant period and must first utilize 100% of the funds awarded under their employer's annual tuition assistance program before they can be awarded the FTG grant. Management has determined that the grants awarded by the University under the FTG program contain a material right, and, as such, the University records a contract liability for a portion of the consideration received or due under these contracts. The contract liability is recorded in deferred revenue and student deposits on the University's statements of financial position. The standalone selling price of the material right is determined based on the observable standalone selling price of the courses. The transaction price in each FTG contract is allocated to this material right on a relative standalone selling price basis. The contract liability is recognized as revenue at the earlier of satisfaction of the future obligation or when the student terminates the contract, which typically occurs when the student becomes inactive. Billing of products and services transferred under a FTG student contract generally occurs after the conclusion of a course. There are no material differences between the timing of the products and services transferred and the payment terms.

Deferred revenue consists of cash payments that are received or due in advance of performance as well as deferrals associated with certain student contracts that include a material right. Deferrals from cash received or due in advance of performance is recognized as revenue over time as the University satisfies its performance obligation. Deferrals associated with a material right are recognized as revenue at the earlier of satisfaction of the future obligation or when the student terminates its contract with the University, which typically occurs when the student becomes inactive.

(h) Income Taxes

The University is a not-for-profit organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and is not a “private foundation” within the meaning of Section 509(a).

(i) Functional Expenses

The statements of activities presents expenses by functional classification. Certain categories of expenses reported in the statements of activities are attributed to more than one program or supporting function. Therefore, those expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are limited to employee benefits and payroll taxes, and are allocated on the basis of estimates of time and effort.

(j) Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

(4) Revenue Recognition

The following table presents the University’s net revenue disaggregated based on the revenue source for the years ended June 30, 2023 and 2022 (in thousands):

		2023	2022
Tuition revenue, net	$	224,460	264,262
Digital course materials revenue, net		14,756	17,061
Technology fee revenue, net		5,551	7,364
Other revenue, net		1,642	1,746
Total revenue, net	$	246,409	290,433

The following table presents the University's net revenue disaggregated based on the timing of revenue recognition for the years ended June 30, 2023 and 2022 (in thousands):

		2023	2022
Over time, over period of instruction	$	186,069	229,189
Over time, corporate partnerships [1]		46,644	45,100
Point in time [2]		13,696	16,144
Total revenue, net	$	246,409	290,433

[1] Substantially represents revenue from the FTG program.

[2] Represents revenue from digital textbooks and other one-time fees.

Deferred Revenue

The following table presents the opening and closing balances of deferred revenue from the University's contracts with students (in thousands):

Opening balance, July 1, 2022	$	20,832
Closing balance, June 30, 2023		18,110
Increase (decrease)	$	(2,722)

For further information on deferred revenue and student deposits, refer to Note 10, "Deferred Revenue and Student Deposits" and for further information on receivables, refer to Note 5, "Accounts Receivable, Net".

For the majority of the University's students, payment for products and services is due at the beginning of each course. Billing of products and services transferred under an FTG student contract generally occurs after the conclusion of the course. Under special circumstances, some students may be offered non-interest bearing payment plan arrangements. These payment plan arrangements give rise to a significant financing component, in accordance with Topic 606. However, since the University historically collects substantially all of the consideration to which it expects to be entitled under those payment plans within one year or less, the impact of the significant financing component in these transactions is not material.

The difference between the opening and closing balances of deferred revenue primarily results from the timing difference between the University's performance and the customer's payment. For the year ended June 30, 2023, the University recognized $19.8 million that was included in the deferred revenue balance as of June 30, 2022. Amounts reported in the closing balance of deferred revenue are expected to be recognized as revenue within the next 12 months.

(5) Accounts Receivable, Net

Accounts receivable, net, consists of the following, as of June 30, 2023 and 2022 (in thousands):

		2023	2022
Accounts receivable	$	46,913	43,849
Less allowance for credit losses		(17,526)	(13,204)
Accounts receivable, net	$	29,387	30,645

(6) Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following, as of June 30, 2023 and 2022 (in thousands):

		2023	2022
Current:			
Prepaid expenses	$	1,961	456
Prepaid licenses		4,685	1,234
Other assets		1,338	1,421
Total prepaid expenses and other current assets		7,984	3,111
Non-current:			
Prepaid license		35	36
Other assets		15,434	16,645
Total non-current prepaid expenses and other assets		15,469	16,681
Total prepaid expenses and other assets	$	23,453	19,792

The University entered into an Affiliation Agreement with the University of Arizona, which allows the University to use the University of Arizona name and marks, and provides access to University of Arizona personnel and certain administrative services. The agreement has an initial term of 15 years and can be renewed from year to year thereafter. In connection with this agreement, the University made a nonrefundable payment of $20 million to the University of Arizona and recorded an asset immediately upon gaining access to the assets under the agreement, which occurred on December 1, 2020. The asset is being amortized on a straight-line basis over the agreement term. The other asset balance reflected in the table above is substantially related to the asset recorded in connection with the Affiliation Agreement, net of accumulated amortization.

