

***Financial Report
to the
Board of Trustees***

February 18, 2010



***FY09 Closeout
and
FY10 Six Month Update***




***University of Connecticut
Health Center***

FY09 Closeout


University of Connecticut Health Center

FY 2009 Budget Review (unaudited)


The following narrative and chart provide information on the main drivers of the University of Connecticut Health Center financial results for Fiscal 2009. The amounts presented here are subject to audit adjustments.

 **Executive Summary** - The FY09 results were impacted negatively by lower than expected revenue for GME support, higher malpractice expenses and unbudgeted consulting expenses associated with the proposed Hospital affiliation. On the positive side, expense savings for salaries, utilities and outside contracts (exclusive of consulting contracts) was achieved. By far the most positive impact was achieved through revenue enhancement and increased third party reimbursement.


The overall deficiency for Fiscal Year 2009 was \$302,000, which included a deficiency appropriation of \$22.2 million by the state. The following explanations exclude any impact of Correctional Managed Health Care. Any savings achieved by CMHC flow to the Department of Corrections and have no impact on UCHC.

 **Total Revenue** – For the year ended June 30, 2009, Total Revenues including total “State Support” was \$751.9 million. Total revenue (exclusive of the deficiency appropriation) was below budget projections by about \$10.1 million or 1.4%. Unfavorable results in Interns and Residents Revenues and Research Revenues were the primary drivers for the overall difference.

- **Research** – Research revenues for the year ended June 30, 2009, were unfavorable to budget by \$1.4 million or 1.6%, a noticeable improvement from the prior which was unfavorable to budget by \$7.4 million. The unfavorable variance to budget was caused by lower Federal grants which impact the amount of Facilities and Administration Recovery.
- **Net Patient Revenue** – For the year ended June 30, 2009, Net Patient Revenue was very close to budget. The variances by unit are:
 - JDH - \$7.8 million above budget. Revenue cycle improvements and third party reimbursements were \$11.2 million offset by a volume decrease of \$3.4 million.
 - UMG - \$5.8 million below budget. \$1.5 million was attributable to a decrease in volume from budget of 2%. The remainder is the result of a higher proportion of Medicare and Medicaid (mix change) to total visits.
 - Dental Implant Center - \$1.9 million below budget due to volume.
- **School of Medicine** – Revenue from the Consortium Hospitals to the School of Medicine was \$4.6 million lower than expected. Payment for indirect expenses for the operation of the GME program was delayed.
- **Investment Income** – The unfavorable variance of almost \$1.0 million was reflective of the economic environment and lower investment balances. The budgeted revenue was \$2.0 million.
- **Total State Support** – The State appropriation for FY09 totaled \$169.5 million including the deficit appropriation of \$22.2 million. The State appropriation represents 22.5% of UCHC expenditures.

 **Total Expenditures** – For the year ended June 30, 2009, Total Expenditures exceeded budgeted amounts by \$1.9 million or .1%. The following are variances for categories of expense:

- **Personal Services** – For the year ended June 30, 2009, Personal Services expenditures were below budget by \$4.8 million or 1.3%. Favorable variances in Personal Services was attained through greater control of personnel expenses (including overtime), State mandated furlough days, and early retirements.
- **Fringe Benefits** – For the year ended June 30, 2009, Fringe Benefit expenditures were above budget by \$1.8 million, or 1.8%. The actual rate charged by the State was higher than the budgeted estimate. UCHC does not receive the actual fringe rate until the end of June.
- **Drugs and Medical** – For the year ended June 30, 2009, drugs were above budget by \$2.3 million, or 2.9% which was split evenly between drugs and medical supplies. Drug expenses were unfavorable by \$1.1 million or 3.4%. Expenses were driven by a small number of patients requiring the use of high cost drugs; however, these expenses were offset by payments from insurers due to carve out provisions in the managed care contracts. Medical supplies were over budget by \$1.2 million or 2.6%. The majority of this occurred at JDH. The reason for the variance was a greater than budgeted surgical volume. Supply expense for surgical discharges is higher than medical discharges due to the high cost of surgical implants.
- **Utilities** – For the year ended June 30, 2009, energy expenditures were below budget by about \$1.4 million, or 8.1%. UCHC has been able to lower its utility expenditures through State Contracts.
- **Insurance** - Insurance was over budget by \$5.4 million. Actual vs. budget was \$11.4 million vs. \$6.0 million. This was due to an increase in the malpractice trust fund as required by an outside actuarial review. The actuarial report reflected larger anticipated claims due to changing demographics, past experience, and settlement history.
- **Outside Services** – For the year ended June 30, 2009, outside and other purchases were over budget by \$349,000 or 0.1%. Consulting expenses for the year were over budget by \$3.4 million attributable to the partnership, quality improvements and operational improvements. On the positive side, savings on outside IT contracts, other contracts and faculty start-up expenses were favorable by \$3.7 million.

 **Net Gain (Loss)** – For the year ended June 30, 2009, the Health Center had a deficiency of \$22.5 million, which was addressed by a state deficiency appropriation of \$22.2 million.

University of Connecticut Health Center
Statement of Current Funds Budget Operations and Variance Analysis
FY09 Actual (Unaudited)
(Dollars in Millions)

Current Funds Revenues:	Actual	Budget	Variance	% Change
State Support	\$169.5	\$142.3	\$27.2	
Tuition	10.1	10.2	(0.1)	
Fees	5.6	5.6	0.0	
Gifts, Grants & Contracts	87.4	88.8	(1.4)	
Investment Income	1.1	2.0	(0.9)	
Interns & Residents	35.1	42.0	(6.9)	
Net Patient Care	321.7	322.3	(0.6)	
Correctional Managed Health Care	99.4	104.2	(4.8)	
Auxiliary Enterprise Education	13.2	13.5	(0.3)	
Other Revenue	<u>8.8</u>	<u>8.9</u>	<u>(0.1)</u>	
Total Current Funds Revenues	\$751.9	\$739.8	\$12.1	1.6%
 Current Funds Expenditures / Transfers:				
Personal Services	\$369.6	\$374.4	(\$4.8)	
Fringe Benefits	103.5	101.7	\$1.8	
Drugs/Medical Supplies	81.4	79.1	\$2.3	
Medical Contractual Support	15.6	15.4	\$0.2	
Medical/Dental House Staff	36.5	37.2	(\$0.7)	
Outside Agency Per Diem	1.6	1.9	(\$0.3)	
Utilities	15.9	17.3	(\$1.4)	
Outside & Other Purchases	55.3	55.0	\$0.3	
Insurance	11.4	6.0	\$5.4	
Repairs & Maintenance	10.7	10.8	(\$0.1)	
Other Expenses	22.0	22.2	(\$0.2)	
Depreciation	<u>28.7</u>	<u>30.3</u>	<u>(\$1.6)</u>	
Total Current Funds Expenditures / Transfers	\$752.2	\$751.3	\$0.9	0.1%
 Net Gain (Loss)	 <u>(\$0.3)</u>	 <u>(\$11.5)</u>	 <u>\$11.2</u>	



***University of Connecticut
Health Center***

FY10 Six Month Update

Consolidated Financial Reports Financial Update & Highlights

TO: Members, Board of Trustees
FROM: John M. Biancamano, Chief Financial Officer
DATE: February 4, 2010
SUBJECT: **Unaudited FY 2010 Financial Results for the 6 month period ending December 31, 2009.**

Introduction:

The following provides highlights for the results of operations for the six months ending December 31, 2009:

The gain for the Fiscal Year to Date is \$4.4 million as compared to a breakeven budget, for a favorable variance of \$4.4 million. The month of December experienced a gain of \$794,000 million as compared to a breakeven budget.

Education, Research & Institutional Support

The result of operations before State Appropriations is favorable to the budget by \$6.2 million year-to-date and favorable by \$1.4 million for the month of December. This favorable variance is primarily attributed to favorable personnel related costs in the School of Medicine, School of Dental Medicine, Research, and Institutional Support. The favorable variance is driven by the delay in refilling positions associated with the retirement incentive program as well as the use of rehired retirees, whose salaries are reduced to 75% of their prior pay rate in accordance with UCHC policy. It should be noted that this is a one time savings that will go away once all positions are filled.

