Financial Report to the Board of Trustees

January 22, 2008

UNIVERSITY OF CONNECTICUT
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FY07 Closeout and FY08 Six Month Update

University of Connecticut Health Center

FY07 Closeout

University of Connecticut Health Center

FY 2007 Review (Unaudited)

The following narration and chart provide information on the main drivers of the University of Connecticut Health Center financial results for Fiscal 2007. The amounts presented here are not yet final, but include all audit adjustments known to date.

Executive Summary – Fiscal Year 2007 ended with a deficit of $4.2 million. The factors affecting Fiscal Year 2007 results are: a decrease in net revenue per case at the hospital due to unfavorable shifts in payor mix and service mix (although the hospital experienced record volume, and expense per adjusted discharge that was below budget); a decrease in Facilities and Administration (F&A) Recovery amounts for research; a deficit in the Farmington Surgery Center prior to conversion to hospital-based status; interest expense (the State charges for funds fronted to cover the academic program negative cash position); and increases in utility costs and other expenses such as repairs, maintenance and depreciation. Together, these factors produced a shortfall of $26.3 million, which was largely offset by a FY 07 deficiency appropriation of $22.1 million.

Total Revenue – For the year ended June 30, 2007, Total Revenues were $673.2 million. Total revenue was ahead of budget projections by about $7.4 million, or 1.1%, and included State Support from a deficiency appropriation of $22.1 million. Negative results in Net patient Revenue was the primary driver for the overall deficit.

- **Research** – Research results for the year ended June 30, 2007, were unfavorable to budget by $2.1 million, or 2.3%. The unfavorable variance to budget is caused by higher than expected equipment purchases (to which an F& A rate is not applied).

- **Resident & Interns** – A higher number of residents led to higher related program expenses, which were billed and paid at levels higher than budgeted.

- **Other Revenues** – This category is below budget due to the losses from the Farmington Surgery Center prior to its conversion to a hospital-based program.

- **Net Patient Revenue** – For the year ended June 30, 2007, Net Patient Revenue was $14.2 million, or 4.6%, under budget. John Dempsey Hospital was $8.6 million below budget, with a decrease in net revenue per case at the hospital due to unfavorable shifts in payor mix and service mix (while the hospital experienced record volume and below-budget expense per adjusted discharge). In addition, UMG was short of budgeted revenues by $2.8 million, the Dental Implant Center was not implemented (but had been budgeted at $1.5 million in revenue) and the Dental Clinics were $1.5 million below budgeted income projections.

- **Correctional Managed Healthcare (CMHC)** – The favorable variance of $3.4 million represents a deficiency appropriation authorized by the legislature.

- **Investment Income** – The unfavorable variance is due to interest expense from the state charge for borrowing to pay bills while the academic program was in a negative cash position. This was partially offset by a higher interest earnings rate for the State Treasurer's Short Term Investment Fund and an increased cash balance in the Malpractice Trust Fund.

- **Total State Support** – $128.4 million in state support includes the Block Grant and the amount of fringe benefits supported by the state. This category is favorable to the budget due to the deficiency appropriation of $22.1 million.

Total Expenditures – For the year ended June 30, 2007, Total Expenditures exceeded their budgeted amounts by about $11.6 million, or 1.7%, with Outside and Other Purchases, Utilities and depreciation costs contributing to the problem. These items were offset by favorable variances in Personal Services, Insurance, and Drugs and Medical Supplies.

- **Outside and Other Purchases** – This category is above budget by about $6.3 million, or 14.4%. This unfavorable variance is not isolated to one specific program within the Health Center. The largest impact contributing to the variance was an audit entry of $2.6 million for various accrued liabilities not included in earlier estimates. The State auditors required the addition of unrecorded liabilities through the entire period of their review, which ended December 2007.

- **Utilities** –Utility expenditures were above budget by about $2.7 million, or 20%, and above the prior year by 27.3%.

- **Depreciation** – For the year ended June 30, 2007, depreciation expense was above budget by about $2.1 million, or 8.4%.

- **Personal Services**–Personal service expense was under budget by $4.0 million or 1.2%.

- **Drugs and Medical** – For the year ended June 30, 2007, drugs and medical expenses were below budget by $1.2 million, or 1.7%.

- **Insurance** – For the year ended June 30, 2007, Insurance expenses were below budget by $1.1 million, or 22%, mainly due to a decrease in the malpractice liability determined by actuarial review and recommendation.

Net Gain (Loss) – The Health Center ended Fiscal Year 2007 with a $4.2 million deficit. The Health Center was aided by the receipt of a deficiency appropriation of $22.1 million, which reduced a $26.3 million shortfall to a deficit of $4.2 million. The deficit was caused by a combination of an Academic Gap (that is, the difference between income and expense in the education/research enterprise) of $18.5 million and a deficit at the John Dempsey Hospital of $7.8 million.

University of Connecticut Health Center

Statement of Current Funds Budget Operations and Variance Analysis

FY07 (unaudited)

(Dollars in Millions)

Current Funds Revenues:	Budget	Actual	Variance	% Change
State Support	$104.8	$128.4	$23.6	
Tuition	9.3	8.9	(0.4)	
Fees	5.5	5.1	(0.4)	
Gifts, Grants & Contracts	91.7	89.6	(2.1)	
Investment Income	2.7	2.3	(0.4)	
Interns & Residents	29.6	31.0	1.4	
Net Patient Care	306.1	291.9	(14.2)	
Correctional Managed Health Care	90.7	94.1	3.4	
Auxiliary Enterprise Education	17.1	15.4	(1.7)	
Other Revenue	8.3	6.5	(1.8)	
Total Current Funds Revenues	$665.8	$673.2	$7.4	1.1%
Current Funds Expenditures / Transfers:				
Personal Services	$334.0	$330.0	($4.0)	
Fringe Benefits	92.8	93.4	$0.6	
Drugs/Medical Supplies	71.4	70.2	($1.2)	
Medical Contractual Support	7.5	8.5	$1.0	
Medical/Dental House Staff	32.6	32.6	$0.0	
Outside Agency Per Diem	2.1	2.3	$0.2	
Utilities	13.5	16.2	$2.7	
Outside & Other Purchases	43.6	49.9	$6.3	
Insurance	5.0	3.9	($1.1)	
Repairs & Maintenance	10.0	11.7	$1.7	
Provision for Bad Debts	6.8	7.3	$0.5	
Other Expenses	21.5	24.3	$2.8	
Depreciation	25.0	27.1	$2.1	
Total Current Funds Expenditures / Transfers	$665.8	$677.4	$11.6	1.7%
Net Gain (Loss)	$0.0	($4.2)	($4.2)	

University of Connecticut Health Center

FY08 Six Month Update

Consolidated Financial Reports
Financial Update & Highlights

TO: Members, Finance Sub-Committee
FROM: Daniel L. Upton, Chief Financial Officer
DATE: December 31, 2007
SUBJECT: **Unaudited FY 2008 Financial Results for the 6 month period ending December 31, 2007.**

Introduction:
The pages that follow provide the significant highlights for the results of operations for the six month period ending December 31, 2007

For the month of December, the actual deficiency is $4.1 million as compared to a budgeted excess of revenues over expenses of $91,000, for an unfavorable variance of $4.2 million. The actual deficiency for the Fiscal Year to Date is $10.3 million as compared to a budgeted deficiency of $631,000, for an unfavorable variance of $9.7 million.
Last fiscal year's result for the same period was an actual deficiency of $11.3 million. For the current year, the end of October saw an actual deficiency year-to-date of $5.1 million; at the end of November, it was $6.2 million. The December outcome represents a marked and unusual downturn.

Interpreting the December results has been a challenge. The John Dempsey Hospital remains the key driver of the deficit to date. For December, a major contributor to the problem is a surprising decline in visits in UMG. Since the practice generates 90% of the hospital's business, the negative impact is obvious. What is not obvious is the reason for the decline, since activity in UMG was ahead of the budget plan for the previous five months. At the end of November, visits were up 3.7% year-to-date and almost 8,200 visits above the same period last year.

December is traditionally a month of relatively low activity and we budget accordingly, but last month's drop exceeds the normal seasonal dip. December 2006 UMG visits represented 16% of year-to-date visits; for December 2007 it was 15%. (Each percentage point equals 2,680 visits.) Although year-to-date UMG visits exceeded the same period last year by 8,600, visits are below budget by 3,949 -- and 80% of this variance occurred in December, which was 3,127 visits below budget.

In seeking to understand the December departure, we noted the following: There were an unusual number of senior physicians in surgical fields out due to illness. (Recent physician hires are generating activity, but new doctors need time to ramp up to full volume.) The 2007 holiday schedule, with Christmas and New Year's falling on a Tuesday, led many to take two four-day weekends in a row. This was reflected in employee schedules and patient preference in scheduling. Two significant snowstorms also may have had an effect. We reviewed patient cancellations/no shows to see if there was unusual activity in December. For September through December 2006, monthly patient cancellations/no shows represented 30.4% of actual visits. In 2006, the rate was steady month to month . For September through November 2007, monthly patient cancellations/no shows were 32.4% of actual visits. For December 2007, it was 34.8%. The difference between December 2007 and the typical 2007 patient cancellation/no show rate translates into 957 visits. While we cannot explain these factors into a direct causal relationship, we do know these data factors deviated from the norm.

The hospital operation continues to be unfavorable to the budget plan. As described below, there is improvement in the revenue per unit due to increased outpatient activity; even though admissions have been below budget, the decreased activity has tended to be in poorly reimbursed areas. Expenses, however, have been unfavorable to the budget plan for the 2nd quarter. The categories that are over budget are salaries, fringe benefits and drugs and a more detailed analysis can be found below.

Other recent events that will impact future months:

- The "Medicare, Medicaid, and SCHIP Extension Act of 2007", signed on December 29, 2007, extends the Section 508 wage index provision for one year. This reinstates our higher wage factor and is retroactively applied to October 1, 2007. This will increase the Medicare reimbursement for JDH by $3.0 million for FY 2008.

