

University of Connecticut (Storrs & Regional Campuses) – FY12

Quarterly Overview of the Operating and Research Funds For the Twelve Months Ended June 30, 2012

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, 2012 reflects unaudited figures and is subject to additional audit adjustments.

On September 28, 2011, the Board of Trustees approved a Spending Plan for Fiscal Year 2012 which included \$1,028.6 million of revenue to cover \$1,033.2 million in expenses and transfers. The budgeted net loss of \$4.6 million had two components; \$2.0 million of the loss was due to the University's plan to partially fund an over commitment in financial aid from prior year fund balances, and \$2.6 million was attributable to the Research Fund.

The University ended the year with an unrestricted Operating Budget gain of \$3.0 million (Operating Fund \$2.9 million and Research Fund \$0.1 million) and a restricted gain of \$1.8 million (Operating Fund \$0.8 million and Research Fund \$1.0 million). The Operating Fund unrestricted net gain of \$2.9 million was more than anticipated primarily due to higher student enrollment than budgeted, fewer faculty hires, and significant energy savings. 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	\$2.9	\$0.1	\$3.0
Restricted	<u>0.8</u>	<u>1.0</u>	<u>1.8</u>
Total	\$3.7	\$1.1	\$4.8

Revenues - Operating Fund

Total **Operating Fund** revenue collections for Fiscal Year 2012 were \$934.5 million which represented 100.4% of the annual budget. A major source of revenue, **State Support**, consisted of a \$198.2 million appropriation and a fringe benefit allotment of \$84.2 million. On January 23, 2012, the Governor issued a directive which reduced the Fiscal Year 2012 State appropriation allotment by \$2.1 million or 1%; associated fringe benefit support was also reduced by \$0.9 million for a total of \$3.0 million. This category was less than budget at year-end due to this rescission and positive adjustments to the accrual. State Support represented 30.2% of total Operating Fund receipts for the year.

Tuition collections were the second largest source of revenue, totaling \$259.9 million, which represented 27.8% of total Operating Fund receipts. Tuition receipts were 101.5% of the annual amount budgeted (\$256.1 million). Tuition revenue collections reflected a 2.4% rate increase coupled with a 2.9% increase in the number of undergraduate degree-seeking students who accounted for approximately 86.5% of tuition revenues. Overall enrollment was 1.2% higher than budgeted resulting in actual tuition revenue greater than budgeted at fiscal year-end.

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 Auxiliary Enterprise programs and various other fees such as the Infrastructure Maintenance Fee, Application

University of Connecticut (Storrs & Regional Campuses) – FY12

Fees and Late Payment Fees. Fee collections were \$97.0 million or 99.3% of the amount budgeted.

Auxiliary Enterprise Revenue for Fiscal Year 2012 was \$185.0 million which represented 100.8% of the annual budgeted amount. This was primarily due to a greater amount of students housed and more meal plans than anticipated. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 2.5% (\$139.1 million) and Athletic Department receipts (\$34.9 million).

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 2012, Gifts, Grants and Contracts revenue of \$86.4 million, which included \$21.6 million from the UConn Foundation, was 99.9% of the annual budget. This category was essentially on budget.

Investment Income for Fiscal Year 2012 was \$0.8 million. Interest rates in the State Treasurer’s STIF were 0.12% by the end of the fiscal year. The average interest rate for Fiscal Year 2012 was 0.16% compared to 0.23% for Fiscal Year 2011.

Sales and Services of Educational Activities and Other Sources revenue totaled \$23.1 million and were ahead of budget primarily due to greater activity in educational activities such as Study Abroad.

Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. Research Fund revenues were \$97.8 million and represented 99.8% of the amount budgeted. In Fiscal Year 2011, Research Fund revenues totaled \$97.3 million and represented 102.6% of the amount budgeted. This category was less than budget at year-end due to less research activity.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for Fiscal Year 2012 were \$890.3 million or 98.5% of the annual budgeted amount. Fiscal Year 2011 reflected expenditures of 101.7% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	98.7%
Fringe Benefits	98.6%
Other Expenses	97.8%
Equipment	92.3%
Student Aid	99.2%

Personal Services/Fringe Benefits represented 98.7% of the annual budgeted amount of \$572.7 million. While the UCPEA and Classified employees received unbudgeted wage increases for the first four pay periods, the total number of staff was less than expected. The official full-time faculty count (based on IPEDS federal reporting standards) was 26 more than the prior year. Due to limited strategic hiring and the amount of time it takes to refill positions, especially faculty, this category was under budget.

University of Connecticut (Storrs & Regional Campuses) – FY12

Other Expenses (including energy costs) were \$188.5 million for the fiscal year and represented 97.8% of the amount budgeted. Energy expenditures were significantly below budget for the year due to favorable gas prices and a mild winter.

Equipment expenditures of \$15.5 million were 92.3 % of the amount budgeted. This category was less than expected due to decreased spending in both academic and auxiliary areas.