(7) Leases

On September 1, 2021, the University entered into an operating lease for office space in Chandler, Arizona, which expires in 2026. On July 31, 2022, the University assumed the operating lease for additional office space in Chandler, Arizona from Zovio, which expires in 2030. All other leases are classified as short-term and are not recorded on the University's statement of financial position. For the periods ended June 30, 2023 and 2022, rent expense was $2.7 million and $1.2 million, respectively. The following table summarizes future payment obligations with respect to the University's operating lease, which was existent as of June 30, 2023 (in thousands):

Fiscal year ending June 30:		
2024	$	3,118
2025		2,895
2026		2,978
2027		2,764
2028		2,784
Thereafter		6,814
Total lease payments		21,353
Less interest		(5,330)
Present value of lease liabilities	$	16,023
Rent expense:		
Prior year	$	1,170
Current year		2,722

		2023	2022
Other information:			
Weighted average remaining lease term (years)		7.03	4.25
Weighted average discount rate		8.17 %	4.00 %
Present value of lease liabilities:			
Lease liability – current	$	1,885	272
Lease liability – noncurrent		14,138	1,002
	$	16,023	1,274

(8) Intangible Assets, Net

As of June 30, 2023 and 2022, intangibles, net, consist of the following (in thousands):

		2023	2022
Capitalized curriculum costs	$	9,077	9,370
Course development		885	—
Forbes licensing agreement		6,267	6,267
Developed partnerships (Note 2)		17,400	—
Developed leads (Note 2)		7,400	—
Total defined-lived intangible assets		41,029	15,637
Less accumulated amortization		(22,288)	(7,066)
Definite-lived intangible assets, net		18,741	8,571
Accreditation rights	$	13,100	13,100
Indefinite-lived intangibles assets		13,100	13,100
Total intangible assets, net	$	31,841	21,671

For the period ended June 30, 2023 and 2022, amortization expense was $15.2 million and $4.3 million, respectively. The following table summarizes the estimated future amortization expense related to intangible assets held as of June 30, 2023 (in thousands):

Fiscal year ending June 30:		
2024	$	8,678
2025		7,456
2026		2,493
2027		77
2028		10
Thereafter		27
Total	$	18,741

(9) Accrued Liabilities

As of June 30, 2023 and 2022, accrued liabilities consist of the following (in thousands):

		2023	2022
Accrued salaries and wages	$	271	631
Accrued vacation		—	1,246
Accrued employee benefits		1,291	188
Accrued marketing fees		3,234	—
Other accrued expenses		3,457	752
Total accrued liabilities	$	8,253	2,817

(10) Deferred Revenue and Student Deposits

As of June 30, 2023 and 2022, deferred revenue and student deposits consist of the following (in thousands):

		2023	2022
Deferred revenue	$	18,110	20,832
Student deposits		18,343	22,705
Total deferred revenue and student deposits	$	36,453	43,537

(11) Liquidity and Availability

The following table reflects the University's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, such as student deposits, prepaid assets, and intangible assets (in thousands).

Total assets at June 30, 2023	$	161,490
Less:		
Restricted cash		(6,789)
Prepaid expenses and other assets		(23,453)
Property and equipment		(19,346)
Operating lease right-of-use assets		(10,440)
Intangible assets		(31,841)
Financial assets available at June 30, 2023	$	69,621

(12) Functional Expenses

The following table presents expenses by their natural and functional classification for the years ended June 30, 2023 and 2022 (in thousands):