- The "Medicare, Medicaid, and SCHIP Extension Act of 2007" also increased the physician fee schedule by .5% versus the 10% cut that was originally planned. The impact will be increased reimbursement of approximately $100,000 for FY 2008.
- Medicare issued a final rule for the outpatient payment system for hospitals, effective January 1. JDH will see an increase of $115,000 for FY 2008.
- The Department of Social Services (DSS) has issued the new inpatient rates for Medicaid. The effective increase is 2% compared to the expected budgeted increase of 9%. We have filed a formal appeal of the rate with DSS and await a response.
- DSS has announced the new rates for physician services for Medicaid will take effect January 1 rather than the start of the fiscal year. Although year-to-date we have not accrued for the planned increase, the impact is nevertheless a loss of expected revenue of $300,000 for the entire year.

Significant Highlights and Variance Analysis:

The **John Dempsey Hospital** is the primary reason which shows a deficit of $12.4 million as compared to the budgeted deficit of $3.4 million, which is unfavorable to the budget plan by $9.0 million.

Volume:
Year to date, admissions are below budget 232 (4.6%) cases and below last year by 130 (2.6%) cases. Page 14 shows how the admission trends have changed quarter to quarter.
Year to date, outpatient visits are below budget 592 (.4%) visits and above last year by 9,225 (7.0%) visits. Page 15 shows the trend, positive through November, but with December below budget 2,535 (11.1%) and below last year 964 (4.6%) visits. A review of the visits by department shows: the Emergency department with a 6% decrease for the month as compared to an increase of 3% for November year-to-date; Diagnostic Radiology with a December 6% decrease vs. 2% increase November YTD); CTT Scan with a December 10% decrease vs. 2% decrease November YTD; MRI with a 6% decrease vs. 25% increase November YTD; and Laboratory tests with a December 8% decrease vs. 8% increase November YTD). The aforementioned areas rely upon referrals from UMG and the decrease reflects the December drop in UMG visits.

Net Patient Revenue:
Year to date, patient revenues are below budget by $3.4 million (3.3%), of which $1.9 million or 10.1% occurred in the month of December. The year-to-date drivers for the variance are inpatient discharges under budget by 206 cases (valued at $2.0 million), outpatient visits under budget 592 visits (valued at $200,000) and the net revenue per adjusted discharge being below the budget plan by $169 (valued at $1.6 million). The drivers for the variance for the month are inpatient discharges under budget by 30 cases (valued at $400,000), outpatient visits under budget 2,535 visits (valued at $709,000) and the net revenue per adjusted discharge below the budget plan by $618 (valued at $920,000). Compared to last fiscal year, net patient revenues have increased $7.8 million or 8.1% due to the Farmington Surgery Center's annualized impact, and increased outpatient volume.

Payor Mix:
The payor classifications of the inpatients continue to be inconsistent. Medicare discharges are below last year by 50 cases year-to-date and November and December combined saw a decrease of 59 cases. Medicaid has increased by 13 cases, with increases in November and December of 30 cases. Self pay cases have decreased 20 cases, although December saw an increase of 8 cases.

Expenses:
Another key driver of the deficit has been increased expenses. We have sought to ensure appropriate staffing levels, not only to meet patient safety needs and regulatory requirements, but also to reduce the use of temporary agency nurses. While agency staffing costs are $300,000 below budget, personal services is showing a significant cost increase. The categories over budget are personal services at $1,978,000 (salaries net of the favorable agency variance), fringe benefits at $1,478,000, drugs at $1,200,000 and depreciation at $465,000. In addition, overtime cost has not decreased to expected levels. This is due primarily to the fact that new hires for nurses, aides, and unit clerks are up significantly in the first six months of the year compared to the same period last year. As a result, the amount of orientation time was up 72%. We must bear the cost of coverage while new hires are in orientation, leading to overtime. While inpatient cases are below budget, the patient days are the same as last year (and only slightly below budget) which requires us to maintain staffing levels to support the patients. In addition, outpatient volume is above last year by 7%. Even though personnel costs are over budget, FTE's per adjusted occupied bed are still below last year's level. The fringe benefit variance is caused by the actual fringe benefit rate (i.e. once employees choose plans) being above the budget estimate by 1.2% (actual of 40.8% vs. a budget of 39.6%), accounting for $570,000 of the variance. The drug cost is related to increased use of specific high cost drugs that were confirmed to be prescribed and reimbursed appropriately.

The **UConn Medical Group** ended with a December deficit of $1,042,000, which was unfavorable to the budget plan by $805,000. The year to date deficit is $2.9 million, compared to a budgeted deficiency of $1.5 million causing an unfavorable variance of $1.3 million.

Year to date visits are above the same period last year by 8,600 visits, or 3%. Compared to the budget, visits are below budget by 3,949 visits; 80% of this variance occurred in December (3,127 visits below budget). The decrease in visits in December represents $500,000 of the unfavorable budget variance. Reviewing the activity for the month shows that certain specialties' volume variance to budget are unfavorable from the previous 5 month trend. These areas include Dermatology (526 visits), Primary Care (1,002 visits), Geriatrics (183 visits), Orthopedics (542 visits) and General Surgery (310 visits). The aforementioned areas make up 82% of the month's variance.
Expenses are over budget in Physician cost due to successful recruitments which have generated additional visits as compared to last fiscal year. Other expenses over budget are due to the support staffing and supply cost for the additional visits.

Overall, the Academic area is slightly unfavorable to the budget plan by $377,000 (0.6%); however year to date the Research Unit is unfavorable to the budget plan by $2.8 million. The primary contributor to this variance was reduced federal grant spending. Reduced federal grant spending is bottom line neutral, since revenue is determined by the recovery of expense (on most grants). However, the decline in federal grant spending of $3.4 million had a direct impact on the recovery of F&A ($1.1 million less than plan).

We believe the decline in grant spending is attributable to the fact that 1) NIH is applying more stringent standards in scoring and awarding grants and 2) until a federal budget is passed, continuing resolutions are funding grant continuations at an 80% level. Even after a budget is adopted, we are told that continuations of grants (subsequent years of multi-year grants) will be at 97.1% of the award amount. Prior practice typically included a cost of living increase for subsequent years. Thus, renewal amounts are less, while our costs continue to increase (compensation, fringe, and utilities). The impact of the recently adopted NIH budget remains to be seen.

Management has engaged the consulting firm of PriceWaterhouseCoopers to assist in developing a turnaround plan for review by the Board. These efforts will have as an immediate focus the hospital, but will encompass all aspects of Health Center operations.

The "Key Drivers" causing the year to date deficit are outlined on page 13.

UConn Health Center

Key Financial and Statistical Indicators

For the six months ended in December

		Current Month					Year - to - Date						
Line #	Category	Actual	Budget	Variance	Percent	Prior Year	Actual	Budget	Variance	Percent	Prior Year	Variance	Percent
1	Total UCHC Excess/ Deficiency	($4,083,877)	$90,636	($4,174,513)	-4605.8%	($2,884,356)	($10,343,103)	($631,909)	($9,711,194)	-1536.8%	($11,297,199)	$954,096	8.4%
2	Education, Research & Institutional Support-Excess/(Deficiency)	($11,008,086)	($10,258,752)	($749,334)	-7.3%	($9,355,099)	($60,918,787)	($60,542,094)	($376,693)	-0.6%	($55,401,923)	($5,516,864)	-10.0%
3	Clinical Operations - Excess/(Deficiency)	($4,447,915)	($764,584)	($3,683,331)	-481.7%	($2,062,878)	($15,287,898)	($4,932,745)	($10,355,153)	-209.9%	($7,380,562)	($7,907,336)	-107.1%
4	CMHC - Excess/(Deficiency)	$60,699	$0	$60,699		($21,083)	($273,599)	$0	($273,599)		($347,095)	$73,496	21.2%
5	State Appropriation-Block Grant	$8,343,777	$8,278,666	$65,111	0.8%	$6,572,339	$48,565,937	$48,175,262	$390,675	0.8%	$39,010,013	$9,555,924	24.5%
6	Fringe Benefits & Other Adjustments	$2,967,648	$2,835,306	$132,342	4.7%	$1,982,365	$17,571,244	$16,667,668	$903,576	5.4%	$12,822,368	$4,748,876	37.0%
7	Total State Support	$11,311,425	$11,113,972	$197,453	1.8%	$8,554,704	$66,137,181	$64,842,930	$1,294,251	2.0%	$51,832,381	$14,304,800	27.6%
8	Total Revenues (000's)	$44,772	$47,515	($2,743)	-5.8%	$43,021	$273,168	$282,356	($9,188)	-3.3%	$264,447	$8,721	3.3%
9	Total Expenses (000's)	$60,167	$58,539	$1,629	2.8%	$54,460	$349,648	$347,831	$1,817	0.5%	$327,577	$22,071	6.7%
10	Research Awards	$3,102,988	$7,666,667	($4,563,679)	-59.5%	$5,567,578	$45,087,614	$46,000,000	($912,386)	-2.0%	$44,546,611	$541,003	1.2%
11	Research Revenue Recognition in Financial Statements	$6,897,097	$7,780,491	($883,394)	-11.4%	$7,523,262	$41,357,957	$46,334,148	($4,976,191)	-10.7%	$44,495,561	($3,137,604)	-7.1%
	John Dempsey Hospital/Dental Clinics												
12	Excess of Revenues over Expenses/ (Deficiency)	($3,405,332)	($527,003)	($2,878,329)	-546.2%	($1,981,650)	($12,437,721)	($3,431,595)	($9,006,126)	-262.4%	($6,927,473)	($5,510,248)	-79.5%
13	Operating Margin	-19.67%	-2.75%	-16.92%	-616.0%	-12.00%	-11.30%	-3.02%	-8.28%	-274.5%	-6.83%	-4.47%	-65.5%
14	Inpatient Admissions	747	799	(52)	-6.5%	772	4,834	5,063	(229)	-4.5%	4,956	(122)	-2.5%
15	Outpatient Visits (excluding Dental)	20,215	22,750	(2,535)	-11.1%	21,179	141,385	141,977	(592)	-0.4%	132,160	9,225	7.0%
16	Dental Visits	6,627	6,797	(170)	-2.5%	6,732	45,344	45,017	327	0.7%	43,470	1,874	4.3%
17	Total Revenue per Adjusted Discharge	$11,260	$11,889	($629)	-5.3%	$10,002	$10,952	$11,159	($207)	-1.9%	$10,575	$377	3.6%
18	Cost per Adjusted Discharge	$13,492	$12,218	$1,274	10.4%	$10,764	$12,198	$11,498	$700	6.1%	$11,303	$895	7.9%
19	Days Revenue in Accounts Receivable	56	57	(1)	-1.8%	57	56	57	(1)	-1.8%	57	(1)	-1.8%
20	Case Mix Index	1.4155	1.4245	(0.0090)	-0.6%	1.4122	1.4057	1.4245	(0.0188)	-1.3%	1.4058	(0.0001)	0.0%
21	FTE's per Adjusted Occupied Bed	5.03	4.59	0.44	9.6%	4.55	4.47	4.37	0.10	2.3%	4.51	(0.04)	-0.9%
	UConn Medical Group												
22	Excess of Revenues over Expenses/ (Deficiency)	($1,042,583)	($237,581)	($805,002)	-338.8%	($81,228)	($2,850,177)	($1,501,150)	($1,349,027)	-89.9%	($453,089)	($2,397,088)	-529.1%
23	Operating Margin	-15.49%	-3.42%	-12.07%	-353.2%	-1.33%	-6.89%	-3.64%	-3.25%	-89.4%	-1.24%	-5.64%	-453.5%
24	Unique Patient Visits	40,801	43,928	(3,127)	-7.1%	40,370	268,008	271,957	(3,949)	-1.5%	259,418	8,590	3.3%
25	Net Revenue Per Unique Patient Visit	$164.99	$158.26	$6.73	4.3%	$151.72	$154.36	$151.73	$2.63	1.7%	$140.33	$14.03	10.0%
26	Cost per Unique Patient Visit	$190.54	$163.66	$26.87	16.4%	$153.73	$165.00	$157.25	$7.75	4.9%	$142.08	$22.92	16.1%
27	Days Revenue in Accounts Receivable	63	58	5	8.6%	54	63	58	5	8.6%	54	9	16.7%

