

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

February 10, 2009



***FY08 Closeout
and
FY09 Six Month Update***




***University of Connecticut
Health Center***

FY08 Closeout


University of Connecticut Health Center

FY 2008 Review (Unaudited)

The following narrative and chart provide information on the main drivers of the University of Connecticut Health Center financial results for Fiscal 2008. The amounts presented here are not yet final, but include all audit adjustments known to date.

 **Executive Summary** – As a result of the June 19, 2008 receipt of a \$21.9 million deficiency appropriation, the Health Center’s unaudited deficit for the fiscal year ended June 30, 2008 was \$1.3 million. The total operating deficit, prior to the application of the deficiency appropriation, was \$23.2 million; this compares to a budgeted excess of revenues over expenses of \$50,000 and a subsequent projected deficit of \$21.9 million. The increase in the deficit over the projection is due to necessary adjustments to the UConn Medical Group reserve for accounts receivable.


- **John Dempsey Hospital** - The year-end deficit is \$18.5 million compared to a budgeted deficit of \$5.2 million, for an unfavorable variance of \$13.3 million. The deficit through the first nine months ending March 2008 was \$15.6 million, or an average monthly deficit of \$1.7 million. The fourth quarter of the fiscal year improved to an average monthly deficit of \$984,000.
- **UConn Medical Group** - The year-end deficit is \$10.8 million compared to a budgeted deficit of \$2.8 million, for an unfavorable variance of \$8 million. Adjustments were required for the reserve for accounts receivable:
 - Because this was the first full year of this program’s operation, and because billing is performed by another entity, it was difficult to estimate the reserve amount for the Anesthesia receivable. The receivable required an adjustment of \$800,000.
 - The overall reserve for accounts receivable was increased \$1.3 million. The methodology for determining the reserve is a collection percentage that is nine months back by payer category. The last three months saw an increase in orthopedic cases which are cases with a higher charge per case and a lower collection percent. The impact was discovered as the payment percentage dropped in the last three months.

 **Total Revenue** – For the year ended June 30, 2008, Total Revenues were \$717.8 million. Total revenue was ahead of budget projections by \$13.8 million, or 2%, and included State Support from a deficiency appropriation of \$21.9 million. Negative results in research and net patient revenue were the primary driver for the overall deficit.

- **Research** – Was unfavorable to the budget plan by \$7.4 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 \$6.8 million had a direct impact on the recovery of F&A, which was \$2.1 million less than budgeted.
- **Net Patient Revenue** – Net Patient Revenue was \$6 million, or 2%, under budget. UMG was short of budgeted revenues by \$3.6 million due to visits below budget 18,496 cases (3.2%) and the AR adjustments noted above. In addition the Dental Implant Center was not implemented but had been budgeted at \$1.4 million in revenue.
- **Correctional Managed Healthcare (CMHC)** – The favorable variance of \$2.8 million represents a deficiency appropriation authorized by the legislature.
- **Investment Income** – The unfavorable variance of \$2.1 million is due to 1.4 million in budgeted endowments not being transferred from the Uconn Foundation. This is bottom line

neutral, since revenue is determined by the departmental expenses for most endowments. In addition \$700,000 due to lower returns on State Treasurer's Short Term Investment Fund due to declining interest rates.

- **Total State Support** – \$158 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 \$21.9 million.

 **Total Expenditures** – Total Expenditures exceeded their budgeted amounts by about \$15.2 million, or 2.2%, with personal services, fringe benefits, Outside and Other Purchases and drugs/medical supply costs contributing to the problem. These items were offset by favorable variances in utilities.

- **Personal Services**–Personal service expense was over budget \$5.9 million or 1.7%. \$5.4 million was due to JDH being 83 FTE's over budget due to the transition of the Farmington Surgery Center employees over to the Hospital.
- **Fringe Benefits** – Fringe benefits were over budget \$4 million, or 4.1%. \$3 million was associated with the increase in FTE's noted above.
- **Drugs and Medical** – For the year ended June 30, 2007, drugs and medical expenses were above budget \$3.4 million, or 4.7%. This was mainly due to increased drug costs in JDH of \$2.4 million, or 17.8%.
- **Outside and Other Purchases** – This category is above budget by about \$3.6 million, or 7.2%. This unfavorable variance is not isolated to one specific program within the Health Center. The largest impact contributing to the variance was higher cost for snow removal, and the cost associated with the PricewaterhouseCoopers engagement.
- **Utilities** –Utility expenditures were under budget \$2.7 million, or 14.2%. The savings was due to the Health Center entering into long term contracts for new electric suppliers which yielded favorable rates.

Net Gain (Loss) – The Health Center ended Fiscal Year 2007 with a \$1.3 million deficit before capital appropriations. The Health Center was aided by the receipt of a deficiency appropriation of \$21.9 million, which reduced a \$23.2 million shortfall to a deficit of \$1.3 million. The deficit was mainly driven by an \$18.5 million deficit at the John Dempsey Hospital.