	2023									
	Instruction	Academic support	Student services	Institutional support	Operation and maintenance of plant	Depreciation and amortization	Affiliation agreement	Online Program Management Services	Transition services	Total
Salaries and wages	$ 32,386	6,782	49,720	18,860	126	—	—	—	—	107,874
Employee benefits	5,166	1,758	12,708	4,970	32	—	—	—	—	24,634
Consulting and outside services	38	2,528	44,896	4,984	—	—	—	—	—	52,446
License fees	14	2,177	3,566	9,327	—	—	—	—	—	15,084
Office expenses	45	28	239	1,600	3,189	—	—	—	—	5,101
Insurance	—	—	—	1,527	—	—	—	—	—	1,527
Legal fees	—	—	—	838	—	—	—	—	—	838
Accounting fees	—	—	—	383	—	—	—	—	—	383
Credit card fees	—	—	—	807	—	—	—	—	—	807
Collection agency fees	—	—	—	714	—	—	—	—	—	714
Depreciation and amortization	—	—	—	—	—	20,835	—	—	—	20,835
Bad debt expense	—	—	—	11,140	—	—	—	—	—	11,140
Online program management services	—	—	—	—	—	—	—	13,303	—	13,303
Transition services	—	—	—	—	—	—	—	—	507	507
Other	174	4,295	686	1,681	13	—	1,333	—	—	8,182
Total operating expenses	$ 37,823	17,568	111,815	56,831	3,360	20,835	1,333	13,303	507	263,375

	2022									
	Instruction	Academic support	Student services	Institutional support	Operation and maintenance of plant	Depreciation and amortization	Affiliation agreement	Online Program Management Services	Transition services	Total
Salaries and wages	$ 35,122	4,217	8,805	6,597	—	—	—	—	—	54,741
Employee benefits	5,442	1,063	2,211	1,701	—	—	—	—	—	10,417
Consulting and outside services	34	2,446	841	1,802	—	—	—	—	—	5,123
License fees	21	1,734	201	3,434	—	—	—	—	—	5,390
Office expenses	49	11	50	77	1,588					1,775
Insurance	—	—	—	594	—	—	—	—	—	594
Professional services	—	—	—	318	—	—	—	—	—	318
Legal fees	—	—	—	1,761	—	—	—	—	—	1,761
Accounting fees	—	—	—	329	—	—	—	—	—	329
Credit card fees	—	—	—	1,088	—	—	—	—	—	1,088
Collection agency fees	—	—	—	1,143	—	—	—	—	—	1,143
Depreciation and amortization	—	—	—	—	—	4,380	—	—	—	4,380
Bad debt expense	—	—	—	10,756	—	—	—	—	—	10,756
Online program management services	—	—	—	—	—	—	—	187,201	—	187,201
Transition services	—	—	—	—	—	—	—	—	8,396	8,396
Other	176	260	316	544	89	—	1,333	—	—	2,718
Total operating expenses	$ 40,844	9,731	12,424	30,144	1,677	4,380	1,333	187,201	8,396	296,130

(13) Regulatory

The University is subject to extensive regulation by federal and state governmental agencies and accrediting bodies. In particular, the Higher Education Act of 1965, as amended ("Higher Education Act"), and the regulations promulgated thereunder by the U.S. Department of Education ("Department") subject the University to significant regulatory scrutiny on the basis of numerous standards that institutions of higher education must satisfy in order to participate in the various federal student financial assistance programs under Title IV programs. To be eligible to participate in Title IV programs, an institution must comply with the Higher Education Act and the regulations thereunder that are administered by the Department. Among other things, the law and regulations require that an institution (i) be licensed or authorized to offer its educational programs by the states in which it is physically located, (ii) maintain institutional accreditation by an accrediting agency recognized for such purposes by the Department, and (iii) be certified to participate in Title IV programs by the Department. The University is accredited by the Western Association of Schools and Colleges Senior College and University Commission ("WSCUC"). The University of Arizona Global Campus completed the WSCUC Institutional Review Process in June 2019, and its accreditation was reaffirmed for six years, through spring 2025. In issuing its 2019 report, WSCUC included a "Notice of Concern." On July 14, 2023 the University received formal notification that WSCUC removed the Formal Notice of Concern (see Note 16, "Subsequent Events").

Because the University operates in a highly regulated industry, like other industry participants, it may be subject from time to time to audits, investigations, claims of noncompliance or lawsuits by governmental agencies or third parties, which allege statutory violations, regulatory infractions or common law causes of action. Loss of accreditation would denigrate the value of the University's educational programs and could cause it to lose eligibility to participate in Title IV programs, which would have a material adverse effect on enrollment, revenues, financial condition, cash flows and results of operations.

(a) Department Regulation of Title IV Programs

Participation in Title IV programs allows for extensive oversight and review pursuant to regulations promulgated by the Department. Those regulations are subject to revision and amendment from time to time by the Department. The Department's interpretation of its regulations likewise is subject to change. As a result, it is difficult to predict how Title IV program requirements will be applied in all circumstances.