University of Connecticut Health Center
Consolidated Statement of Revenues and Expenses (with Eliminations)
December 2007 YTD

	Consolidated UConn Health Center YTD December 2007				Consolidated UConn Health Center YTD December 2006		
	Actual	Budget	Variance	Percent Variance	Actual	Variance	Percent Variance
Revenues:							
Tuition	$ 4,759,257	$ 4,905,250	$ (145,993)	-3.0%	$ 4,783,998	$ (24,741)	-0.5%
Fees	2,784,112	2,659,317	124,795	4.7%	2,650,705	133,407	5.0%
Federal Research Grants and Contracts	34,503,470	39,030,796	(4,527,326)	-11.6%	36,545,200	(2,041,730)	-5.6%
Non-Federal Research Grants and Contracts	6,854,437	7,323,261	(468,824)	-6.4%	7,950,361	(1,095,924)	-13.8%
Auxiliary Enterprises	6,518,086	6,443,600	74,486	1.2%	7,933,768	(1,415,682)	-17.8%
Interns and Residents	17,361,174	17,199,560	161,614	0.9%	15,533,865	1,827,309	11.8%
Net Patient Care	144,153,021	147,943,070	(3,790,049)	-2.6%	133,130,998	11,022,023	8.3%
Correctional Managed Health Care	49,943,926	49,943,926	0	0.0%	45,711,163	4,232,763	9.3%
Endowment/Foundation Income	1,931,373	2,437,860	(506,487)	-20.8%	1,280,177	651,196	50.9%
Investment Income	1,640,246	1,814,573	(174,327)	-9.6%	1,141,101	499,145	43.7%
Other Income	2,718,513	2,654,742	63,771	2.4%	2,148,303	570,210	26.5%
Total Revenues	$ 273,167,615	$ 282,355,955	$ (9,188,340)	-3.3%	$ 258,809,639	$ 14,357,976	5.5%
Expenses:							
Personal Services	$ 174,571,349	$ 173,416,847	$ 1,154,502	0.7%	$ 161,340,009	$ 13,231,340	8.2%
State Supported Fringe Benefits	17,571,244	17,827,115	(255,871)	-1.4%	12,822,966	4,748,278	37.0%
Fringe Benefits	31,074,180	30,270,585	803,595	2.7%	32,021,360	(947,180)	-3.0%
Medical Contractual Support	9,692,349	9,622,664	69,685	0.7%	4,159,574	5,532,775	133.0%
Medical/Dental House Staff	15,830,215	15,437,379	392,836	2.5%	16,170,278	(340,063)	-2.1%
Outside Agency Per Diems	1,035,203	1,142,825	(107,622)	-9.4%	1,354,449	(319,246)	-23.6%
Drugs	17,188,072	16,312,628	875,444	5.4%	15,620,057	1,568,015	10.0%
Medical Supplies	19,654,587	19,694,891	(40,304)	-0.2%	18,164,421	1,490,166	8.2%
Utilities	8,070,361	9,251,386	(1,181,025)	-12.8%	6,831,500	1,238,861	18.1%
Outside & Other Purchased Services	24,412,250	24,451,259	(39,009)	-0.2%	22,569,508	1,842,742	8.2%
Insurance	2,848,410	2,508,406	340,004	13.6%	2,340,236	508,174	21.7%
Repairs & Maintenance	4,347,859	4,687,073	(339,214)	-7.2%	5,159,611	(811,752)	-15.7%
Other Expenses	10,017,043	10,318,603	(301,560)	-2.9%	10,711,863	(694,820)	-6.5%
Depreciation	13,334,777	12,889,133	445,644	3.5%	12,673,387	661,390	5.2%
Total Expenses	$ 349,647,899	$ 347,830,794	$ 1,817,105	0.5%	$ 321,939,219	$ 27,708,680	8.6%
Excess/(Deficiency) of Revenues over Expenses Prior to State Appropriations	$ (76,480,284)	$ (65,474,839)	$ (11,005,445)	-16.8%	$ (63,129,580)	$ (13,350,704)	-21.1%
State Appropriation-Block Grant	$ 48,565,937	$ 48,175,262	$ 390,675	0.8%	$ 39,010,013	$ 9,555,924	24.5%
State Supported Fringe Benefits and Other Adjustments	17,571,244	16,667,668	903,576	5.4%	12,822,368	4,748,876	37.0%
Excess/(Deficiency)	$ (10,343,103)	$ (631,909)	$ (9,711,194)	-1536.8%	$ (11,297,199)	$ 954,096	8.4%
Total State Support	66,137,181	64,842,930	1,294,251	2.0%	51,832,381	14,304,800	27.6%
Percent of Total Revenues	19.49%	18.68%	0.01	4.4%	16.69%	0	16.8%
Total State Support without Fringe Benefits	48,565,937	48,175,262	390,675	0.8%	39,010,013	9,555,924	24.5%

University of Connecticut Health Center
Consolidated Statement of Revenues and Expenses (with Eliminations)
December 2007 - Month Only

	Consolidated UConn Health Center Month Ended December 2007				Consolidated UConn Health Center Month Ended December 2006			ted UConn Hea 0
	Actual	Budget	Variance	Percent Variance	Actual	Variance	Percent Variance	Percent Variance
Revenues:								
Tuition	$ 724,001	$ 817,542	$ (93,541)	-11.4%	$ 1,080,494	$ (356,493)	-33.0%	-0.5%
Fees	445,910	443,221	2,689	0.6%	437,056	8,854	2.0%	5.0%
Federal Research Grants and Contracts	6,191,463	6,581,859	(390,396)	-5.9%	7,756,857	(1,565,394)	-20.2%	-5.6%
Non-Federal Research Grants and Contracts	705,584	1,201,951	(496,367)	-41.3%	-233,595	939,179	402.1%	-13.8%
Auxiliary Enterprises	1,212,321	990,854	221,467	22.4%	1,007,149	205,172	20.4%	-17.8%
Interns and Residents	3,024,665	2,897,746	126,919	4.4%	2,443,337	581,328	23.8%	11.8%
Net Patient Care	22,762,665	24,945,177	(2,182,512)	-8.7%	21,830,639	932,026	4.3%	8.3%
Correctional Managed Health Care	8,414,466	8,414,466	0	0.0%	7,701,337	713,129	9.3%	9.3%
Endowment/Foundation Income	339,743	406,312	(66,569)	-16.4%	235,132	104,611	44.5%	50.9%
Investment Income	250,447	302,431	(51,984)	-17.2%	-103,285	353,732	342.5%	43.7%
Other Income	700,928	513,762	187,166	36.4%	552,089	148,839	27.0%	26.5%
Total Revenues	$ 44,772,193	$ 47,515,321	$(2,743,128)	-5.8%	$ 42,707,210	$ 2,064,983	4.8%	5.5%
Expenses:								
Personal Services	$ 29,437,563	$ 29,105,101	$ 332,462	1.1%	$ 26,777,572	$ 2,659,991	9.9%	8.2%
State Supported Fringe Benefits	2,967,648	2,965,815	1,833	0.1%	2,002,216	965,432	48.2%	37.0%
Fringe Benefits	5,229,792	5,010,485	219,307	4.4%	5,236,903	(7,111)	-0.1%	-3.0%
Medical Contractual Support	1,541,239	1,588,581	(47,342)	-3.0%	672,225	869,014	129.3%	133.0%
Medical/Dental House Staff	2,588,515	2,604,917	(16,402)	-0.6%	2,720,168	(131,653)	-4.8%	-2.1%
Outside Agency Per Diems	209,281	193,533	15,748	8.1%	275,778	(66,497)	-24.1%	-23.6%
Drugs	3,007,090	2,722,991	284,099	10.4%	2,715,869	291,221	10.7%	10.0%
Medical Supplies	3,434,661	3,192,920	241,741	7.6%	3,143,541	291,120	9.3%	8.2%
Utilities	1,495,413	1,687,306	(191,893)	-11.4%	1,161,693	333,720	28.7%	18.1%
Outside & Other Purchased Services	4,416,506	4,164,482	252,024	6.1%	3,883,320	533,186	13.7%	8.2%
Insurance	507,383	418,568	88,815	21.2%	384,980	122,403	31.8%	21.7%
Repairs & Maintenance	865,048	775,413	89,635	11.6%	878,647	(13,599)	-1.5%	-15.7%
Other Expenses	1,752,276	1,746,393	5,883	0.3%	1,880,137	(127,861)	-6.8%	-6.5%
Depreciation	2,715,080	2,362,152	352,928	14.9%	2,413,221	301,859	12.5%	5.2%
Total Expenses	$ 60,167,495	$ 58,538,657	$ 1,628,838	2.8%	$ 54,146,270	$ 6,021,225	11.1%	8.6%
Excess/(Deficiency) of Revenues over Expenses Prior to State Appropriations	$ (15,395,302)	$ (11,023,336)	$(4,371,966)	-39.7%	$ (11,439,060)	$ (3,956,242)	-34.6%	-21.1%
State Appropriation-Block Grant	$ 8,343,777	$ 8,278,666	$ 65,111	0.8%	$ 6,572,339	$ 1,771,438	27.0%	24.5%
State Supported Fringe Benefits and Other Adjustments	2,967,648	2,835,306	132,342	4.7%	1,982,365	985,283	49.7%	37.0%
Excess/(Deficiency)	$ (4,083,877)	$ 90,636	$(4,174,513)	-4605.8%	$ (2,884,356)	$ (1,199,521)	-41.6%	8.4%
Total State Support	11,311,425	11,113,972	197,453	1.8%	8,554,704	2,756,721	32.2%	27.6%
Percent of Total Revenues	20.17%	18.96%	-7.76%	-40.9%	16.69%	57.17%	342.6%	16.8%
Total State Support without Fringe Benefits	8,343,777	8,278,666	65,111	0.8%	6,572,339	1,771,438	27.0%	24.5%

