

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Three Months Ended September 30, 2013

Summary

On August 7, 2013, the Board of Trustees approved a Revised Spending Plan for Fiscal Year 2014 which includes \$1,095.8 million of revenue to cover \$1,126.7 million in expenses and transfers. It is expected that \$30.9 million of prior years' accumulation of funds will be used to balance the Fiscal Year 2014 budget.

Financial results for the first three months of Fiscal Year 2014 reflected a number of different factors when compared to budget. Actual revenue totaled \$421.9 million or 38.5% of the budget. At the close of September, the University expenditures and transfers totaled \$270.2 million or 24.0% 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 2014 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first three months of Fiscal Year 2014 were \$395.2 million which represented 39.3% 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**, was \$88.7 million and represented 22.4% of total Operating Fund receipts for the first three months.

Tuition collections were the largest source of revenue, totaling \$144.2 million, which represented 36.5% of total Operating Fund receipts. Tuition receipts were 50.0% of the annual amount budgeted (\$288.6 million). Tuition revenue collections reflect a 6.25% rate increase coupled with a 1.4% increase in the number of undergraduate degree-seeking students who account for approximately 87.2% of budgeted tuition revenues. Overall enrollment is 0.1% greater than budgeted and tuition revenue is projected to be on target.

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 \$45.0 million or 41.8% of the amount budgeted.

Auxiliary Enterprise Revenue for the first three months of Fiscal Year 2014 was \$84.1 million which represented 42.9% of the annual budgeted amount. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 3.0%.

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

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2014, Gifts, Grants and Contracts revenue of \$26.4 million, which included \$2.6 million from the UConn Foundation, was 32.3% of the annual 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 (\$102,906) does not reflect the actual amount earned for the first quarter. The average interest rate for the first quarter was 0.11%.

Sales and Services of Educational Activities and Other Sources revenue totaled \$6.7 million for the first quarter.

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 \$26.6 million and represented 29.4% of the amount budgeted. In Fiscal Year 2013, Research Fund revenues reported in the first three months totaled \$25.4 million and represented 26.8% of the amount budgeted.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first three months of Fiscal Year 2014 were \$245.6 million or 24.2% of the annual budgeted amount. The spending pattern for the first quarter of Fiscal Year 2013 reflected expenditures of 25.3% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	21.1%
Fringe Benefits	22.0%
Other Expenses	20.1%
Equipment	14.0%
Student Aid	46.2%

Personal Services/Fringe Benefits represented 21.4% of the annual budgeted amount of \$665.8 million. 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 \$40.3 million for the first three months and represented 20.4% of the amount budgeted.

Equipment expenditures of \$2.6 million were 14.0% of the amount budgeted.

Student Aid funds are predominantly expended in the first and third quarter of the fiscal year. For the first quarter, Student Aid expenditures were \$60.5 million and represented 46.2% of the amount budgeted.

Expenditures - Operating Fund Transfers

Net Transfers for the first quarter were (\$3.4) million due to the transfer of more funds into the Operating Fund in the first quarter.

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Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$27.9 million and represented 30.5% of the budgeted amount. In Fiscal Year 2013, Research Fund expenditures and transfers reported in the first three months totaled \$28.4 million and represented 29.7% of the budgeted amount. Due to the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results.

Enrollment

Total University enrollment for fall 2013 (excluding the Health Center) is up 0.7% from fall 2012. Undergraduate enrollment (degree and non-degree) is up 1.3%.

Fund Balance

For the fiscal year ended June 30, 2014, \$30.9 million of prior year funds will be used to balance the budget. This use of funds results in a Current Funds Unrestricted Fund Balance of \$71.5 million (Operating Fund-\$51.7 million; Research Fund-\$19.8 million). The fund balance represents 7.2% of the current year's unrestricted expenditure budget (\$990.3M). Also, in accordance with current University procedures, centrally funded unrestricted fund balances are carried forward in departmental accounts and are available for expenditures in the current and future fiscal years.