University of Connecticut Health Center
Statement of Current Funds Budget Operations and Variance Analysis
FY08 (unaudited)
(Dollars in Millions)

| Current Funds Revenues: | Actual | Budget | Variance | % Variance |
|---|-----------------------|---------------------|-----------------------|-------------------|
| State Support | \$158.0 | \$130.4 | \$27.6 | |
| Tuition (net of scholarships) | 9.5 | 9.8 | (0.3) | |
| Fees | 5.2 | 5.3 | (0.1) | |
| Gifts, Grants & Contracts | 86.4 | 93.8 | (7.4) | |
| Investment Income | 6.7 | 8.8 | (2.1) | |
| Interns & Residents | 34.3 | 34.2 | 0.1 | |
| Net Patient Care | 298.2 | 304.2 | (6.0) | |
| Correctional Managed Health Care | 102.2 | 99.4 | 2.8 | |
| Auxiliary Enterprise and Other | 17.3 | 18.1 | (0.8) | |
| Total Current Funds Revenues | \$717.8 | \$704.0 | \$13.8 | 2.0% |
| | | | | |
| Current Funds Expenditures / Transfers: | | | | |
| Personal Services | \$355.4 | \$349.5 | \$5.9 | |
| Fringe Benefits | 102.3 | 98.3 | 4.0 | |
| Drugs/Medical Supplies | 76.1 | 72.7 | 3.4 | |
| Medical Contractual Support | 15.7 | 15.3 | 0.4 | |
| Medical/Dental House Staff | 34.3 | 34.9 | (0.6) | |
| Outside Agency Per Diem | 1.9 | 2.1 | (0.2) | |
| Utilities | 16.3 | 19.0 | (2.7) | |
| Outside & Other Purchases | 53.5 | 49.9 | 3.6 | |
| Insurance | 5.5 | 5.1 | 0.4 | |
| Repairs & Maintenance | 9.1 | 9.3 | (0.2) | |
| Other Expenses | 21.3 | 20.6 | 0.7 | |
| Depreciation | <u>27.7</u> | <u>27.2</u> | <u>\$0.5</u> | |
| Total Current Funds Expenditures / Transfers | \$719.1 | \$703.9 | \$15.2 | 2.2% |
| | | | | |
| Net Gain (Loss) | <u>(\$1.3)</u> | <u>\$0.1</u> | <u>(\$1.2)</u> | |



***University of Connecticut
Health Center***

FY09 Six Month Update

Consolidated Financial Reports Financial Update & Highlights

SUBJECT: Unaudited FY 2009 Financial Results for the 6 month period ending December 31, 2008.

Introduction:

The following provides highlights for the results of operations for the six month period ending December 31, 2008:

The actual deficiency for the Fiscal Year to Date is \$10.2 million as compared to a budgeted deficiency of \$8.7 million, for an unfavorable variance of \$1.5 million. For the month of December the actual deficiency is \$3.1 million as compared to a budgeted deficiency of \$1.8 million, for an unfavorable variance of \$1.3 million. The Health Center's outside and other purchased services, while favorable to budget, include consulting costs related to the ongoing affiliation discussions and PricewaterhouseCoopers organizational improvement efforts. The unbudgeted portion of these costs was \$1.7 million and is included in JDH and the School of Medicine. Key drivers of budget variances are outlined in this package.

Education, Research & Institutional Support

The result of operations before State Appropriations is unfavorable to the budget by \$1.3 million year to date and \$286,000 for the month of December.

Significant Year to date highlights include:

- The School of Medicine total expenses were favorable to budget by \$1.0 million (1.7%). The School of Medicine revenue from billings to participating hospitals is below budget by \$3.4 million.
- The School of Dental Medicine total expenses were favorable to budget by \$930,000 (7.3%)
- Research results of operations were unfavorable to budget by \$275,000 or (5.9%)
- Institutional Support results of operations were favorable to budget by \$2.7 million or 8.2%

Clinical

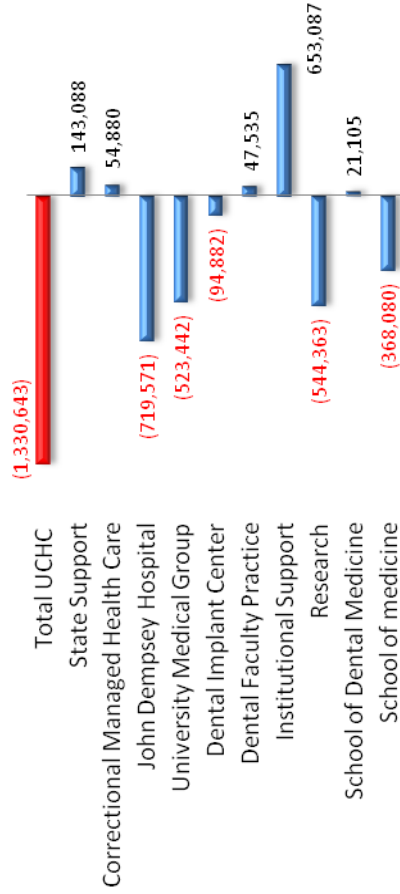
| (in thousands) | Results of Operations | | | |
|-------------------|-----------------------|-----------|-----------|-------------------|
| | Actual | Budget | Variance | Percent |
| Month of December | (\$1,385) | (\$666) | (\$719) | -108.0% |
| Year-to-Date | (\$7,787) | (\$8,195) | \$408 | 5.0% |
| | | | | (in thousands) |
| | | | | Month of December |
| | | | | Year-to-Date |
| | Actual | Budget | Variance | Percent |
| | (\$1,667) | (\$1,144) | (\$523) | -45.7% |
| | (\$5,384) | (\$3,644) | (\$1,740) | -47.7% |