University of Connecticut Health Center
Fiscal Year 2008, for the 6 month period ending December 31, 2007
KEY DRIVERS

Significant Variances from Budget

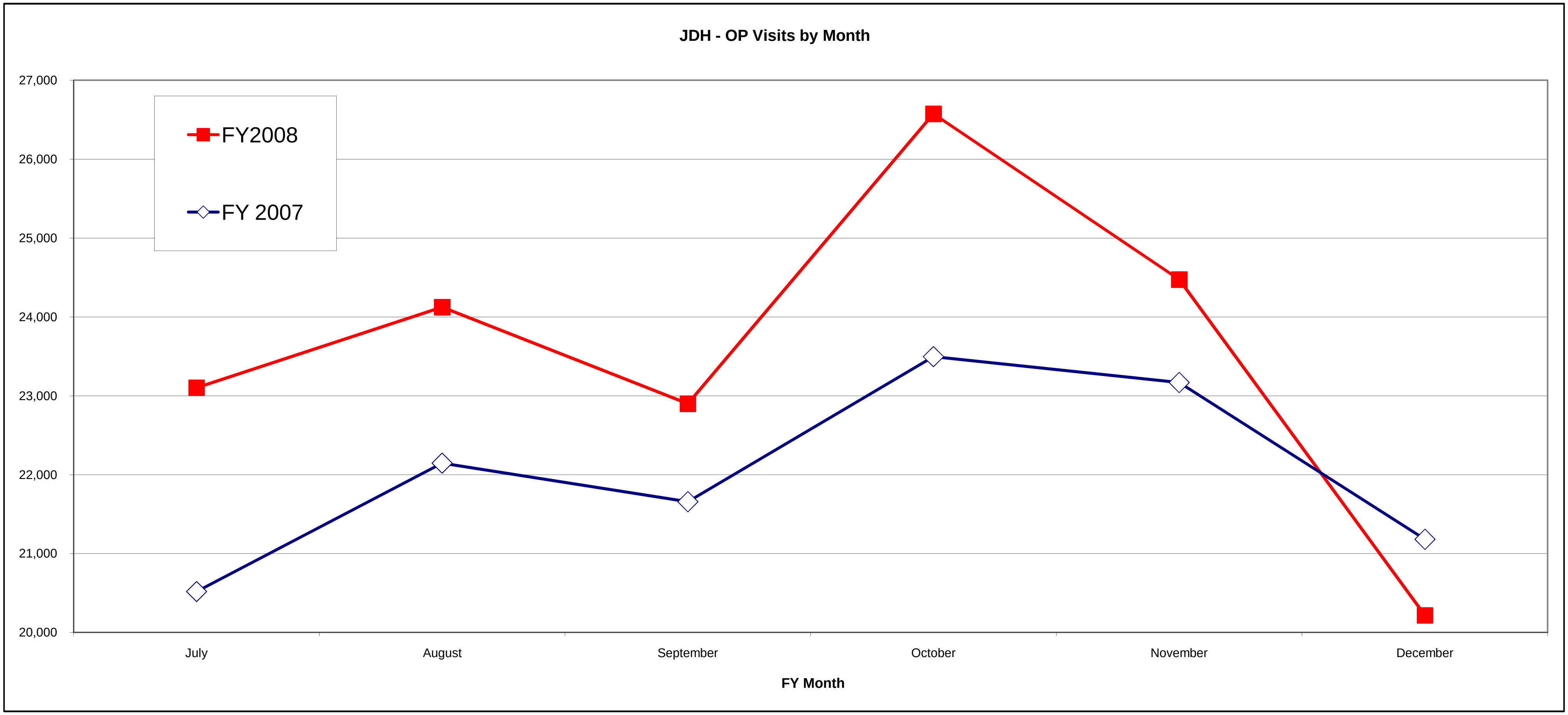
	Month (December)	Year - to - Date
John Dempsey Hospital		
Hospital results of operations	($2,884,000)	($8,592,000)
Correctional Managed Health Care hospital services	61,000	(274,000)
Dental Clinics results of operations	6,000	(414,000)
Subtotal	(2,817,000)	(9,280,000)
Faculty Practice Plans		
Dental Faculty Practice Plan results of operations	(10,000)	(196,000)
UConn Medical Group results of operations	(805,000)	(1,349,000)
Research		
Results of operations	(909,000)	(2,835,000)
School of Medicine	295,000	273,000
School of Dental Medicine	(210,000)	19,000
Institutional Support	85,000	2,363,000
State Support	197,000	1,294,000
Total	($4,174,000)	($9,711,000)

JDH
Admission variance analysis by Unit by QTR
Compared to the prior year

Unit	1st QTR	2nd QTR	Total	
CMHC	20	-35	-15	
Psych	29	-36	-7	
OB/GYN/NICU/Nursery	14	-23	-9	
Sub total	63	-94	-31	
Oncology	-29	-14	-43	
Surgery	-33	-16	-49	July through November showed decreased activity, The month of December was a slight increase
Cardiology	25	-12	13	The month of October was a decrease of 37 cases, all other month were increases
ICU	16	-6	10	The month of July was the only month there was an increase (21 cases)
Medical 4	-26	-4	-30	The month of July was a decrease of 22 cases
Sub total	-47	-52	-99	
Total Variance	16	-146	-130	

JDH OP VISITS
COGNOS
1/15/2008

	FY 2007						FY2008								
pt_type	2006/Jul	2006/Aug	2006/Sep	2006/Oct	2006/Nov	2006/Dec	2007/Jul	2007/Aug	2007/Sep	2007/Oct	2007/Nov	2007/Dec	2007 FYTD	2008 FYTD	variance 2008 - 2007
TOTAL	20,519	22,145	21,655	23,496	23,166	21,179	23,102	24,122	22,899	26,574	24,473	20,215	132,160	141,385	9225



University of Connecticut

Storrs & Regional Campuses

FY07 Closeout

University of Connecticut (Storrs & Regional Campuses)

FY 2007 Review (unaudited)

The following narration and schedule provide information on the main drivers of the University of Connecticut Storrs-based operating budget.

- **Total Revenue** – For the year ended June 30, 2007, total Operating and Research Fund revenues were $862.3 million or 0.9% more than budgeted. The Operating Fund had a positive variance from budget of $5.5 million. This was primarily due to positive variances in Fees of $3.2 million, Investment Income of $2.3 million and Grants & Contracts of $2.0 million. This was offset by negative variances of $1.8 million in Tuition and $2.4 million in Auxiliary Enterprise revenues.
  - **Tuition Revenue** – Total net tuition revenue was $177.8 million which was $1.8 million less than budget. The budgeted tuition revenue was based on a 5.9% rate increase and a fall 2006 total enrollment increase of 1.9%. The actual enrollment increase was 1.4% (total undergraduate degree-seeking students budget was 2.0% and actual increase was 1.8%). Undergraduate degree-seeking enrollment generated approximately 87% of actual tuition revenues.
  - **Fees** – Fee revenue was $74.6 million which was $3.2 million more than budget. Fee collections for the year were up primarily due to greater than budgeted course fee revenue (summer session, MBA, MS in Accounting and EMBA).
  - **Grants & Contracts** – Operating Fund Grants & Contracts revenue was $2.0 million greater than budget due to additional state and federal financial aid support as well as greater than budgeted UConn Foundation revenue.
  - **Investment Income** – Investment income exceeded the FY07 budget with revenues of $11.4 million. The average interest rate for Fiscal Year 2007 was 5.4% compared to 4.31% for Fiscal Year 2006.
  - **Auxiliary Enterprise Revenue** – Operating Fund auxiliary revenue was $130.0 million and was $2.4 million less than budget. This was due to a higher than anticipated year-end accounting adjustment which reversed the auxiliary intra-university revenue as well as the corresponding expense.
- **Total Expenditures/Transfers** – Total Operating and Research Fund expenditures/transfers were $853.0 million and were less than budgeted. Operating Fund expenditures/transfers were under budget by $2.2 million and Research Fund expenditures were under budget by $0.8 million.
  - **Personal Services Expenditures** – Operating Fund Personal Services expenditures (including fringe benefits) were $481.0 million or $4.8 million under budget. Resources were identified primarily through internal reallocations to hire a net of 92 additional faculty and staff. $3.3 million in State appropriated funds remained unspent for the Center for Entrepreneurship and the Eminent Faculty programs due to the uncertainty regarding the funds being permanent and for the Eminent Faculty program, the need to secure the private match required by law. In addition, vacancy management savings (turnover) were greater than budgeted.
  - **Other Expense** – Operating Fund other expenses were under budget by $2.3 million. This was primarily due to scheduling delays in several large Information Technology projects including the implementation of a new Human Resource system.
  - **Energy** – Energy costs were under budget by $9.0 million. This was largely due to lower natural gas prices and because efficiencies have been realized with the Cogeneration plant. Also, after the budget was presented to the Board of Trustees, the University finalized negotiations with Connecticut Natural Gas which locked in rates lower than the rates used to build the energy budget.
  - **Financial Aid Expenditures** – Financial Aid expenditures were $76.7 million or $4.7 million more than budgeted. The additional funds were necessary to meet the demands for need-based financial aid. The overage was covered with additional funds from State and Federal sources ($1.7 million) and energy savings. 19.1% of actual tuition revenue was spent on need-based aid.
  - **Transfers** – This line reflects transfers to Plant Funds for various building improvements, code related corrective action (in order to ensure compliance with new statutory language, investment income, a non-student revenue source, was utilized) and bond and installment loan payments, as well as payments for the capital lease for the Cogeneration plant. Also, the Departments of Residential Life and Dining Services transferred more funds for repairs and renovations due to energy savings.
- **Net Gain (Loss)** – For the year ended June 30, 2007, there was an unrestricted net gain of $7.9 million and a restricted net gain of $1.4 million. $1.0 million of the unrestricted net gain represented a reserve repayment for the November 2001 drawdown of $11.5 million for Towers Dining Center and the Student Union. $3.3 million of the net gain represented unspent State appropriation funds for the Center for Entrepreneurship ($1.3 million) and the Eminent Faculty ($2.0 million) programs which were carried forward to Fiscal Year 2008 and designated for these programs. $2.6 million of the gain was in the Research Fund of which $1.6 million was unrestricted and $1.0 million was restricted. The remaining unrestricted net gain of $2.0 million was the result of a variety of factors including energy savings, scheduling delays in several large Information Technology projects, increased fee revenue, and greater than budgeted savings in the University's vacancy management program (turnover).

