

# University of Connecticut (Storrs & Regional Campuses)

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## Quarterly Overview of the Operating and Research Funds For the Three Months Ended September 30, 2007

### Summary

On August 1, 2007, the Board of Trustees approved a Spending Plan for Fiscal Year 2008 of \$903.3 million. This budget includes \$901.0 million of revenue to cover \$903.3 million in expenses, yielding a \$2.3 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 \$3.3 million loss from unspent Fiscal Year 07 State appropriation funds for the Center for Entrepreneurship (\$1.3 million) and the Eminent Faculty (\$2.0 million) programs.

Financial results for the first three months of Fiscal Year 2008 reflect a number of different factors when compared to budget. Actual revenue totaled \$322.9 million or 35.8% of the budget. At the close of September, the University expenditures and transfers totaled \$227.9 million or 25.2% of the budget.

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 Fiscal Year 2008 operations is presented below.

### Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first three months of Fiscal Year 2008 were \$299.7 million which represented 36.0% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 36.4% of the annual budget. A major source of revenue, **State Support**, consisted of a \$59.4 million appropriation and a fringe benefit allotment of \$23.7 million. State Support represented 27.7% of total Operating Fund receipts for the first three months.

**Tuition** collections were the largest source of revenue, totaling \$95.3 million, which represented 31.8% of total Operating Fund receipts. Tuition receipts were 49.9% of the annual amount budgeted (\$191.1 million) which is consistent with recent experience. Tuition revenue collections reflect a 5.6% rate increase coupled with a 0.8% increase in the number of undergraduate degree-seeking students who account for approximately 87% 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 three months Fee collections were \$34.1 million or 45.3% of the amount budgeted.

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**Auxiliary Enterprise Revenue** for the first three months of Fiscal Year 2008 was \$56.8 million which represented 40.8% of the annual budgeted amount and was on track for the year. Auxiliary revenue consisted primarily of Room and Board Fees (\$46.3 million) and Athletic Department receipts (\$9.4 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 three months of Fiscal Year 2008, Gifts, Grants and Contracts revenue of \$22.0 million, which included \$1.4 million from the UConn Foundation, was 33.8% of the annual budget. This category was slightly ahead of budget due to timing of receipts which is not necessarily indicative of year end results.

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 (\$129,322) does not reflect the actual amount earned for the first quarter.

**Sales and Services of Educational Activities and Other Sources** revenue totaled \$8.2 million for the first three months, slightly more than the budgeted amount.

### Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the first three months, Research Fund revenues were \$23.3 million and represented 33.6% of the amount budgeted. In Fiscal Year 2007, Research Fund revenues reported in the first three months totaled \$22.0 million and represented 31.4% of the amount budgeted. The Research Fund budget in Fiscal Year 2007 was \$70.0 million and the budget for Fiscal Year 2008 is only \$69.3 million.

### Expenditures - Operating Fund

**Total Operating Fund** expenditures (excluding transfers) for the first three months of Fiscal Year 2008 were \$206.7 million or 26.0% of the annual budgeted amount. The spending pattern of the first quarter of the last fiscal year reflected expenditures of 26.4% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

|                   |       |
|-------------------|-------|
| Personal Services | 25.5% |
| Fringe Benefits   | 26.0% |
| Other Expenses    | 18.6% |
| Equipment         | 28.1% |
| Student Aid       | 44.8% |

**Personal Services/Fringe Benefits** this quarter included seven pay periods and were slightly below budget. This category represents 61.5% of the annual Operating Fund

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expenditures budget. Official full-time faculty and staff counts (based on IPEDS federal reporting standards) will be available in the second quarter.

**Other Expenses** (including energy costs) were \$35.8 million for the first three months and represented 18.6% of the amount budgeted. Energy expenditures are projected to be below budget primarily due to a favorable gas contract amount plus benefits from the recently held reverse energy auction.

**Equipment** expenditures of \$2.9 million were 28.1% of the amount budgeted and represented 1.4% of the operating expenditures. Expenditures for the first three months were on budget.

**Student Aid** funds are predominantly spent in the first and third quarter of the fiscal year. For the first quarter, Student Aid expenditures were \$36.3 million and represented 44.8% of the amount budgeted. This category is expected to be on budget for the year.

### **Expenditures - Operating Fund Transfers**

**Transfers** for the first quarter reflect a negative amount of \$1.8 million due to a transfer provided by the unrestricted Research Fund for faculty start-up equipment purchases. Additionally, Transfers do not always follow a predictable pattern, especially in the first three months, so quarterly results or comparisons are not necessarily indicative of annual results.

