

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Twelve Months Ended June 30, 2008

Results of Annual Operations

The enclosed report comparing the Operating and Research Funds actual results to budget for the twelve month period ended June 30, 2008 reflects unaudited figures and is subject to additional year-end accounting and audit adjustments.

The University ended the year with an unrestricted Operating Budget gain of \$10.5 million (Operating Fund \$11.5 million and Research Fund (\$1.0) million) and a restricted gain of \$2.0 million (Operating Fund \$2.6 million and Research Fund (\$0.6) million). The Operating Fund unrestricted net gain of \$11.5 million was higher than anticipated due to two year-end accounting closing entries. One entry involved the classification of certain library disbursements as prepaid expenses rather than actual expenditures. The second entry resulted in a significantly smaller year-end accounts payable accrual as compared to the prior year due to reduced purchasing commitments in anticipation of statewide budget reductions and the Governor's directives.

The following items also contributed to the net gain: a budgeted \$1.0 million reserve repayment for the November 2001 drawdown of \$11.5 million for Towers Dining Center and the Student Union; \$1.96 million in unspent State appropriation funds for the Eminent Faculty program which will be carried forward to Fiscal Year 2009 for this program; \$2.4 million of energy savings; increased fee revenues of \$3.7 million; additional grants & contracts of \$8.2 million of which \$1.9 million was designated for financial aid; and other expenses were \$16.9 million less than expected primarily due to the two entries mentioned above. 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	\$11.5	(\$1.0)	\$10.5
Restricted	<u>2.6</u>	<u>(0.6)</u>	<u>2.0</u>
Total	\$14.1	(\$1.6)	\$12.5

Revenues – Operating Fund

Total **Operating Fund** revenue collections for the Fiscal Year 2008 were \$842.4 million which represented 101.3% of the annual budget. A major source of revenue, **State Support** totaling \$328.2 million, consisted of a \$237.1 million appropriation and a fringe benefit allotment of \$91.1 million. State Support represented 39% of total Operating Fund receipts for the year. The net state support is a positive variance of \$2.9 million. This represents additional support to cover the third and final payment to retired employees for accrued sick and vacation time under the Early Retirement Incentive Program (ERIP) and additional funding for a seven year retroactive maintainers arbitration award in favor of the qualified craft workers.

Tuition collections were the second largest source of revenue, totaling \$190.0 million, which represented 22.6% of total Operating Fund receipts. Tuition receipts were 99.5% of the annual amount budgeted (\$191.1 million). Tuition revenue collections reflected a 5.6% rate increase coupled with a 0.8% increase in the number of undergraduate degree-seeking students who accounted for approximately 87% of budgeted tuition revenues. Total

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University enrollment was 0.7% (1.4% budgeted) greater and the increase in undergraduate enrollment was 0.3% (1.9% budgeted) which resulted in less tuition revenue than expected.

Fee revenue is comprised of course fees from summer session, 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 Fee collections for the year were \$78.9 million or 104.9% of the amount budgeted. This was primarily attributed to higher enrollment (MBA, HS Co-op Courses), additional Summer Session (Law School) and Study Abroad revenue, and greater than budgeted application fee revenue.

Auxiliary Enterprise Revenue of \$136.0 million represented 97.8% of the annual budgeted amount. This category was under budget primarily due to lower than budgeted departmental receipts for Jorgensen Center for the Performing Arts and Dining Services & Residential Life. Auxiliary revenue consisted primarily of Room and Board Fees (\$100.0 million) and Athletic Department receipts (\$31.6 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. The Fiscal Year 2008 Gifts, Grants and Contracts revenue of \$73.4 million, which included \$21.8 million from the UConn Foundation, was 108.7% of the annual budget. Revenue exceeded the budget due to additional state and federal financial aid support as well as additional miscellaneous grants and contracts (i.e. Connecticut Education Network Advanced Services).

Investment Income was less than the budget for Fiscal Year 2008 with revenues of \$9.9 million. Interest rates in the State Treasurer's STIF dropped to 2.39% by the end of the fiscal year. The average interest rate for Fiscal Year 2008 was 4.0% compared to 5.4% for Fiscal Year 2007.

