



# **Board of Trustees**

## **January 29, 2014**

**Annual Financial Report:**  
**FY13 Closeout**  
**and FY14 Six Month Update**

**Financial Report to the Board of Trustees  
January 29, 2014**

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# University of Connecticut Health Center

## FY 2013 Budget Review

The following narrative provides information on the main drivers of the University of Connecticut Health Center financial results for Fiscal 2013.

- **Executive Summary** - Fiscal Year 2013 ended with a deficiency of revenue over expenses of \$7.2 million, compared to a budgeted surplus of \$0.1 million, for an unfavorable variance of \$7.3 million. The actual reflects a reduction in State Support of \$4.1 million. The John Dempsey Hospital had a positive budget variance of \$6.3 million driven by an increase in other income due to federal payments for the Hospital meeting electronic medical records criteria associated with the Affordable Healthcare Act and a onetime federal FICA refund of \$3 million for the residency program accounted for in medical/dental house staff expense.
- **Total Revenue** – For the year ended June 30, 2013, total Revenue including total “State Support” was \$796 million. Total Revenue was below budget projections by \$9.4 million or 1.2%. The budget variance was mainly due to an unfavorable variance in Net Patient Revenue of \$10.5 million driven by the UConn Medical Group and the unfavorable variance in Correctional Managed Health Care program of \$4.1 million which was offset by program expenses also under budget by \$4.1 million. Unfavorable revenue variances were offset by a favorable variance of \$4.7 million in Other Income. Details and other variances are:
  - **Net Patient Revenue** – For the year ended June 30, 2013, Net Patient Revenue was unfavorable to budget by \$10.5 million. The variances by unit are:
    - JDH - \$1.3 million below budget. Outpatient equivalents were favorable to budget by 91 cases (0.8%). This was offset by Inpatient discharges that were unfavorable to the budget plan by 566 cases (6.3%) and were below the prior year by 28 cases (0.3%).
    - UMG - \$9.7 million below budget. Both volume and revenue per visit were down in FY 2013 with the variance being roughly equal between volume and price variances. These variances are reflective of the continued changes in physician, patient, and payor mixes.
    - Other revenue generating areas were \$0.5 million above budget.
  - **Correctional Managed Health Care** – Revenues from the Correctional Managed Health Care program are recorded based on program expenditures. Expenditures for FY 2013 were under budget by \$4.1 million and the corresponding revenue is under budget by the same amount.
  - **Research Grants & Contracts** – The favorable variance of \$3.9 million reflects higher than anticipated Federal Grant revenues. Grant revenues are recorded based on the timing of the expenditure of federal funds and the favorable variance is mirrored by an unfavorable variance in Grant Subcontracts located in the Other Expense line discussed below. Fiscal 2013 Grant Awards were \$4.3 million higher than prior year.
  - **Other Income** – For the year ended June 30, 2013, Other Income was favorable to budget by \$4.7 million. The favorable variance was mostly attributable to John Dempsey Hospital whose Outside and Other Income is favorable to budget by \$3.5 million. The \$3.5 million favorable variance was

the result of income from federal electronic medical records incentives associated with the Affordable Healthcare Act and a onetime federal FICA refund of \$3 million for the residency program accounted for in medical/dental house staff expense.

- **Total State Support** –The State appropriation for FY 2013 totaled \$173.2 million and was under budget by \$2.8 million. This was due to a reduction in the block grant by the State of \$4.1 million and was offset by the recognition of additional In Kind benefits associated with higher fringe benefit costs.
- **Total Expenditures** – For the year ended June 30, 2013, total Expenditures were lower than budgeted expenditures by \$2.1 million or 0.3%. The following are variances for categories of expense:
  - **Personal Services and Fringe Benefits** – For the year ended June 30, 2013, Personal Services were greater than budget by \$4.7 million or 1.4%. Fringe Benefit expenditures were also greater than budget, by \$3.7 million or 2.7%. This was due to increases in staff coverage mainly in the hospital and the competitive hiring environment for healthcare personnel. The hospital finished fiscal 2013 with 16 more full time equivalents than were originally budgeted.
  - **Drugs and Medical** – For the year ended June 30, 2013, drugs and medical supplies were below budget by \$1.9 million or 6.9%. Drug expenses were unfavorable by \$0.1 million or 0.5%. Medical supplies were favorable to budget by \$2.0 million or 4.4%. The favorable variance was attributed mostly to JDH with notable favorable variances in the Radiology (\$568,000) and Lab (\$510,000) lines of service based on volume.
  - **Other Expenses** – For the year ended June 30, 2013, expenditures were above budget by \$5.6 million or 18.9%. This was driven by an unfavorable variance of \$3.5 million in Grant Subcontracts, offset by favorable Research Grant revenue above. Other expenses also include \$1.2 million of unfavorable variance related to UCHC's expensing of minor equipment based on changes in its capitalization threshold.
  - **Correctional Managed Health Care** – For the year ended June 30, 2013, the program expenditures were under budget by \$4.1 million or 5.0%. This was mainly attributed to a reduction in Personal Services due to vacancies and a reduction in overtime. Additionally, pharmaceutical costs for the year were below budget due to the availability of 340b pricing.
- **Net Gain (Loss)** – For the year ended June 30, 2013, the Health Center ended with a net loss (a deficiency of revenue over expenses) of \$7.2 million, compared to a budgeted gain of \$0.1 million, for an unfavorable variance of \$7.3 million.

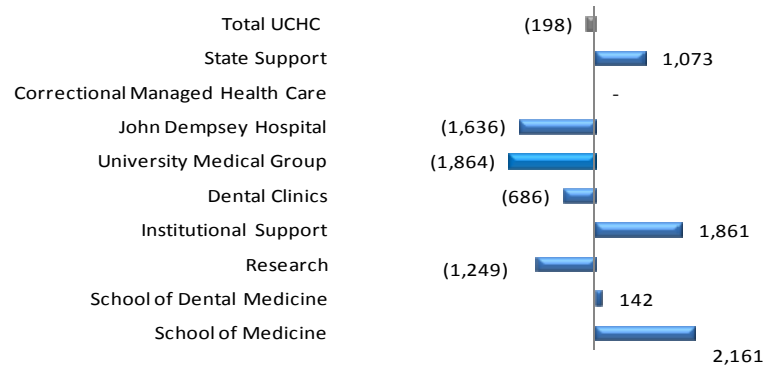
**University of Connecticut Health Center**  
**FY13 (Unaudited) Statement of Current Funds**  
**Budget Operations and Variance Analysis (\$M)**