### **Expenditures - Research Fund**

Finally, **Research Fund** expenditures and transfers totaled \$23.0 million and represented 33.2% of the budgeted amount. Because of the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results. In Fiscal Year 2007, Research Fund expenditures and transfers reported in the first three months totaled \$20.7 million and represented 30.3% of the budgeted amount.

### **Enrollment**

Total University enrollment for fall 2007 (excluding the Health Center) is up 0.7% from fall 2006. First semester freshmen enrollment is down 1.3% from fall 2006; however, total undergraduate enrollment (degree and non-degree) is up 0.3%. The current year budget was based on a projected 1.4% increase in total University enrollment and a projected 1.9% increase in undergraduate enrollment.

### **Cash Balance**

The September 30, 2007 current funds cash balance was \$154.3 million, \$14.4 million more than September 2006 which was \$139.9 million. The current funds cash balance reflected the collection of 35.8% of budgeted revenue while total expenditures and transfers were 25.2% of budget. The cash balance is expected to decrease as expenditure outlays exceed future revenue collections as the year progresses. Also, the September 30, 2007 cash balance represented 17.1% of the annual expenditure budget as compared to 16.3% one-year ago.

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## **Fund Balance**

The University's budget is projected to have a net loss of \$2.3 million for the fiscal year ended June 30, 2008, which results in a Current Funds Unrestricted Fund Balance of \$51.9 million (Operating Fund-\$32.7 million; Research Fund-\$19.2 million). The fund balance represents 6.5% 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 Fiscal Year 2008 budget assumes a consistent level of departmental fund balances at June 30, 2008. Any variance from this assumption will affect the projected fund balance level at year-end.

**University of Connecticut**  
**Statement of Operating Budget Revenues and Expenses (a)**  
**For the Three Months Ending 9/30/07**

