

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Twelve Months Ended June 30, 2013

Summary

The enclosed report compares the Operating and Research Funds actual to budgeted for the twelve month period ended June 30, 2013. This report reflects unaudited figures.

On June 28, 2012, the Board of Trustees approved a Spending Plan for Fiscal Year 2013 which included \$1,053.9 million of revenue to cover \$1,054.9 million in expenses and transfers. Over the years, the Research Fund balance for use by principal investigators, deans and department heads has grown. It was expected that \$1.0 million of the prior years' accumulation of funds would be spent down in Fiscal Year 2013.

The University ended the year with an unrestricted gain of \$1.6 million (Operating Fund \$0.1 million and Research Fund \$1.5 million) and a restricted gain of \$1.3 million (Operating Fund (\$0.9) million and Research Fund \$2.2 million). An analysis of the results of operations for various categories of accounts is presented below.

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Total</u>
Unrestricted	\$0.1	\$1.5	\$1.6
Restricted	<u>(0.9)</u>	<u>2.2</u>	<u>1.3</u>
Total	<u>(\$0.8)</u>	<u>\$3.7</u>	<u>\$2.9</u>

Revenues - Operating Fund

Total **Operating Fund** revenue collections for Fiscal Year 2013 were \$956.4 million which represented 99.7% of the annual budget. A major source of revenue, **State Support**, consisted of a \$199.5 million appropriation and a fringe benefit allotment of \$89.0 million. State Support represented 30.2% of total Operating Fund receipts for the year. On November 28, 2012, the Governor exercised his authority to rescind State Support. The appropriation was reduced by about 5% (\$10.3 million or approximately \$15 million including fringe benefits). This category was less than budgeted at year-end due primarily to this rescission.

Tuition collections were the largest source of revenue, totaling \$269.8 million, which represented 28.2% of total Operating Fund receipts. Tuition receipts were 99.3% of the annual amount budgeted (\$271.6 million). Tuition revenue collections reflected a 5.5% rate increase coupled with a 0.7% decrease in the number of undergraduate degree-seeking students who accounted for approximately 86.3% of budgeted tuition revenues. Overall, tuition revenue was less than budgeted due to the 0.4% enrollment decrease.

Fee revenue is comprised of course fees from summer school, part-time, and non-degree students as well as self-supporting programs (off campus MBA, EMBA, etc.). Also included in this category is the General University Fee, which primarily supports four Auxiliary Enterprise programs and various other fees such as the Infrastructure Maintenance Fee, Application Fees and Late Payment Fees. Fee collections were \$102.9 million or 98.4% of the amount budgeted and were less than budgeted due to the enrollment decrease.

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Auxiliary Enterprise Revenue for Fiscal Year 2013 was \$188.2 million which represented 101.4% of the annual budgeted amount. Auxiliary Enterprise revenue consists primarily of Room and Board Fees, which reflect rate increases of 3.0%, and Athletics revenues. This category was greater than budgeted due to additional Big East conference revenue for Athletics.

Gifts, Grants and Contracts revenue consists of restricted revenues from a granting agency or private donor and gifts transferred from the UConn Foundation. For Fiscal Year 2013, Gifts, Grants and Contracts revenue of \$83.2 million, which included \$17.6 million from the UConn Foundation, was 102.1% of the annual budget. This category was more than budgeted at year end due to additional federal financial aid funds.

Investment Income for Fiscal Year 2013 was \$0.8 million. Interest rates in the State Treasurer's STIF were 0.19% by the end of the fiscal year. The average interest rate for Fiscal Year 2013 was 0.16% and the same as Fiscal Year 2012.

Sales and Services of Educational Activities and Other Sources revenue totaled \$23.0 million and was on budget for the year.

