



University of Connecticut
Office of the Chief Financial Officer

TO: Mary Johnson
Chief Fiscal Officer, Department of Higher Education

FROM: Bruce A. DeTora
Chief Financial Officer

DATE: November 1, 2006

SUBJECT: FY 2007 Operating and Research Funds Quarterly Report

Enclosed is the University of Connecticut's Quarterly Report of the Operating and Research Funds for the three-month period ended September 30, 2006.

If you should have any questions or need any additional information, please contact me at 486-2434.

cc: Lorraine Aronson
Nancy Brady
Charles Eaton
Denise Guerra
Haili Li Lin
Paul McDowell
John Noonan
Roxanne Roy
Lysa Teal

An Equal Opportunity Employer

343 Mansfield Road Unit 2095
Storrs, Connecticut 06269-2095

Telephone: (860) 486-2434
Facsimile: (860) 486-1055

e-mail: Budget@uconn.edu

University of Connecticut (Storrs & Regional Campuses)
Overview of the Quarterly Report of the Operating and Research Funds
Analysis of the Three Months Ended September 30, 2006

Summary of First Quarter Operations

On September 26, 2006, the Board of Trustees approved a revised Spending Plan for Fiscal Year 2007 of \$856.0 million. The Spending Plan was updated with final State fringe benefit rates. The Research Fund budget, Investment Income and Operating Fund Gifts, Grants and Contracts were also revised to reflect activity more consistent with FY 2006 closeout. This updated budget includes \$855.0 million of revenue to cover \$856.0 million in expenses, yielding a \$1.0 million net loss. This net loss is comprised of a \$1.0 million gain representing the reserve repayment for the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union and a budgeted \$2.0 million loss in Auxiliary Enterprises due to increased energy costs.

Financial results for the first three months of Fiscal Year 2007 reflected a number of different factors when compared to budget. Overall, revenue was on budget with slight variances. At the close of September, the University expended 25.4% of the budget as was expected. Energy expenditures were under budget while equipment expenditures were ahead of budget primarily due to unliquidated FY 2006 encumbrances.

The net gain for the Operating Fund shown in this three month report is not indicative of expected annual results, as most Operating Fund revenue is typically received in the first and second quarters of the fiscal year while expenditures are more evenly distributed throughout the year.

A more detailed review of the first three months of FY 2007 operations is presented below.

Revenues – Operating Fund

Total **Operating Fund** revenue collections for the first quarter of FY 2007 were \$285.8 million which represented 36.4% of the annual budget. A major source of revenue, **State Support**, consisted of a \$62.3 million appropriation and a fringe benefit allotment of \$22.6 million. State Support represented 29.7% of total Operating Fund first quarter receipts. **Tuition** collections were the largest source of revenue this quarter, totaling \$88.7 million, which represented 31.0% of total Operating Fund receipts. Tuition receipts for the first quarter of Fiscal Year 2007 were 49.4% of the annual amount budgeted (\$179.6 million) which is slightly more than recent experience. Tuition revenue collections reflect a 5.9% rate increase coupled with a 1.8% increase in undergraduate degree seeking students whom account for approximately 86.9% of budgeted tuition revenues.

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. The first quarter Fee collections were \$32.3 million or 45.3% of the amount budgeted.

Auxiliary Enterprise Revenue for the first quarter of Fiscal Year 2007 was \$53.9 million which represented 40.7% of the annual budgeted amount and was slightly ahead of budget. Auxiliary revenue consisted primarily of Room and Board Fees (\$44.7 million) and Athletic Department receipts (\$8.1 million).

The remaining revenue categories are (1) Grants and Contracts (non-research), (2) Investment Income, (3) Sales and Services of Educational Activities, and (4) Other Sources (primarily parking, transit fee, and rental income).

Gifts, Grants and Contracts revenue consists of restricted revenues from a granting agency or private donor and gifts transferred from the UConn Foundation. For the first quarter of fiscal year 2007, Gifts, Grants and Contracts revenue of \$18.8 million was 29.8% of the annual budget. This category is expected to come in on budget.