Sales and Services of Educational Activities and Other Sources revenue totaled \$26.0 million and exceeded the budget by \$1.3 million due to timing of receipts.

Revenues – Research Fund

With respect to the Research Fund, the granting agency or donor restricts most of the revenues. Fiscal Year 2008 Research Fund revenues were only 1.5% greater than Fiscal Year 2007. Research Fund revenues were \$72.9 million and represented 105.2% of the amount budgeted. In Fiscal Year 2007, Research Fund revenues totaled \$71.8 million and represented 102.4% of the amount budgeted.

Expenditures – Operating Fund

Total Operating Fund expenditures (excluding transfers) for Fiscal Year 2008 were \$828.3 million or 99.3% of the annual budgeted amount. Individual categories of expenditures as a percentage of the annual budget were as follows:

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Personal Services	101.4%
Fringe Benefits	101.0%
Other Expenses/Energy	91.1%
Equipment	104.6%
Student Aid	100.3%

Personal Services/Fringe Benefits were greater than budgeted for the Fiscal Year ended June 30, 2008. The total Operating Fund budget for personal services and fringe benefits was \$513.1 million. This category was more than budgeted by \$6.9 million for the fiscal year. The University was able to identify resources, including an additional \$1.0 million from the State, to fund a net increase of 30 full-time faculty (based on the IPEDS federal reporting standard). The hiring of the additional full-time faculty is part of the on-going effort to meet the course coverage demands of increased undergraduate enrollment. The student-to-faculty ratio has decreased from 17.3:1 in fall 2006 to 17.0:1 in fall 2007. This category was also affected by a seven year retroactive maintainers arbitration award in favor of the qualified craft workers.

Other Expenses (including energy costs) were under budget by \$19.3 million. Energy expenditures were under budget (\$2.4 million) primarily due to the negotiation of a favorable gas contract as well as lower rates in the statewide energy contract. Other Expenses (excluding energy costs) were under budget (\$16.9 million) primarily due to two year-end accounting closing entries as discussed above. One entry reclassified certain library disbursements as prepaid expenses rather than actual expenditures and the second entry resulted in a significantly smaller year-end accounts payable accrual as compared to the prior year due to reduced purchasing. In addition, at the beginning of May, the Provost requested the development of budget reduction scenarios. As a result, increased scrutiny was placed on purchases in various units and spending was curtailed. These actions also resulted in higher than expected departmental fund balances at year end.

Equipment expenditures of \$11.0 million were 104.6% of the amount budgeted and represented 1.3% of the operating expenditures. During the fall semester, the Provost invited proposals for research equipment that would significantly enhance the research capabilities of the University and enhance the Academic Plan. Of the 31 proposals received, six outstanding proposals were selected. Awards totaling \$2.0 million were given for major equipment purchases. Therefore, although equipment expenditures were over budget by \$0.5 million, it was not as much as anticipated.

Student Financial Aid expenditures were \$81.2 million for the fiscal year which was 100.3% of the amount budgeted. The University received additional state/federal funding in the amount of \$1.9 million. This allowed the University to reduce the amount of tuition funds budgeted for financial aid. The tuition funded need-based financial aid as a percent of net tuition revenue was 16.7%.

Expenditures - Operating Fund Transfers

The **Transfers** line reflects transfers to Plant Funds for various building improvements, code related corrective action and bond and installment loan payments, as well as payments for the capital lease for the Cogeneration plant. Transfers were over budget by \$6.0 million due to transfers for code related corrective action, the Department of Dining Services transferred

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more funds for planned repairs and renovations to dining facilities, and the University paid off two small high interest loans.

Expenditures - Research Fund

Research Fund expenditures and transfers totaled \$74.5 million and represented 107.5% of the budgeted amount. Fiscal Year 2008 expenditures were 7.7% more than Fiscal Year 2007. In Fiscal Year 2008, \$3.5 million was transferred from the Research Fund to provide funding for faculty start-up equipment, building renovations necessary to seek the certification of the national accrediting body (AAALAC) for our laboratory animal care, and support for graduate assistant stipend increases.