Revenues - Research Fund

Research Fund revenues were \$96.7 million and represented 102.2% of the amount budgeted. This category was greater than budgeted at year-end due to the receipt of specific grant funds which are recognized as revenue prior to being expended.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for Fiscal Year 2013 were \$927.0 million or 100.9% of the annual budgeted amount. Fiscal Year 2012 reflected expenditures of 98.5% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	99.9%
Fringe Benefits	108.9%
Other Expenses	98.9%
Equipment	85.0%
Student Aid	99.7%

Personal Services/Fringe Benefits represented 102.3% of the annual budgeted amount of \$582.1 million. The official full-time faculty count (based on IPEDS federal reporting standards) is 47 more than the prior year. This category was over budget at year end due to higher fringe benefit rates than originally budgeted.

Other Expenses (including energy costs) were \$191.0 million and represented 98.9% of the amount budgeted. Energy expenditures were under budget by \$4.0 million for the year due to favorable prices and lower usage.

Equipment expenditures of \$15.2 million were 85.0% of the amount budgeted. This category was under budget at year end due to less activity in the auxiliary units. Also, the

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University has utilized the Master Lease option to purchase equipment such as buses. This option spreads the expense over five years.

Student Aid expenditures were \$125.1 million and represented 99.7% of the amount budgeted. The FY13 budget included additional funding to meet the continuing student demand for financial aid. However, the fiscal year ended slightly under budget due to revisions to the need and merit-based packaging strategies for the entering (new) class which produced a reduced yield in new students.

Expenditures - Operating Fund Transfers

The **Transfers** line reflects transfers for bond and installment loan payments, payments for the capital lease for the cogeneration plant, and transfers to Plant Funds for construction and information technology projects. Transfers were \$30.1 million or \$10.5 million less than budgeted at year-end due to less funds transferred to Plant for various construction projects.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$93.1 million and represented 97.3% of the budgeted amount. In Fiscal Year 2012, Research Fund expenditures and transfers represented 96.8% of the budgeted amount. This category was less than budgeted at year-end due to less research activity than expected.

Enrollment

Total University enrollment for fall 2012 (excluding the Health Center) was down 0.9% from fall 2011 and undergraduate enrollment (degree and non-degree) was down 0.8%.

Fund Balance

The University had a combined net gain of \$2.9 million for the fiscal year ending June 30, 2013, which was comprised of a \$1.6 million unrestricted net gain and a \$1.3 million restricted net gain. This resulted in a Current Funds Unrestricted Fund Balance of \$74.8 million. The unrestricted fund balance represents 7.6% of the Fiscal Year 2014 unrestricted expenditure budget (\$990.4 million) or, alternatively stated, 28 days' worth of operations.

The \$74.8 million current funds balance represents the funds remaining in the following operating areas: the research fund (designated for research); the auxiliary operations (residential, dining, health, student activities and recreational services); and departmental generated (self-supporting fee-based instructional programs such as Continuing Studies and MBA).

The unrestricted current funds balance is our operating capital and support for programs and activities that generate revenue and are not supported by the State appropriation. We borrow from the fund balance to pay our bills when necessary. For example, in 2010 the Governor requested fund balances of \$3 million and then another \$5 million from us during the year. We were able to meet this obligation using existing fund balance. The fund balance allows us to manage these dislocations without disrupting the University's operations.

Fund balances may be held in a departmental account for start-up costs for new faculty conducting research. Additionally, under the provisions of UCONN 2000, the University is required to maintain a renewal and replacement fund to keep projects in sound operating

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condition; the fund balance serves this purpose under the Master Indenture. These balances also include inventory, prepaid expenses and encumbrances.

Throughout the year, when funds are available, we also set aside dollars in accounts for planned one-time expenditures, mostly capital. These accounts comprise our plant funds. These balances are primarily for Auxiliary Enterprise projects such as Residential Life and Dining Services. The University has a policy that a departmentally funded construction project cannot begin unless the funding has been identified and transferred to plant funds. For Residential Life and Dining Services projects, the window of opportunity to actually complete many repairs, renovations and improvements is limited as most projects cannot be done while students are occupying the buildings, so the actual spending of the cash is a timing issue.