<b>Current Funds Revenues:</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>% Change</b>
State Support	\$176.0	\$173.2	(\$2.8)	
Tuition	18.5	18.2	(0.3)	
Research Grants and Contracts	84.9	88.8	3.9	
Auxiliary Enterprises	16.7	15.5	(1.2)	
Interns and Residents	55.3	54.9	(0.4)	
Net Patient Care	344.2	333.7	(10.5)	
Correctional Managed Health Care	85.6	81.5	(4.1)	
Gifts & Endowment Income	6.4	7.7	1.3	
Investment Income	0.1	0.1	0.0	
Other Income	17.7	22.4	4.7	
<b>Total Current Funds Revenues</b>	<b>\$805.4</b>	<b>\$796.0</b>	<b>(\$9.4)</b>	-1.2%
<b>Current Funds Expenditures / Transfers:</b>				
Personal Services	\$333.6	\$338.3	\$4.7	
Fringe Benefits	135.4	139.1	3.7	
Medical Contractual Support	18.5	17.6	(0.9)	
Internal Contractual Support	0.0	0.0	0.0	
Medical/Dental House Staff	40.9	36.1	(4.8)	
Correctional Managed Healthcare	85.6	81.5	(4.1)	
Outside Agency Per Diems	2.0	2.1	0.1	
Drugs	18.7	18.8	0.1	
Medical Supplies	47.0	45.0	(2.0)	
Utilities	13.4	11.3	(2.1)	
Outside & Other Purchased Services	34.9	34.5	(0.4)	
Insurance	6.2	5.8	(0.4)	
Repairs & Maintenance	12.3	11.0	(1.2)	
Other Expenses	24.1	29.7	5.6	
Depreciation	32.7	32.3	(0.4)	
<b>Total Current Funds Expenditures / Transfers</b>	<b>\$805.3</b>	<b>\$803.2</b>	<b>(\$2.1)</b>	-0.3%
<b>Net Gain (Loss)</b>	<b><u>\$0.1</u></b>	<b><u>(\$7.2)</u></b>	<b><u>(\$7.3)</u></b>	

## Key Financial Results For the period ending December 31, 2013

Line #	Category	Year - to - Date						
		Actual	Budget	Variance	Percent	Prior Year	Variance	Percent
1	Total UCHC Excess/(Deficiency)	(\$6,378)	(\$6,180)	(\$198)	-3.2%	(\$5,896)	(\$482)	-8.2%
2	Education, Research & Institutional Support-Excess/(Deficiency)	(\$85,118)	(\$87,346)	\$2,228	2.6%	(\$76,654)	(\$8,464)	-11.0%
3	John Dempsey Hospital - Excess/(Deficiency)	(\$7,284)	(\$5,648)	(\$1,636)	-29.0%	(\$5,265)	(\$2,019)	-38.3%
4	UMG - Excess/(Deficiency)	(\$17,820)	(\$15,956)	(\$1,864)	-11.7%	(\$12,633)	(\$5,187)	-41.1%
5	Total Clinical (JDH/UMG)	(\$25,104)	(\$21,604)	(\$3,500)	-16.2%	(\$17,898)	(\$7,206)	-40.3%
6	CMHC - Excess/(Deficiency)	\$0	\$0	\$0		\$0	\$0	
7	State Appropriation-Block Grant	\$63,464	\$63,464	\$0	0.0%	\$55,962	\$7,502	13.4%
8	Fringe Benefits & Other Adjustments	\$40,380	\$39,306	\$1,074	2.7%	\$32,694	\$7,686	23.5%
9	Total State Support	\$103,844	\$102,770	\$1,074	1.0%	\$88,656	\$15,188	17.1%
10	Total Revenues (000's)	\$373,869	\$378,832	(\$4,963)	-1.3%	\$357,817	\$16,052	4.5%
11	Total Expenses (000's)	\$484,090	\$487,782	(\$3,692)	-0.8%	\$452,369	\$31,721	7.0%
12	Research Revenue Recognition in Financial Statements	\$42,219	\$42,531	(\$312)	-0.7%	\$44,201	(\$1,982)	-4.5%

### Budget Variance by Program - Year To Date (in 000's)



## Consolidated Statement of Revenues and Expenses (without Eliminations)

	Consolidated UConn Health Center YTD December 2013				Consolidated UConn Health Center YTD December 2012		
	Actual	Budget	Variance	Percent Variance	Actual	Variance	Percent Variance
<b>Revenues:</b>							
Tuition	\$ 10,104,319	\$ 9,757,290	\$ 347,030	3.6%	\$ 9,133,560	\$ 970,759	10.6%
Research Grants and Contracts	42,218,638	42,531,460	(312,822)	-0.7%	44,201,248	(1,982,610)	-4.5%
Auxiliary Enterprises	8,848,608	8,033,460	815,148	10.1%	7,209,765	1,638,843	22.7%
Internal Income	44,386,095	43,934,912	451,183	1.0%	42,878,376	1,507,719	3.5%
Interns and Residents	28,139,466	28,570,455	(430,989)	-1.5%	26,871,242	1,268,224	4.7%
Net Patient Care	184,427,703	186,603,631	(2,175,928)	-1.2%	174,970,131	9,457,572	5.4%
Correctional Managed Health Care	41,078,963	44,697,712	(3,618,749)	-8.1%	40,225,970	852,992	2.1%
Gifts & Endowment Income	3,747,274	3,610,018	137,255	3.8%	3,516,587	230,687	6.6%
Investment Income	4,045	78,868	(74,823)	-94.9%	113,511	(109,466)	-96.4%
Other Income	10,913,735	11,014,479	(100,744)	-0.9%	8,696,695	2,217,040	25.5%
<b>Total Revenues</b>	<b>\$ 373,868,844</b>	<b>\$ 378,832,284</b>	<b>\$ (4,963,439)</b>	<b>-1.3%</b>	<b>\$ 357,817,084</b>	<b>\$ 16,051,760</b>	<b>4.5%</b>
<b>Expenses:</b>							
Personal Services	\$ 175,488,303	\$ 177,837,244	\$ (2,348,941)	-1.3%	\$ 169,631,693	\$ 5,856,610	3.5%
Fringe Benefits	83,124,480	82,088,935	1,035,546	1.3%	69,327,890	13,796,591	19.9%
Medical Contractual Support	10,199,310	9,535,750	663,560	7.0%	10,379,128	(179,818)	-1.7%
Internal Contractual Support	15,545,069	15,098,421	446,648	3.0%	11,755,833	3,789,236	32.2%
Medical/Dental House Staff	32,874,752	33,243,251	(368,499)	-1.1%	29,432,237	3,442,514	11.7%
Correctional Managed Healthcare	41,078,963	44,697,712	(3,618,749)	-8.1%	40,225,970	852,992	2.1%
Outside Agency Per Diems	741,474	961,571	(220,097)	-22.9%	1,286,967	(545,493)	-42.4%
Drugs	10,842,979	9,338,760	1,504,219	16.1%	8,868,697	1,974,283	22.3%
Medical Supplies	23,063,184	21,790,176	1,273,008	5.8%	21,981,408	1,081,776	4.9%
Utilities	5,117,074	6,219,867	(1,102,793)	-17.7%	6,358,866	(1,241,792)	-19.5%
Outside & Other Purchased Services	43,371,175	45,202,266	(1,831,091)	-4.1%	44,065,740	(694,565)	-1.6%
Insurance	3,071,695	3,258,696	(187,001)	-5.7%	3,498,131	(426,436)	-12.2%
Repairs & Maintenance	7,127,472	7,607,552	(480,080)	-6.3%	6,604,467	523,005	7.9%
Other Expenses	16,022,819	13,759,814	2,263,005	16.4%	12,806,755	3,216,064	25.1%
Depreciation	16,421,161	17,141,748	(720,587)	-4.2%	16,145,293	275,868	1.7%
<b>Total Expenses</b>	<b>\$ 484,089,911</b>	<b>\$ 487,781,764</b>	<b>\$ (3,691,854)</b>	<b>-0.8%</b>	<b>\$ 452,369,077</b>	<b>\$ 31,720,834</b>	<b>7.0%</b>
<b>Excess/(Deficiency) of Revenues over Expenses Prior to State Appropriations</b>							
	\$ (110,221,066)	\$ (108,949,481)	\$ (1,271,586)	-1.2%	\$ (94,551,992)	\$ (15,669,074)	-16.6%
State Appropriation-Block Grant	\$ 63,463,680	\$ 63,463,680	\$ 0	0.0%	\$ 55,961,903	\$ 7,501,777	13.4%
State Supported Fringe Benefits and Other Adjustments	40,379,751	39,306,256	1,073,495	2.7%	32,694,036	7,685,715	23.5%
<b>Excess/(Deficiency)</b>	<b>\$ (6,377,636)</b>	<b>\$ (6,179,545)</b>	<b>\$ (198,091)</b>	<b>-3.2%</b>	<b>\$ (5,896,054)</b>	<b>\$ (481,582)</b>	<b>-8.2%</b>