|                                      | Operating Budget |               |                |                |                | Actual as of 9/30/07  |               |             |                |               |                |             |             |  |
|--------------------------------------|------------------|---------------|----------------|----------------|----------------|-----------------------|---------------|-------------|----------------|---------------|----------------|-------------|-------------|--|
|                                      | Total            | Research Fund | Operating Fund |                |                | Total                 | Research Fund | % of Budget | Operating Fund |               |                | % of Budget | % of Actual |  |
|                                      |                  |               | E&G            | Aux Ent        | Subtotal       |                       |               |             | E&G            | Aux Ent       | Subtotal       |             |             |  |
| <b>Revenue</b>                       |                  |               |                |                |                |                       |               |             |                |               |                |             |             |  |
| State Appropriations                 | \$ 234,466,774   | \$ -          | \$ 234,466,774 | \$ -           | \$ 234,466,774 | \$ 59,035,390         | \$ -          |             | \$ 59,035,390  | \$ -          | \$ 59,035,390  | 25.2%       | 19.7%       |  |
| State Allotment Fringe Benefits      | 90,266,949       | -             | 90,266,949     | -              | 90,266,949     | 23,507,937            | -             |             | 23,507,937     | -             | 23,507,937     | 26.0%       | 7.8%        |  |
| Subtotal State Support               | 324,733,723      | -             | 324,733,723    | -              | 324,733,723    | 82,543,327            | -             |             | 82,543,327     | -             | 82,543,327     | 25.4%       | 27.5%       |  |
| FY07 Carryforward-PS                 | 400,000          | -             | 400,000        | -              | 400,000        | 400,000               | -             |             | 400,000        | -             | 400,000        | 100.0%      | 0.1%        |  |
| FY07 Carryforward-FB                 | 158,120          | -             | 158,120        | -              | 158,120        | 158,120               | -             |             | 158,120        | -             | 158,120        | 100.0%      | 0.1%        |  |
| <b>Total State Support</b>           | 325,291,843      | -             | 325,291,843    | -              | 325,291,843    | 83,101,447            | -             |             | 83,101,447     | -             | 83,101,447     | 25.5%       | 27.7%       |  |
| Tuition                              | 191,061,385      | -             | 186,805,353    | 4,256,032      | 191,061,385    | 95,275,132            | -             |             | 91,449,150     | 3,825,982     | 95,275,132     | 49.9%       | 31.8%       |  |
| Fees                                 | 75,211,131       | -             | 52,031,358     | 23,179,773     | 75,211,131     | 34,072,271            | -             |             | 10,892,498     | 23,179,773    | 34,072,271     | 45.3%       | 11.4%       |  |
| Grants & Contracts                   | 112,765,119      | 69,039,350    | 43,219,769     | 506,000        | 43,725,769     | 43,824,341            | 23,177,006    | 33.6%       | 20,623,279     | 24,056        | 20,647,335     | 50.5%       | 6.9%        |  |
| Foundation                           | 21,653,092       | 100,000       | 9,700,000      | 11,853,092     | 21,553,092     | 1,429,249             | 8,185         | 8.2%        | 1,374,120      | 46,944        | 1,421,064      | 7.2%        | 0.5%        |  |
| Investment Income                    | 11,143,000       | -             | 11,143,000     | -              | 11,143,000     | 129,322               | -             |             | 108,492        | 20,830        | 129,322        | 1.2%        | 0.0%        |  |
| Sales & Services of Educ. Activities | 14,952,000       | 50,000        | 14,902,000     | -              | 14,902,000     | 3,960,377             | 10,746        | 21.5%       | 3,949,631      | -             | 3,949,631      | 26.5%       | 1.3%        |  |
| Auxiliary Enterprises                | 139,063,998      | -             | -              | 139,063,998    | 139,063,998    | 56,801,814            | -             |             | -              | 56,801,814    | 56,801,814     | 40.8%       | 19.0%       |  |
| All Other Revenues                   | 9,879,177        | 80,000        | 9,799,177      | -              | 9,799,177      | 4,347,180             | 72,691        | 90.9%       | 4,274,489      | -             | 4,274,489      | 43.6%       | 1.4%        |  |
| <b>Total Revenue</b>                 | \$ 901,020,745   | \$ 69,269,350 | \$ 652,892,500 | \$ 178,858,895 | \$ 831,751,395 | \$ 322,941,133        | \$ 23,268,628 | 33.6%       | \$ 215,773,106 | \$ 83,899,399 | \$ 299,672,505 | 36.0%       | 100.0%      |  |
| <b>Expenses</b>                      |                  |               |                |                |                |                       |               |             |                |               |                |             |             |  |
| Personal Services                    | \$ 415,303,489   | \$ 35,061,546 | \$ 330,907,397 | \$ 49,334,547  | \$ 380,241,944 | \$ 109,233,474        | \$ 12,099,035 | 34.5%       | \$ 84,469,996  | \$ 12,664,443 | \$ 97,134,439  | 25.5%       | 47.4%       |  |
| Fringe Benefits                      | 140,903,575      | 8,064,155     | 114,592,395    | 18,247,024     | 132,839,420    | 37,369,495            | 2,801,901     | 34.7%       | 29,944,510     | 4,623,084     | 34,567,594     | 26.0%       | 16.9%       |  |
| Other Expenses                       | 213,455,509      | 21,539,528    | 117,933,567    | 73,982,414     | 191,915,981    | 41,239,404            | 5,456,754     | 25.3%       | 22,539,530     | 13,243,120    | 35,782,650     | 18.6%       | 17.5%       |  |
| Equipment                            | 14,004,121       | 3,504,121     | 6,885,276      | 3,614,724      | 10,500,000     | 3,565,116             | 619,236       | 17.7%       | 2,647,138      | 298,742       | 2,945,880      | 28.1%       | 1.4%        |  |
| Student Aid                          | 82,080,586       | 1,100,000     | 71,750,586     | 9,230,000      | 80,980,586     | 36,633,825            | 318,609       | 29.0%       | 31,991,496     | 4,323,720     | 36,315,216     | 44.8%       | 17.7%       |  |
| <b>Total Expenses</b>                | \$ 865,747,280   | \$ 69,269,350 | \$ 642,069,221 | \$ 154,408,709 | \$ 796,477,931 | \$ 228,041,314        | \$ 21,295,535 |             | \$ 171,592,670 | \$ 35,153,109 | \$ 206,745,779 | 26.0%       | 100.9%      |  |
| Debt Service                         | \$ 21,935,492    | \$ -          | \$ 8,898,938   | \$ 13,036,554  | \$ 21,935,492  | \$ -                  | \$ -          |             | \$ -           | \$ -          | \$ -           | 0.0%        | 0.0%        |  |
| Non-Mandatory Transfers              | 15,613,632       | -             | 4,200,000      | 11,413,632     | 15,613,632     | (106,014)             | 1,667,949     |             | (3,425,689)    | 1,651,726     | (1,773,963)    | -11.4%      | -1.9%       |  |
| <b>Total Expenses/Transfers</b>      | \$ 903,296,404   | \$ 69,269,350 | \$ 655,168,159 | \$ 178,858,895 | \$ 834,027,055 | \$ 227,935,300        | \$ 22,963,484 | 33.2%       | \$ 168,166,981 | \$ 36,804,835 | \$ 204,971,816 | 24.6%       | 100.0%      |  |
| <b>Net Gain (Loss)</b>               | \$ (2,275,659)   | \$ -          | \$ (2,275,659) | \$ (0)         | \$ (2,275,660) | \$ 95,005,833         | \$ 305,144    |             | \$ 47,606,125  | \$ 47,094,563 | \$ 94,700,689  |             |             |  |
| <b>Net Inc to Cash</b>               |                  |               |                |                |                | \$ 42,499,648         |               |             |                |               |                |             |             |  |
| <b>Cash Balance 6/30/07</b>          |                  |               |                |                |                | 111,827,723           |               |             |                |               |                |             |             |  |
| <b>Cash Balance 9/30/07</b>          |                  |               |                |                |                | <u>\$ 154,327,371</u> |               |             |                |               |                |             |             |  |