Enrollment

Total University enrollment for fall 2007 (excluding the Health Center) was up 0.7% from fall 2006. First semester freshmen enrollment was down 1.3% from fall 2006; however, total undergraduate enrollment (degree and non-degree) was 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 June 30, 2008 current funds cash balance was \$113.1 million, \$1.3 million more than June 30, 2007 which was \$111.8 million. The current funds cash balance reflected the collection of 101.6% of budgeted revenue while total expenditures and transfers were 99.9% of budget.

Fund Balance

The University has a combined net gain of \$12.5 million for the fiscal year ended June 30, 2008, which is comprised of a \$10.5 million unrestricted net gain and a \$2.0 million restricted net gain. This results in a Current Funds Unrestricted Fund Balance of \$64.7 million (Operating Fund-\$46.5 million; Research Fund-\$18.2 million). As noted above, the University could not completely expend the appropriated funding for the Eminent Faculty program. The \$1.96 million in unspent funds was carried forward to Fiscal Year 2009 and was designated for this program. This resulted in a temporary increase in the University's current funds unrestricted fund balance at year end. Excluding this one-time carry forward funding, the Unrestricted Fund Balance represents 7.8% of the FY08 unrestricted budget (\$802.3 million) or, alternatively stated, 28.5 days' worth of operations.

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. As noted above, in anticipation of statewide budget reductions and the Governor's directives, departmental fund balances were greater than Fiscal Year 2007. The \$64.7 million fund balance represents the funds and inventory remaining in these accounts: 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 fund balances, while not all technically encumbered, are committed in a more generic sense. First of all, funds may be held in a departmental account in anticipation of expenditure, such as start-up costs for a new researcher or additional resources for the 27th

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pay period in Fiscal Year 2012. Second, under the provisions of UCONN 2000, the University is required to maintain a Renewal and Replacement Fund to keep projects in sound operating condition; the fund balance serves this purpose under the Master Indenture. Third, these amounts include inventory.

The fund balance is our operating capital and reserve for programs and activities that generate revenue and are not supported by state appropriation or tuition funds. We borrow from the fund balance to pay our bills when necessary. For example, in Fiscal Year 2004, the University did not receive \$13.4 million in state fringe benefit support until June—the very end of the fiscal year. In Fiscal Year 2005, the first quarter allotment of our entire appropriation did not arrive until September 28th—two days before the close of the fiscal quarter. Another example: the state generally informs us of changes in fringe benefit rates after the fiscal year has started, and frequently the increases have a significant fiscal impact. The fund balance allows us to manage these dislocations without disrupting the University's operations.

At year end, when funds are available, we also set aside dollars in accounts for planned one-time expenditures, mostly capital. These accounts comprise our plant funds. A good example of this is the \$10 million we set aside for our technology infrastructure upgrade plan. Plant Funds also include specific repair projects and furniture/equipment replacement for Residential Life/Dining Services.

The total unrestricted net assets of \$135.8 million are made up of the \$64.7 million current funds balance, \$35.0 million in unexpended Plant Funds, and \$36.1 million in funds that are Internally Restricted for the Retirement of Indebtedness. The University has traditionally been very conservative with regard to savings for debt obligations, maintaining funds at a level of approximately 1.7 times our annual debt payments. We believe that this policy has served us well as the University's bond rating has remained consistently strong.

The Plant Funds balance includes cash resources for projects for Auxiliary Enterprise operations such as Residential Life, Dining Services, Student Health Services, Student Union and Athletics. The \$35 million in Plant Funds includes \$15 million in FY 2007 recoveries from construction contractors. The recovered funds were used to replenish accounts for projects that were put on hold during the code correction activity at certain residential complexes. The Plant Funds also reflect remaining balances for Board-approved projects (like dormitory window replacements) and unforeseen expenditures (like the Stamford Campus carpet replacement). 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, the window of opportunity to actually complete many repairs and renovations is limited as some projects cannot be done while students are occupying the buildings, so the actual spending of the cash is a timing issue. Note that two of the window replacement projects totaling \$5.2 million have a combined cash balance of \$3.3 million remaining in Plant Funds at June 30, 2008. Completion by fall 2008 will allow these balances to be expended which will reduce the total Plant Funds balance accordingly.