Financial Performance

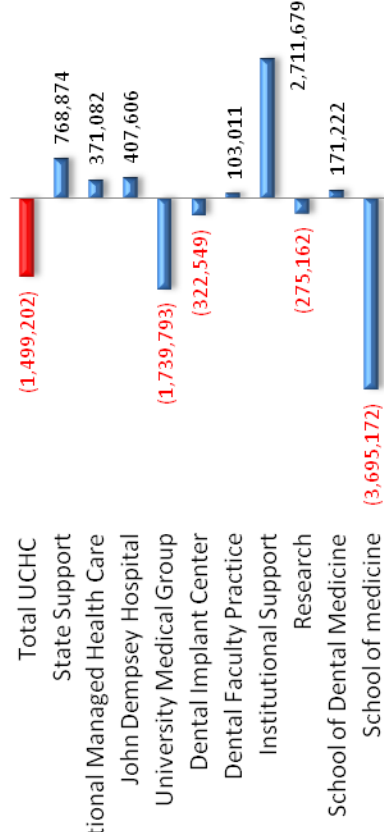
For the period ending December 31, 2008 (in thousands)

| Line # | Category | Current Month | | | Year - to - Date | | | |
|--------|---|---------------|------------|-----------|------------------|------------|-----------|---------|
| | | Actual | Budget | Variance | Percent | Budget | Variance | Percent |
| 1 | Total UCHC Excess/ Deficiency | (\$3,143) | (\$1,813) | (\$1,330) | -73.4% | (\$4,084) | \$189 | 1.6% |
| 2 | Education, Research & Institutional Support-Excess/(Deficiency) | (\$12,179) | (\$11,894) | (\$285) | -2.4% | (\$11,008) | (\$1,307) | -1.9% |
| 3 | John Dempsey Hospital - Excess/(Deficiency) | (\$1,385) | (\$666) | (\$719) | -108.0% | (\$3,405) | \$408 | 5.0% |
| 4 | UMG - Excess/(Deficiency) | (\$1,667) | (\$1,144) | (\$523) | -45.7% | (\$1,043) | (\$1,740) | -47.7% |
| 5 | CMHC - Excess/(Deficiency) | \$55 | \$0 | \$55 | | \$61 | \$372 | 9300.0% |
| 6 | State Appropriation-Block Grant | \$8,919 | \$8,822 | \$97 | 1.1% | \$8,344 | \$580 | 1.1% |
| 7 | Fringe Benefits & Other Adjustments | \$3,115 | \$3,069 | \$46 | 1.5% | \$2,968 | \$189 | 1.0% |
| 8 | Total State Support | \$12,034 | \$11,891 | \$143 | 1.2% | \$11,312 | \$769 | 1.1% |
| 9 | Total Revenues (000's) | \$48,058 | \$49,118 | (\$1,060) | -2.2% | \$44,772 | (\$6,947) | -2.3% |
| 10 | Total Expenses (000's) | \$63,484 | \$63,087 | \$397 | 0.6% | \$60,167 | (\$4,747) | -1.3% |
| 11 | Research Awards | \$3,594 | \$2,843 | \$751 | 26.4% | \$3,103 | (\$2,252) | -5.0% |
| 12 | Research Revenue Recognition in Financial Statements | \$6,518 | \$7,340 | (\$822) | -11.2% | \$6,897 | (\$865) | -2.0% |
| | | \$72,470 | \$71,701 | \$769 | 1.1% | \$66,137 | \$6,333 | 9.6% |
| | | \$289,524 | \$296,471 | (\$6,947) | -2.3% | \$273,168 | \$16,356 | 6.0% |
| | | \$373,830 | \$378,576 | (\$4,747) | -1.3% | \$349,648 | \$24,182 | 6.9% |
| | | \$43,228 | \$45,480 | (\$2,252) | -5.0% | \$45,088 | (\$1,860) | -4.1% |
| | | \$43,445 | \$44,310 | (\$865) | -2.0% | \$41,358 | \$2,087 | 5.0% |