## John Dempsey Hospital

### Results of Operations

Year-to-date the loss is \$7.2 million compared to a budgeted loss of \$5.6 million, for an unfavorable variance of \$1.6 million. The loss for the same period prior year was \$5.2 million an unfavorable variance of \$2 million. The year-to-date unfavorable variance was driven by unfavorable variances in pharmaceutical and medical supply costs which have outpaced favorable variances in net patient revenue. Other significant highlights include:

<u>Category</u>	<u>Year - to - Date</u>						
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percent</u>	<u>Prior Year</u>	<u>Variance</u>	<u>Percent</u>
<b>John Dempsey Hospital (in thousands)</b>							
JDH Excess of Revenues over Expenses/ (Deficiency)	(\$7,284)	(\$5,648)	(\$1,636)	-29.0%	(\$5,265)	(\$2,019)	-38.3%
JDH Operating Margin	-4.8%	-3.7%	-1.1%	-28.4%	-3.7%	-1.1%	30.3%
Inpatient Discharges	4,224	4,213	11	0.3%	4,122	102	2.5%
Outpatient Equivalents	6,207	5,934	273	4.6%	5,660	547	9.7%
Net Revenue per Adjusted Discharge	\$13,655	\$13,926	(\$271)	-1.9%	\$13,715	(\$60)	-0.4%
Cost per Adjusted Discharge	\$15,344	\$15,545	(\$201)	-1.3%	\$15,243	\$101	0.7%
Days Revenue in Accounts Receivable	39	42	(3)	-7.1%	44	(5)	-11.4%
Case Mix Index	1.4473	1.4544	(0.0071)	-0.5%	1.4367	0.0106	0.7%

## UConn Medical Group

### Results of Operations

Year-to-date the deficit is \$17.8 million compared to a budgeted deficit of \$16.0 million, for an unfavorable variance of \$1.8 million. The deficit for the same period prior year was \$12.6 million an unfavorable change of \$5.2 million. The current year budget variance is attributed to lower than expected net patient revenues and increases in staffing costs including fringe benefits and medical contractual support. Other significant highlights include:

<u>Category</u>	<u>Year - to - Date</u>						
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percent</u>	<u>Prior Year</u>	<u>Variance</u>	<u>Percent</u>
<b>University Medical Group (in thousands)</b>							
Excess of Revenues over Expenses/ (Deficiency)	(\$17,820)	(\$15,956)	(\$1,864)	11.7%	(\$12,633)	(\$5,187)	-41.1%
Operating Margin	-40.1%	-34.5%	-5.6%	16.3%	-30.4%	-9.68%	-31.9%
RVU's	445,709	449,063	(3,354)	-0.7%	417,715	27,994	6.7%
Net Revenue Per RVU	\$88.20	\$91.57	(\$3.37)	-3.7%	\$88.11	\$0.09	0.1%
Cost per RVU	\$139.72	\$138.66	\$1.06	0.8%	\$129.72	\$10.00	7.7%
Days Revenue in Accounts Receivable	44	42	2	4.8%	50	(6)	-12.0%



# University of Connecticut (Storrs & Regional Campuses) – FY13

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## Quarterly Overview of the Operating and Research Funds For the Twelve Months Ended June 30, 2013

### Summary

The enclosed report comparing the Operating and Research Funds actual results to budget for the twelve month period ended June 30, 2013 reflects audited figures.

On June 28, 2012, the Board of Trustees approved a Spending Plan for Fiscal Year 2013 which included \$1,053.9 million of revenue to cover \$1,054.9 million in expenses and transfers. Over the years, the Research Fund balance for use by principal investigators, deans and department heads has grown. It was expected that \$1.0 million of the prior years' accumulation of funds would be spent down in Fiscal Year 2013.

The University ended the year with an unrestricted loss of \$0.7 million (Operating Fund (\$1.9) million and Research Fund \$1.2 million) and a restricted gain of \$1.1 million (Operating Fund (\$0.6) million and Research Fund \$1.7 million). An analysis of the results of operations for various categories of accounts is presented below.

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Total</u>
Unrestricted	(\$1.9)	\$1.2	(\$0.7)
Restricted	<u>(0.6)</u>	<u>1.7</u>	<u>1.1</u>
Total	(\$2.5)	\$2.9	\$0.4

### Revenues - Operating Fund

Total **Operating Fund** revenue collections for Fiscal Year 2013 were \$956.4 million which represented 99.7% of the annual budget. A major source of revenue, **State Support**, consisted of a \$199.5 million appropriation and a fringe benefit allotment of \$89.0 million. State Support represented 30.2% of total Operating Fund receipts for the year. On November 28, 2012, the Governor exercised his authority to rescind State Support. The appropriation was reduced by about 5% (\$10.3 million or approximately \$15 million including fringe benefits). This category was less than budgeted at year-end due primarily to this rescission.

**Tuition** collections were the largest source of revenue, totaling \$269.8 million, which represented 28.2% of total Operating Fund receipts. Tuition receipts were 99.3% of the annual amount budgeted (\$271.6 million). Tuition revenue collections reflected a 5.5% rate increase coupled with a 0.7% decrease in the number of undergraduate degree-seeking students who accounted for approximately 86.3% of budgeted tuition revenues. Overall, tuition revenue was less than budgeted due to the 0.4% enrollment decrease.

**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. Fee collections were \$102.9 million or 98.4% of the amount budgeted and were less than budgeted due to the enrollment decrease.

## University of Connecticut (Storrs & Regional Campuses) – FY13

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**Auxiliary Enterprise Revenue** for Fiscal Year 2013 was \$188.2 million which represented 101.4% of the annual budgeted amount. Auxiliary Enterprise revenue consists primarily of Room and Board Fees, which reflect rate increases of 3.0%, and Athletics revenues. This category was greater than budgeted due to additional Big East conference revenue for Athletics.