Year to date significant highlights include:

- The School of Medicine total expenses were favorable to budget by \$3.6 million (5.4%). Personal Services and Fringe Benefits account for \$2.5 million of the variance.
- The School of Dental Medicine total expenses were favorable to budget by \$1 million (7.7%) with total revenue unfavorable to budget by \$542,000 (9.2%) These variances are attributable in part to lower than anticipated Dental Implant revenue and expense. The School of Dental Medicine, exclusive of the UD and MSI clinics shows a favorable variance in salaries of \$854,000.
- Research results of operations are favorable to budget by \$673,000 or (12.2%). Federal Research revenues are \$1.9 million unfavorable to budget but Non Federal research revenues are favorable to budget by \$95,000. Total Research revenues are unfavorable \$1.7 million however total Research expenses are favorable to budget \$2.4 million due in part to favorable variances of \$1.3 million in Personal Services and Fringe Benefits.
- Institutional support results of operations were favorable to budget by \$2.1 million (6.1%), primarily due to Utilities, Outside and Other Purchased Services, and Depreciation being below budget.



Clinical

The clinical operations (JDH and UMG) had a loss for the month of \$2.4 million compared to a budget loss of \$1.5 million. For the year to date, the combined loss was \$11.5 million compared to a budget loss of \$11.1 million.

John Dempsey Hospital

Results of Operations:

Year-to-date the deficit is \$4.0 million compared to a budgeted deficit of \$3.6 million, for an unfavorable variance of about \$391,000. The deficit for the same period last year was \$7.8 million. The month of December shows a loss of \$893,000 compared to a budgeted loss of \$679,000 for an unfavorable variance of \$213,000. Other significant highlights include:

Category	Current Month			Year - to - Date			
	Actual	Budget	Variance	Percent	Prior Year	Variance	Percent
John Dempsey Hospital (in thousands)							
JDH Excess of Revenues over Expenses/ (Deficiency)	(\$893)	(\$679)	(\$214)	-31.5%	(\$1,634)	(\$391)	-10.8%
JDH Operating Margin	-4.2%	-3.2%	-1.0%	-31.3%	-8.0%	-0.3%	-33.3%
Inpatient Discharges	808	791	17	2.1%	794	4,831	-2.2%
Outpatient Visits	27,315	30,304	(2,989)	-9.9%	31,312	185,749	-6.8%
Net Revenue per Adjusted Discharge	\$13,841	\$13,565	\$276	2.0%	\$13,315	\$13,612	-0.5%
Cost per Adjusted Discharge	\$14,538	\$12,636	\$1,902	15.1%	\$14,564	\$14,162	-0.4%
Days Revenue in Accounts Receivable	45	48	(3)	-6.3%	48	48	(3)
Case Mix Index	1.4992	1.4986	0.0006	0.0%	1.5145	1.4986	-1.3%
FTEs per Adjusted Occupied Bed	5.79	5.43	0.36	6.6%	4.99	5.10	7.1%
						4.27	1.19
							27.9%

UConn Medical Group

Results of Operations

Year-to-date the deficit is \$7.5 million compared to a budgeted deficit of \$7.5 million, with an actual favorable variance of \$8,000. The deficit for the same period last year was \$5.4 million an unfavorable change of \$2.1 million. The month of December shows a deficit of \$1.5 million compared to a budgeted deficit of \$782,000 for an unfavorable variance of \$697,000. Other significant highlights include:

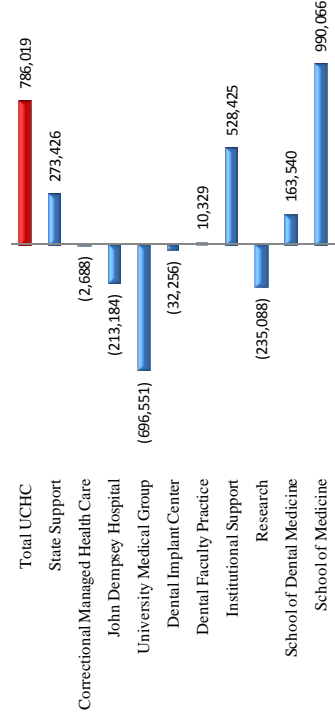
Category	Current Month			Year - to - Date			
	Actual	Budget	Variance	Percent	Prior Year	Variance	Percent
University Medical Group (in thousands)							
Excess of Revenues over Expenses/ (Deficiency)	(\$1,479)	(\$782)	(\$697)	-89.1%	(\$1,667)	(\$7,497)	-39.1%
Operating Margin	-23.5%	-10.2%	-13.2%	-129.7%	-24.4%	-17.4%	-49.7%
RVU's	53,743	67,967	(14,224)	-20.9%	71,455	431,410	-9.9%
Net Revenue Per RVU	\$111.83	\$110.44	\$1.39	1.3%	\$89.77	\$96.96	2.2%
Cost per RVU	\$144.90	\$124.32	\$20.59	16.6%	\$118.85	\$117.15	4.0%
Days Revenue in Accounts Receivable	53	58	(5)	-8.6%	58	58	(5)
							-11.8%

Key Financial Results

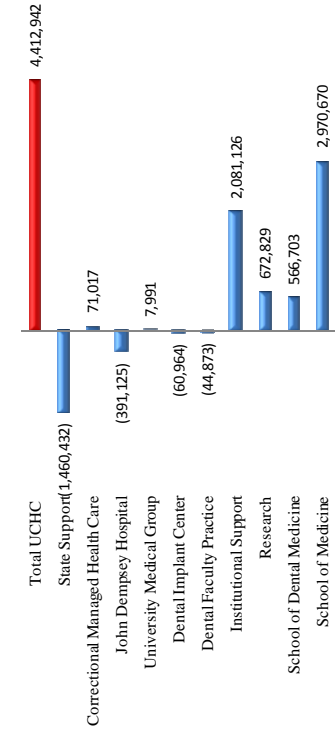
For the period ending December 31, 2009 (in thousands)

Line #	Category	Current Month			Year - to - Date								
		Actual	Budget	Variance	Percent	Prior Year	Actual	Budget	Variance	Percent			
1	Total UCHC Excess/ Deficiency	\$794	\$8	\$786	9825.0%	(\$3,143)	\$4,411	(\$2)	\$4,413	220650.0%	\$14,585	\$14,494	143.4%
2	Education, Research & Institutional Support-Excess/(Deficiency)	(\$10,995)	(\$12,420)	\$1,425	11.5%	(\$12,180)	(\$67,552)	(\$73,737)	\$6,185	8.4%	(\$69,861)	\$2,309	3.3%
3	John Dempsey Hospital - Excess/(Deficiency)	(\$893)	(\$679)	(\$214)	-31.5%	(\$1,634)	(\$4,017)	(\$3,626)	(\$391)	-10.8%	(\$9,449)	\$5,432	57.5%
4	UMG - Excess/(Deficiency)	(\$1,479)	(\$782)	(\$697)	-89.1%	(\$1,667)	(\$7,489)	(\$7,497)	\$8	0.1%	(\$5,384)	(\$2,105)	-39.1%
5	Total Clinical (JDH/UMG)	(\$2,372)	(\$1,461)	(\$911)	-62.4%	(\$3,301)	(\$11,506)	(\$11,123)	(\$383)	-3.4%	(\$14,833)	\$3,327	22.4%
6	CMHC - Excess/(Deficiency)	(\$3)	\$0	(\$3)		\$55	\$71	\$0	\$71		\$368	(\$297)	-80.7%
7	State Appropriation-Block Grant	\$10,067	\$10,031	\$36	0.4%	\$8,919	\$61,943	\$61,943	\$0	0.0%	\$53,561	\$8,382	15.6%
8	Fringe Benefits & Other Adjustments	\$4,096	\$3,859	\$237	6.1%	\$3,115	\$18,954	\$22,914	(\$3,960)	-17.3%	\$18,909	\$45	0.2%
9	Total State Support	\$14,163	\$13,890	\$273	2.0%	\$12,034	\$80,897	\$84,857	(\$3,960)	-4.7%	\$72,470	\$8,427	11.6%
10	Total Revenues (000's)	\$48,541	\$50,842	(\$2,301)	-4.5%	\$48,058	\$288,540	\$300,676	(\$12,136)	-4.0%	\$289,524	(\$984)	-0.3%
11	Total Expenses (000's)	\$61,910	\$64,724	(\$2,814)	-4.3%	\$63,484	\$367,526	\$385,536	(\$18,010)	-4.7%	\$373,830	(\$6,304)	-1.7%
12	Research Awards	\$4,253	\$3,880	\$373	9.6%	\$3,594	\$33,950	\$46,560	\$7,390	15.9%	\$43,228	\$10,722	24.8%
13	Research Revenue Recognition in Financial Statements	\$7,036	\$7,341	(\$305)	-4.2%	\$6,518	\$42,618	\$44,440	(\$1,822)	-4.1%	\$43,445	(\$827)	-1.9%