Budget Variance by Program - Month



Budget Variance by Program - Year to Date





University of Connecticut Health Center

Consolidated Statement of Revenues and Expenses (with Eliminations)

| | Consolidated UConn Health Center YTD December 2008 | | | Consolidated UConn Health Center YTD December 2007 | | | |
|--|---|------------------------|-----------------------|---|------------------------|-----------------------|---------------------|
| | Actual | Budget | Variance | Percent Variance | Actual | Variance | Percent Variance |
| Revenues: | | | | | | | |
| Tuition | \$ 5,025,822 | \$ 5,114,752 | \$ (88,930) | -1.7% | \$ 4,759,257 | \$ 266,565 | 5.6% |
| Fees | 2,876,596 | 2,777,806 | 98,790 | 3.6% | 2,784,112 | 92,484 | 3.3% |
| Federal Research Grants and Contracts | 34,275,510 | 35,621,892 | (1,346,382) | -3.8% | 34,503,470 | (227,960) | -0.7% |
| Non-Federal Research Grants and Contracts | 9,189,753 | 8,687,701 | 502,052 | 5.8% | 6,854,437 | 2,335,316 | 34.1% |
| Auxiliary Enterprises | 7,163,660 | 6,680,711 | 482,949 | 7.2% | 6,518,086 | 645,574 | 9.9% |
| Interns and Residents | 17,156,512 | 21,167,693 | (4,011,181) | -18.9% | 17,361,174 | (204,662) | -1.2% |
| Net Patient Care | 157,843,444 | 158,414,594 | (571,150) | -0.4% | 144,153,021 | 13,690,423 | 9.5% |
| Correctional Managed Health Care | 50,825,334 | 52,525,334 | (1,700,000) | -3.2% | 49,943,926 | 881,408 | 1.8% |
| Endowment/Foundation Income | 1,942,626 | 1,945,405 | (2,779) | -0.1% | 1,931,373 | 11,253 | 0.6% |
| Investment Income | 639,416 | 1,022,423 | (383,007) | -37.5% | 1,640,246 | (1,000,830) | -61.0% |
| Other Income | 2,584,856 | 2,512,287 | 72,569 | 2.9% | 2,718,513 | (133,657) | -4.9% |
| Total Revenues | \$ 289,523,528 | \$ 296,470,598 | \$ (6,947,070) | -2.3% | \$ 273,167,615 | \$ 16,355,913 | 6.0% |
| Expenses: | | | | | | | |
| Personal Services | \$ 186,021,964 | \$ 188,223,922 | \$ (2,201,958) | -1.2% | \$ 174,571,349 | \$ 11,450,615 | 6.6% |
| State Supported Fringe Benefits | 18,759,225 | 18,778,419 | (19,194) | -0.1% | 17,571,244 | 1,187,981 | 6.8% |
| Fringe Benefits | 33,935,650 | 33,366,325 | 569,325 | 1.7% | 31,074,180 | 2,861,470 | 9.2% |
| Medical Contractual Support | 7,845,659 | 7,615,960 | 229,699 | 3.0% | 9,692,349 | (1,846,690) | -19.1% |
| Medical/Dental House Staff | 19,030,125 | 18,746,321 | 283,804 | 1.5% | 15,830,215 | 3,199,910 | 20.2% |
| Outside Agency Per Diems | 948,928 | 980,409 | (31,481) | -3.2% | 1,035,203 | (86,275) | -8.3% |
| Drugs | 17,418,413 | 16,781,604 | 636,809 | 3.8% | 17,188,072 | 230,341 | 1.3% |
| Medical Supplies | 21,700,242 | 23,191,058 | (1,490,816) | -6.4% | 19,654,587 | 2,045,655 | 10.4% |
| Utilities | 9,201,008 | 9,151,618 | 49,390 | 0.5% | 8,070,361 | 1,130,647 | 14.0% |
| Outside & Other Purchased Services | 26,538,223 | 27,719,379 | (1,181,156) | -4.3% | 24,412,250 | 2,125,973 | 8.7% |
| Insurance | 2,984,483 | 2,990,795 | (6,312) | -0.2% | 2,848,410 | 136,073 | 4.8% |
| Repairs & Maintenance | 4,906,366 | 5,452,836 | (546,470) | -10.0% | 4,347,859 | 558,507 | 12.8% |
| Other Expenses | 10,685,024 | 11,221,577 | (536,553) | -4.8% | 10,017,043 | 667,981 | 6.7% |
| Depreciation | 13,854,226 | 14,355,886 | (501,660) | -3.5% | 13,334,777 | 519,449 | 3.9% |
| Total Expenses | \$ 373,829,536 | \$ 378,576,109 | \$ (4,746,573) | -1.3% | \$ 349,647,899 | \$ 24,181,637 | 6.9% |
| Excess/Deficiency of Revenues over Expenses Prior to State Appropriations | \$ (84,306,008) | \$ (82,105,511) | \$ (2,200,497) | -2.7% | \$ (76,480,284) | \$ (7,825,724) | -10.2% |
| State Appropriation-Block Grant | \$ 53,561,232 | \$ 52,981,499 | \$ 579,733 | 1.1% | \$ 48,565,937 | \$ 4,995,295 | 10.3% |
| JDH - State Supported Fringe Benefits | 1,661,421 | 1,729,000 | (67,579) | -3.9% | - | 1,661,421 | 100.0% |
| State Supported Fringe Benefits and Other Adjustments | 18,909,225 | 18,720,084 | 189,141 | 1.0% | 17,571,244 | 1,337,981 | 7.6% |
| Excess/(Deficiency) | \$ (10,174,130) | \$ (8,674,928) | \$ (1,499,202) | -17.3% | \$ (10,343,103) | \$ 168,973 | 1.6% |
| Total State Support | 74,131,878 | 73,430,583 | 701,295 | 1.0% | 66,137,181 | 7,994,697 | 12.1% |
| Percent of Total Revenues | 20.39% | 19.85% | 0.01 | 2.7% | 19.49% | 0 | 4.6% |
| Total State Support without Fringe Benefits | 53,561,232 | 52,981,499 | 579,733 | 1.1% | 48,565,937 | 4,995,295 | 10.3% |