**Gifts, Grants and Contracts** revenue consists of restricted revenues from a granting agency or private donor and gifts transferred from the UConn Foundation. For Fiscal Year 2013, Gifts, Grants and Contracts revenue of \$83.2 million, which included \$17.6 million from the UConn Foundation, was 102.1% of the annual budget. This category was more than budgeted at year end due to additional federal financial aid funds.

**Investment Income** for Fiscal Year 2013 was \$0.8 million. Interest rates in the State Treasurer's STIF were 0.19% by the end of the fiscal year. The average interest rate for Fiscal Year 2013 was 0.16% and the same as Fiscal Year 2012.

**Sales and Services of Educational Activities and Other Sources** revenue totaled \$23.0 million and was on budget for the year.

### Revenues - Research Fund

**Research Fund** revenues were \$96.7 million and represented 102.2% of the amount budgeted. This category was greater than budgeted at year-end due to the receipt of specific grant funds which are recognized as revenue prior to being expended.

### Expenditures - Operating Fund

**Total Operating Fund** expenditures (excluding transfers) for Fiscal Year 2013 were \$928.8 million or 101.1% of the annual budgeted amount. Fiscal Year 2012 reflected expenditures of 98.5% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	99.9%
Fringe Benefits	108.9%
Other Expenses	99.8%
Equipment	85.0%
Student Aid	99.7%

**Personal Services/Fringe Benefits** represented 102.3% of the annual budgeted amount of \$582.1 million. The official full-time faculty count (based on IPEDS federal reporting standards) is 47 more than the prior year. This category was over budget at year end due to higher fringe benefit rates than originally budgeted.

**Other Expenses** (including energy costs) were \$192.8 million and represented 99.8% of the amount budgeted. Energy expenditures were under budget by \$4.0 million for the year due to favorable prices and lower usage.

## University of Connecticut (Storrs & Regional Campuses) – FY13

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**Equipment** expenditures of \$15.2 million were 85.0% of the amount budgeted. This category was under budget at year end due to less activity in the auxiliary units. Also, the University has utilized the Master Lease option to purchase equipment such as buses. This option spreads the expense over five years.

**Student Aid** expenditures were \$125.1 million and represented 99.7% of the amount budgeted. The FY13 budget included additional funding to meet the continuing student demand for financial aid. However, the fiscal year ended slightly under budget due to revisions to the need and merit-based packaging strategies for the entering (new) class which produced a reduced yield in new students.

### **Expenditures - Operating Fund Transfers**

The **Transfers** line reflects transfers for bond and installment loan payments, payments for the capital lease for the cogeneration plant, and transfers to Plant Funds for construction and information technology projects. Transfers were \$30.1 million or \$10.5 million less than budgeted at year-end due to less funds transferred to Plant for various construction projects.

### **Expenditures - Research Fund**

Finally, **Research Fund** expenditures and transfers totaled \$93.8 million and represented 98.1% of the budgeted amount. In Fiscal Year 2012, Research Fund expenditures and transfers represented 96.8% of the budgeted amount. This category was less than budgeted at year-end due to less research activity than expected.

### **Enrollment**

Total University enrollment for fall 2012 (excluding the Health Center) was down 0.9% from fall 2011 and undergraduate enrollment (degree and non-degree) was down 0.8%.

### **Fund Balance**

The University had a combined net gain of \$0.4 million for the fiscal year ending June 30, 2013, which was comprised of a \$0.7 million unrestricted net loss and a \$1.1 million restricted net gain. This resulted in a Current Funds Unrestricted Fund Balance of \$72.6 million. The unrestricted fund balance represents 7.3% of the Fiscal Year 2014 unrestricted expenditure budget (\$990.4 million) or, alternatively stated, 27 days' worth of operations.

The \$72.6 million current funds balance represents the funds remaining in the following operating areas: the research fund (designated for research); the auxiliary operations (residential, dining, health, student activities and recreational services); and departmental generated (self-supporting fee-based instructional programs such as Continuing Studies and MBA).

The unrestricted current funds balance is our operating capital and support for programs and activities that generate revenue and are not supported by the State appropriation. We borrow from the fund balance to pay our bills when necessary. For example, in 2010 the Governor requested fund balances of \$3 million and then another \$5 million from us during the year. We were able to meet this obligation using existing fund balance. The fund balance allows us to manage these dislocations without disrupting the University's operations.

## **University of Connecticut (Storrs & Regional Campuses) – FY13**

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Fund balances may be held in a departmental account for start-up costs for new faculty conducting research. Additionally, under the provisions of UCONN 2000, the University is required to maintain a renewal and replacement fund to keep projects in sound operating condition; the fund balance serves this purpose under the Master Indenture. These balances also include inventory, prepaid expenses and encumbrances.

Throughout the year, when funds are available, we also set aside dollars in accounts for planned one-time expenditures, mostly capital. These accounts comprise our plant funds. These balances are primarily for Auxiliary Enterprise projects such as Residential Life and Dining Services. The University has a policy that a departmentally funded construction project cannot begin unless the funding has been identified and transferred to plant funds. For Residential Life and Dining Services projects, the window of opportunity to actually complete many repairs, renovations and improvements is limited as most projects cannot be done while students are occupying the buildings, so the actual spending of the cash is a timing issue.

The FY13 unrestricted net assets of \$154.2 million consists of \$72.6 million current funds balance, \$54.2 million in unexpended plant funds and \$27.4 million in funds that are internally restricted for the retirement of indebtedness.

## University of Connecticut (Storrs & Regionals)

### FY13 Statement of Current Funds Budget Operations<sup>1</sup> and Variance Analysis (\$M)

Current Funds Revenues:	Budget	Actual	Variance	% Change
Operating Fund				
State Support	\$292.5	\$288.5	(\$4.0)	
Tuition	271.6	269.8	(1.8)	
Fees	104.5	102.9	(1.6)	
Grants & Contracts	61.5	65.6	4.1	
Foundation	20.0	17.6	(2.4)	
Investment Income	0.8	0.8	0.0	
Sales & Service Education	17.5	15.8	(1.7)	
Auxiliary Enterprise Revenue	185.5	188.2	2.7	
Other Revenue	<u>5.4</u>	<u>7.2</u>	<u>1.8</u>	
Total Operating Fund	\$959.3	\$956.4	(\$2.9)	-0.3%
Research Fund	<u>94.6</u>	<u>96.7</u>	<u>2.1</u>	2.2%
<b>Total Current Funds Revenues</b>	<b>\$1,053.9</b>	<b>\$1,053.1</b>	<b>(\$0.8)</b>	<b>-0.1%</b>
<b>Current Funds Expenditures/Transfers:</b>				
Operating Fund				
Personal Services	\$425.7	\$425.4	(\$0.3)	
Fringe Benefits	156.4	170.3	13.9	
Other Expenses	169.5	173.1	3.6	
Energy	23.7	19.7	(4.0)	
Equipment	17.9	15.2	(2.7)	
Student Financial Aid <sup>2</sup>	125.5	125.1	(0.4)	
Transfers	<u>40.6</u>	<u>30.1</u>	<u>(10.5)</u>	
Total Operating Fund	\$959.3	\$958.9	(\$0.4)	0.0%
Research Fund	<u>95.6</u>	<u>93.8</u>	<u>(1.8)</u>	-1.9%
<b>Total Current Funds Expenditures/Transfers</b>	<b>\$1,054.9</b>	<b>\$1,052.7</b>	<b>(\$2.2)</b>	<b>-0.2%</b>
<b>Net Gain (Loss)<sup>3</sup></b>	<b>(\$1.0)</b>	<b>\$0.4</b>	<b>\$1.4</b>	
<b>Reconciliation to Annual Financial Statements</b>				
Addback Current Funds Transfers		\$30.1		
Adjustment for Capitalized Items Expensed in Current Funds		(23.0)		
Depreciation Expense <sup>4</sup>		(91.7)		
Non-Operating Expense <sup>5</sup>		20.4		
Capital Deductions		<u>26.8</u>		
<b>Total Change in Net Assets</b>		<b>(\$37.0)</b>		
<b>Net Assets-Beginning of Year<sup>6</sup></b>		<b>\$1,489.1</b>		
<b>Net Assets-End of Year<sup>6</sup></b>		<b>\$1,452.1</b>		

<sup>1</sup> 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 or amortization and does not include the State debt service commitment for principal and interest.