Most **Investment Income** is reported in the quarter subsequent to when it is earned except for the fourth quarter (June 30) when it is accrued for annual reporting purposes. Consequently, the amount received (\$131,810) does not reflect the actual amount earned for the first quarter.

Sales and Services of Educational Activities and Other Sources revenue totaled \$7.1 million for the first quarter and was slightly less than the budgeted amount by \$0.5 million. The chart below shows the variances in some of the categories as described above.

	<u>Budget (\$M)</u>	<u>Actual (\$M)</u>	<u>Variance (\$M)</u>
Grants & Contracts (non-research)	\$16.2	\$17.5	\$1.3
Foundation	1.0	1.3	0.3
Investment Income	0.0	0.1	0.1
Sales & Service of Educ. Activities	3.3	3.5	0.2
Other Sources	<u>4.3</u>	<u>3.6</u>	<u>(0.7)</u>
	<u>\$24.8</u>	<u>\$26.0</u>	<u>\$1.2</u>

Revenues – Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the first quarter research Fund revenues were \$22.0 million and represented 31.4% of the amount budgeted. In FY06, Research Fund revenues reported in the first quarter totaled \$21.1 million and represented 26.0% of the amount budgeted. As noted above, the Research Fund budget was revised in September to reflect activity consistent with FY 2006 actual results.

Expenditures/Transfers

Total Operating Fund expenditures and transfers for the first quarter of Fiscal Year 2007 were \$199.4 million or 25.4% of the annual budgeted amount, which is on target with the historical spending pattern. Energy costs are less than budgeted due to a drop in commodity costs. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	25.2%
Fringe Benefits	28.1%
Other Expenses	17.7%
Equipment	37.4%
Student Aid	50.9%
Transfers	1.4%

Personal Services/Fringe Benefits This quarter included seven pay periods and was essentially on budget but will be monitored closely throughout the year. This category represents 64.6% of the annual Operating Fund expenditures budget. Official full-time faculty and staff counts (based on IPEDS federal reporting standards) will be available in the second quarter.

Historically, **Student Aid** funds are predominantly spent in the first and second quarter of the fiscal year. For the first quarter, Student Aid expenditures were ahead of budget due to more awards for needy students. As a result, this category is projected to be approximately \$0.4 million over budget for the year. The overage is anticipated to be offset by projected energy savings. The **Transfers** line reflects transfers to Plant Funds for various building improvements and renovations. Finally, **Research Fund** expenditures and transfers totaled \$21.2 million and represented 30.3% of the budgeted amount. Because of the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results.

Enrollment

Total University enrollment for Fall 2006 (excluding the Health Center) is up 1.4% from Fall 2005. First semester freshmen enrollment is up 3.2% from Fall 2005 however total undergraduate enrollment (degree and non-degree) is only up 1.3%. The current year budget was based on a 1.9% increase in total University enrollment and a 2.6% increase in undergraduate enrollment.

Cash Balance

The September 30, 2006 cash balance of \$139.9 million reflected the collection of 36.0% of budgeted revenue while total expenditures and transfers were 25.8% of budget. Thus, the cash balance can be expected to decrease as expenditure outlays exceed future revenue collections as the year progresses. Also, the September 30, 2006 cash balance represented 16.3% of the annual expenditure budget as compared to 16.6% one-year ago.

Fund Balance

The University's revised budget is projected to have a net loss of \$1.0 million for the fiscal year ended June 30, 2007, which results in a Current Funds Unrestricted Fund Balance of \$45.2 million (Operating Fund-\$27.6 million; Research Fund-\$17.6 million). This represented 6.0% of the current year's unrestricted expenditure budget. Also, in accordance with standard University procedures, centrally funded unrestricted fund balances are carried forward in departmental accounts and are available for expenditure in the current and future fiscal years. The FY 2007 budget assumes a consistent level of departmental fund balances at June 30, 2007. Any variance from this assumption will affect the projected level of the fund balance at year-end.