JOHN DEMPSEY HOSPITAL
OPERATING STATEMENT
DECEMBER 2008

| | Current Month | | | Year to Date (7/1/08 - 12/31/08) | | | YTD % | | | |
|---------------------------------------|---------------|---------------|--------------|----------------------------------|---------------|----------------|----------------|--------------|---------|---------------|
| | Actual '09 | Budget '09 | Variance | % Change | Actual '08 | Actual '09 | Budget '09 | Variance | Change | Actual '08 |
| Gross Inpatient Revenue | \$ 20,713,421 | \$ 15,858,529 | \$ 4,854,892 | 30.6% | \$ 15,046,845 | \$ 105,203,422 | \$ 100,607,198 | \$ 4,596,224 | 4.6% | \$ 94,390,854 |
| Gross Outpatient Revenue | 19,996,886 | 16,323,087 | 3,673,799 | 22.5% | 15,275,474 | 116,841,740 | 105,550,601 | 11,291,139 | 10.7% | 99,919,309 |
| Total Gross Patient Revenue | 40,710,307 | 32,181,616 | 8,528,691 | 26.5% | 30,322,319 | 222,045,162 | 206,157,799 | 15,887,363 | 7.7% | 194,310,163 |
| Less: Contractual Allowances | 19,615,156 | 12,045,424 | 7,569,732 | 62.8% | 13,160,290 | 102,592,590 | 85,031,960 | 17,560,630 | 20.7% | 84,617,549 |
| Less: Bad Debt Expense | 317,359 | 440,361 | (123,002) | -27.9% | 345,886 | (476,882) | 2,767,462 | (3,244,344) | -117.2% | 2,414,919 |
| Net Patient Revenue | 20,777,792 | 19,695,831 | 1,081,961 | 5.5% | 16,816,143 | 119,929,454 | 118,358,377 | 1,571,077 | 1.3% | 107,277,695 |
| Investment Income | 14,056 | 46,392 | (32,336) | -69.7% | 102,135 | 187,332 | 278,353 | (91,021) | -32.7% | 671,836 |
| Other Operating Revenue | 301,160 | 297,115 | 4,045 | 1.4% | 268,737 | 1,868,526 | 1,782,679 | 85,847 | 4.8% | 1,329,273 |
| Total Other Operating Income | 315,216 | 343,507 | (28,291) | -8.2% | 370,872 | 2,055,858 | 2,061,032 | (5,174) | -0.3% | 2,001,109 |
| Total Revenue | 21,093,008 | 20,039,338 | 1,053,670 | 5.3% | 17,187,015 | 121,985,312 | 120,419,409 | 1,565,903 | 1.3% | 109,278,804 |
| Salaries and Wages | 8,425,309 | 8,226,954 | 198,355 | 2.4% | 8,021,671 | 49,952,055 | 50,169,543 | (217,488) | -0.4% | 47,584,726 |
| Fringe Benefits | 3,425,500 | 3,327,323 | 98,177 | 3.0% | 3,251,740 | 20,424,156 | 20,141,330 | 282,826 | 1.4% | 19,293,669 |
| State in-kind Fringe Benefits Support | (249,122) | (266,000) | 16,878 | -6.3% | - | (1,661,422) | (1,729,000) | 67,578 | -3.9% | - |
| Medical Contractual Support | 410,018 | 379,086 | 30,932 | 8.2% | 369,318 | 2,412,964 | 2,274,511 | 138,453 | 6.1% | 2,348,642 |
| Medical/Dental House Staff | 1,146,146 | 1,087,708 | 58,438 | 5.4% | 850,000 | 6,119,368 | 6,526,250 | (406,882) | -6.2% | 5,198,352 |
| Outside Agency Per Diems | 108,171 | 98,959 | 9,212 | 9.3% | 78,690 | 613,815 | 589,021 | 24,794 | 4.2% | 517,807 |
| Drugs | 1,480,874 | 1,150,273 | 330,601 | 28.7% | 1,136,473 | 8,526,891 | 7,562,595 | 964,296 | 12.8% | 7,727,094 |
| Medical Supplies | 2,885,001 | 2,110,877 | 774,124 | 36.7% | 2,357,702 | 16,183,117 | 16,140,714 | 42,403 | 0.3% | 14,234,497 |
| Utilities | 278,640 | 434,797 | (156,157) | -35.9% | 312,557 | 1,947,023 | 2,040,858 | (93,835) | -4.6% | 1,712,571 |
| Outside & Other Purchased Services | 2,735,938 | 2,244,155 | 491,783 | 21.9% | 2,153,153 | 14,338,258 | 13,766,808 | 571,450 | 4.2% | 12,574,646 |
| Insurance | 245,412 | 243,005 | 2,407 | 1.0% | 243,138 | 1,469,375 | 1,458,029 | 11,346 | 0.8% | 1,483,886 |
| Repairs & Maintenance | 440,035 | 443,400 | (3,365) | -0.8% | 447,321 | 2,378,787 | 2,661,127 | (282,340) | -10.6% | 2,226,256 |
| Other Expenses | 283,946 | 274,838 | 9,108 | 3.3% | 216,755 | 1,679,602 | 1,653,730 | 25,872 | 1.6% | 1,644,369 |
| Depreciation Expense | 862,419 | 949,671 | (87,252) | -9.2% | 1,153,829 | 5,388,582 | 5,358,758 | 29,824 | 0.6% | 5,170,010 |
| Total Operating Expenses | 22,478,287 | 20,705,046 | 1,773,241 | 8.6% | 20,592,347 | 129,772,571 | 128,614,274 | 1,158,297 | 0.9% | 121,716,525 |
| Net Operating Gain (Loss) | (1,385,279) | (665,708) | (719,571) | 108.1% | (3,405,332) | (7,787,259) | (8,194,865) | 407,606 | -5.0% | (12,437,721) |