The Department is currently in the process of conducting a review of the acquisition transaction described in note 2, which resulted in a change of control of the University. This review is consistent with the Department's established procedures during which it will make a determination on the institution's request for recertification from the Department following the change of control, including whether to impose or place other conditions or restrictions on the University.

The University has an open program review for the 2015/2016 and 2016/2017 award years, which predates the acquisition transaction described in note 2. The University cannot predict the outcome of the Department's review at this time.

(b) Department of Education Program Participation Agreement for the University

The University has been provisionally certified to participate in the Title IV/Higher Education Act programs on a month-to-month basis since January 2021.

(c) The "90/10" Rule

Under the Higher Education Act (the Act), a proprietary institution loses eligibility to participate in Title IV programs if the institution derives more than 90% of its revenues from Title IV program funds for two consecutive fiscal years, as calculated in accordance with Department of Education regulations. This rule is commonly referred to as the "90/10 rule" and the calculation is prepared on the cash basis of accounting in accordance with the Office of Inspector General Guide for Audits of Proprietary Schools and 34 C.F.R. § 668.28. The Department has requested that the University continue to comply with the Act for the years ended June 30, 2023 and 2022. Any institution that violates the 90/10 rule for two consecutive fiscal years becomes ineligible to participate in Title IV programs for at least two fiscal years. In addition, an institution whose rate exceeds 90% for any single fiscal year is placed on provisional certification and may be subject to other enforcement measures. The following table provides the University's 90/10 calculation for the years ended June 30, 2023 and 2022:

		2023	2022
		(in thousands, except percentages)	
Adjusted Student Title IV Revenue:			
Subsidized loan	$	43,678	55,791
Unsubsidized Loan up to pre-ECASLA Loan Limits		117,548	145,775
Plus Loan		9,611	11,831
Federal Pell Grant		60,189	73,725
FSEOG		2,335	2,342
Student Title IV Revenue		233,361	289,464
Revenue Adjustment		(49,291)	(59,378)
Title IV Funds Returned for Withdrawal		(40,559)	(46,978)
Adjusted Student Title IV Revenue		143,511	183,108
Adjusted Student Non-Title IV Revenue:			
Grant funds for the student from non-federal public agencies or private sources independent of the institution		45,741	50,546
Funds provided for the student under a contractual arrangement with a government agency for the purpose of providing job training		2,339	2,446
Student payments		57,008	62,605
Stipend Add-back		31	29
Student Non-Title IV Revenue		105,119	115,626
Revenue Adjustment		(9,832)	(12,028)
Adjusted Student Non-Title IV Revenue		95,287	103,598

	2023	2022
	(in thousands, except percentages)	
Revenue from other sources:		
Activities conducted by the Institution that are necessary for education and training	$ —	—
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	—	—
Allowable student payments	—	—
Total revenue from other sources	—	—
Adjusted Student Title IV Revenue	143,511	183,108
Total Revenue (= Adjusted Student Title IV Revenue + Adjusted Non-Title IV Revenue + Total Revenue from Other Sources)	238,798	286,706
Title IV Revenue percentage	$ 60.10 %	63.87 %

(d) Cohort Default Rate

For each federal fiscal year, the Department calculates a rate of student defaults over a three-year measuring period for each educational institution, which is known as a “cohort default rate.” An institution may lose eligibility to participate in the Federal Direct Loan Program and the Federal Pell Grant Program if, for each of the three most recent federal fiscal years, 30% or more of its students who became subject to a repayment obligation in that federal fiscal year defaulted on such obligation by the end of the following federal fiscal year. The most recent draft and official three-year cohort default rates for the University for the 2020 (draft), 2019, 2018 and 2017 federal fiscal years, were 0.1%, 3.0%, 10.9%, and 14.7%, respectively.

(e) Financial Responsibility

The Department calculates an institution’s composite score for financial responsibility based on its (i) equity ratio, which measures the institution’s capital resources, ability to borrow and financial viability; (ii) primary reserve ratio, which measures the institution’s ability to support current operations from expendable resources; and (iii) net income ratio, which measures the institution’s ability to operate at a profit. An institution that does not meet the Department’s minimum composite score of 1.5 may demonstrate its financial responsibility by posting a letter of credit in favor of the Department and possibly accepting other conditions on its participation in the Title IV programs.