Student Aid expenditures were \$121.1 million and represented 99.2% of the amount budgeted. The Fiscal Year 2012 financial aid budget was \$5.8 million more than we originally intended due to an anticipated significant change in continuing student demand. This category was under budget for the year because the change in continuing student demand was less than expected.

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 \$40.6 million or \$12.3 million greater than budgeted at year-end due to additional funds transferred to Plant for various construction projects. Also, Transfers were greater than budget at year-end as transfers-in from other Funds were less than budgeted.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$96.7 million and represented 96.1% of the budgeted amount. In Fiscal Year 2011, Research Fund expenditures and transfers totaled \$99.5 million and represented 104.9% of the budgeted amount. This category was less than budget at year-end due to less personal services expenses as well as less commodities purchased.

Enrollment

Total University enrollment for fall 2011 (excluding the Health Center) was up 1.7% from fall 2010 and undergraduate enrollment (degree and non-degree) was up 2.7%. The budget was based on lower enrollment levels.

Fund Balance

The University had a combined net gain of \$4.8 million for the fiscal year ended June 30, 2012, which was comprised of a \$3.0 million unrestricted net gain and a \$1.8 million restricted net gain. This resulted in a Current Funds Unrestricted Fund Balance of \$74.0 million. The unrestricted fund balance represents 8.1% of the Fiscal Year 2013 unrestricted expenditure budget (\$919.1 million) or, alternatively stated, 29 days' worth of operations.

The \$74.0 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

University of Connecticut (Storrs & Regional Campuses) – FY12

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 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, Dining Services, and Student Health 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. Another large project included in plant funds is the water reclamation project. The total cost of the project was budgeted at \$29 million and the balance at fiscal year-end was approximately \$18 million. This project started in June 2011 with substantial completion expected by December 2012.

The FY12 unrestricted net assets of \$172.1 million consists of \$74.0 million current funds balance, \$72.9 million in unexpended plant funds and \$25.2 million in funds that are internally restricted for the retirement of indebtedness. Note that in FY12, there was a planned drawdown of debt reserves bringing the debt reserve to 1.26 times the annual debt payment. This is down from 1.76. The FY13 budget includes maintaining these debt reserves at 1.26 times our annual debt payments.

University of Connecticut
Statement of Operating Budget Revenues and Expenses
6/30/12 (Unaudited)

	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)	\$ 199,392,856	\$ -	\$ 199,392,856	\$ -	\$ 199,392,856	\$ 198,185,418	\$ -	\$ 198,185,418	\$ -	\$ 198,185,418	
State Allotment Fringe Benefits	84,779,067	-	84,779,067	-	84,779,067	84,184,800	-	84,184,800	-	84,184,800	
Total State Support	284,171,923	-	284,171,923	-	284,171,923	282,370,218	-	282,370,218	-	282,370,218	
Tuition	256,111,294	-	251,557,764	4,553,530	256,111,294	259,946,729	-	255,383,763	4,562,966	259,946,729	
Fees	97,667,317	-	65,943,063	31,724,254	97,667,317	96,986,309	-	65,262,055	31,724,254	96,986,309	
Grants & Contracts	161,454,628	97,872,000	62,603,773	978,855	63,582,628	162,202,854	97,451,723	63,339,596	1,411,535	64,751,131	
Foundation	22,939,456	100,000	9,446,754	13,392,702	22,839,456	21,845,348	259,042	10,500,513	11,085,793	21,586,306	
Investment Income	739,700	-	739,700	-	739,700	809,728	-	740,238	69,490	809,728	
Sales and Services of Ed Activities	16,133,282	40,000	16,093,282	-	16,093,282	17,348,308	20,579	17,327,729	-	17,327,729	
Auxiliary Enterprise	183,581,151	-	-	183,581,151	183,581,151	185,003,731	-	-	185,003,731	185,003,731	
All Other Sources	5,797,940	40,000	5,757,940	-	5,757,940	5,849,029	84,090	5,637,395	127,544	5,764,939	
Total Revenues	\$ 1,028,596,691	\$ 98,052,000	\$696,314,199	\$234,230,492	\$930,544,691	\$1,032,362,254	\$97,815,434	\$700,561,507	\$233,985,313	\$934,546,820	
Expenses											
Personal Services	\$ 464,812,307	\$ 45,164,159	\$360,342,491	\$ 59,305,657	\$419,648,148	\$ 458,086,110	\$43,863,735	\$355,207,672	\$ 59,014,703	\$414,222,375	
Fringe Benefits	164,454,340	11,373,974	131,212,475	21,867,891	153,080,366	161,319,674	10,311,299	129,602,389	21,405,986	151,008,375	
Other Expenses	221,332,701	28,665,509	108,004,181	84,663,011	192,667,192	214,852,141	26,396,669	105,611,266	82,844,206	188,455,472	
Equipment	22,346,743	5,595,672	13,408,824	3,342,247	16,751,071	21,173,285	5,709,037	12,672,654	2,791,594	15,464,248	
Fixed Charges/Student Aid	125,556,388	3,450,000	110,491,404	11,614,984	122,106,388	125,542,913	4,407,331	109,182,515	11,953,067	121,135,582	
Total Expenses	\$ 998,502,479	\$ 94,249,314	\$723,459,375	\$180,793,790	\$904,253,165	\$ 980,974,123	\$90,688,071	\$712,276,496	\$178,009,556	\$890,286,052	
Transfers											
Debt Service	19,890,292	\$ -	\$ 7,793,864	\$ 12,096,428	\$ 19,890,292	\$ 20,205,507	\$ -	\$ 7,780,256	\$ 12,425,251	\$ 20,205,507	
Non Mandatory	14,848,664	\$ 6,444,995	\$ (32,936,605)	\$ 41,340,274	\$ 8,403,669	\$ 26,429,901	\$ 6,047,632	\$ (19,940,413)	\$ 40,322,682	\$ 20,382,269	
Reserves to State General Fund	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expense/Transfer	\$ 1,033,241,435	\$100,694,309	\$698,316,634	\$234,230,492	\$932,547,126	\$1,027,609,532	\$96,735,703	\$700,116,339	\$230,757,490	\$930,873,829	
Net Gain (Loss)	\$ (4,644,744)	\$ (2,642,309)	\$ (2,002,435)	\$ -	\$ (2,002,435)	\$ 4,752,723	\$ 1,079,731	\$ 445,168	\$ 3,227,824	\$ 3,672,992	