<sup>2</sup> Includes \$2.5 million of student work study expenditures.

<sup>3</sup> For the fiscal year ended June 30, 2013, the University had a net gain of \$0.4 million in the Operating and Research Funds. Unrestricted (\$0.7) million, Restricted \$1.1 million.

<sup>4</sup> Not included as a budgeted item in Current Funds Budget.

<sup>5</sup> State Support, Gifts and Investment Income are included above in Current Funds; interest expense (net of state debt service commitment for interest) is the primary remaining component of Non-Operating Expense.

<sup>6</sup> Per University Audited Annual Financial Statements.

# University of Connecticut (Storrs & Regional Campuses) – FY14

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## Quarterly Overview of the Operating and Research Funds For the Six Months Ended December 31, 2013

### Summary

On August 7, 2013, the Board of Trustees approved a Revised Spending Plan for Fiscal Year 2014 which included \$1,095.8 million of revenue to cover \$1,126.7 million in expenses and transfers. It was expected that \$30.9 million of prior years' accumulation of funds will be used to balance the Fiscal Year 2014 budget. Based on the results of operations from the first six months, the University now plans on utilizing \$30.2 million of prior year funds to balance the budget.

Financial results for the first six months of Fiscal Year 2014 reflected a number of different factors when compared to budget. Actual revenue totaled \$574.3 million or 52.4% of the budget. At the close of December, the University expenditures and transfers totaled \$561.9 million or 49.9% of the budget.

The net gain for the Operating Fund shown in this six month report is not indicative of expected annual results, as most Operating Fund revenue is typically received in the first and second quarters of the fiscal year while expenditures are more evenly distributed throughout the year.

A more detailed review of the first six months of Fiscal Year 2014 operations is presented below.

### Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first six months of Fiscal Year 2014 were \$522.5 million which represented 52.0% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 49.5% of the annual budget. A major source of revenue, **State Support**, was \$169.4 million (\$122.6 million appropriation and \$46.8 million fringe benefits) and represented 32.4% of total Operating Fund receipts for the first six months. State support is expected to be under budget due to lower than expected State fringe benefit support.

**Tuition** collections were the second largest source of revenue, totaling \$151.0 million, which represented 28.9% of total Operating Fund receipts. Tuition receipts were 52.3% of the annual amount budgeted (\$288.6 million). Tuition revenue collections reflect a 6.25% rate increase coupled with a 1.4% increase in the number of undergraduate degree-seeking students who account for approximately 87.2% of budgeted tuition revenues. Overall enrollment is 0.1% greater than budgeted and tuition revenue is projected to be slightly more than 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 \$52.5 million or 48.8% of the amount budgeted. Fee Collections are forecasted to be less than budget at year-end because of lower enrollment in certain fee-based programs.

## University of Connecticut (Storrs & Regional Campuses) – FY14

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**Auxiliary Enterprise Revenue** for the first six months of Fiscal Year 2014 was \$101.6 million which represented 51.8% of the annual budgeted amount. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 3.0% and Athletics revenues. At year-end, this category will be greater than budget due to slightly higher enrollment and full occupancy rates in student housing.

**Gifts, Grants and Contracts** revenue consists of restricted revenues from a federal, state or private granting agency or private donor and gifts transferred from the UConn Foundation. For the first six months of Fiscal Year 2014, Gifts, Grants and Contracts revenue of \$36.7 million, which included \$3.9 million from the UConn Foundation, was 44.9% of the annual budget. It is forecasted that this category will be greater than budget at year-end primarily due to additional federal financial aid grants.

**Investment Income** for the first two quarters of Fiscal Year 2014 was \$0.3 million. Interest rates continue to be low with the rate for December 2013 at 0.15% compared to 0.18% in December 2012. Investment income for the year is projected to be slightly more than on 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** revenue totaled \$11.0 million for the first two quarters and is forecasted to be slightly greater than budget at year-end.

### 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 \$51.8 million and represented 57.3% of the amount budgeted. In Fiscal Year 2013, Research Fund revenues reported in the first six months totaled \$46.7 million and represented 49.4% of the amount budgeted. Due to the variability of research activity, quarterly comparisons are not necessarily indicative of annual results. Research Fund revenues are expected to be on budget at year-end.

### Expenditures - Operating Fund

**Total Operating Fund** expenditures (excluding transfers) for the first six months of Fiscal Year 2014 were \$507.6 million or 50.0% of the annual budgeted amount. The spending pattern for the first two quarters of Fiscal Year 2013 reflected expenditures of 50.8% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	49.7%
Fringe Benefits	50.3%
Other Expenses	52.5%
Equipment	30.6%
Student Aid	49.1%

**Personal Services/Fringe Benefits** represented 49.9% of the annual budgeted amount of \$665.8 million. The official full-time faculty count is 108 more than the prior year (based on IPEDS federal reporting standards). At year-end, fringe benefit expenditures will be greater than budget based on current employee healthcare and retirement elections.

## University of Connecticut (Storrs & Regional Campuses) – FY14

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**Other Expenses** (including energy costs) were \$105.4 million for the first six months and represented 52.5% of the amount budgeted. This category is forecasted to be slightly higher than budget at year-end.

**Equipment** expenditures of \$5.8 million were 30.6% of the amount budgeted. This category will be under budget at year-end due to decreased spending in both academic and auxiliary areas.

**Student Aid** funds are predominantly expended in the first and third quarter of the fiscal year. For the first two quarters, Student Aid expenditures were \$64.3 million and represented 49.1% of the amount budgeted. Student Aid will be slightly under budget at year-end.

### **Expenditures - Operating Fund Transfers**

Net **Transfers** for the first two quarters were \$0.9 million due to the transfer of a large amount of funds into the Operating Fund. Transfers are expected to be under budget at year-end due to less construction projects than anticipated.

### **Expenditures - Research Fund**

Finally, **Research Fund** expenditures and transfers totaled \$53.4 million and represented 58.3% of the budgeted amount. In Fiscal Year 2013, Research Fund expenditures and transfers reported in the first six months totaled \$47.4 million and represented 49.6% of the budgeted amount. Due to the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results. Similar to the Research Fund revenues, while the six month expenditures are higher than anticipated at this point, Research Fund expenditures are expected to be on budget at year-end.