For the fiscal years ended June 30, 2023 and 2022, the University calculated a composite score of 2.3 and 1.8, respectively, which would be above the Department’s requirement of a composite score of 1.5 or greater.

(Continued)

(f) Borrower Defense to Repayment Negotiated Rulemaking

On October 28, 2016, the Department had published borrower defense to repayment regulations to change processes that assist students in gaining relief under certain provisions of the Direct Loan Program regulations. These defense to repayment regulations allow a borrower to assert a defense to repayment on the basis of a substantial misrepresentation, any other misrepresentation in cases where certain other factors are present, a breach of contract or a favorable nondefault contested judgment against a school for its act or omission relating to the making of the borrower's loan or the provision of educational services for which the loan was provided. In addition, the financial responsibility standards contained in the new regulations establish the conditions or events that trigger the requirement for an institution to provide the Department with financial protection in the form of a letter of credit or other security against potential institutional liabilities. Triggering conditions or events include, among others, certain state, federal or accrediting agency actions or investigations. The new regulations also prohibit schools from requiring that students agree to settle future disputes through arbitration.

On March 15, 2019, the Department issued guidance for the implementation of parts of the regulations. The guidance covers an institution's responsibility in regard to reporting mandatory and discretionary triggers as part of the financial responsibility standards, class action bans and pre-dispute arbitration agreements, submission of arbitral and judicial records, and repayment rates.

On August 30, 2019, the Department finalized the regulations derived from the 2017-2018 negotiated rulemaking process and subsequent public comments. This version of the borrower defense regulations applies to all federal student loans made on or after July 1, 2020, and, among other things: grants borrowers the right to assert borrower defense to repayment claims against institutions, regardless of whether the loan is in default or in collection proceedings; allows borrowers to file defense to repayment claims three years from either the student's date of graduation or withdrawal from the institution; and gives students the ability to allege a specific amount of financial harm and to obtain relief in an amount determined by the Department, which may be greater or lesser than their original claim amount. The regulations also include financial triggers and other factors for recalculating an institution's financial responsibility composite score that differ from those in the 2016 regulations. This rewritten borrower's defense to repayment rule went into effect on July 1, 2020 and applies to any federal student loans made on that date or after.

In July 2020, the Department notified the University's former owner that the Department would be initiating a preliminary review of borrower defense applications from borrowers who made claims regarding the University. As part of the initial fact-finding process, the Department sent individual student claims to the University and allowed the institution the opportunity to submit a response to the individual borrower's allegations. The University had not received notice of any new claims from the Department since December 1, 2020, the closing date of the acquisition transaction described in Note 2. On March 31, 2022 the University began receiving new borrower claims. The University is responding to each individual claim within the allotted 60 day timeframe.

(Continued)

(14) Commitments and Contingencies

(a) Litigation

From time to time, the University is a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. When the University becomes aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. In accordance with authoritative guidance, the University records loss contingencies in its financial statements only for matters in which losses are probable and can be reasonably estimated. Where a range of loss can be reasonably estimated with no best estimate in the range, the University records the minimum estimated liability. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the University discloses the nature of the specific claim if the likelihood of a potential loss is reasonably possible and the amount involved is material. The University continuously assesses the potential liability related to the University's pending litigation and revises its estimates when additional information becomes available.

(b) University of Arizona Affiliation Agreement

Effective December 1, 2020, the University entered into an Affiliation Agreement with the University of Arizona. For as long as the SSA remains in effect and the University achieves the required minimum charges in net assets for each full fiscal year under the Affiliation Agreement, the University will pay to the University of Arizona an annual fee calculated based on the University's actual financial performance for each respective fiscal year. No annual fee is due to the University of Arizona in connection with the University's fiscal years ended June 30, 2023 and 2022.

On January 3, 2022 the University and the University of Arizona entered into the First Amendment to the Affiliation Agreement, which amended the Affiliation Agreement to allow right to acquire the assets of the University prior to the third (3rd) anniversary of the Affiliation Agreement and also provided University of Arizona's Option Notice of its intent to acquire the University.

(15) Concentration of Risk

(a) Concentration of Credit Risk

The University maintains its cash and cash equivalents accounts in financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. The University performs ongoing evaluations of these institutions to limit its concentration risk exposure.

(16) Subsequent Events

The University evaluated events occurring between the date of its statements of financial position, August 31, 2023, and the date of filing these financial statements.