John Dempsey Hospital

Results of Operations:

Year-to-date the deficit is \$7.8 million compared to a budgeted deficit of \$8.2 million, for a favorable variance of \$408,000. The deficit for the same period last year was \$12.4 million. The month of December shows a deficit of \$1.4 million compared to a budgeted deficit of \$666,000, for an unfavorable variance of \$720,000. The deficit for the same period last year was \$3.4 million. Other significant highlights include:

| Category | Current Month | | | Year - to - Date | | | |
|---|---------------|----------|----------|------------------|------------|----------|---------|
| | Actual | Budget | Variance | Percent | Prior Year | Variance | Percent |
| (in thousands) | | | | | | | |
| JDH Excess of Revenues over Expenses/(Deficiency) | (\$1,385) | (\$666) | (\$719) | -108.0% | (\$3,405) | \$408 | 5.0% |
| JDH Operating Margin | -6.6% | -3.3% | -3.3% | -100.0% | -19.8% | 0.4% | 5.9% |
| Inpatient Admissions | 791 | 775 | 16 | 2.1% | 747 | (48) | -1.0% |
| Outpatient Visits | 31,312 | 27,896 | 3,416 | 12.2% | 26,560 | (3,468) | -1.8% |
| Total Revenue per Adjusted Discharge | \$13,517 | \$12,841 | \$676 | 5.3% | \$11,105 | (\$188) | -1.6% |
| Cost per Adjusted Discharge | \$14,404 | \$13,268 | \$1,136 | 8.6% | \$13,305 | (\$251) | -2.0% |
| Days Revenue in Accounts Receivable | 48 | 53 | (5) | -9.4% | 56 | (5) | -9.4% |
| Case Mix Index | 1.5145 | 1.4421 | 0.0724 | 5.0% | 1.4198 | 0.0504 | 3.5% |
| FTE's per Adjusted Occupied Bed | 4.99 | 4.96 | 0.03 | 0.6% | 5.04 | (0.25) | -5.5% |

Volume: Year to Date

Inpatient discharges are unfavorable to the budget plan by 4 cases (.1%) and are above last year by 54 cases (1.1%).

Outpatient visits are unfavorable to the budget plan by 3,468 cases (1.8%) and are above last year by 7,796 cases (4.2%).

The key drivers for inpatient volume year-to-date are:

- Cardiology is 48 cases above budget and 66 cases above last year
- Oncology is below budget 85 cases and below last year 81 cases
- Psychiatry is below budget 83 cases and below last year 78 cases
- Overall Inpatient Surgery cases which are included in multiple service lines are above budget 125 cases and above last year by 195 cases

The key drivers for outpatient volume year-to-date are:

- Compared to Budget
 - Areas that are below budget are Outpatient surgery (9%), Emergency Department (6%); MRI (3%)
 - Areas that are above budget are Cardiology related tests (EKG's – 21%; EP Lab – 25%); Physical Therapy 14%

Net Revenue: Year to Date

Year-to-date total net patient revenue is favorable to the budget plan by \$1.6 million (1.3%) and is above last year by \$12.7 million (11.8%).