Budget Variance by Program - December



Budget Variance by Program - Year To Date





University of Connecticut Health Center

Consolidated Statement of Revenues and Expenses (with Eliminations)

	Consolidated UConn Health Center YTD December 2009			Consolidated UConn Health Center YTD December 2008			
	Actual	Budget	Variance	Percent Variance	Actual	Variance	Percent Variance
Revenues:							
Tuition	\$ 5,320,298	\$ 5,717,997	\$ (397,699)	-7.0%	\$ 5,025,822	\$ 294,476	5.9%
Fees	3,047,884	3,094,362	(46,478)	-1.5%	2,879,146	168,738	5.9%
Federal Research Grants and Contracts	32,466,101	34,371,435	(1,905,334)	-5.5%	33,947,304	(1,481,203)	-4.4%
Non-Federal Research Grants and Contracts	10,151,410	10,068,585	82,825	0.8%	8,515,585	1,635,825	19.2%
Auxiliary Enterprises	6,587,010	7,421,774	(834,764)	-11.2%	7,107,042	(520,032)	-7.3%
Interns and Residents	21,758,168	21,499,434	258,734	1.2%	18,116,512	3,641,656	20.1%
Net Patient Care	159,590,754	164,825,858	(5,235,104)	-3.2%	155,306,963	4,283,791	2.8%
Correctional Managed Health Care	46,171,115	50,460,101	(4,288,986)	-8.5%	50,825,334	(4,654,219)	-9.2%
Endowment Income	1,599,737	2,157,273	(557,536)	-25.8%	2,306,262	(706,525)	-30.6%
Investment Income	157,321	517,421	(360,100)	-69.6%	751,684	(594,363)	-79.1%
Other Income	901,463	542,170	359,293	66.3%	1,524,886	(623,423)	-40.9%
Total Revenues	\$ 287,751,261	\$ 300,676,410	\$ (12,925,149)	-4.3%	\$ 286,306,540	\$ 1,444,721	0.5%
Expenses:							
Personal Services	\$ 148,846,725	\$ 154,854,721	\$ (6,007,996)	-3.9%	\$ 151,772,893	\$ (2,926,168)	-1.9%
State Supported Fringe Benefits	24,130,505	25,023,053	(892,548)	-3.6%	18,476,685	5,653,820	30.6%
Fringe Benefits	31,534,822	33,598,827	(2,064,005)	-6.1%	34,166,984	(2,632,162)	-7.7%
JDH Fringe Benefit Allotment	(6,805,478)	(6,805,478)	0	0.0%	(1,661,421)	(5,144,057)	309.6%
Medical Contractual Support	5,339,335	6,741,539	(1,402,204)	-20.8%	7,777,172	(2,437,837)	-31.3%
Medical/Dental House Staff	19,963,834	19,907,051	56,783	0.3%	19,889,999	73,835	0.4%
Correctional Managed Healthcare	46,402,781	50,763,620	(4,360,839)	-8.6%	50,766,687	(4,363,906)	-8.6%
Outside Agency Per Diems	931,701	491,588	440,113	89.5%	242,819	688,882	35.2%
Drugs	9,006,571	10,068,084	(1,061,513)	-10.5%	9,604,418	(597,847)	-6.2%
Medical Supplies	24,055,841	23,480,442	575,399	2.5%	21,067,781	2,988,060	14.2%
Utilities	6,765,363	9,071,194	(2,305,831)	-25.4%	9,184,039	(2,418,676)	-26.3%
Outside & Other Purchased Services	21,704,361	21,232,759	471,602	2.2%	15,723,983	5,980,378	38.0%
Insurance	3,472,773	3,354,752	118,021	3.5%	3,069,295	403,478	13.1%
Repairs & Maintenance	5,184,937	5,923,360	(738,423)	-12.5%	5,070,367	114,570	2.3%
Other Expenses	11,218,228	11,559,242	(341,014)	-3.0%	10,415,982	802,246	7.7%
Depreciation	14,984,910	16,270,978	(1,286,068)	-7.9%	13,854,227	1,130,683	8.2%
Total Expenses	\$ 366,737,209	\$ 385,535,732	\$ (18,798,523)	-4.9%	\$ 369,867,973	\$ (3,130,764)	-0.8%
Excess/(Deficiency) of Revenues over Expenses Prior to State Appropriations	\$ (78,985,948)	\$ (84,859,322)	\$ 5,873,374	-6.9%	\$ (83,561,433)	\$ 4,575,485	-5.5%
State Appropriation-Block Grant	\$ 61,943,442	\$ 61,943,442	\$ -	0.0%	\$ 53,561,232	\$ 8,382,210	15.6%
State Supported Fringe Benefits and Other Adjustments	21,453,916	22,914,348	(1,460,432)	-6.4%	19,622,767	1,831,149	9.3%
Excess/(Deficiency)	\$ 4,411,410	\$ (1,532)	\$ 4,412,942	-288051.0%	\$ (10,377,434)	\$ 14,788,844	-142.5%
Total State Support	90,202,836	91,663,268	(1,460,432)	-1.6%	74,845,420	15,357,416	20.5%
Percent of Total Revenues	23.87%	23.36%	0.01	2.2%	20.72%	3.1%	15.2%
Total State Support without Fringe Benefits	68,748,920	68,748,920	0	0.0%	55,222,653	13,526,267	24.5%



***University of Connecticut
Storrs & Regional Campuses***

FY09 Closeout

University of Connecticut (Storrs & Regional Campuses)

FY 2009 Budget Review (unaudited)

The following narrative and schedule provide information on the main drivers of the University of Connecticut Storrs-based operating budget. The amounts presented here are subject to audit adjustments.