### **Enrollment**

Total University headcount enrollment for fall 2013 (excluding the Health Center) is up by 204 students or 0.7% from fall 2012. Undergraduate headcount enrollment (degree and non-degree) is up by 294 students or 1.3%.

### **Fund Balance**

The University expected to utilize \$30.9 million of prior year funds to balance the budget for the year ending June 30, 2014. This use of funds would have resulted in a Current Funds Unrestricted Fund Balance of \$71.5 million (Operating Fund-\$51.7 million; Research Fund-\$19.8 million). This fund balance represented 7.2% of the current year's unrestricted expenditure budget (\$990.3M). At the end of the first six months, the University now plans to use only \$30.2 million of prior year funds to balance the budget. Also, in accordance with current University procedures, centrally funded unrestricted fund balances are carried forward in departmental accounts and are available for expenditures in the current and future fiscal years.



**University of Connecticut (Storrs & Regionals)**  
**FY14 Statement of Current Funds Budget Operations<sup>1</sup> and Variance Analysis (\$M)**

<b>Current Funds Revenues:</b>	<b>12/31/13 Actual</b>	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>	<b>% Change</b>
Operating Fund					
State Support	\$169.4	\$306.6	\$304.3	(\$2.3)	
Tuition	151.0	288.6	289.2	0.6	
Fees	52.5	107.6	106.1	(1.5)	
Grants & Contracts	32.8	62.9	63.5	0.6	
Foundation	3.9	18.8	18.8	0.0	
Investment Income	0.3	0.6	0.6	0.0	
Sales & Service Education	6.2	16.7	16.1	(0.6)	
Auxiliary Enterprise Revenue	101.6	195.9	197.7	1.8	
Other Revenue	<u>4.8</u>	<u>7.6</u>	<u>8.7</u>	<u>1.1</u>	
<b>Total Operating Fund</b>	<b>\$522.5</b>	<b>\$1,005.3</b>	<b>\$1,005.0</b>	<b>(\$0.3)</b>	<b>0.0%</b>
Research Fund	<u>51.8</u>	<u>90.5</u>	<u>90.5</u>	<u>0.0</u>	<b>0.0%</b>
<b>Total Current Funds Revenues</b>	<b>\$574.3</b>	<b>\$1,095.8</b>	<b>\$1,095.5</b>	<b>(\$0.3)</b>	<b>0.0%</b>
<b>Current Funds Expenditures/Transfers:</b>					
Operating Fund					
Personal Services	\$230.0	\$462.8	\$461.2	(\$1.6)	
Fringe Benefits	102.1	203.0	205.7	2.7	
Other Expenses	97.8	178.4	179.5	1.1	
Energy	7.6	22.2	22.2	0.0	
Equipment	5.8	19.0	17.0	(2.0)	
Student Financial Aid	64.3	130.8	130.4	(0.4)	
Transfers	<u>0.9</u>	<u>19.0</u>	<u>18.2</u>	<u>(0.8)</u>	
<b>Total Operating Fund</b>	<b>\$508.5</b>	<b>\$1,035.2</b>	<b>\$1,034.2</b>	<b>(\$1.0)</b>	<b>-0.1%</b>
Research Fund	<u>53.4</u>	<u>91.5</u>	<u>91.5</u>	<u>0.0</u>	<b>0.0%</b>
<b>Total Current Funds Expenditures/Transfers</b>	<b>\$561.9</b>	<b>\$1,126.7</b>	<b>\$1,125.7</b>	<b>(\$1.0)</b>	<b>-0.1%</b>
Use of Reserves		<u>30.9</u>	<u>30.2</u>	<u>(0.7)</u>	
<b>Net Gain (Loss)</b>	<b><u>\$12.4</u></b>	<b><u>\$0.0</u></b>	<b><u>(\$0.0)</u></b>	<b><u>(\$0.0)</u></b>	

<sup>1</sup>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 or amortization and does not include the State debt service commitment for principal and interest.

UNAUDITED



University of Connecticut

Interim Financial Report  
For the Six Months Ended  
December 31, 2013

**UNIVERSITY OF CONNECTICUT**  
**INTERIM STATEMENTS OF NET POSITION**  
**As of December 31, 2013 and 2012 and June 30, 2013**  
**UNAUDITED**

(\$ in thousands)

<b>ASSETS</b>	<b>December 31, 2013</b>	<b>December 31, 2012 (Restated)</b>	<b>June 30, 2013</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 241,649	\$ 268,603	\$ 243,348
Accounts receivable, net	38,977	32,004	39,204
Student loans receivable, net	1,838	1,744	1,838
Due from State of Connecticut	102,986	78,496	74,950
State debt service commitment	105,441	90,600	92,168
Inventories	4,237	4,198	4,237
Deposit with bond trustee	153,070	107,492	41,030
Deferred charges	609	663	713
Prepaid expenses	4,740	2,238	2,901
<b>Total Current Assets</b>	<b>653,547</b>	<b>586,038</b>	<b>500,389</b>
<b>Noncurrent Assets</b>			
Cash and cash equivalents	1,435	1,421	1,438
Investments	11,363	10,308	10,614
Student loans receivable, net	10,553	10,526	10,374
State debt service commitment	911,295	828,795	751,045
Property and equipment, net	1,483,179	1,450,998	1,474,569
Deferred charges	6,332	7,288	7,211
<b>Total Noncurrent Assets</b>	<b>2,424,157</b>	<b>2,309,336</b>	<b>2,255,251</b>
<b>Total Assets</b>	<b>\$ 3,077,704</b>	<b>\$ 2,895,374</b>	<b>\$ 2,755,640</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 56,021	\$ 43,327	\$ 55,694
Deferred income	47,042	47,676	25,525
Deposits held for others	4,715	4,280	2,425
Wages payable	44,295	39,586	39,898
Compensated absences	23,302	24,266	23,302
Due to State of Connecticut	20,842	16,512	17,904
Due to affiliate	80,791	34,404	3,938
Current portion of long-term debt and bonds payable	102,480	89,598	92,274
Other current liabilities	34,959	44,313	32,547
<b>Total Current Liabilities</b>	<b>414,447</b>	<b>343,962</b>	<b>293,507</b>
<b>Noncurrent Liabilities</b>			
Compensated absences	9,925	8,740	9,925
Long-term debt and bonds payable	1,160,091	1,075,822	988,922
Refundable for federal loan program	11,233	11,076	11,233
<b>Total Noncurrent Liabilities</b>	<b>1,181,249</b>	<b>1,095,638</b>	<b>1,010,080</b>
<b>Total Liabilities</b>	<b>\$ 1,595,696</b>	<b>\$ 1,439,600</b>	<b>\$ 1,303,587</b>
<b>NET POSITION</b>			
<b>Net investment in capital assets</b>	<b>\$ 1,218,936</b>	<b>\$ 1,189,128</b>	<b>\$ 1,222,167</b>
<b>Restricted nonexpendable</b>	<b>12,649</b>	<b>11,579</b>	<b>11,902</b>
<b>Restricted expendable</b>			
Research, instruction, scholarships and other	19,682	19,786	20,602
Loans	2,685	2,700	2,469
Capital projects	68,815	68,728	33,416
Debt service	6,233	7,619	7,279
<b>Unrestricted (see Note 7)</b>	<b>153,008</b>	<b>156,234</b>	<b>154,218</b>
<b>Total Net Position</b>	<b>\$ 1,482,008</b>	<b>\$ 1,455,774</b>	<b>\$ 1,452,053</b>