**University of Connecticut
Storrs & Regional Campuses
FY 2014 Statement of Operating Budget Revenues and Expenses
For the Months Ending
9/30/2013**

	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⁾	\$ 205,633,975	\$ -	\$ 205,633,975	\$ -	\$ 205,633,975	\$ 66,959,983	\$ -	\$ 66,959,983	\$ -	\$ 66,959,983	
State Allotment Fringe Benefits	100,994,795	-	100,994,795	-	100,994,795	21,776,563	-	21,776,563	-	21,776,563	
Total State Support	306,628,770	-	306,628,770	-	306,628,770	88,736,546	-	88,736,546	-	88,736,546	
Tuition	288,553,779	-	283,998,069	4,555,710	288,553,779	144,207,426	-	139,651,716	4,555,710	144,207,426	
Fees	107,625,543	-	73,513,202	34,112,341	107,625,543	44,982,278	-	10,869,937	34,112,341	44,982,278	
Grants & Contracts	153,304,741	90,416,600	61,840,226	1,047,915	62,888,141	50,324,471	26,566,428	23,466,723	291,320	23,758,043	
Foundation	18,840,514	50,000	10,194,791	8,595,723	18,790,514	2,693,380	69,636	2,572,994	50,750	2,623,744	
Investment Income	570,400	-	522,264	48,136	570,400	102,906	-	84,323	18,583	102,906	
Sales and Services of Ed Activities	16,656,047	-	16,656,047	-	16,656,047	3,812,185	1,085	3,811,100	-	3,811,100	
Auxiliary Enterprise	195,920,316	-	-	195,920,316	195,920,316	84,122,762	-	-	84,122,762	84,122,762	
All Other Sources	7,675,133	28,500	7,646,633	-	7,646,633	2,891,903	30	2,893,527	(1,654)	2,891,873	
Total Revenues	\$ 1,095,775,243	\$ 90,495,100	\$ 761,000,002	\$ 244,280,141	\$ 1,005,280,143	\$ 421,873,857	\$ 26,637,179	\$ 272,086,866	\$ 123,149,812	\$ 395,236,678	
Expenses											
Personal Services	\$ 502,114,275	\$ 39,353,031	\$ 398,005,569	\$ 64,755,675	\$ 462,761,244	\$ 109,656,433	\$ 12,206,557	\$ 83,127,766	\$ 14,322,110	\$ 97,449,876	
Fringe Benefits	213,306,255	10,282,307	174,935,395	28,088,553	203,023,948	47,689,141	2,933,070	38,409,406	6,346,665	44,756,071	
Other Expenses	227,503,429	26,876,792	109,032,358	91,594,279	200,626,637	46,869,886	6,592,542	24,765,697	15,511,647	40,277,344	
Equipment	24,086,289	5,096,000	16,348,527	2,641,762	18,990,289	3,584,502	938,367	2,440,994	205,141	2,646,135	
Fixed Charges/Student Aid	135,558,984	4,800,000	117,981,087	12,777,897	130,758,984	62,438,995	1,967,275	54,656,599	5,815,121	60,471,720	
Total Expenses	\$ 1,102,569,232	\$ 86,408,130	\$ 816,302,936	\$ 199,858,166	\$ 1,016,161,102	\$ 270,238,957	\$ 24,637,811	\$ 203,400,462	\$ 42,200,684	\$ 245,601,146	
Transfers											
Non Mandatory	\$ 24,145,155	\$ 5,140,394	\$ (25,417,214)	\$ 44,421,975	\$ 19,004,761	\$ (73,683)	\$ 3,280,889	\$ (7,957,621)	\$ 4,603,049	\$ (3,354,572)	
Total Expense/Transfer	\$ 1,126,714,387	\$ 91,548,524	\$ 790,885,722	\$ 244,280,141	\$ 1,035,165,863	\$ 270,165,274	\$ 27,918,700	\$ 195,442,841	\$ 46,803,733	\$ 242,246,574	
Gain (Loss)	\$ (30,939,144)	\$ (1,053,424)	\$ (29,885,720)	\$ -	\$ (29,885,720)	\$ 151,708,583	\$ (1,281,521)	\$ 76,644,025	\$ 76,346,079	\$ 152,990,104	
Use of Reserves	30,939,144										
Net Gain (Loss)	\$ -										