- ✦ **Total Revenue** – For the year ended June 30, 2009, total Operating and Research Fund revenues were \$959.7 million or 2.2% more than budgeted. The Operating and Research Funds had a positive variance from budget of \$20.4 million. This was primarily due to positive variances in Tuition of \$6.1 million, \$12.0 million of Auxiliary Enterprise Revenue and \$6.9 million of Research Fund. This was offset by negative variances of \$2.1 million in Gifts, Grants & Contracts and \$1.3 million in Investment Income.
 - ✦ **State Support** – State Support was \$327.8 million or \$1.1 million less than budgeted. While the revised budget did include the impact of a 3% rescission, the Governor reduced State Support on 12/17/09 and 3/30/09 by approximately 2%. Other adjustments included \$0.2 million more as a result of a settled maintainers contract and \$0.8 million less due to a state mandated furlough day.
 - ✦ **Tuition Revenue** – Total net tuition revenue was \$210.3 million which was greater than budget due to higher enrollment than expected. Fall 2008 enrollment for total undergraduate degree-seeking students was up 2.7% compared to Fall 2007. The tuition revenue budgeted was based on a 5.6% rate increase and a 1.6% increase in undergraduate degree-seeking students. Undergraduate enrollment generates approximately 86.6% of actual tuition revenues.
 - ✦ **Gifts, Grants & Contracts** – Gifts, Grants & Contracts were less than the budget of \$76.1 million by \$2.1 million. The University has received additional federal financial aid, but this category is less than expected due to slower implementation of the federally funded Teach Grant and less funds transferred from the Foundation for Athletics.
 - ✦ **Investment Income** – Investment income was less than the FY09 budget of \$5.4 million with revenues of \$4.1 million. Interest rates have continued to fall throughout the year with the FY09 average rate at 1.47% compared to 4.0% for FY08.
 - ✦ **Auxiliary Enterprise Revenue** – This category was \$12.0 million more than budgeted due to a greater amount of students housed and more meal plans than anticipated.
 - ✦ **Research Fund** – An additional \$2 million from the Federal American Recovery and Reinvestment Act and higher funding success from NIH and NSF agencies contributed to this category being \$6.9 million more than budgeted.
- ✦ **Total Expenditures** – Total Operating and Research Fund expenditures/transfers were \$954.8 million and were greater than budgeted. Operating Fund expenditures were ahead of budget by \$12.0 million and Research Fund expenditures were ahead of budget by \$4.5 million.
 - ✦ **Personal Services Expenditures** – Operating Fund Personal Services expenditures (including fringe benefits) were \$540.0 million or \$3.8 million less than budget. The University was able to identify resources to fund a net increase of 30 full-time faculty. In addition, the University has experienced a slower attrition rate than expected and hiring has been limited to only essential positions due to the reductions in State Support.
 - ✦ **Other Expense** – Other Expenses were more than budget by \$6.4 million. This overage was largely due to two contributing factors; library acquisitions which were classified as prepaids at 6/30/08 are now included in actual expenditures, and there were additional academic and auxiliary enterprise expenses due to the higher enrollment.
 - ✦ **Energy** – Energy costs were \$0.6 million ahead of budget due to increased non-cogeneration gas consumption.
 - ✦ **Financial Aid Expenditures** – Financial Aid expenditures were close to budget at \$90.4 million. While the University has received additional federal aid for Pell Grants, there was a slower implementation of the federally funded Teach Grant than expected.
 - ✦ **Transfers** – This line reflects transfers to Plant Funds for various building improvements and bond and installment loan payments, as well as payments for the capital lease for the Cogeneration plant. Transfers were over budget by \$6.1 million.
- ✦ **Net Gain** – For the year ended June 30, 2009, there was a net gain of \$4.9 million. \$1.0 million of the gain represents a reserve repayment for the November 2001 drawdown of \$11.5 million for Towers Dining Center and the Student Union. The remainder of the gain may be attributed to greater than anticipated tuition and fee revenue as a result of higher enrollment, more auxiliary revenues because of greater housing occupancy and meal plans, and additional facilities and administrative cost recovery as a result of increased research activity.

University of Connecticut (Storrs & Regionals)
Statement of Current Funds Budget Operations¹ and Variance Analysis
FY09 (unaudited)
(Dollars in Millions)

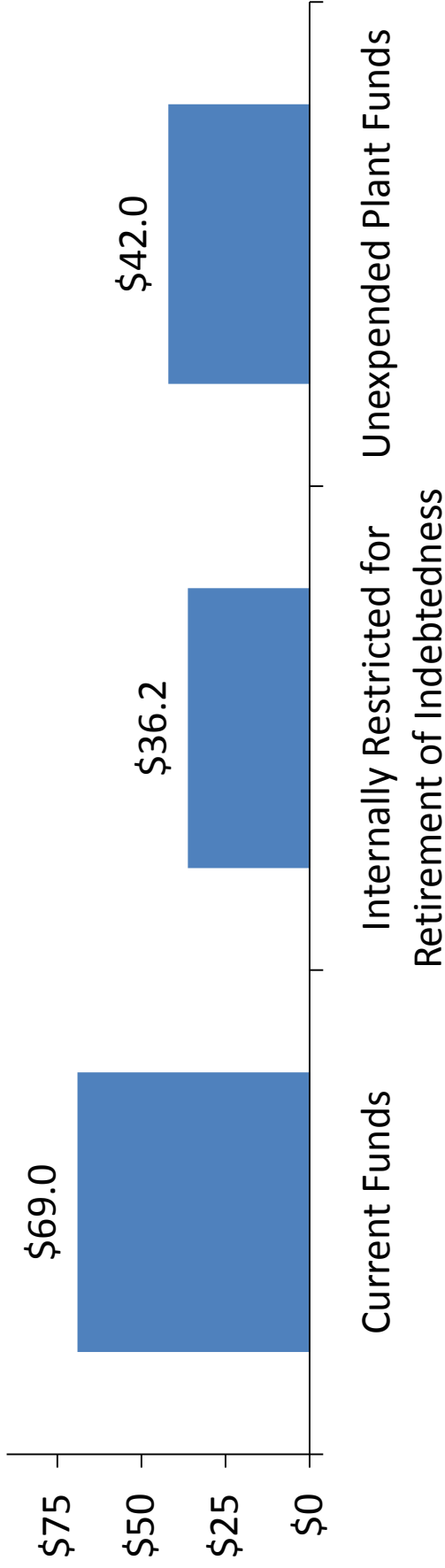
	Budget	Actual	Variance	% Change
Current Funds Revenues:				
Operating Fund				
State Support	\$328.9	\$327.8	(\$1.1)	
Tuition	204.2	210.3	6.1	
Fees	82.6	82.9	0.3	
Gifts, Grants & Contracts	76.1	74.0	(2.1)	
Investment Income	5.4	4.1	(1.3)	
Sales & Service Education	16.9	17.1	0.2	
Auxiliary Enterprise Revenue	140.4	152.4	12.0	
Other Revenue	<u>11.1</u>	<u>10.5</u>	<u>(0.6)</u>	
Total Operating Fund	865.6	879.1	13.5	1.6%
Research Fund	<u>73.7</u>	<u>80.6</u>	<u>6.9</u>	9.3%
Total Current Funds Revenues	\$939.3	\$959.7	\$20.4	2.2%
Current Funds Expenditures / Transfers:				
Operating Fund				
Personal Services	\$403.5	\$403.3	(\$0.2)	
Fringe Benefits	140.3	136.7	(3.6)	
Other Expenses	145.1	151.5	6.4	
Energy	33.0	33.6	0.6	
Equipment	12.0	14.8	2.8	
Student Financial Aid	90.5	90.4	(0.1)	
Transfers	<u>40.2</u>	<u>46.3</u>	<u>6.1</u>	
Total Operating Fund	864.6	876.6	12.0	1.4%
Research Fund	<u>73.7</u>	<u>78.2</u>	<u>4.5</u>	6.1%
Total Current Funds Expenditures / Transfers	\$938.3	\$954.8	\$16.5	1.8%
Net Gain²	<u>\$1.0</u>	<u>\$4.9</u>	<u>\$3.9</u>	
	<u>Operating</u>	<u>Research</u>	<u>Total</u>	
Unrestricted	\$2.3	\$2.0	<u>\$4.3</u>	
Restricted	<u>0.3</u>	<u>0.3</u>	<u>0.6</u>	
Total	<u>\$2.6</u>	<u>\$2.3</u>	<u>\$4.9</u>	

¹ The University prepares and presents its Operating Budget requests and annual Spending Plan in a current funds format. The current funds format shows gross student tuition and fees and does not net out scholarship allowances, as required in the financial statements which are prepared in the GASB Nos. 34/35 format. Scholarship allowances are shown as an expense item. In addition, the University's current funds format includes equipment purchases as an expense, does not include depreciation and does not include the State debt service commitment for interest.