University of Connecticut (Storrs & Regionals)
Statement of Current Funds Budget Operations[1] and Variance Analysis
FY07 (unaudited)
(Dollars in Millions)

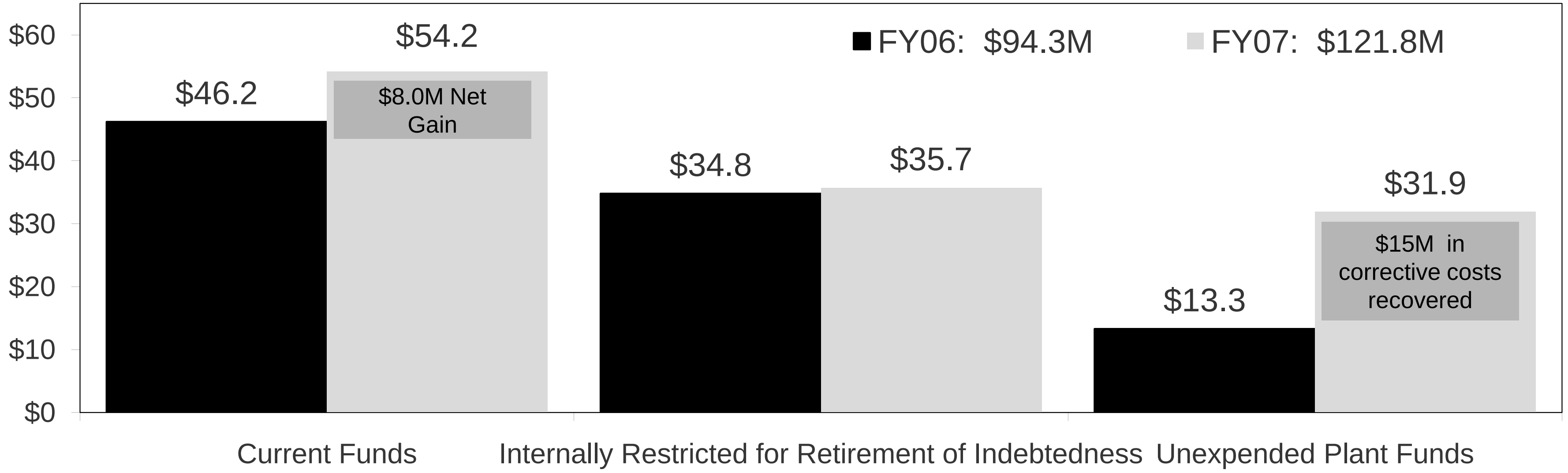
	Budget	Actual	Variance	% Change
Current Funds Revenues:				
Operating Fund				
State Support	$305.8	$305.9	$0.1	
Tuition	179.6	177.8	(1.8)	
Fees	71.4	74.6	3.2	
Grants & Contracts	63.0	65.0	2.0	
Investment Income	9.1	11.4	2.3	
Sales & Service Education	13.6	14.9	1.3	
Auxiliary Enterprise Revenue	132.4	130.0	(2.4)	
Other Revenue	10.1	10.9	0.8	
Total Operating Fund	785.0	790.5	5.5	
Research Fund	70.0	71.8	1.8	
Total Current Funds Revenues	$855.0	$862.3	$7.3	0.9%
Current Funds Expenditures / Transfers:				
Operating Fund				
Personal Services	$367.6	$358.8	($8.8)	
Fringe Benefits	118.2	122.2	4.0	
Other Expenses	146.0	143.7	(2.3)	
Energy	39.0	30.0	(9.0)	
Equipment	9.8	10.9	1.1	
Student Financial Aid	72.0	76.7	4.7	
Transfers	33.4	41.5	8.1	
Total Operating Fund	786.0	783.8	(2.2)	
Research Fund	70.0	69.2	(0.8)	
Total Current Funds Expenditures / Transfers	$856.0	$853.0	($3.0)	-0.4%
Net Gain (Loss)[2]	($1.0)	$9.3	$10.3	

	Operating	Research	Total
Unrestricted	$6.3	$1.6	**$7.9**
Restricted	0.4	1.0	**1.4**
Total	**$6.7**	**$2.6**	**$9.3**

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 For the year ended June 30, 2007, there was an unrestricted net gain of $7.9 million and a restricted net gain of $1.4 million. $1.0 million of the unrestricted net gain represented a reserve repayment for the November 2001 drawdown of $11.5 million for Towers Dining Center and the Student Union. $3.3 million of the net gain represented unspent State appropriation funds for the Center for Entrepreneurship ($1.3 million) and the Eminent Faculty ($2.0 million) programs which were carried forward to Fiscal Year 2008 and designated for these programs. $2.6 million of the gain was in the Research Fund of which $1.6 million was unrestricted and $1.0 million was restricted. The remaining unrestricted net gain of $2.0 million was the result of a variety of factors including energy savings, scheduling delays in several large Information Technology projects, increased fee revenue, and greater than budgeted savings in the University's vacancy management program (turnover).

University of Connecticut (Storrs & Regionals)
Unrestricted Net Assets ($M)



- The $8.0M unrestricted Current Funds increase reflects a $1.0M gain for the reserve repayment for the November 2001 drawdown of $11.5M for Towers Dining Center and the Student Union, and also includes a $3.3M gain from unspent State appropriation funds for the Center for Entrepreneurship and the Eminent Faculty programs which will be carried forward to FY08 and designated for these programs. In addition to a $1.6M gain in the Research Fund, the remaining $2.0M gain was the result of a variety of factors (energy savings, delays in large IT projects, fee revenue & vacancy management savings).
- The slight increase ($0.9M) in Internally Restricted for Retirement of Indebtedness is attributed to investment earnings. The University reserves at a level representing 1.6 times our annual debt cost.
- The $18.6M Unexpended Plant Funds increase reflects the recovery of $15M of code corrections costs, funds transferred from Investment Income (non-student revenue source) to address code violations, and funding for Auxiliary Enterprise operations including window replacement projects.

University of Connecticut (Storrs & Regionals)
Current Funds Statement of Operations
FY07 (unaudited)
(Dollars in Millions)

Current Funds (Operating & Research) Revenues:	
Operating Fund	
State Support	$305.9
Tuition	177.8
Fees	74.6
Gifts, Grants & Contracts	65.0
Investment Income	11.4
Sales & Service Education	14.9
Auxiliary Enterprise Revenue	130.0
Other Revenue	10.9
Total Operating Fund	790.5
Research Fund	71.8
Total Current Funds (Operating & Research) Revenues	**$862.3**
Current Funds (Operating & Research) Expenditures / Transfers:	
Operating Fund	
Personal Services	$358.8
Fringe Benefits	122.2
Other Expenses	143.7
Energy	30.0
Equipment	10.9
Student Financial Aid [1]	76.7
Net Transfers - Mandatory	22.2
Net Transfers - Auxiliary Non-Mandatory	13.2
Net Transfers - E&G Non-Mandatory	6.1
Total Operating Fund	783.8
Research Fund	69.2
Total Current Funds (Operating & Research) Expenditures / Transfers	**$853.0**
Current Funds Net Gain [2]	$9.3
Non-Current Funds Items	
Net Transfers from Current Funds	$42.2
Capitalization Adjustment for Items Expensed in Current Funds	(142.3)
Depreciation Expense	88.0
Non-Operating Expense Net of Current Funds Items [3]	(29.6)
Capital Additions	66.4
Total increase in Net Assets	**$34.0**
Net Assets - beginning of year [4]	**$1,383.7**
Net Assets - end of year	**$1,417.7**

[1] Includes $2.2 million of student work study expenditures.

[2] Net Gain of $9.3 million: Unrestricted=$7.9 million, Restricted=$1.4 million.

[3] State Support, Gifts and Investment Income are included in Current Funds; interest expense (net of state debt service commitment for interest) is the primary remaining component of Non-Operating Expense.

[4] Per FY06 University Audited Annual Financial Statements.