University of Connecticut
Statement of Operating Budget Revenues and Expenses
For the Twelve Months Ending 06/30/08
(Unaudited)

	Operating Budget				
	Total	Research Fund	Operating Fund		
			E&G	Aux Ent	Subtotal
REVENUE					
State Appropriations	\$ 234,466,774	\$ -	\$ 234,466,774	\$ -	\$ 234,466,774
State Allotment Fringe Benefits	90,266,949	-	90,266,949	-	90,266,949
Subtotal State Support	324,733,723	-	324,733,723	-	324,733,723
FY07 Carryforward-PS	400,000	-	400,000	-	400,000
FY07 Carryforward-FB	158,120	-	158,120	-	158,120
Total State Support	325,291,843	-	325,291,843	-	325,291,843
Tuition	191,061,385	-	186,805,353	4,256,032	191,061,385
Fees	75,211,131	-	52,031,358	23,179,773	75,211,131
Grants & Contracts	112,765,119	69,039,350	43,219,769	506,000	43,725,769
Foundation	21,653,092	100,000	9,700,000	11,853,092	21,553,092
Investment Income	11,143,000	-	11,143,000	-	11,143,000
Sales and Services of Ed Activities	14,952,000	50,000	14,902,000	-	14,902,000
Auxiliary Enterprise	139,063,998	-	-	139,063,998	139,063,998
All Other Sources	9,879,177	80,000	9,799,177	-	9,799,177
TOTAL REVENUE	\$ 901,020,745	\$ 69,269,350	\$ 652,892,500	\$ 178,858,895	\$ 831,751,395
Expenses					
Personal Services	\$ 415,303,489	\$ 35,061,546	\$ 330,907,397	\$ 49,334,547	\$ 380,241,944
Fringe Benefits	140,903,575	8,064,155	114,592,395	18,247,024	132,839,420
Other Expenses	213,455,509	21,539,528	117,933,567	73,982,414	191,915,981
Equipment	14,004,121	3,504,121	6,885,276	3,614,724	10,500,000
Fixed Charges/Student Aid	82,080,586	1,100,000	71,750,586	9,230,000	80,980,586
Total Expenditures	\$ 865,747,280	\$ 69,269,350	\$ 642,069,221	\$ 154,408,709	\$ 796,477,931
Debt Service	\$ 21,935,492	\$ -	\$ 8,898,938	\$ 13,036,554	\$ 21,935,492
Non Mandatory	15,613,632	-	4,200,000	11,413,632	15,613,632
Total Expense/Transfer	\$ 903,296,404	\$ 69,269,350	\$ 655,168,159	\$ 178,858,895	\$ 834,027,055
Net Gain (Loss)	\$ (2,275,659)	\$ -	\$ (2,275,659)	\$ -	\$ (2,275,660)