The key drivers for net revenue are:

- Compared to Budget
 - Net Revenue per adjusted discharge is below the budgeted plan by \$182 (1.5%) but adjusted discharges are above budget by 294 discharges (2.9%).
 - Case mix index is 1.4925 compared to a budget of 1.4421
 - Net Revenue per adjusted discharge is above last year by \$841 (7.8%).

Significant variances for inpatient payer mix:

- Compared to Budget
 - Medicare discharges are above the budgeted plan by 46 cases (2.4%)
 - Medicaid discharges are above the budgeted plan by 25 cases (5.3%)
 - Managed Care discharges are below the budgeted plan by 46 cases (2.8%)
 - Correctional Managed Health Care is below the budgeted plan by 6 cases (3.2%)

Expenses

- Expenses are now unfavorable to the budget by \$1.1 million (0.9%) on a year to date basis and \$8.1 million (6.6%) unfavorable to prior year.
- Drugs are over budget year to date by \$964,000 of which \$331,000 relates to the current month. JDH has seen an increase in patients requiring special anticoagulant medication which has driven drug costs beyond their budgeted levels. In December the hospital treated two such patients who received pharmaceuticals costing \$206,000.
- Consulting expenses are over budget by \$1.4 million.

UNIVERSITY MEDICAL GROUP
OPERATING STATEMENT
DECEMBER 2008

| | DECEMBER ACTUAL | DECEMBER BUDGET | VARIANCE | DECEMBER PERCENT | DECEMBER 2007 | DECYTD ACTUAL | DECYTD BUDGET | VARIANCE | YTD PERCENT | DECYTD FY 2007 |
|--|--------------------|--------------------|-----------|---------------------|------------------|------------------|------------------|-------------|----------------|-------------------|
| REVENUES: | | | | | | | | | | |
| Gross Charges-Direct Patient Care | 15,211,893 | 13,501,040 | 1,710,853 | 12.67% | 13,062,297 | 94,474,218 | 91,410,017 | 3,064,201 | 3.35% | 83,886,008 |
| Gross Charges-Contract Patient Care | 457,152 | 515,483 | (58,331) | -11.32% | 494,289 | 2,768,282 | 2,956,419 | (190,137) | -6.43% | 3,002,869 |
| Total Patient Care | 15,669,045 | 14,016,523 | 1,652,522 | 11.79% | 13,556,586 | 97,242,500 | 94,366,436 | 2,874,064 | 3.05% | 86,888,877 |
| Less: Contractual Allowances | 8,737,829 | 7,031,628 | 1,706,201 | 24.26% | 6,911,121 | 54,046,438 | 50,354,000 | 3,692,438 | 7.33% | 45,548,103 |
| Provision for Bad Debts | 165,595 | 92,951 | 72,644 | 78.15% | (10,889) | 724,841 | 636,763 | 88,078 | 13.83% | 535,902 |
| Total Allowances & Bad Debts | 8,903,424 | 7,124,579 | 1,778,845 | 24.97% | 6,900,232 | 54,771,279 | 50,990,763 | 3,780,516 | 7.41% | 46,084,005 |
| Net Patient Revenue | 6,765,621 | 6,891,944 | (126,323) | -1.83% | 6,656,354 | 42,471,221 | 43,377,673 | (906,452) | -2.09% | 40,804,872 |
| Other Revenues | 59,692 | 104,139 | (44,447) | -42.68% | 75,272 | 428,730 | 591,889 | (163,159) | -27.57% | 566,106 |
| Total Revenue | 6,825,313 | 6,996,083 | (170,770) | -2.44% | 6,731,626 | 42,899,951 | 43,969,562 | (1,069,611) | -2.43% | 41,370,978 |
| EXPENSES: | | | | | | | | | | |
| Personal Services | 5,140,846 | 4,851,873 | 288,973 | 5.96% | 4,282,938 | 28,111,086 | 27,832,150 | 278,936 | 1.00% | 24,985,791 |
| State Supported Fringe Benefits | 706,719 | 632,728 | 73,991 | 11.69% | 1,903,843 | 4,058,574 | 3,747,430 | 311,144 | 8.30% | 4,094,741 |
| Fringe Benefits | 688,603 | 790,650 | (102,047) | -12.91% | (690,902) | 4,114,231 | 4,318,417 | (204,186) | -4.73% | 3,181,389 |
| Medical Contractual Support | 580,205 | 517,004 | 63,201 | 12.22% | 577,040 | 3,804,292 | 3,541,653 | 262,639 | 7.42% | 3,555,396 |
| Outside Agency Per Diems | 4,894 | 4,079 | 815 | -100.00% | 6,827 | 59,992 | 27,938 | 32,054 | 114.73% | 40,034 |
| Drugs | 175,024 | 139,830 | 35,194 | 25.17% | 374,312 | 1,016,115 | 957,918 | 58,197 | 6.08% | 1,010,594 |
| Medical Supplies | 139,996 | 108,022 | 31,974 | 29.60% | 88,475 | 724,840 | 740,565 | (15,725) | -2.12% | 635,404 |
| Utilities | 9,750 | 23,721 | (13,971) | -58.90% | 22,553 | 97,979 | 104,458 | (6,479) | -6.20% | 85,137 |
| Outside & Other Purchased Services | 778,336 | 809,545 | (31,209) | -3.86% | 909,104 | 4,574,489 | 4,813,010 | (238,521) | -4.96% | 4,944,793 |
| Insurance | 48,460 | 60,478 | (12,018) | -19.87% | 55,181 | 286,024 | 347,080 | (61,056) | -17.59% | 341,127 |
| Repairs & Maintenance | 29,312 | 36,538 | (7,226) | -19.78% | 42,146 | 327,610 | 290,620 | 36,990 | 12.73% | 279,229 |
| Other Expenses | 120,667 | 79,785 | 40,882 | 51.24% | 95,088 | 679,881 | 454,800 | 225,081 | 49.49% | 583,029 |
| Depreciation | 69,826 | 85,713 | (15,887) | -18.54% | 107,604 | 428,639 | 437,531 | (8,892) | -2.03% | 484,491 |
| Total Expenses | 8,492,638 | 8,139,966 | 352,672 | 4.33% | 7,774,209 | 48,283,752 | 47,613,570 | 670,182 | 1.41% | 44,221,155 |
| Excess/Deficiency of Revenues over Expenses | (1,667,325) | (1,143,883) | (523,442) | 45.76% | (1,042,583) | (5,383,801) | (3,644,008) | (1,739,793) | 47.74% | (2,850,177) |