In 2022, the University of Arizona announced its intent to acquire the assets and operations of UAGC. The two organizations commenced a formal planning process, including seeking regulatory approvals from the U.S. Department of Education, WSCUC (UAGC and the University of Arizona's accreditor), and the Arizona Board of Regents. Final approvals were obtained in June 2023, and on June 30, 2023 11:59pm, the University of Arizona invoked the option to purchase the assets and liabilities of the UAGC for $1 through a purchase acquisition agreement. The University of Arizona assumed UAGC's assets, liabilities, and workforce of faculty, administration, and staff. UAGC will continue to operate as a departmental business under the control of the University of Arizona. In accordance with ASC subtopic 805-50, *Business Combinations - Transactions between Entities under Common Control*, the consideration transferred after June 30, 2023. Concurrently with the assumption of UAGC's operations, UAGC and the University of Arizona terminated the affiliation agreement as previously described in Note 14 (b). In accordance with ASC 805-50, *Business Combinations - Transactions between Entities under Common Control*, the affiliation agreement was assessed for impairment as of June 30, 2023 based on the guidance of ASC 360-10-35-21, *Property, Plant and Equipment*.

As a result of the University of Arizona's assumption of UAGC's operations, the University was required to submit a subsequent change in ownership application with the Department. On July 31, 2023, the University received an approved Temporary Provisional Program Participation Agreement ("TPPPA") executed by the Department. This was after having submitted, within the statutorily mandated time period, a materially complete application and additional required supporting documentation to the Department for approval of the change in ownership. The University is provisionally certified to participate in Federal Student Financial Aid Programs on a month-to-month basis until a determination regarding the change in ownership is made on the application for approval of the change in ownership.

The Department announced on August 30, 2023 the approval of $72 million in borrower defense discharges for select borrowers who attended Ashford University from March 1, 2009 through April 30, 2020. In 2020, The University of Arizona established UAGC as a non-profit Arizona corporation for the purpose of acquiring Ashford's online university and operating it as an independent institution in affiliation with The University of Arizona. It notes that the Department intends to initiate a recoupment proceeding at a later date. As no action has been taken against the University, the University cannot predict the outcome of this announcement at this time (see Note 13(f) "Borrower Defense to Repayment Negotiated Rulemaking").

On July 14, 2023 the University received formal notification that WSCUC removed the Formal Notice of Concern (see Note 13 "Regulatory").

THE UNIVERSITY OF ARIZONA GLOBAL CAMPUS

Financial Responsibility Data Schedule

Years ended June 30, 2023 and 2022

(In thousands)

Location in financial statements or related notes	Financial element		2023	2022
Primary reserve ratio: Expendable net assets:				
Statement of financial position	Net assets without donor restrictions	$	97,760	64,811
Statement of financial position	Net assets with donor restrictions		—	—
Statement of financial position	Property, plant, and equipment, net		29,786	1,656
Note 7, Property, Plant and Equipment	Construction in progress		—	—
Statement of financial position	Long-term debt		—	—
Note 10, Net Assets	Annuity and life income funds with donor restrictions		—	—
Note 10, Net Assets	Term endowments with donor restrictions		—	—
Note 10, Net Assets	Permanently restricted net assets		—	—
Primary reserve ratio: Expenses and losses:				
Statement of activities	Total expenses and losses without donor restrictions		266,352	297,190
Equity Ratio: Modified net assets:				
Statement of financial position	Net assets without donor restrictions		97,760	64,811
Statement of financial position	Net assets with donor restrictions		—	—
Equity Ratio: Modified assets:				
Statement of financial position	Total assets		161,490	112,552
Net income ratio:				
Statement of activities	Change in net assets without donor restrictions		32,949	(5,144)
Statement of activities	Total revenues and gains without donor restrictions		299,301	292,047

See accompanying independent auditors’ report.

THE UNIVERSITY OF ARIZONA GLOBAL CAMPUS

Disaggregated Revenue Schedule

Year ended June 30, 2023

(In thousands)

		Forbes School of Business	All other schools	Total
Net revenue	$	116,593	129,816	246,409

See accompanying independent auditors’ report.

KPMG LLP
Suite 800
60 East Rio Salado Parkway
Tempe, AZ 85281-9125

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
The University of Arizona Global Campus:

We have audited, in accordance with the 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, the financial statements of The University of Arizona Global Campus (the University), which comprise the University's statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Phoenix, Arizona
August 31, 2023

THE UNIVERSITY OF ARIZONA GLOBAL CAMPUS

Schedule of Findings and Results

June 30, 2023

Section I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

Noncompliance material to the financial statement: **No**

Section II – Financial Statement Findings

Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

None