The FY13 unrestricted net assets of \$158.4 million consists of \$74.8 million current funds balance, \$56.2 million in unexpended plant funds and \$27.4 million in funds that are internally restricted for the retirement of indebtedness.

UNIVERSITY OF CONNECTICUT
Statement of Operating Budget Revenues and Expenses
For the Months Ending
6/20/2013

	Operating Budget					Actual					
	Total	Research Fund	Operating Fund			Total	Research Fund	Operating Fund			
			E&G	Aux Ent	Subtotal			E&G	Aux Ent	Subtotal	
Revenues											
State Appropriations (1)	\$ 206,906,340	\$ -	\$ 206,906,340	\$ -	\$ 206,906,340	\$ 199,517,131	\$ -	\$ 199,517,131	\$ -	\$ 199,517,131	
State Allotment Fringe Benefits	85,590,689	-	85,590,689	-	85,590,689	88,938,705	-	88,938,705	-	88,938,705	
Total State Support	292,497,029	-	292,497,029	-	292,497,029	288,455,836	-	288,455,836	-	288,455,836	
Tuition	271,585,298	-	267,131,672	4,453,626	271,585,298	269,767,041	-	265,266,491	4,500,550	269,767,041	
Fees	104,515,826	-	72,096,037	32,419,789	104,515,826	102,878,171	-	70,458,382	32,419,789	102,878,171	
Grants & Contracts	155,809,912	94,313,000	60,277,167	1,219,745	61,496,912	162,071,409	96,453,089	64,624,580	993,740	65,618,320	
Foundation	20,225,064	230,000	10,175,864	9,819,200	19,995,064	17,749,467	131,878	10,133,832	7,483,757	17,617,589	
Investment Income	756,400	-	686,320	70,080	756,400	828,382	-	755,653	72,729	828,382	
Sales and Services of Ed Activities	17,530,635	27,000	17,503,635	-	17,503,635	15,813,788	8,667	15,805,121	-	15,805,121	
Auxiliary Enterprise	185,532,371	-	-	185,532,371	185,532,371	188,147,572	-	5,201	188,142,371	188,147,572	
All Other Sources	5,496,838	50,000	5,396,838	50,000	5,446,838	7,353,791	126,164	7,227,627	-	7,227,627	
Total Revenues	\$ 1,053,949,373	\$ 94,620,000	\$ 725,764,562	\$ 233,564,811	\$ 959,329,373	\$ 1,053,065,457	\$ 96,719,798	\$ 722,732,723	\$ 233,612,936	\$ 956,345,659	
Expenses											
Personal Services	\$ 468,538,234	\$ 42,857,808	\$ 362,413,295	\$ 63,267,131	\$ 425,680,426	\$ 467,225,057	\$ 41,802,562	\$ 363,851,038	\$ 61,571,457	\$ 425,422,495	
Fringe Benefits	166,791,960	10,418,718	133,309,974	23,063,268	156,373,242	180,017,981	9,694,150	145,933,257	24,390,574	170,323,831	
Other Expenses	220,374,820	27,149,763	110,270,232	82,954,825	193,225,057	217,664,567	26,652,497	108,764,113	82,247,957	191,012,070	
Equipment	23,750,803	5,861,721	15,667,194	2,221,888	17,889,082	20,910,732	5,702,352	13,668,531	1,539,849	15,208,380	
Fixed Charges/Student Aid	129,727,633	4,250,000	113,061,220	12,416,413	125,477,633	130,176,027	5,109,178	113,705,000	11,361,849	125,066,849	
Total Expenses	\$ 1,009,183,450	\$ 90,538,010	\$ 734,721,915	\$ 183,923,525	\$ 918,645,440	\$ 1,015,994,364	\$ 88,960,739	\$ 745,921,939	\$ 181,111,686	\$ 927,033,625	
Transfers											
Non Mandatory	45,765,923	\$ 5,081,990	\$ (8,957,353)	\$ 49,641,286	\$ 40,683,933	\$ 34,181,762	\$ 4,113,984	\$ (21,786,111)	\$ 51,853,889	\$ 30,067,778	
Total Expense/Transfer	\$ 1,054,949,373	\$ 95,620,000	\$ 725,764,562	\$ 233,564,811	\$ 959,329,373	\$ 1,050,176,126	\$ 93,074,723	\$ 724,135,828	\$ 232,965,575	\$ 957,101,403	
Net Gain (Loss)	\$ (1,000,000)	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ 2,889,331	\$ 3,645,075	\$ (1,403,105)	\$ 647,361	\$ (755,744)	