University of Connecticut

Storrs & Regional Campuses

FY08 Six Month Update

University of Connecticut (Storrs & Regionals)
Statement of Current Funds Budget Operations[1] and Variance Analysis
FY08 (unaudited)
(Dollars in Millions)

	12/31/07	6/30/08			
	Actual	Budget	Forecast	Variance	% Change
Current Funds Revenues:					
Operating Fund					
State Support	$169.0	$325.3	$325.3	$0.0	
Tuition	97.4	191.1	190.5	(0.6)	
Fees	39.0	75.2	77.0	1.8	
Grants & Contracts	30.5	65.2	67.1	1.9	
Investment Income	5.7	11.1	10.6	(0.5)	
Sales & Service Education	6.2	14.9	15.0	0.1	
Auxiliary Enterprise Revenue	67.2	139.1	137.1	(2.0)	
Other Revenue	5.6	9.8	10.0	0.2	
Total Operating Fund	420.6	831.7	832.6	0.9	
Research Fund	38.3	69.3	70.5	1.2	
Total Current Funds Revenues	$458.9	$901.0	$903.1	$2.1	0.2%
Current Funds Expenditures / Transfers:					
Operating Fund					
Personal Services	$192.1	$380.2	$380.2	$0.0	
Fringe Benefits	68.5	132.8	132.8	0.0	
Other Expenses	72.6	160.4	158.3	(2.1)	
Energy	12.0	31.6	29.5	(2.1)	
Equipment	5.5	10.5	11.5	1.0	
Student Financial Aid	39.1	81.0	81.0	0.0	
Transfers	14.1	37.5	37.5	0.0	
Total Operating Fund	403.9	834.0	830.8	(3.2)	
Research Fund	37.8	69.3	70.5	1.2	
Total Current Funds Expenditures / Transfers	$441.7	$903.3	$901.3	($2.0)	-0.2%
Net Gain (Loss)	$17.2	($2.3) [2]	$1.8	$4.1	

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 budgeted net loss is comprised of a $1.0 million gain representing the reserve repayment for the November 2001 drawdown of $11.5 million for the Towers Dining Center and Student Union and a $3.3 million loss from unspent Fiscal Year 07 State appropriation funds for the Center for Entrepreneurship ($1.3 million) and the Eminent Faculty ($2.0 million) programs.

Fiscal Year 2008 Current Funds Budget Review (unaudited)
For the Six Months Ended December 31, 2007

Summary

On August 1, 2007, the Board of Trustees approved a Spending Plan for Fiscal Year 2008 of $903.3 million. This budget includes $901.0 million of revenue to cover $903.3 million in expenses, yielding a $2.3 million net loss. This net loss is comprised of a $1.0 million gain representing the reserve repayment for the November 2001 drawdown of $11.5 million for the Towers Dining Center and Student Union and a $3.3 million loss from unspent Fiscal Year 07 State appropriation funds for the Center for Entrepreneurship ($1.3 million) and the Eminent Faculty ($2.0 million) programs.

Financial results for the first six months of Fiscal Year 2008 reflect a number of different factors when compared to budget. Overall, revenue was slightly ahead of budget and totaled $458.9 million or 50.9% of the budget. At this point last fiscal year, revenues were 50.1% of budget. At the close of December, the University expenditures and transfers totaled $441.7 million or 48.9% of the budget. At this point last fiscal year, expenditures and transfers were 48.2% of budget. Energy expenditures are projected to be under budget by $2.1 million and it is also likely that $2.0 million from the Eminent Faculty program, which was carried forward from Fiscal Year 2007, will not all be spent prior to the end of the fiscal year. The recruitment process for the Eminent Faculty Fuel Cell initiative is expected to be completed this spring with a start date in summer 2008. For the fiscal year-end, a net gain of $1.8 million is currently projected.

The net gain for the Operating and Research Funds at December 31, 2007 is not indicative of expected annual results, as more revenue is typically received in the first and second quarters of the fiscal year while expenditures are more evenly distributed throughout the year.

A more detailed review of the first six months of Fiscal Year 2008 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first six months of Fiscal Year 2008 were $420.6 million which represented 50.6% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 50.2% of the annual budget. A major source of revenue, **State Support,** consisted of a $125.9 million appropriation and a fringe benefit allotment of $43.1 million. State Support represented 40.2% of total Operating Fund receipts for the first six months.

Another major source of revenue, **Tuition** collections, was $97.4 million, which represented 23.1% of total Operating Fund receipts. Tuition receipts were 51.0% of the annual amount budgeted ($191.1 million). Tuition revenue collections reflect a 5.6% rate increase coupled with a 0.8% increase in the number of undergraduate degree-seeking students who account for approximately 87% of budgeted tuition revenues. Tuition income is projected to be under budget ($0.6 million) at the end of the fiscal year as actual enrollment is less than originally budgeted.

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 $39.0 million or 51.9% of the amount budgeted. Fee revenue is expected to be over budget by $1.8 million in Fiscal Year 2008.

Auxiliary Enterprise Revenue for the first six months of Fiscal Year 2008 was $67.2 million which represented 48.3% of the annual budgeted amount and was slightly behind projections. Auxiliary revenue consisted primarily of Room and Board Fees ($51.3 million) and Athletic Department receipts ($13.8 million).

The remaining revenue categories are (1) Grants and Contracts (non-research), (2) Investment Income, (3) Sales and Services of Educational Activities, and (4) Other Sources (primarily parking, transit fee, and rental income).

Gifts, Grants and Contracts revenue consists of restricted revenues from a granting agency or private donor and gifts transferred from the UConn Foundation. For the first six months of Fiscal Year 2008, Gifts, Grants and Contracts revenue of $30.5 million, which included $5.7 million from the UConn Foundation, was 46.8% of the annual budget. This category is projected to be slightly ahead of budget at the end of the fiscal year.

Investment Income for the first two quarters of Fiscal Year 2008 was $5.7 million. Interest rates continue to fall with the rate for December 2007 at 4.64% compared to 5.47% in December 2006. Investment income for the year is projected to be below budget by $0.5 million. 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 revenue totaled $11.8 million for the first six months or $1.3 million less than budgeted due in large part to timing of receipts. The end-of-year projection is $24.9 million or a positive variance of $ 0.3 million.

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 $38.3 million and represented 55.3% of the amount budgeted. In Fiscal Year 2007, Research Fund revenues reported in the first six months totaled $33.7 million and represented 48.1% of the amount budgeted. The Research Fund budget in Fiscal Year 2007 was $70.0 million and the budget for Fiscal Year 2008 is only $69.3 million. Based on the first six months, the Research Fund revenues are expected to slightly exceed the budget.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first six months of Fiscal Year 2008 were $389.9 million or 49.0% of the annual budgeted amount. The spending pattern of the first two quarters of the last fiscal year reflected expenditures of 48.4% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	50.5%
Fringe Benefits	51.6%
Other Expenses/Energy	44.1%
Equipment	52.0%
Student Aid	48.3%

Personal Services/Fringe Benefits were $260.6 for the first two quarters. The Fiscal Year 2008 Operating Fund budget for personal services and fringe benefits is $513.0 million and the year-end projection is on target. 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 last fall to 17.0:1 this fall. The personal service and fringe benefit expenditures will continue to be monitored closely throughout the year as they represent 61.5% of the Operating Fund expenditure budget.

Other Expenses and Energy expenditures were $84.6 million for the first six months and represented 44.1% of the amount budgeted. Energy expenditures are projected to be less than budget primarily due to the negotiation of a favorable gas contract plus benefits from the recently held reverse energy auction. Therefore, Other Expenses and Energy expenditures are projected to be $4.2 million less than budget at the end of the fiscal year.

Equipment expenditures of $5.5 million were 52.0% of the amount budgeted and represented 1.4% of the operating expenditures. Expenditures for the first six months were slightly less than anticipated but are expected to be greater than budgeted for the year. 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. Actual expenditures will depend on whether this equipment is purchased prior to the end of the fiscal year.

Student Aid funds are predominantly spent in the first and third quarter of the fiscal year. For the first six months, Student Aid expenditures were $39.1 million and represented 48.3% of the amount budgeted. This category is expected to be on target for the year. A clearer picture of the fiscal year forecast will be available after the spring semester awards are processed in February 2008.

Expenditures - Operating Fund Transfers

The **Transfers** line reflects bond and installment loan payments as well as payments for the capital lease for the cogeneration plant.

Expenditures - Research Fund

Research Fund expenditures and transfers totaled $37.8 million and represented 54.5% of the budgeted amount. In Fiscal Year 2007, Research Fund expenditures and transfers reported in the first six months totaled $34.5 million and represented 49.2% of the budgeted amount. Because of the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results. Based on the first six months, the Research Fund expenditures are expected to be slightly more than budget for the year and will track with the additional Research Fund revenues.

Enrollment

Total University enrollment for fall 2007 (excluding the Health Center) is up 0.7% from fall 2006. First semester freshmen enrollment is down 1.3% from fall 2006; however, total undergraduate enrollment (degree and non-degree) is up 0.3%. The current year budget was based on a projected 1.4% increase in total University enrollment and a projected 1.9% increase in undergraduate enrollment. As a result, Tuition revenue is projected to be under budget and will be monitored closely due to the lower than expected enrollment.

Fund Balance

The University's budget is currently projected to have a net gain of $1.8 million for the fiscal year ended June 30, 2008, which results in a Current Funds Unrestricted Fund Balance of $56.0 million (Operating Fund-$36.8 million; Research Fund-$19.2 million). The net gain is primarily a result of energy expenditures, which are projected to be under budget by $2.1 million, and the Eminent Faculty program, which is unlikely to expend the $2.0 million carried forward from Fiscal Year 2007. The projected fund balance represents 7.0% of the current year's original unrestricted expenditure budget. Also, in accordance with standard University procedures, centrally funded unrestricted fund balances are carried forward in departmental accounts and are available for expenditure in the current and future fiscal years. The Fiscal Year 2008 budget assumes a consistent level of departmental fund balances at June 30, 2008. Any variance from this assumption will affect the projected fund balance level at year-end.