² The University had a net gain of \$4.9 million for the fiscal year ended June 30, 2009, which was comprised of a \$4.3 million unrestricted net gain and a \$0.6 million restricted net gain. The unrestricted net gain included the \$1.0 million reserve repayment for the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union, greater than anticipated tuition and fee revenue as a result of higher enrollment, more auxiliary revenues because of greater housing occupancy and meal plans, and additional facilities and administrative cost recovery as a result of increased research activity.

University of Connecticut (Storrs & Regionals)

FY09 Unaudited Unrestricted Net Assets (\$M)



- Current Funds balance represents 30.6 days' worth of operations (Board policy calls for 90 days or \$203M)
- The \$36.2M represents 1.75 times the annual debt service
- The Unexpended Plant Funds includes cash resources for capital projects including Auxiliary Enterprise operations as well as funds set aside to address on-going code related corrective action

University of Connecticut (Storrs & Regionals)
 FY09 Unaudited Current Funds Statement of Operations
 (Dollars in Millions)

Current Funds (Operating & Research) Revenues:

Operating Fund	
State Support	\$327.8
Tuition	210.3
Fees	82.9
Gifts, Grants & Contracts	74.0
Investment Income	4.1
Sales & Service Education	17.1
Auxiliary Enterprise Revenue	152.4
Other Revenue	<u>10.5</u>
Total Operating Fund	879.1
Research Fund	<u>80.6</u>
Total Current Funds (Operating & Research) Revenues	\$959.7

Current Funds (Operating & Research) Expenditures / Transfers:

Operating Fund	
Personal Services	\$403.3
Fringe Benefits	136.7
Other Expenses	151.5
Energy	33.6
Equipment	14.8
Student Financial Aid ¹	90.4
Net Transfers - Mandatory	20.7
Net Transfers - Auxiliary Non-Mandatory	19.4
Net Transfers - E&G Non-Mandatory	<u>6.2</u>
Total Operating Fund	876.6
Research Fund	<u>78.2</u>
Total Current Funds Expenditures / Transfers	\$954.8

Current Funds Net Gain ² **\$4.9**

Non-Current Funds Items

Net Transfers from Current Funds	\$46.3
Capitalization Adjustment for Items Expensed in Current Fund	1.8
Depreciation Expense ³	(89.6)
Non-Operating Expense Net of Current Funds Items ⁴	(31.3)
Capital Additions	<u>108.3</u>
Total Increase in Net Assets	<u>\$40.4</u>

Net Assets - beginning of year **\$1,378.1**
Net Assets - end of year **\$1,418.5**

¹ Includes \$2.6 million of student work study expenditures.

² Net Gain of \$4.9 million: Unrestricted=\$4.3 million, Restricted=\$0.6 million.

³ Not budgeted.

⁴ Unbudgeted Non-Operating Revenue (Expense) is primarily interest expense. Budgeted and included in Current Funds are State Support, Gifts and Investment Income.



***University of Connecticut
Storrs & Regional Campuses***

FY10 Six Month Update

University of Connecticut (Storrs & Regionals)
Statement of Current Funds Budget Operations¹ and Variance Analysis
FY10 (unaudited)
(Dollars in Millions)

	12/31/09	6/30/10			
	Actual	Budget	Forecast	Variance	% Change
Current Funds Revenues:					
Operating Fund					
State Support	\$160.9	\$325.3	\$325.3	\$0.0	
Tuition	115.0	225.5	225.5	0.0	
Fees	43.3	87.5	86.7	(0.8)	
Grants & Contracts	35.1	78.2	78.3	0.1	
Investment Income	0.8	1.1	1.1	0.0	
Sales & Service Education	6.0	17.0	15.2	(1.8)	
Auxiliary Enterprise Revenue	83.3	161.5	161.5	0.0	
Other Revenue	<u>5.7</u>	<u>10.4</u>	<u>10.8</u>	<u>0.4</u>	
Total Operating Fund	450.1	906.5	904.4	(2.1)	
Research Fund	<u>44.7</u>	<u>85.8</u>	<u>85.8</u>	<u>0.0</u>	
Total Current Funds Revenues	\$494.8	\$992.3	\$990.2	(\$2.1)	-0.2%
Current Funds Expenditures / Transfers:					
Operating Fund					
Personal Services	\$190.5	\$397.0	\$392.5	(\$4.5)	
Fringe Benefits	68.2	138.6	138.6	0.0	
Other Expenses	76.3	162.2	158.4	(3.8)	
Energy	9.7	30.7	30.7	0.0	
Equipment	8.7	21.3	20.8	(0.5)	
Student Financial Aid	50.3	102.6	104.2	1.6	
Transfers	<u>27.1</u>	<u>56.1</u>	<u>57.9</u>	<u>1.8</u>	
Total Operating Fund	430.8	908.5	903.1	(5.4)	
Research Fund	<u>43.9</u>	<u>85.8</u>	<u>85.8</u>	<u>0.0</u>	
Total Current Funds Expenditures / Transfers	\$474.7	\$994.3	\$988.9	(\$5.4)	-0.5%
Net Gain/Loss	<u>\$20.1</u>	<u>(\$2.0)</u>	<u>\$1.3</u>	<u>\$3.3</u>	

¹ The University prepares and presents its Operating Budget requests and annual Spending Plan in a current funds format. The current funds format shows gross student tuition and fees and does not net out scholarship allowances, as required in the financial statements which are prepared in the GASB Nos. 34/35 format. Scholarship allowances are shown as an expense item. In addition, the University's current funds format includes equipment purchases as an expense, does not include depreciation and does not include the State debt service commitment for interest.

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Six Months Ended December 31, 2009

Summary

On November 5, 2009, the Board of Trustees approved a Spending Plan for Fiscal Year 2010 of \$991.3 million plus a \$3 million transfer to the State General Fund. This budget included \$992.3 million of revenue to cover \$994.3 million in expenses and transfers, yielding a \$2.0 million loss. The loss is a net result of the \$1.0 million reserve repayment for the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union, and a \$3.0 million transfer from University operating reserves to the State General Fund.

Financial results for the first six months of Fiscal Year 2010 reflected a number of different factors when compared to budget. Actual revenue totaled \$494.8 million or 49.9% of the budget. At the close of December, the University expenditures and transfers totaled \$474.7 million or 47.7% of the budget.

The net gain for the Operating Fund shown in this six month report is not indicative of expected annual results. Typically for the first six months, a greater percentage of the Operating Fund revenue budget is received compared to the expenditure pattern. The later than normal approval (November 5, 2009) of the Spending Plan by the Board of Trustees has resulted in the Other Expense and Equipment expense categories being under budget for the six month period. Also contributing to the net gain is the timing of the refill process for Retirement Incentive Plan (RIP) vacancies.

A more detailed review of the first six months of Fiscal Year 2010 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first six months of Fiscal Year 2010 were \$450.1 million which represented 49.7% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 51.2% of the annual budget. A major source of revenue, **State Support**, consisted of a \$115.6 million appropriation and a fringe benefit allotment of \$45.3 million. The State Support amount is consistent with the University's Biweekly Schedule of State Appropriation Transfers. State Support represented 35.8% of total Operating Fund receipts for the first six months.

Tuition collections were the second largest source of revenue, totaling \$115.0 million, which represented 25.6% of total Operating Fund receipts. Tuition receipts were 51.0% of the annual amount budgeted (\$225.5 million). Tuition revenue collections reflect a 6.0% rate increase coupled with a 0.7% increase in the number of undergraduate degree-seeking students who account for approximately 87.1% of budgeted tuition revenues. Tuition revenue is forecasted to be on budget.

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 six months Fee collections were slightly under budget at \$43.3 million or 49.4% of the amount budgeted.

University of Connecticut (Storrs & Regional Campuses)

Auxiliary Enterprise Revenue for the first six months of Fiscal Year 2010 was \$83.3 million which represented 51.6% of the annual budgeted amount and was greater than projected for the period due to timing of Athletics receipts. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 6.0% and 7.0% respectively (\$63.0 million) and Athletic Department receipts (\$18.3 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 the first six months of Fiscal Year 2010, Gifts, Grants and Contracts revenue of \$35.1 million, which included \$5.3 million from the UConn Foundation, was 44.9% of the annual budget and is slightly lower than expected at this point in the year.