**UNIVERSITY OF CONNECTICUT**  
**INTERIM STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Six Months Ended December 31, 2013 and 2012 and the Year Ended June 30, 2013**  
**UNAUDITED**

(\$ in thousands)

<b>OPERATING REVENUES</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2013</b>
Student tuition and fees (Net of scholarship allowances of \$60,716 for December 31, 2013, \$57,603 for December 31, 2012 and \$116,062 for June 30, 2013)	\$ 142,790	\$ 130,223	\$ 261,641
Federal grants and contracts	59,657	57,865	118,715
State and local grants and contracts	14,427	11,125	25,898
Nongovernmental grants and contracts	8,410	7,570	15,212
Sales and services of educational departments	6,199	6,679	15,814
Sales and services of auxiliary enterprises (Net of scholarship allowances of \$1,518 for December 31, 2013, \$1,570 for December 31, 2012 and \$2,907 for June 30, 2013)	100,075	90,365	185,240
Other sources	5,058	3,169	8,114
<b>Total Operating Revenues</b>	<b>336,616</b>	<b>306,996</b>	<b>630,634</b>
<b>OPERATING EXPENSES</b>			
Educational and general			
Instruction	170,884	152,892	302,202
Research	38,478	33,736	74,948
Public service	20,349	17,469	39,068
Academic support	63,021	57,060	117,679
Student services	18,185	16,253	33,315
Institutional support	31,602	36,636	63,302
Operations and maintenance of plant	53,404	51,405	101,661
Depreciation and amortization	46,137	39,125	91,713
Student aid	3,509	2,928	7,154
Auxiliary enterprises	92,237	81,310	167,474
<b>Total Operating Expenses</b>	<b>537,806</b>	<b>488,814</b>	<b>998,516</b>
<b>Operating Loss</b>	<b>(201,190)</b>	<b>(181,818)</b>	<b>(367,882)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriation	169,420	151,354	288,456
State debt service commitment for interest	21,855	20,999	40,571
Gifts	5,988	3,835	19,996
Investment income	368	249	859
Interest expense	(24,347)	(27,021)	(45,402)
Other nonoperating expenses, net	(2,672)	(1,273)	(439)
<b>Net Nonoperating Revenues</b>	<b>170,612</b>	<b>148,143</b>	<b>304,041</b>
<b>Loss Before Other Changes in Net Position</b>	<b>(30,578)</b>	<b>(33,675)</b>	<b>(63,841)</b>
<b>OTHER CHANGES IN NET POSITION</b>			
State debt service commitment for principal	52,694	-	-
Capital allocation	-	-	20,000
Capital grants and gifts	7,302	404	6,675
Disposal of property and equipment, net	(202)	(58)	103
Additions to permanent endowments	739	-	13
<b>Net Other Changes in Net Position</b>	<b>60,533</b>	<b>346</b>	<b>26,791</b>
<b>Increase (Decrease) in Net Position</b>	<b>29,955</b>	<b>(33,329)</b>	<b>(37,050)</b>
<b>NET POSITION</b>			
Net Position-beginning of year	1,452,053	1,489,103	1,489,103
Net Position-end of year	\$ 1,482,008	\$ 1,455,774	\$ 1,452,053

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**Notes to Interim Financial Statements  
For the Six Months Ended December 31, 2013 and 2012 and  
the Year Ended June 30, 2013**

**1. RELATED ENTITIES**

This financial report for the six months ended December 31, 2013 and 2012 and the year ended June 30, 2013 represents the transactions and balances of the University of Connecticut (University), herein 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). The Foundation raises funds to promote, encourage, and assist education and research at both the University and the Health Center, while the Law School Foundation, with similar objectives, supports only the University. 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 unit with the University in its annual report. While shown as a component unit in the June 30, 2013 financial report, it is not included with the financial statements for the six months ended December 31, 2013 and 2012. 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 Position as of December 31, 2013 and 2012 and the Statements of Revenues, Expenses, and Changes in Net Position for the six months ended December 31, 2013 and 2012 are prepared on the same basis as the June 30, 2013 statements except for the items listed below:

- (1) The following items are only adjusted at June 30th and have not changed since this date:
  - a. Current student loans receivable, net
  - b. Inventory of consumable supplies
  - c. The fair value adjustments for endowments invested by the Foundation
  - d. Construction retainage payables, which is included within accounts payable
  - e. Compensated absences
  - f. Adjustments pertaining to Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which requires recipients of government-mandated and voluntary nonexchange transactions to recognize revenue when all applicable eligibility requirements are met for these transactions.
  - g. The refundable for federal loan program liability
- (2) Waived tuition related to employees and their dependents is included only at June 30th as fringe benefit cost and tuition revenue in the Statement of Revenues, Expenses, and Changes in Net Position.
- (3) Depreciation and amortization is calculated for most assets as of December 31st. 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 31st.

**3. PROPERTY AND EQUIPMENT**

The following table describes the changes in property and equipment for the six months ended December 31, 2013 and 2012 and the year ended June 30, 2013 (amounts in thousands):

**Changes in Property and Equipment for the Six Months Ended December 31, 2013:**

	Balance July 1, 2013	Additions	Retirements	Transfers and other	Balance December 31, 2013
<b><u>Property and equipment:</u></b>					
Land	\$ 18,497	\$ 1,421	\$ -	\$ -	\$ 19,918
Non-structural improvements	226,290	738	-	-	227,028
Buildings	1,789,418	23,174	-	-	1,812,592
Equipment	403,364	7,794	(2,863)	-	408,295
Construction in progress	125,735	21,822	-	-	147,557
Total property and equipment	2,563,304	54,949	(2,863)	-	2,615,390
<b><u>Less accumulated depreciation and amortization:</u></b>					
Non-structural improvements	115,474	4,269	-	-	119,743
Buildings	732,301	29,938	-	-	762,239
Equipment	240,960	11,930	(2,661)	-	250,229
Total accumulated depreciation and amortization	1,088,735	46,137	(2,661)	-	1,132,211
<b><u>Property and equipment, net:</u></b>					
Land	18,497	1,421	-	-	19,918
Non-structural improvements	110,816	(3,531)	-	-	107,285
Buildings	1,057,117	(6,764)	-	-	1,050,353
Equipment	162,404	(4,136)	(202)	-	158,066
Construction in progress	125,735	21,822	-	-	147,557
Property and equipment, net:	\$ 1,474,569	\$ 8,812	\$ (202)	\$ -	\$ 1,483,179