University of Connecticut

Storrs & Regional Campuses

Interim Financial Statements for the Six Months Ended December 31, 2007

UNIVERSITY OF CONNECTICUT
INTERIM STATEMENTS OF NET ASSETS
As of December 31, 2007 and 2006 and June 30, 2007
UNAUDITED

ASSETS	December 31, 2007	December 31, 2006	June 30, 2007
Current Assets			
Cash and cash equivalents	$ 226,269,139	$ 188,154,720	$ 194,995,525
Accounts receivable, net	28,966,897	26,248,152	40,067,930
Student loans receivable, net	2,684,306	2,534,701	2,684,306
Due from State of Connecticut	64,446,361	57,724,188	39,056,405
Due from related agencies	-	-	221
State debt service commitment	76,074,525	69,686,692	74,028,911
Inventories	2,866,469	2,582,502	2,866,469
Deposit with bond trustee	66,692,601	41,481,892	98,453,621
Deferred charges	950,126	896,517	1,201,660
Other assets	19,428	56,213	8,370
Total Current Assets	468,969,852	389,365,577	453,363,418
Noncurrent Assets			
Cash and cash equivalents	1,469,147	1,460,457	1,462,435
Investments	14,910,001	13,511,624	14,877,495
Student loans receivable, net	10,247,700	9,406,757	9,901,776
State debt service commitment	763,413,355	734,442,147	763,413,355
Property and equipment, net	1,462,353,030	1,499,359,097	1,487,099,251
Deferred charges	8,584,267	8,979,874	8,986,068
Total Noncurrent Assets	2,260,977,500	2,267,159,956	2,285,740,380
Total Assets	$ 2,729,947,352	$ 2,656,525,533	$ 2,739,103,798
LIABILITIES			
Current Liabilities			
Accounts payable	$ 29,032,244	$ 27,405,263	$ 31,890,342
Deferred income	47,522,840	53,211,360	23,236,436
Wages payable	46,402,134	39,254,386	43,489,175
Compensated absences	14,253,544	14,526,012	15,263,043
Due to the State of Connecticut	18,472,119	14,857,804	15,422,828
Due to Affiliate	21,884,444	19,117,177	27,671,053
Due to related agencies	2,366	338	28,703
Current portion of long-term debt and bonds payable	69,966,502	66,337,062	69,831,723
Other current liabilities	29,093,782	29,181,378	33,036,969
Total Current Liabilities	276,629,975	263,890,780	259,870,272
Noncurrent Liabilities			
Compensated absences	9,011,057	7,660,248	9,011,057
Deposits held for others	3,724,026	3,342,127	2,477,222
Long-term debt and bonds payable	1,035,206,010	1,015,762,527	1,040,318,416
Refundable for federal loan program	9,777,273	9,790,840	9,777,273
Total Noncurrent Liabilities	1,057,718,366	1,036,555,742	1,061,583,968
Total Liabilities	$ 1,334,348,341	$ 1,300,446,522	$ 1,321,454,240
NET ASSETS			
Invested in capital assets, net of related debt	$ 1,180,312,664	$ 1,208,031,066	$ 1,200,081,259
Restricted nonexpendable	14,917,713	13,529,071	14,878,800
Restricted expendable			
Research, instruction, scholarships and other	13,505,225	6,945,451	12,646,227
Loans	3,329,933	3,371,509	3,732,539
Capital projects	36,039,838	3,998,787	53,585,008
Debt service	10,438,114	10,740,672	10,878,478
Unrestricted	137,055,524	109,462,455	121,847,247
Total Net Assets	$ 1,395,599,011	$ 1,356,079,011	$ 1,417,649,558

UNIVERSITY OF CONNECTICUT
INTERIM STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Six Months Ended December 31, 2007 and 2006 and the Year Ended June 30, 2007
UNAUDITED

OPERATING REVENUES	December 31, 2007	December 31, 2006	June 30, 2007
Student tuition and fees (Net of scholarship allowances of $35,041,137 for December 31, 2007, $34,669,623 for December 31, 2006 and $68,954,741 for June 30, 2007)	$ 101,369,694	$ 93,577,943	$ 183,468,732
Federal grants and contracts	42,997,014	40,010,363	81,282,959
State and local grants and contracts	12,771,658	9,021,348	18,994,517
Nongovernmental grants and contracts	6,355,692	5,071,100	11,823,648
Sales and services of educational departments	6,211,547	6,541,621	14,937,691
Sales and services of auxiliary enterprises (Net of scholarship allowances of $1,272,070 for December 31, 2007, $1,279,993 for December 31, 2006 and $2,501,839 for June 30, 2007)	65,927,613	67,323,038	127,527,596
Other sources	5,647,204	5,819,780	11,059,294
Total Operating Revenues	241,280,422	227,365,193	449,094,437
OPERATING EXPENSES			
Educational and general			
Instruction	142,135,864	126,665,605	256,079,892
Research	31,371,432	29,928,005	59,641,605
Public service	16,906,720	17,151,767	32,190,108
Academic support	40,682,338	38,072,093	82,234,793
Student services	17,763,392	16,921,784	35,022,525
Institutional support	37,314,314	32,528,499	67,336,935
Operations and maintenance of plant	28,315,860	29,699,091	60,611,434
Depreciation	45,058,452	48,090,039	88,030,170
Student aid	1,919,347	1,888,860	3,971,727
Auxiliary enterprises	68,417,708	65,270,206	126,828,040
Total Operating Expenses	429,885,427	406,215,949	811,947,229
Operating Loss	(188,605,005)	(178,850,756)	(362,852,792)
NONOPERATING REVENUES (EXPENSES)			
State appropriation	169,029,230	153,135,048	305,943,066
State debt service commitment for interest	20,066,152	17,546,329	35,863,883
State match to endowment	-	-	93,864
Gifts	6,645,978	5,692,751	24,423,566
Investment income	5,962,202	5,562,427	12,299,820
Interest expense	(26,000,633)	(23,784,376)	(47,462,929)
Other nonoperating expenses, net	(838,966)	(21,718)	(686,574)
Net Nonoperating Revenues	174,863,963	158,130,461	330,474,696
Loss Before Capital Additions (Deductions)	(13,741,042)	(20,720,295)	(32,378,096)
CAPITAL ADDITIONS (DEDUCTIONS)			
State debt service commitment for principal	-	-	65,179,575
Capital grants and gifts	196,868	2,141,610	3,029,866
Disposal of property and equipment, net	(401,417)	(214,820)	(3,457,020)
Capital other	(8,104,956)	(8,779,107)	1,623,610
Total Capital Additions (Deductions)	(8,309,505)	(6,852,317)	66,376,031
Increase (Decrease) in Net Assets	(22,050,547)	(27,572,612)	33,997,935
NET ASSETS			
Net Assets-beginning of year	1,417,649,558	1,383,651,623	1,383,651,623
Net Assets-end of year	$ 1,395,599,011	$ 1,356,079,011	$ 1,417,649,558

Notes to Interim Financial Statements
For the Six Months Ended December 31, 2007 and 2006 and
the Year Ended June 30, 2007

1. RELATED ENTITIES

This financial report for the six months ended December 31, 2007 and 2006 and the year ended June 30, 2007 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, 2007 Financial Report, it is not included with the financial statements for the six months ended December 31, 2007 and 2006. 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 Statement of Net Assets as of December 31, 2007 and 2006 and the Statement of Revenues, Expenses, and Changes in Net Assets for the six months ended December 31, 2007 and 2006 are prepared on the same basis as the June 30, 2007 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 the reduction in these amounts for the payments made in July of the respective years under the Early Retirement Incentive Program.

(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) 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.

3. PROPERTY AND EQUIPMENT

The table on the following page describes the changes in property and equipment for the six months ended December 31, 2007 and 2006 and the year ended June 30, 2007.

Changes in Property and Equipment for the Six Months Ended December 31, 2007:

	Balance July 1, 2007	Additions	Retirements	Transfers and Other	Balance December 31, 2007
Property and equipment:					
Land	$ 14,806,476	$ -	$ -	$ -	$ 14,806,476
Non-structural Improvements	183,705,201	926,082	-	-	184,631,283
Buildings	1,551,130,347	6,227,770	-	-	1,557,358,117
Equipment	413,069,080	6,678,808	(6,827,104)	-	412,920,784
Construction in Progress	17,043,892	6,880,988	-	-	23,924,880
Total property and equipment	2,179,754,996	20,713,648	(6,827,104)	-	2,193,641,540
Less accumulated depreciation:					
Non-structural Improvements	67,912,338	3,999,466	-	-	71,911,804
Buildings	395,282,256	27,935,482	-	-	423,217,738
Equipment	229,461,151	13,123,504	(6,425,687)	-	236,158,968
Total accumulated depreciation	692,655,745	45,058,452	(6,425,687)	-	731,288,510
Property and equipment, net:					
Land	14,806,476	-	-	-	14,806,476
Non-structural Improvements	115,792,863	(3,073,384)	-	-	112,719,479
Buildings	1,155,848,091	(21,707,712)	-	-	1,134,140,379
Equipment	183,607,929	(6,444,696)	(401,417)	-	176,761,816
Construction in Progress	17,043,892	6,880,988	-	-	23,924,880
Property and equipment, net:	$ 1,487,099,251	$ (24,344,804)	$ (401,417)	$ -	$ 1,462,353,030

Changes in Property and Equipment for the Six Months Ended December 31, 2006:

	Balance July 1, 2006	Additions	Retirements	Transfers and Other	Balance December 31, 2006
Property and equipment:					
Land	$ 14,806,780	$ -	$ (304)	$ -	$ 14,806,476
Non-structural Improvements	176,315,794	500,338	-	-	176,816,132
Buildings	1,495,362,601	5,922,755	-	-	1,501,285,356
Equipment	407,522,515	4,893,223	(7,293,646)	-	405,122,092
Construction in Progress	57,311,866	11,656,106	-	-	68,967,972
Total property and equipment	2,151,319,556	22,972,422	(7,293,950)	-	2,166,998,028
Less accumulated depreciation:					
Non-structural Improvements	59,887,324	5,112,209	-	-	64,999,533
Buildings	344,868,596	36,753,166	-	-	381,621,762
Equipment	221,872,102	6,224,664	(7,079,130)	-	221,017,636
Total accumulated depreciation	626,628,022	48,090,039	(7,079,130)	-	667,638,931
Property and equipment, net:					
Land	14,806,780	-	(304)	-	14,806,476
Non-structural Improvements	116,428,470	(4,611,871)	-	-	111,816,599
Buildings	1,150,494,005	(30,830,411)	-	-	1,119,663,594
Equipment	185,650,413	(1,331,441)	(214,516)	-	184,104,456
Construction in Progress	57,311,866	11,656,106	-	-	68,967,972
Property and equipment, net:	$ 1,524,691,534	$ (25,117,617)	$ (214,820)	$ -	$ 1,499,359,097

Changes in Property and Equipment for the Year Ended June 30, 2007:

	Balance July 1, 2006	Additions	Retirements	Transfers and Other	Balance June 30, 2007
Property and equipment:					
Land	$ 14,806,780	$ -	$ (304)	$ -	$ 14,806,476
Non-structural Improvements	176,315,794	2,695,504	(97,850)	4,791,753	183,705,201
Buildings	1,495,362,601	23,411,850	(6,871,624)	39,227,520	1,551,130,347
Equipment	407,522,515	24,036,254	(18,489,689)	-	413,069,080
Construction in Progress	57,311,866	3,751,299	-	(44,019,273)	17,043,892
Total property and equipment	2,151,319,556	53,894,907	(25,459,467)	-	2,179,754,996
Less accumulated depreciation:					
Non-structural Improvements	59,887,324	8,032,998	(7,984)	-	67,912,338
Buildings	344,868,596	54,509,342	(4,095,682)	-	395,282,256
Equipment	221,872,102	25,487,830	(17,898,781)	-	229,461,151
Total accumulated depreciation	626,628,022	88,030,170	(22,002,447)	-	692,655,745
Property and equipment, net:					
Land	14,806,780	-	(304)	-	14,806,476
Non-structural Improvements	116,428,470	(5,337,494)	(89,866)	4,791,753	115,792,863
Buildings	1,150,494,005	(31,097,492)	(2,775,942)	39,227,520	1,155,848,091
Equipment	185,650,413	(1,451,576)	(590,908)	-	183,607,929
Construction in Progress	57,311,866	3,751,299	-	(44,019,273)	17,043,892
Property and equipment, net:	$ 1,524,691,534	$ (34,135,263)	$ (3,457,020)	$ -	$ 1,487,099,251

In the previous tables, certain reclassifications were made to the July 1, 2006 beginning balances between the categories of buildings and non-structural improvements. This was done to better reflect, as buildings, amounts previously classified as non-structural improvements. This reclassification has no effect on net property and equipment at July 1, 2006.

4. LONG-TERM DEBT PAYABLE

Long-term debt activity, including refunding of debt, for the six months ended December 31, 2007 and 2006 and the year ended June 30, 2007 was as follows:

Long-term Debt Activity for the Six Months Ended December 31, 2007:

	Balance July 1, 2007	Additions	Retirements	Balance December 31, 2007	Current Portion
General Obligation Bonds	$ 823,132,147	$ -	$ -	$ 823,132,147	$ 59,718,792
Revenue Bonds	181,655,000	-	(2,640,000)	179,015,000	4,440,000
Self Liquidating Bonds	7,021,902	-	(1)	7,021,901	1,162,731
U.S. Dept. of Ed. Towers Loan	1,647,906	-	(23,123)	1,624,783	48,170
Installment Loans	867,844	-	(233,059)	634,785	367,670
Obligation Under Capital Lease for Cogeneration	77,967,770	-	(1,370,361)	76,597,409	2,834,233
Financial Accelerator Loan	2,946,710	-	(111,286)	2,835,424	236,337
Total long-term debt	1,095,239,279	-	(4,377,830)	1,090,861,449	68,807,933
Premiums/discounts/debt difference due to refunding	14,910,860	-	(599,797)	14,311,063	1,158,569
Total long-term debt, net	$ 1,110,150,139	$ -	$ (4,977,627)	$ 1,105,172,512	$ 69,966,502

Long-term Debt Activity for the Six Months Ended December 31, 2006:

	Balance July 1, 2006	Additions	Retirements	Balance December 31, 2006	Current Portion
General Obligation Bonds	$ 790,647,147	$ -	$ -	$ 790,647,147	$ 56,205,000
Revenue Bonds	185,825,000	-	(2,540,000)	183,285,000	4,270,000
Self Liquidating Bonds	8,359,542	-	-	8,359,542	1,337,640
U.S. Dept. of Ed. Towers Loan	1,692,311	-	(21,902)	1,670,409	45,626
Installment Loans	1,429,814	-	(325,010)	1,104,804	470,019
Obligation Under Capital Lease for Cogeneration	80,618,404	-	(1,310,525)	79,307,879	2,710,471
Financial Accelerator Loan	3,156,406	-	(102,758)	3,053,648	218,226
Total long-term debt	1,071,728,624	-	(4,300,195)	1,067,428,429	65,256,982
Premiums/discounts/debt difference due to refunding	15,211,200	-	(540,040)	14,671,160	1,080,080
Total long-term debt, net	$ 1,086,939,824	$ -	$ (4,840,235)	$ 1,082,099,589	$ 66,337,062

Long-term Debt Activity for the Year Ended June 30, 2007:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007	Current Portion
General Obligation Bonds	$ 790,647,147	$ 135,385,000	$(102,900,000)	$ 823,132,147	$ 59,718,792
Revenue Bonds	185,825,000	-	(4,170,000)	181,655,000	4,325,000
Self Liquidating Bonds	8,359,542	-	(1,337,640)	7,021,902	1,162,722
U.S. Dept. of Ed. Towers Loan	1,692,311	-	(44,405)	1,647,906	46,881
Installment Loans	1,429,814	-	(561,970)	867,844	395,269
Obligation Under Capital Lease for Cogeneration	80,618,404	-	(2,650,634)	77,967,770	2,771,660
Financial Accelerator Loan	3,156,406	-	(209,696)	2,946,710	227,100
Total long-term debt	1,071,728,624	135,385,000	(111,874,345)	1,095,239,279	68,647,424
Premiums/discounts/debt difference due to refunding	15,211,200	805,231	(1,105,571)	14,910,860	1,184,299
Total long-term debt, net	$ 1,086,939,824	$ 136,190,231	$(112,979,916)	$ 1,110,150,139	$ 69,831,723

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; a contingent grant received for which conditions were not satisfied as of December 31, 2007; 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. OPERATING EXPENSES BY OBJECT

The following table details the University's operating expenses by object for the six months ended December 31, 2007 and 2006 and the year ended June 30, 2007:

Operating Expenses by Object for the Six Months Ended December 31, 2007

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operations and Maintenance of Plant	Depreciation	Student Aid	Auxiliary Enterprises	Total
Salaries and Wages	$ 97,099,836	$17,629,976	$10,129,453	$23,567,202	$11,115,831	$20,549,636	$ 8,539,822	$ -	$ -	$ 23,058,596	$211,690,352
Fringe Benefits	30,503,972	4,362,116	3,141,900	8,888,025	4,093,549	9,069,615	4,626,489	-	-	8,763,424	73,449,090
Supplies & Other Expenses	14,532,056	9,379,340	3,635,321	8,227,111	2,425,386	7,650,541	7,466,230	-	1,919,347	32,447,840	87,683,172
Utilities	-	-	46	-	128,626	44,522	7,683,319	-	-	4,147,848	12,004,361
Depreciation	-	-	-	-	-	-	-	45,058,452	-	-	45,058,452
	$142,135,864	$31,371,432	$16,906,720	$40,682,338	$17,763,392	$37,314,314	$ 28,315,860	$45,058,452	$1,919,347	$ 68,417,708	$429,885,427

Operating Expenses by Object for the Six Months Ended December 31, 2006

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operations and Maintenance of Plant	Depreciation	Student Aid	Auxiliary Enterprises	Total
Salaries and Wages	$ 89,134,165	$16,301,637	$9,884,504	$22,197,896	$10,685,931	$18,589,470	$ 7,844,547	$ -	$ 8,867	$ 20,649,390	$195,296,407
Fringe Benefits	25,570,884	3,678,314	3,067,604	7,980,015	3,753,818	7,854,526	4,207,813	-	1,104	7,293,635	63,407,713
Supplies & Other Expenses	11,960,556	9,948,054	4,199,659	7,894,182	2,370,259	5,942,707	10,007,591	-	1,878,889	33,141,057	87,342,954
Utilities	-	-	-	-	111,776	141,796	7,639,140	-	-	4,186,124	12,078,836
Depreciation	-	-	-	-	-	-	-	48,090,039	-	-	48,090,039
	$126,665,605	$29,928,005	$17,151,767	$38,072,093	$16,921,784	$32,528,499	$ 29,699,091	$48,090,039	$1,888,860	$ 65,270,206	$406,215,949

Operating Expenses by Object for the Year Ended June 30, 2007

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Operations and Maintenance of Plant	Depreciation	Student Aid	Auxiliary Enterprises	Total
Salaries and Wages	$179,575,566	$33,565,874	$19,739,162	$46,224,453	$21,771,030	$37,788,019	$16,056,975	$ -	$227,946	$ 41,533,621	$396,482,646
Fringe Benefits	52,234,718	7,378,092	5,748,282	16,647,637	7,866,556	16,404,873	8,694,334	-	2,233	15,346,318	130,323,043
Supplies & Other Expenses	24,269,608	18,697,639	6,702,664	19,362,703	5,121,702	12,929,017	17,128,627	-	3,741,548	59,717,102	167,670,610
Utilities	-	-	-	-	263,237	215,026	18,731,498	-	-	10,230,999	29,440,760
Depreciation	-	-	-	-	-	-	-	88,030,170	-	-	88,030,170
	$256,079,892	$59,641,605	$32,190,108	$82,234,793	$35,022,525	$67,336,935	$60,611,434	$88,030,170	$3,971,727	$126,828,040	$811,947,229

8. 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.