Investment Income for the first two quarters of Fiscal Year 2010 was \$0.8 million. Interest rates continue to fall with the rate for December 2009 at 0.33% compared to 1.69% in December 2008. Investment income for the year is projected to be close to budget. Actual results will depend on interest rates and the University's cash balance through the second half of the fiscal year.

Sales and Services of Educational Activities and Other Sources (primarily parking, transit fee, and rental income) revenue totaled \$11.7 million and were below budget. This is primarily due to the closing of self-supporting programs on campus.

Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the first six months, Research Fund revenues were \$44.7 million and represented 52.1% of the amount budgeted. In Fiscal Year 2009, Research Fund revenues reported in the first six months totaled \$38.7 million and represented 52.5% of the amount budgeted.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first six months of Fiscal Year 2010 were \$403.7 million or 47.4% of the annual budgeted amount. The spending pattern of the first two quarters of Fiscal Year 2009 reflected expenditures of 50.9% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	48.0%
Fringe Benefits	49.2%
Other Expenses	44.6%
Equipment	41.1%
Student Aid	49.1%

Personal Services/Fringe Benefits represented 48.3% of the annual budgeted amount of \$535.6 million. The official full-time faculty count (based on IPEDS federal reporting standards) is 38 less than the prior year and reflects the impact of the RIP offered by the state at the end of Fiscal Year 2009. Due to other vacancies created by the RIP and the amount of time it takes to refill positions, especially faculty, we anticipate this category to end the year under budget.

Other Expenses (including energy costs) were \$86.0 million for the first six months and represented 44.6% of the amount budgeted. Energy expenditures are projected to be on

University of Connecticut (Storrs & Regional Campuses)

budget for the year, but the first two quarters figures are less than expected due to timing of when payments were made. Other Expenses (excluding energy costs) were less than budget due to the delayed approval of the annual spending plan which delayed approval of various expenditures included in this category.

Equipment expenditures of \$8.7 million were 41.1% of the amount budgeted. This category was less than expected for the first two quarters due to the same timing issues that affected Other Expenses and it is anticipated that annual equipment expenditures will be under budget for the year.

Student Aid funds are predominantly expended in the first and third quarter of the fiscal year. For the first six months, Student Aid expenditures were \$50.3 million and represented 49.1% of the amount budgeted. This category is slightly ahead of the projection due to increased availability of restricted funds. This expenditure category is expected to be over budget due to the additional restricted funds and additional University support for Juniors and Seniors provided by the President.

Expenditures - Operating Fund Transfers

Transfers for the first two quarters were over budget at \$27.1 million or 48.3% of the amount budgeted and reflected transfers for bond and installment loan payments, payments for the capital lease for the cogeneration plant, and funding for construction and information technology projects. Transfers do not always follow a predictable pattern, especially in the first six months, so quarterly results or comparisons are not necessarily indicative of annual results.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$43.9 million and represented 51.1% of the budgeted amount. In Fiscal Year 2009, Research Fund expenditures and transfers reported in the first six months totaled \$42.6 million and represented 57.9% 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 2009 (excluding the Health Center) is up 0.4% from fall 2008 and undergraduate enrollment (degree and non-degree) is up 0.6%. The budget is based on these enrollment levels.

Fund Balance

The University's budget, which was approved on November 5, 2009 by the Board of Trustees, was projected to have a net loss of \$2.0 million for the fiscal year ended June 30, 2010. The current budget forecast is a net gain of \$1.3 million which results in a Current Funds Unrestricted Fund Balance of \$70.3 million (Operating Fund-\$50.1 million; Research Fund-\$20.2 million). The budgeted fund balance represented 7.8% of the current year's unrestricted expenditure budget. Also, in accordance with current 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 2010 budget assumes a consistent level of departmental fund balances at June 30, 2010. Any variance from this assumption will affect the projected fund balance level at year-end.



***University of Connecticut
Storrs & Regional Campuses***

***Interim Financial Statements
for the Six Months Ended
December 31, 2009***

UNIVERSITY OF CONNECTICUT
INTERIM STATEMENTS OF NET ASSETS
As of December 31, 2009 and 2008 and June 30, 2009
UNAUDITED

ASSETS	December 31, 2009	December 31, 2008	June 30, 2009
Current Assets			
Cash and cash equivalents	\$ 256,519,220	\$ 213,048,611	\$ 240,211,599
Accounts receivable, net	23,749,587	29,737,788	28,359,703
Student loans receivable, net	2,573,325	2,615,922	2,573,325
Due from State of Connecticut	65,515,425	74,979,184	46,244,528
Due from related agencies	-	4,628	59,465
State debt service commitment	81,318,554	79,962,618	79,923,083
Inventories	3,078,130	2,781,158	3,078,130
Deposit with bond trustee	85,223,225	4,589,603	128,909,965
Deferred charges	794,102	803,603	1,014,731
Prepaid expenses	1,515,607	2,830,960	2,556,415
Total Current Assets	520,287,175	411,354,075	532,930,944
Noncurrent Assets			
Cash and cash equivalents	1,362,653	1,469,881	1,471,795
Investments	9,509,016	12,324,527	9,497,273
Student loans receivable, net	9,865,669	10,032,930	9,547,902
State debt service commitment	780,167,441	700,089,715	780,167,441
Property and equipment, net	1,404,219,865	1,442,714,423	1,411,814,151
Deferred charges	8,112,427	7,780,663	8,500,782
Total Noncurrent Assets	2,213,237,071	2,174,412,139	2,220,999,344
Total Assets	\$ 2,733,524,246	\$ 2,585,766,214	\$ 2,753,930,288
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 27,961,751	\$ 29,983,366	\$ 21,091,031
Deferred income	47,491,739	55,540,794	19,411,476
Wages payable	32,031,436	32,719,264	52,718,457
Compensated absences	17,363,619	14,811,196	17,363,619
Due to the State of Connecticut	12,124,666	12,269,124	19,441,793
Due to Affiliate	18,347,664	4,607,861	35,488,325
Due to related agencies	5,508	2,038	-
Current portion of long-term debt and bonds payable	75,271,259	73,141,606	75,053,811
Other current liabilities	34,521,899	29,342,514	34,077,858
Total Current Liabilities	265,119,541	252,417,763	274,646,370
Noncurrent Liabilities			
Compensated absences	8,802,453	10,206,868	9,087,379
Deposits held for others	4,125,004	3,742,013	3,221,648
Long-term debt and bonds payable	1,033,612,304	957,671,780	1,039,045,777
Refundable for federal loan program	9,450,638	9,554,638	9,450,638
Total Noncurrent Liabilities	1,055,990,399	981,175,299	1,060,805,442
Total Liabilities	\$ 1,321,109,940	\$ 1,233,593,062	\$ 1,335,451,812
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,140,281,029	\$ 1,175,314,392	\$ 1,142,659,278
Restricted nonexpendable	10,831,244	13,794,108	10,819,220
Restricted expendable			
Research, instruction, scholarships and other	16,067,798	13,020,045	15,146,605
Loans	3,857,468	3,727,655	3,758,595
Capital projects	57,982,793	(5,963,032)	88,449,046
Debt service	9,978,541	9,641,458	10,397,121
Unrestricted	173,415,433	142,638,526	147,248,611
Total Net Assets	\$ 1,412,414,306	\$ 1,352,173,152	\$ 1,418,478,476

UNIVERSITY OF CONNECTICUT
INTERIM STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Six Months Ended December 31, 2009 and 2008 and the Year Ended June 30, 2009
UNAUDITED