**Changes in Property and Equipment for the Six Months Ended December 31, 2012 (restated, see Note 8):**

	Balance July 1, 2012	Additions	Retirements	Transfers and other	Balance December 31, 2012
<b><u>Property and equipment:</u></b>					
Land	\$ 14,657	\$ -	\$ -	\$ -	\$ 14,657
Non-structural improvements	217,567	26	-	-	217,593
Buildings	1,708,888	16,688	-	-	1,725,576
Equipment	396,662	11,243	(1,860)	-	406,045
Construction in progress	99,271	31,645	-	-	130,916
Total property and equipment	2,437,045	59,602	(1,860)	-	2,494,787
<b><u>Less accumulated depreciation and amortization:</u></b>					
Non-structural improvements	107,079	2,661	-	-	109,740
Buildings	673,778	25,129	-	-	698,907
Equipment	225,599	11,335	(1,792)	-	235,142
Total accumulated depreciation and amortization	1,006,456	39,125	(1,792)	-	1,043,789
<b><u>Property and equipment, net:</u></b>					
Land	14,657	-	-	-	14,657
Non-structural improvements	110,488	(2,635)	-	-	107,853
Buildings	1,035,110	(8,441)	-	-	1,026,669
Equipment	171,063	(92)	(68)	-	170,903
Construction in progress	99,271	31,645	-	-	130,916
Property and equipment, net:	\$ 1,430,589	\$ 20,477	\$ (68)	\$ -	\$ 1,450,998

**Changes in Property and Equipment for the Year Ended June 30, 2013:**

	Balance July 1, 2012	Additions	Retirements	Transfers and other	Balance June 30, 2013
<b><u>Property and equipment:</u></b>					
Land	\$ 14,657	\$ 3,843	\$ (3)	\$ -	\$ 18,497
Non-structural improvements	217,567	4,837	-	3,886	226,290
Buildings	1,708,888	28,537	-	51,993	1,789,418
Equipment	396,662	16,543	(9,841)	-	403,364
Construction in progress	99,271	82,343	-	(55,879)	125,735
Total property and equipment	2,437,045	136,103	(9,844)	-	2,563,304
<b><u>Less accumulated depreciation and amortization:</u></b>					
Non-structural improvements	107,079	8,395	-	-	115,474
Buildings	673,778	58,523	-	-	732,301
Equipment	225,599	24,795	(9,434)	-	240,960
Total accumulated depreciation and amortization	1,006,456	91,713	(9,434)	-	1,088,735
<b><u>Property and equipment, net:</u></b>					
Land	14,657	3,843	(3)	-	18,497
Non-structural improvements	110,488	(3,558)	-	3,886	110,816
Buildings	1,035,110	(29,986)	-	51,993	1,057,117
Equipment	171,063	(8,252)	(407)	-	162,404
Construction in progress	99,271	82,343	-	(55,879)	125,735
Property and equipment, net:	\$ 1,430,589	\$ 44,390	\$ (410)	\$ -	\$ 1,474,569

**4. LONG-TERM DEBT PAYABLE**

Long-term debt activity, including refunding of debt, for the six months ended December 31, 2013 and 2012 and the year ended June 30, 2013 was as follows (amounts in thousands):

**Long-term Debt Activity for the Six Months Ended December 31, 2013:**

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance December 31, 2013</b>	<b>Current portion</b>
General obligation bonds	\$ 828,795	\$ 223,910	\$ (54,375)	\$ 998,330	\$ 87,035
Revenue bonds	130,415	-	(5,800)	124,615	5,990
Self-liquidating bonds	1,050	-	-	1,050	500
Installment loans	1,319	-	(192)	1,127	370
Obligation under capital lease for Cogeneration	59,320	-	(1,909)	57,411	3,311
Total long-term debt	1,020,899	223,910	(62,276)	1,182,533	97,206
Premiums/discounts/debt difference due to refunding	60,297	24,190	(4,449)	80,038	5,274
Total long-term debt, net	<u>\$ 1,081,196</u>	<u>\$ 248,100</u>	<u>\$ (66,725)</u>	<u>\$ 1,262,571</u>	<u>\$ 102,480</u>

**Long-term Debt Activity for the Six Months Ended December 31, 2012:**

	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance December 31, 2012</b>	<b>Current portion</b>
General obligation bonds	\$ 903,550	\$ -	\$ -	\$ 903,550	\$ 74,755
Revenue bonds	154,170	87,980	(111,735)	130,415	5,800
Self-liquidating bonds	2,171	-	-	2,171	569
Installment loans	1,727	-	(218)	1,509	382
Obligation under capital lease for Cogeneration	62,785	-	(1,713)	61,072	3,543
Total long-term debt	1,124,403	87,980	(113,666)	1,098,717	85,049
Premiums/discounts/debt difference due to refunding	46,320	19,015	1,368	66,703	4,549
Total long-term debt, net	<u>\$ 1,170,723</u>	<u>\$ 106,995</u>	<u>\$ (112,298)</u>	<u>\$ 1,165,420</u>	<u>\$ 89,598</u>

**Long-term Debt Activity for the Year Ended June 30, 2013:**

	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2013</b>	<b>Current portion</b>
General obligation bonds	\$ 903,550	\$ -	\$ (74,755)	\$ 828,795	\$ 77,750
Revenue bonds	154,170	87,980	(111,735)	130,415	5,800
Self-liquidating bonds	2,171	-	(1,121)	1,050	500
Installment loans	1,727	-	(408)	1,319	377
Obligation under capital lease for Cogeneration	62,785	-	(3,465)	59,320	3,623
Total long-term debt	1,124,403	87,980	(191,484)	1,020,899	88,050
Premiums/discounts/debt difference due to refunding	46,320	14,796	(819)	60,297	4,224
Total long-term debt, net	<u>\$ 1,170,723</u>	<u>\$ 102,776</u>	<u>\$ (192,303)</u>	<u>\$ 1,081,196</u>	<u>\$ 92,274</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 the majority of these matters will not have a material effect on the University's financial statements. However, there are a small number of outstanding matters, including unasserted claims, of potential individual significance. With respect to two matters, certain claimants seek an aggregate of approximately \$25.0 million. If claimants are successful, the claim would be paid from the State's General Fund, not from the University. The State expects these matters to be resolved for substantially less than the amounts claimed.

In the opinion of legal counsel, the aggregate exposure pertaining to the other remaining claims and unasserted claims cannot be reasonably estimated but is not expected to exceed \$5.0 million.

**7. UNRESTRICTED NET POSITION**

The University adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, for external reporting purposes, which requires net position to be classified for accounting and reporting purposes into one of three net position categories. Unrestricted net position, as defined by GASB, is not subject to externally imposed stipulations; however, they are subject to internal restrictions. For example, unrestricted net position 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 of unrestricted net position is internally designated for academic and research programs, capital programs, retirement of debt, and auxiliary enterprise activities.

**8. PRIOR YEAR ADJUSTMENTS**

Effective for the fiscal year ended June 30, 2013, the University changed its practice of accruing construction retainage in order to conform with the provisions of authoritative guidance currently in effect. This change was applied retrospectively to the balances presented on the Statement of Net Position for the six months ended December 31, 2012, but did not affect beginning net position.

For fiscal year 2013, the University performed a review of the categorization of functional expenses and certain reclassifications were made to the Statement of Revenues, Expenses, and Changes in Net Position for the six months ended December 31, 2012 to better reflect the appropriate classifications in accordance with applicable guidance. These changes have no effect on total operating loss or net position.