UNIVERSITY OF CONNECTICUT
Statement of Operating Budget Revenues and Expenses (a)
For the Three Months Ending 9/30/2006

	Operating Budget					Three Months Actual w/accruals,etc - 9/30/06								
	GRAND TOTAL	RESEARCH FUND	OPERATING FUND			GRAND TOTAL	RESEARCH FUND	% of Budget	OPERATING FUND			% of Budget	% of Actl	
			E&G	Aux Ent	Subtotal				E&G	Aux Ent	Subtotal			
REVENUE														
State Appropriations	\$221,787,561		\$221,787,561		\$221,787,561	\$61,931,845			\$61,931,845		61,931,845	27.9%	21.7%	
State Allotment Fringe Benefits	83,499,631		83,499,631		83,499,631	22,500,465			22,500,465		22,500,465	26.9%	7.9%	
Subtotal FY07 State Support	305,287,192		305,287,192		305,287,192	84,432,310			84,432,310		84,432,310	27.7%	29.5%	
FY06 Carryforward-PS	350,000		350,000		\$350,000	350,000			350,000		350,000	100.0%	0.1%	
FY06 Carryforward-FB	134,855		134,855		134,855	134,855			134,855		134,855	100.0%	0.0%	
Total State Support	305,772,047		305,772,047		305,772,047	84,917,165			84,917,165		84,917,165	27.8%	29.7%	
Tuition	179,568,419		175,415,983	4,152,436	179,568,419	88,718,727			84,566,291	4,152,436	88,718,727	49.4%	31.0%	
Fees	71,426,839		50,531,898	20,894,941	71,426,839	32,335,118			11,259,771	21,075,347	32,335,118	45.3%	11.3%	
Grants & Contracts	112,394,036	69,041,707	42,876,329	476,000	43,352,329	39,273,248	21,801,524	31.6%	17,449,589	22,135	17,471,724	40.3%	6.1%	
Foundation	19,932,679	350,000	6,830,826	12,751,853	19,582,679	1,333,963	479	0.1%	1,320,969	12,515	1,333,484	6.8%	0.5%	
Investment Income	9,141,000		9,141,000		9,141,000	131,810			115,609	16,201	131,810	1.4%	0.0%	
Sales and Services of Ed Activities	14,135,000	525,000	13,610,000		13,610,000	3,629,944	190,788	36.3%	3,439,155		3,439,155	25.3%	1.2%	
Aux Enterprise Revenue	132,352,992			132,352,992	132,352,992	53,884,945				53,884,945	53,884,945	40.7%	18.9%	
Other Sources	10,266,902	125,000	10,141,902		10,141,902	3,589,309	16,848	13.5%	3,570,848	1,613	3,572,461	35.2%	1.2%	
TOTAL REVENUE	854,989,914	70,041,707	614,319,985	170,628,222	784,948,207	\$307,814,228	\$22,009,639	31.4%	\$206,639,397	\$79,165,192	\$285,804,589	36.4%	100.0%	
DISBURSEMENTS/TRANS:														
Personal Services	403,662,854	36,062,712	321,327,906	46,272,236	367,600,142	104,343,708	11,736,372	32.5%	80,845,677	11,761,659	92,607,336	25.2%	46.4%	
Fringe Benefits	126,537,320	8,294,424	101,559,709	16,683,187	118,242,896	35,609,002	2,379,779	28.7%	28,992,115	4,237,108	33,229,223	28.1%	16.7%	
Other Expenses	205,141,214	20,143,657	109,871,045	75,126,512	184,997,557	38,400,514	5,579,799	27.7%	21,328,598	11,492,116	32,820,714	17.7%	16.5%	
Equipment	14,309,394	4,540,914	6,335,302	3,433,178	9,768,480	4,282,771	633,189	13.9%	2,714,247	935,335	3,649,582	37.4%	1.8%	
Fixed Charges/Student Aid (b)	72,979,516	1,000,000	63,179,516	8,800,000	71,979,516	36,972,843	344,667	34.5%	32,470,176	4,158,000	36,628,176	50.9%	18.4%	
Total Expenditures	822,630,298	70,041,707	602,273,478	150,315,113	752,588,591	219,608,838	20,673,806		166,350,813	32,584,218	198,935,031	26.4%	99.8%	
Mandatory	24,351,057		11,037,499	13,313,558	24,351,057									
Non Mandatory	9,015,254			9,015,254	9,015,254	1,003,999	533,688		(1,393,824)	1,864,135	470,311	5.2%	0.2%	
Total Expense/Transfer	855,996,609	70,041,707	613,310,977	172,643,925	785,954,902	220,612,837	21,207,494	30.3%	164,956,990	34,448,353	199,405,342	25.4%	100.0%	
NET GAIN(LOSS)	(\$1,006,695)	\$0	\$1,009,008	(\$2,015,703)	(\$1,006,695)	\$87,201,391	\$802,145		\$41,682,407	\$44,716,839	\$86,399,246			
NET INC(DEC) CASH BALANCE						\$43,463,010								
CASH BALANCE 6/30/06						\$96,429,640								
CASH BALANCE 9/30/06						\$139,892,650								