⁽¹⁾ State Appropriation \$202,096,916
Accrual 3,537,059
Adjusted Appropriation \$205,633,975

**University of Connecticut
Storrs & Regional Campuses
FY 2014 Estimated Annual Changes in Unrestricted Net Assets (Unaudited)**

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
<i>Net Assets, 6/30/13 (Unaudited as of 10/31/13)</i>					
Restricted	\$17,829,783	\$2,770,988	\$20,600,771	\$1,273,542,286	\$1,294,143,057
Unrestricted	51,707,945	20,869,154	72,577,099	83,440,983	156,018,082
Total Net Assets, 6/30/13 (Unaudited as of 10/31/13)	\$69,537,728	\$23,640,142	\$93,177,870	\$1,356,983,269	\$1,450,161,139

Revenues & Expenditures/Debt Service FY14

	<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>	
Revenues	\$ 1,005,280,143	\$ 90,495,100	\$ 1,095,775,243	\$ 2,000	\$ -	\$ 1,095,777,243
Transfers In	35,275,329	1,249,215	36,524,544	18,728,040	5,417,115 ^A	60,669,699
Subtotal	\$ 1,040,555,472	\$ 91,744,315	\$ 1,132,299,787	\$ 18,730,040	\$ 5,417,115	\$ 1,156,446,942
Expenditures/Debt Service	\$ 1,016,161,102	\$ 86,408,130	\$ 1,102,569,232	18,728,040	\$ 18,490,733	\$ 1,139,788,005
Transfers Out	24,394,370	6,389,609	30,783,979	-	29,885,720	60,669,699
Subtotal	\$ 1,040,555,472	\$ 92,797,739	\$ 1,133,353,211	\$ 18,728,040	\$ 48,376,453	\$ 1,200,457,704
Unrestricted Net Increase (Decrease)	\$ -	\$ (1,053,424)	\$ (1,053,424)	\$ 2,000	\$ (42,959,338)	\$ (44,010,762)

Unrestricted Net Assets, 6/30/13 (Unaudited)

Non-spendable	\$ 7,055,379	-	\$ 7,055,379	-	\$ 82,652	\$ 7,138,031
Committed	-	-	-	-	25,947,838	25,947,838
Assigned	44,652,566	20,869,154	65,521,720	27,374,305	30,036,189	122,932,214
Unrestricted Net Assets, 6/30/13 (Unaudited)	\$ 51,707,945	\$ 20,869,154	\$ 72,577,099	\$ 27,374,305	\$ 56,066,679	\$ 156,018,083
Projected Operating Change	-	(1,053,424)	(1,053,424)	2,000	(42,959,338)	(44,010,762)
Projected Non-Operating Change	-	-	-	-	-	-
Estimated Unrestricted Assets 6/30/14	\$ 51,707,945	\$ 19,815,730	\$ 71,523,675 ^B	\$ 27,376,305	\$ 13,107,341	\$ 112,007,321

^A Primarily represents transfers for auxiliary projects which are funded from revenue generated from room and board. 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. For Residential Life and Dining Services projects the window of opportunity to actually complete many repairs and renovations is limited as many projects cannot be done while students are occupying the buildings.

^B Board of Trustees reserve policy is 90 days of current fund expenditures. The current balance represents approximately 26 days.

Note regarding Assigned Unrestricted Net Assets:

~Under provisions of the UCONN 2000 indentures, the University is required to maintain a renewal and replacement fund to keep assets 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.

~Internally designated for retirement of indebtedness represents approximately 1.46 times our annual debt payments.

~Departmental generated funds come from self-supporting fee based instructional programs (not tuition).

~Unexpended plant funds includes cash resources for capital projects approved by the Board of Trustees as well as funds set aside to address on-going code related corrective action.