	Actual as of 6/30/08							
	Total	Research Fund	% of Budget	Operating Fund			% of Budget	% of Actual
				E&G	Aux Ent	Subtotal		
	\$ 236,691,704			\$ 236,691,704		\$ 236,691,704	100.9%	28.1%
	90,926,799	-		90,926,799	-	90,926,799	100.7%	10.8%
	327,618,503	-		327,618,503	-	327,618,503	100.9%	38.9%
	400,000	-		400,000	-	400,000	100.0%	0.0%
	158,120	-		158,120	-	158,120	100.0%	0.0%
	328,176,623	-		328,176,623	-	328,176,623	100.9%	39.0%
	190,013,630	-		185,849,590	4,164,040	190,013,630	99.5%	22.6%
	78,918,420	-		55,738,647	23,179,773	78,918,420	104.9%	9.4%
	124,198,009	72,614,141	105.3%	50,994,217	589,651	51,583,868	118.0%	6.1%
	21,886,439	51,646	51.6%	9,934,416	11,900,377	21,834,793	101.3%	2.6%
	9,895,127	-		9,762,355	132,772	9,895,127	88.8%	1.2%
	15,280,038	113,455	226.9%	15,166,583	-	15,166,583	101.8%	1.8%
	135,996,530	-		-	135,996,530	135,996,530	97.8%	16.1%
	10,907,810	90,322	112.9%	10,720,404	97,084	10,817,488	110.4%	1.3%
	\$ 915,272,626	\$ 72,869,564	105.2%	\$ 666,342,835	\$ 176,060,227	\$ 842,403,062	101.3%	100.0%
	\$ 421,985,804	\$ 36,284,811	103.5%	\$ 337,847,571	\$ 47,853,422	\$ 385,700,993	101.4%	46.6%
	142,780,975	8,588,164	106.5%	116,747,018	17,445,793	134,192,811	101.0%	16.2%
	194,403,900	21,692,199	100.7%	99,147,834	73,563,867	172,711,701	90.0%	20.9%
	14,697,683	3,715,656	106.0%	9,065,972	1,916,055	10,982,027	104.6%	1.3%
	81,961,949	727,772	66.2%	71,730,346	9,503,831	81,234,177	100.3%	9.8%
	\$ 855,830,311	\$ 71,008,602		\$ 634,538,741	\$ 150,282,968	\$ 784,821,709	98.5%	94.7%
	\$ 26,084,947	\$ -		\$ 13,094,538	\$ 12,990,409	\$ 26,084,947	118.9%	3.1%
	20,893,492	3,471,492		5,173,393	12,248,607	17,422,000	111.6%	2.1%
	\$ 902,808,749	\$ 74,480,094	107.5%	\$ 652,806,672	\$ 175,521,984	\$ 828,328,656	99.3%	100.0%
	\$ 12,463,876	\$ (1,610,530)		\$ 13,536,163	\$ 538,243	\$ 14,074,406		

NET INCREASE CASH BALANCE

\$1,231,268

CASH BALANCE 6/30/07

\$111,827,723

CASH BALANCE 6/30/08

\$113,058,991

UNAUDITED

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

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
<u>Revenues and Expenditures, 6/30/2008</u>					
Revenue	\$ 831,751,395	\$ 69,269,350	\$ 901,020,745	\$ 125,078,388	\$ 1,026,099,133
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>\$ (46,946,795)</u>	<u>\$ (49,222,455)</u>
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Net Assets, 6/30/07					
Restricted and invested in capital					
net of related debt	\$ 11,693,671	\$ 952,554	\$ 12,646,225	\$ 1,283,156,086	\$ 1,295,802,311
Unrestricted	34,947,149	19,234,255	54,181,404	67,665,843	121,847,247
Total, 6/30/07	<u>\$ 46,640,820</u>	<u>\$ 20,186,809</u>	<u>\$ 66,827,629</u>	<u>\$ 1,350,821,929</u>	<u>\$ 1,417,649,558</u>
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Compensated Absences Liability, 6/30/07	\$ 24,274,100				
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Change at 6/30/08					
Restricted and invested in capital					
net of related debt	\$2,555,392	(\$572,526)	\$ 1,982,866	\$ (55,472,553)	\$ (53,489,687)
Unrestricted	\$11,519,014	(\$1,038,003)	10,481,011	3,455,968	13,936,979
Subtotal, 6/30/08	<u>\$ 14,074,406</u>	<u>\$ (1,610,530)</u>	<u>\$ 12,463,876</u>	<u>\$ (52,016,584)</u>	<u>\$ (39,552,708)</u>
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Net Assets, 6/30/08					
Restricted and invested in capital					
net of related debt	\$ 14,249,063	\$ 380,028	\$ 14,629,091	\$ 1,227,683,533	\$ 1,242,312,624
Unrestricted	46,466,163	18,196,252	64,662,415	71,121,811	135,784,226
Total, 6/30/08	<u>\$ 60,715,226</u>	<u>\$ 18,576,279</u>	<u>\$ 79,291,505</u>	<u>\$ 1,298,805,345</u>	<u>\$ 1,378,096,850</u>
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Compensated Absences Liability, 6/30/08	\$ 25,018,064				