(a) Budgeted and actual revenues and expenditures represent accrual basis, excepting compensated absences which will be accrued at fiscal year end, rather than cash expenditures.

(b) An additional \$1.9 million of Student Labor Financial Aid is included in the Personal Services Line.

UNAUDITED

UNIVERSITY OF CONNECTICUT
Projection of Changes in Net Assets - All Funds
For the Year Ended June 30, 2007

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
<u>Revenues and Expenditures, 6/30/2007</u>					
Revenue	\$ 784,948,206	\$ 70,041,707	\$ 854,989,913	\$ 189,990,032	\$ 1,044,979,945
Expenditures and Transfers	785,954,901	70,041,707	855,996,608	176,324,845	1,032,321,453
Net Increase (Decrease)	<u>\$ (1,006,695)</u>	<u>\$ -</u>	<u>\$ (1,006,695)</u>	<u>\$ 13,665,188</u>	<u>\$ 12,658,493</u>
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Net Assets, 6/30/06 (Unaudited)					
Restricted and invested in capital assets, net of related debt	\$ 11,299,630	\$ (26,553)	\$ 11,273,077	\$ 1,278,040,479	\$ 1,289,313,556
Unrestricted	28,582,235	17,646,739	46,228,973	48,109,094	94,338,067
Total, 6/30/06	<u>\$ 39,881,865</u>	<u>\$ 17,620,186</u>	<u>\$ 57,502,050</u>	<u>\$ 1,326,149,573</u>	<u>\$ 1,383,651,623</u>
Compensated Absences Liability, 6/30/06	\$ 23,262,901				
Change at 6/30/07					
Restricted and invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ 9,198,678	\$ 9,198,678
Unrestricted	(1,006,695)	-	(1,006,695)	4,466,509	3,459,814
Subtotal, 6/30/07	<u>\$ (1,006,695)</u>	<u>\$ -</u>	<u>\$ (1,006,695)</u>	<u>\$ 13,665,188</u>	<u>\$ 12,658,493</u>
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Net Assets, 6/30/07					
Restricted and invested in capital assets, net of related debt	\$ 11,299,630	\$ (26,553)	\$ 11,273,077	\$ 1,287,239,157	\$ 1,298,512,234
Unrestricted	27,575,540	17,646,739	45,222,278	52,575,603	97,797,881
Total, 6/30/07	<u>\$ 38,875,170</u>	<u>\$ 17,620,186</u>	<u>\$ 56,495,355</u>	<u>\$ 1,339,814,760</u>	<u>\$ 1,396,310,116</u>
Compensated Absences Liability, 6/30/07	\$ 21,962,900				