OPERATING REVENUES	December 31, 2009	December 31, 2008	June 30, 2009
Student tuition and fees (Net of scholarship allowances of \$45,545,085 for December 31, 2009, \$37,454,076 for December 31, 2008 and \$81,473,702 for June 30, 2009)	\$ 112,704,651	\$ 110,530,110	\$ 215,641,536
Federal grants and contracts	53,210,733	44,854,248	92,375,974
State and local grants and contracts	13,191,056	14,018,425	27,853,272
Nongovernmental grants and contracts	7,125,004	5,915,216	12,347,917
Sales and services of educational departments	6,015,955	7,935,895	17,216,404
Sales and services of auxiliary enterprises (Net of scholarship allowances of \$1,648,336 for December 31, 2009, \$1,295,709 for December 31, 2008 and \$2,947,782 for June 30, 2009)	81,669,683	73,914,051	149,500,934
Other sources	5,777,832	5,915,296	10,681,689
Total Operating Revenues	279,694,914	263,083,241	525,617,726
OPERATING EXPENSES			
Educational and general			
Instruction	134,314,506	142,735,341	284,054,407
Research	34,944,355	33,497,184	64,028,438
Public service	17,149,151	18,969,272	37,128,819
Academic support	44,277,516	47,672,546	87,046,815
Student services	17,886,180	19,457,890	36,711,365
Institutional support	39,425,777	40,702,336	83,169,130
Operations and maintenance of plant	32,132,140	32,601,531	71,478,092
Depreciation	43,826,282	45,189,050	89,556,846
Student aid	1,898,384	1,779,313	3,917,207
Auxiliary enterprises	70,712,227	78,938,270	144,375,731
Other operating expenses	8,421,786	3,383,798	30,579,207
Total Operating Expenses	444,988,304	464,926,531	932,046,057
Operating Loss	(165,293,390)	(201,843,290)	(406,428,331)
NONOPERATING REVENUES (EXPENSES)			
State appropriation	160,916,806	171,041,234	327,751,422
State debt service commitment for interest	19,366,807	19,085,997	37,843,218
Gifts	6,229,122	6,227,353	21,805,530
Investment income	770,884	2,845,089	4,267,674
Interest expense	(24,635,291)	(24,698,740)	(48,915,717)
Transfer to state general fund	(3,000,000)	-	-
Other nonoperating expenses, net	(428,653)	(484,309)	(4,247,111)
Net Nonoperating Revenues	159,219,675	174,016,624	338,505,016
Loss Before Other Changes in Net Assets	(6,073,715)	(27,826,666)	(67,923,315)
OTHER CHANGES IN NET ASSETS			
State debt service commitment for principal	-	-	104,910,000
Capital grants and gifts	174,626	2,174,099	3,813,671
Disposal of property and equipment, net	(165,081)	(271,131)	(438,433)
Additions to permanent endowments	-	-	19,703
Net Other Changes in Net Assets	9,545	1,902,968	108,304,941
Increase (Decrease) in Net Assets	(6,064,170)	(25,923,698)	40,381,626
NET ASSETS			
Net Assets-beginning of year	1,418,478,476	1,378,096,850	1,378,096,850
Net Assets-end of year	\$ 1,412,414,306	\$ 1,352,173,152	\$ 1,418,478,476

**Notes to Interim Financial Statements
For the Six Months Ended December 31, 2009 and 2008 and
the Year Ended June 30, 2009**

1. RELATED ENTITIES

This financial report for the six months ended December 31, 2009 and 2008 and the year ended June 30, 2009 represents the transactions and balances of the University of Connecticut (University), here defined as all programs except the University of Connecticut Health Center (Health Center). Two related, but independent, corporate entities support the mission of the University: The University of Connecticut Foundation, Inc. (Foundation) and The University of Connecticut Law School Foundation, Inc. (Law School Foundation). These Foundations raise funds to promote, encourage, and assist education and research at the University and the Health Center. The Law School Foundation, which is organized for the benefit of the University and whose economic resources can only be used by or for the benefit of the University, is included as a component with the University with its annual report. While shown as a component unit in the June 30, 2009 financial report, it is not included with the financial statements for the six months ended December 31, 2009 and 2008. The Foundation materially supports the mission of the University and the Health Center, which are both separately audited, producing their own financial statements. Displaying the Foundation's financial statements as a component unit of either the University or the Health Center would distort its actual contribution or economic benefit to that entity, and therefore, the Foundation is not included as a component unit in the accompanying financial statements.

2. INTERIM FINANCIAL STATEMENT PRESENTATION

The Statements of Net Assets as of December 31, 2009 and 2008 and the Statements of Revenues, Expenses, and Changes in Net Assets for the six months ended December 31, 2009 and 2008 are prepared on the same basis as the June 30, 2009 statements except for the items listed below.

- (1) No physical inventory of consumable supplies is completed as of December 31 and therefore the amount on the Statement of Net Assets has not been changed since June 30 of the respective years.
- (2) Current student loans receivable, net is adjusted only at June 30.
- (3) The fair value adjustments for endowments invested by the Foundation are adjusted only at June 30.
- (4) Compensated absences are calculated only at June 30, except for a small adjustment reflecting dining services noncurrent compensated absences, and therefore the amount on the Statements of Net Assets for current compensated absences has not been changed since June 30 of the respective years.
- (5) The liability, refundable for federal loan program, is adjusted only at June 30.
- (6) GASB Statement No. 33 requires recipients of government-mandated and voluntary nonexchange transactions to recognize revenue when all applicable eligibility requirements are met for these transactions. The adjustments related to this requirement are completed only at June 30.
- (7) Waived tuition related to employees and their dependents is included only at June 30 as fringe benefit cost and tuition revenue in the Statement of Revenues, Expenses and Changes in Net Assets.
- (8) Depreciation is calculated for most assets and estimated for certain assets at December 31. Since buildings are only capitalized in June of each year no depreciation has been included for any new buildings that may have been completed as of December 31.

Certain reclassifications were made to the Statements of Revenue, Expense and Changes in Net Assets for the six months ended December 31, 2008 to reflect changes in the reclassification of operating expenses. These changes have no effect on net assets.

3. PROPERTY AND EQUIPMENT

The following table describes the changes in property and equipment for the six months ended December 31, 2009 and 2008 and the year ended June 30, 2009.

Changes in Property and Equipment for the Six Months Ended December 31, 2009:

	Balance July 1, 2009	Additions	Retirements	Transfers and Other	Balance December 31, 2009
<u>Property and equipment:</u>					
Land	\$ 14,826,476	\$ -	\$ -	\$ -	\$ 14,826,476
Non-structural Improvements	193,757,185	1,122,777	-	-	194,879,962
Buildings	1,590,324,316	6,808,049	-	-	1,597,132,365
Equipment	426,384,535	7,251,990	(7,997,802)	-	425,638,723
Construction in Progress	23,184,870	21,214,261	-	-	44,399,131
Total property and equipment	<u>2,248,477,382</u>	<u>36,397,077</u>	<u>(7,997,802)</u>	<u>-</u>	<u>2,276,876,657</u>
<u>Less accumulated depreciation:</u>					
Non-structural Improvements	83,910,632	3,939,454	-	-	87,850,086
Buildings	509,882,449	27,638,749	-	-	537,521,198
Equipment	242,870,150	12,248,079	(7,832,721)	-	247,285,508
Total accumulated depreciation	<u>836,663,231</u>	<u>43,826,282</u>	<u>(7,832,721)</u>	<u>-</u>	<u>872,656,792</u>
<u>Property and equipment, net:</u>					
Land	14,826,476	-	-	-	14,826,476
Non-structural Improvements	109,846,553	(2,816,677)	-	-	107,029,876
Buildings	1,080,441,867	(20,830,700)	-	-	1,059,611,167
Equipment	183,514,385	(4,996,089)	(165,081)	-	178,353,215
Construction in Progress	23,184,870	21,214,261	-	-	44,399,131
Property and equipment, net:	<u>\$ 1,411,814,151</u>	<u>\$ (7,429,205)</u>	<u>\$ (165,081)</u>	<u>\$ -</u>	<u>\$ 1,404,219,865</u>