(1) State Appropriation \$225,353,662
SEBAC adjustments (17,632,482)
Accrual (8,328,324)
Adjusted Appropriation \$199,392,856

University of Connecticut (Storrs & Regionals)
FY 2012 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, 6/30/12 (Unaudited)					
Restricted	\$18,150,334	\$1,541,143	\$19,691,477	\$1,297,914,827	\$1,317,606,304
Unrestricted	54,116,916	19,845,153	73,962,069	98,181,746	172,143,815
Total Net Assets, 6/30/12 (Unaudited)	<u>\$72,267,250</u>	<u>\$21,386,296</u>	<u>\$93,653,546</u>	<u>\$1,396,096,573</u>	<u>\$1,489,750,119</u>

	<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 6/30/11						
Non-spendable	\$ 7,235,862	\$ 36,369	\$ 7,272,231	-	\$ 87,410	\$ 7,359,641
Committed	-	-	-	-	69,278,044	69,278,044
Assigned	43,959,370	19,754,053	63,713,423	35,022,782	-	98,736,205
Unrestricted Net Assets 6/30/11	<u>\$ 51,195,232</u>	<u>\$ 19,790,422</u>	<u>\$ 70,985,654</u>	<u>\$ 35,022,782</u>	<u>\$ 69,365,454</u>	<u>\$ 175,373,890</u>
Unrestricted Net Assets, 6/30/12 (Unaudited)						
Non-spendable	\$ 7,625,680	-	\$ 7,625,680	-	\$ 87,826	\$ 7,713,506
Committed	-	-	-	-	54,406,870	54,406,870
Assigned	46,491,236	19,845,153	66,336,389	25,215,293	18,471,757	110,023,439
Unrestricted Net Assets, 6/30/12 (Unaudited)	<u>\$ 54,116,916</u>	<u>\$ 19,845,153</u>	<u>\$ 73,962,069</u>	<u>\$ 25,215,293</u>	<u>\$ 72,966,453</u>	<u>\$ 172,143,815</u>
Net Unrestricted Increase (Decrease) 6/30/12	<u>\$ 2,921,684</u>	<u>\$ 54,731</u>	<u>\$ 2,976,415</u>	<u>\$ (9,807,489)</u>	<u>\$ 3,600,999</u>	<u>\$ (3,230,075)</u>

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 1.26 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 6/30/12 balance represents approximately 29 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, 2012 (unaudited)

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

	<u>Total as of Sept. 30, 2011</u>	<u>Total as of Dec. 31, 2011</u>	<u>Total as of March 31, 2012</u>	<u>Total as of June 30, 2012</u>
A. System Expenditures:				
Operating Fund	\$195,018,323	\$367,080,242	\$559,966,969	\$748,929,085
B. Expenditures for Institutional Administration:				
Executive Management	\$2,633,340	\$5,630,834	\$7,464,078	\$9,750,277
Fiscal Operations	2,297,627	4,230,746	5,876,866	8,116,395
General Administration	786,670	1,601,965	2,360,910	3,272,352
Total	<u>\$5,717,637</u>	<u>\$11,463,545</u>	<u>\$15,701,853</u>	<u>\$21,139,024</u>
% Administrative Subfunction	<u>2.93%</u>	<u>3.12%</u>	<u>2.80%</u>	<u>2.82%</u>