(a) Budgeted and actual revenues and expenditures represent accrual basis, except compensated absences which are adjusted at fiscal year end, rather than cash expenditures.

**University of Connecticut**  
**Projection of Changes in Net Assets - All Funds**  
**For the Year Ended June 30, 2008**

|   | <u>Operating<br/>Fund</u> | <u>Research<br/>Fund</u> | <u>Subtotal</u>       | <u>Other<br/>Funds</u>  | <u>Total</u>            |
|---|---------------------------|--------------------------|-----------------------|-------------------------|-------------------------|
| <b><u>Revenues and Expenditures, 6/30/2008</u></b>        |                           |                          |                       |                         |                         |
| Revenue   | \$ 831,751,395            | \$ 69,269,350            | \$ 901,020,745        | \$ 187,653,126          | \$ 1,088,673,871        |
| Expenditures and Transfers                                | 834,027,055               | 69,269,350               | 903,296,405           | 172,025,183             | 1,075,321,588           |
| Net Increase (Decrease)                                   | <u>\$ (2,275,660)</u>     | <u>\$ -</u>              | <u>\$ (2,275,660)</u> | <u>\$ 15,627,943</u>    | <u>\$ 13,352,284</u>    |
| <hr/>   |                           |                          |                       |                         |                         |
| Net Assets, 6/30/07 (Unaudited)                           |                           |                          |                       |                         |                         |
| Restricted and invested in capital<br>net of related debt | \$ 11,693,671             | \$ 952,554               | \$ 12,646,226         | \$ 1,273,898,619        | \$ 1,286,544,845        |
| Unrestricted  | 34,947,149                | 19,234,255               | 54,181,404            | 53,710,843              | 107,892,247             |
| Total, 6/30/07  | <u>\$ 46,640,820</u>      | <u>\$ 20,186,809</u>     | <u>\$ 66,827,629</u>  | <u>\$ 1,327,609,463</u> | <u>\$ 1,394,437,092</u> |
| Compensated Absences Liability, 6/30/07                   | \$ 24,274,100             |                          |                       |                         |                         |
| Change at 6/30/08   |                           |                          |                       |                         |                         |
| Restricted and invested in capital<br>net of related debt | \$ -                      | \$ -                     | \$ -                  | \$ 10,939,560           | \$ 10,939,560           |
| Unrestricted  | (2,275,660)               | -                        | (2,275,660)           | 4,688,383               | 2,412,723               |
| Subtotal, 6/30/08   | <u>\$ (2,275,660)</u>     | <u>\$ -</u>              | <u>\$ (2,275,660)</u> | <u>\$ 15,627,943</u>    | <u>\$ 13,352,284</u>    |
| Net Assets, 6/30/08                                       |                           |                          |                       |                         |                         |
| Restricted and invested in capital<br>net of related debt | \$ 11,693,671             | \$ 952,554               | \$ 12,646,226         | \$ 1,284,838,179        | \$ 1,297,484,405        |
| Unrestricted  | 32,671,489                | 19,234,255               | 51,905,744            | 58,399,226              | 110,304,970             |
| Total, 6/30/08  | <u>\$ 44,365,160</u>      | <u>\$ 20,186,809</u>     | <u>\$ 64,551,970</u>  | <u>\$ 1,343,237,406</u> | <u>\$ 1,407,789,376</u> |
| Compensated Absences Liability, 6/30/08                   | \$ 24,078,862             |                          |                       |                         |                         |