Changes in Property and Equipment for the Six Months Ended December 31, 2008:

	Balance July 1, 2008	Additions	Retirements	Transfers and Other	Balance December 31, 2008
<u>Property and equipment:</u>					
Land	\$ 14,826,476	\$ -	\$ -	\$ -	\$ 14,826,476
Non-structural Improvements	188,051,215	4,841,445	-	-	192,892,660
Buildings	1,571,665,366	7,445,841	(24,800)	-	1,579,086,407
Equipment	439,555,454	6,029,016	(9,194,688)	-	436,389,782
Construction in Progress	23,758,837	10,714,496	-	-	34,473,333
Total property and equipment	2,237,857,348	29,030,798	(9,219,488)	-	2,257,668,658
<u>Less accumulated depreciation:</u>					
Non-structural Improvements	75,863,612	12,646,488	-	-	88,510,100
Buildings	453,206,775	28,445,972	(21,244)	-	481,631,503
Equipment	249,643,155	4,096,590	(8,927,113)	-	244,812,632
Total accumulated depreciation	778,713,542	45,189,050	(8,948,357)	-	814,954,235
<u>Property and equipment, net:</u>					
Land	14,826,476	-	-	-	14,826,476
Non-structural Improvements	112,187,603	(7,805,043)	-	-	104,382,560
Buildings	1,118,458,591	(21,000,131)	(3,556)	-	1,097,454,904
Equipment	189,912,299	1,932,426	(267,575)	-	191,577,150
Construction in Progress	23,758,837	10,714,496	-	-	34,473,333
Property and equipment, net:	\$ 1,459,143,806	\$ (16,158,252)	\$ (271,131)	\$ -	\$ 1,442,714,423

Changes in Property and Equipment for the Year Ended June 30, 2009:

	Balance July 1, 2008	Additions	Retirements	Transfers and Other	Balance June 30, 2009
<u>Property and equipment:</u>					
Land	\$ 14,826,476	\$ -	\$ -	\$ -	\$ 14,826,476
Non-structural Improvements	188,051,215	4,896,762	-	809,208	193,757,185
Buildings	1,571,665,366	10,219,659	(49,437)	8,488,728	1,590,324,316
Equipment	439,555,454	19,221,282	(32,392,201)	-	426,384,535
Construction in Progress	23,758,837	8,723,969	-	(9,297,936)	23,184,870
Total property and equipment	2,237,857,348	43,061,672	(32,441,638)	-	2,248,477,382
<u>Less accumulated depreciation:</u>					
Non-structural Improvements	75,863,612	8,047,020	-	-	83,910,632
Buildings	453,206,775	56,705,976	(30,302)	-	509,882,449
Equipment	249,643,155	24,803,850	(31,576,855)	-	242,870,150
Total accumulated depreciation	778,713,542	89,556,846	(31,607,157)	-	836,663,231
<u>Property and equipment, net:</u>					
Land	14,826,476	-	-	-	14,826,476
Non-structural Improvements	112,187,603	(3,150,258)	-	809,208	109,846,553
Buildings	1,118,458,591	(46,486,317)	(19,135)	8,488,728	1,080,441,867
Equipment	189,912,299	(5,582,568)	(815,346)	-	183,514,385
Construction in Progress	23,758,837	8,723,969	-	(9,297,936)	23,184,870
Property and equipment, net:	\$ 1,459,143,806	\$ (46,495,174)	\$ (834,481)	\$ -	\$ 1,411,814,151

4. LONG-TERM DEBT PAYABLE

Long-term debt activity, including refunding of debt, for the six months ended December 31, 2009 and 2008 and the year ended June 30, 2009 was as follows:

Long-term Debt Activity for the Six Months Ended December 31, 2009:

	Balance July 1, 2009	Additions	Retirements	Balance December 31, 2009	Current Portion
General Obligation Bonds	\$ 844,944,715	\$ -	\$ -	\$ 844,944,715	\$ 64,777,274
Revenue Bonds	172,830,000	-	(2,880,000)	169,950,000	4,815,000
Self Liquidating Bonds	4,785,684	-	-	4,785,684	993,466
Installment Loans	379,267	-	(91,960)	287,307	92,772
Obligation Under Capital Lease for Cogeneration	72,297,889	-	(1,498,370)	70,799,519	3,098,999
Campus Associates Limited Partnership Loan	37,348	-	(12,487)	24,861	24,861
Total long-term debt	1,095,274,903	-	(4,482,817)	1,090,792,086	73,802,372
Premiums/discounts/debt difference due to refunding	18,824,685	-	(733,208)	18,091,477	1,468,887
Total long-term debt, net	<u>\$ 1,114,099,588</u>	<u>\$ -</u>	<u>\$ (5,216,025)</u>	<u>\$ 1,108,883,563</u>	<u>\$ 75,271,259</u>

Long-term Debt Activity for the Six Months Ended December 31, 2008:

	Balance July 1, 2008	Additions	Retirements	Balance December 31, 2008	Current Portion
General Obligation Bonds	\$ 763,413,355	\$ -	\$ -	\$ 763,413,355	\$ 63,323,640
Revenue Bonds	177,330,000	-	(2,755,000)	174,575,000	4,625,000
Self Liquidating Bonds	5,808,324	-	(9)	5,808,315	1,017,725
Installment Loans	177,491	-	(76,446)	101,045	63,452
Obligation Under Capital Lease for Cogeneration	75,196,110	-	(1,432,934)	73,763,176	2,963,656
Total long-term debt	1,021,925,280	-	(4,264,389)	1,017,660,891	71,993,473
Premiums/discounts/debt difference due to refunding	13,726,563	-	(574,068)	13,152,495	1,148,133
Total long-term debt, net	<u>\$ 1,035,651,843</u>	<u>\$ -</u>	<u>\$ (4,838,457)</u>	<u>\$ 1,030,813,386</u>	<u>\$ 73,141,606</u>

Long-term Debt Activity for the Year Ended June 30, 2009:

	Balance			Balance	Current
	July 1, 2008	Additions	Retirements	June 30, 2009	Portion
General Obligation Bonds	\$ 763,413,355	\$ 144,855,000	\$ (63,323,640)	\$ 844,944,715	\$ 64,777,274
Revenue Bonds	177,330,000	-	(4,500,000)	172,830,000	4,695,000
Self Liquidating Bonds	5,808,324	32,484	(1,055,124)	4,785,684	993,466
Installment Loans	177,491	322,112	(120,336)	379,267	63,719
Obligation Under Capital Lease for Cogeneration	75,196,110	-	(2,898,221)	72,297,889	3,030,571
Campus Associates Limited Partnership Loan	-	49,848	(12,500)	37,348	24,894
Total long-term debt	1,021,925,280	145,259,444	(71,909,821)	1,095,274,903	73,584,924
Premiums/discounts/debt difference due to refunding	13,726,563	6,312,563	(1,214,441)	18,824,685	1,468,887
Total long-term debt, net	<u>\$ 1,035,651,843</u>	<u>\$ 151,572,007</u>	<u>\$ (73,124,262)</u>	<u>\$ 1,114,099,588</u>	<u>\$ 75,053,811</u>

5. DEFERRED INCOME

Deferred income is comprised of: tuition, fees and auxiliary enterprises revenues received in advance of services rendered for winter and spring sessions; certain restricted research grants that are not included in revenue until the funds are expended; athletic ticket sales and commitments received in advance of the season; and other revenues received but not earned.

6. CONTINGENCIES

The University is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material effect on the University's financial statements.

7. UNRESTRICTED NET ASSETS

The University adopted GASB No. 35 for external reporting purposes, which requires net assets to be classified for accounting and reporting purposes into one of three net asset categories. Unrestricted net assets, as defined by the GASB, are not subject to externally imposed stipulations; however, they are subject to internal restrictions. For example, unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are internally designated for academic and research programs, capital programs, retirement of debt, and auxiliary enterprise activities.