(1) State Appropriation \$225,353,662
SEBAC adjustments (17,632,482)
Accrual (814,840)
Adjusted Appropriation \$206,906,340

**University of Connecticut (Storrs & Regionals)
FY 2013 Changes in Unrestricted Net Assets (Unaudited)**

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
Net Assets, 6/30/13 (Unaudited)					
Restricted	\$17,598,316	\$3,252,260	\$20,850,576	\$1,268,658,268	\$1,289,508,844
Unrestricted	53,722,779	21,084,086	74,806,865	83,559,286	158,366,151
Total Net Assets, 6/30/13 (Unaudited)	\$71,321,095	\$24,336,346	\$95,657,441	\$1,352,217,554	\$1,447,874,995

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
				<u>Internally Designated for Retirement of Indebtedness</u>	<u>Unexpended Plant Funds</u>
Unrestricted Net Assets 6/30/12					
Non-spendable	\$ 7,625,680	-	\$ 7,625,680	-	\$ 87,826
Committed	-	-	-	-	54,406,870
Assigned	45,985,314	19,621,942	65,607,256	25,215,293	18,257,319
Unrestricted Net Assets 6/30/12	\$ 53,610,994	\$ 19,621,942	\$ 73,232,936	\$ 25,215,293	\$ 72,752,015
Unrestricted Net Assets, 6/30/13 (Unaudited)					
Non-spendable	\$ 7,055,379	-	\$ 7,055,379	-	\$ 82,652
Committed	-	-	-	-	25,947,838
Assigned	46,667,400	21,084,086	67,751,486	27,374,305	30,154,491
Unrestricted Net Assets, 6/30/13 (Unaudited)	\$ 53,722,779	21,084,086	\$74,806,865	\$ 27,374,305	\$ 56,184,981
Net Unrestricted Increase (Decrease) 6/30/13	\$ 111,785	\$ 1,462,144	\$ 1,573,929	\$ 2,159,012	\$ (16,567,034)

Note regarding Assigned and Committed Unrestricted Net Assets:

- Under provisions of the UCONN 2000 indentures, the University is required to maintain a renewal and replacement fund to keep projects in sound operating condition.
- The Research Fund is primarily generated by grant overhead (IDC) and the funds are designated to the Research Foundation, schools/colleges/departments and individual principal investigators.
- The fund balance internally designated for retirement of debt represents approximately 1.46 times our annual debt service payments.
- Departmental generated funds come from self-supporting fee based (not tuition) instructional programs.
- Board of Trustees reserve policy is 90 days of current fund expenditures. The 6/30/13 balance represents approximately 28 days.
- Unexpended plant funds includes cash resources for capital projects approved by the B&G Committee or the Board of Trustees for Auxiliary Enterprise operations as well as funds set aside to address on-going code related corrective action. The University has a policy that a departmentally funded construction project does not begin unless the funding has been identified and transferred to plant funds.

University of Connecticut
Administrative Cost Compliance Report
Institutional Support Subfunction Expenditures
for the Year Ending June 30, 2013

Operating Fund
(Excluding all Fringe Benefits and Federal and Private Funds)

Total as of
June 30, 2013

A. System Expenditures:

Operating Fund	\$753,308,287
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B. Expenditures for Institutional Administration:

Executive Management	\$10,198,395
Fiscal Operations	8,598,311
General Administration	<u>3,746,117</u>
Total	\$22,542,823
% Administrative Subfunction	2.99%