UConn Medical Group

Results of Operations

Year-to-date the deficit is \$5.38 million compared to a budgeted deficit of \$3.64 million, for an unfavorable variance of \$1.74 million. The deficit for the same period last year was \$2.85 million an unfavorable change of \$2.53 million. The month of December shows a deficit of \$1.67 million compared to a budgeted deficit of \$1.14 million for an unfavorable variance of \$523,000. The drivers for the year-to-date deficit are:

- Anesthesiology is unfavorable to the budget plan by \$683,000.
- The results with Anesthesiology removed show an unfavorable variance of \$1,056,000.
- Total revenue is unfavorable to the budget by \$1,070,000.
- Total expenses are unfavorable to the budget by \$670,000.

Other significant highlights include:

| (in thousands) | Category | Current Month | | | Year - to - Date | | | |
|--|----------|---------------|-----------|-----------|------------------|------------|-----------|---------|
| | | Actual | Budget | Variance | Percent | Prior Year | Variance | Percent |
| Excess of Revenues over Expenses/ (Deficiency) | | (\$1,667) | (\$1,144) | (\$523) | -45.7% | (\$2,850) | (\$2,534) | -88.9% |
| Operating Margin | | -24.4% | -16.4% | -8.1% | -49.4% | -6.89% | -5.66% | -82.2% |
| Unique Patient Visits | | 42,855 | 41,032 | 1,823 | 4.4% | 266,532 | 9,955 | 3.7% |
| Net Revenue Per Unique Patient Visit | | \$159.27 | \$170.50 | (\$11.24) | -6.6% | \$155.22 | (\$0.06) | 0.0% |
| Cost per Unique Patient Visit | | \$198.17 | \$198.38 | (\$0.21) | -0.1% | \$165.91 | \$8.72 | 5.3% |
| Days Revenue in Accounts Receivable | | 58 | 58 | 0 | 0.0% | 63 | (5) | -7.9% |

Net Revenue: Year to Date

Net patient revenue is unfavorable to the budget plan by \$906,000 (2.1%) and is above last year by \$1.67 million (4.1%).

The key drivers for net revenue are:

- Visits are under budget 4,594 visits (1.6%) – Volume variance of \$713,000
- Compared to Budget – Price Variance is unfavorable to the budget by \$351,000. The net revenue per unit was \$1.27 lower than what was budgeted.
- Compared to Last Year – Price Variance is unfavorable by \$16,000 and the Volume Variance is favorable \$ 1,545,000.
- The price variance for both the month and year to date is driven by the increase in Medicaid and Medicare visits. Compared to the prior year Medicaid has increased 2,897 and Medicare has increased 4,144. The average collection rate for Medicaid = 27% and Medicare = 36%, which are both lower than the average rate for UMG of 40%.



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

FY08 Closeout

University of Connecticut (Storrs & Regional Campuses)

FY 2008 Budget Review

The following narrative 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, 2008, total Operating and Research Fund revenues were \$915.3 million or 1.6% more than budgeted. The Operating and Research Funds had a positive variance from budget of \$14.3 million. This was primarily due to positive variances in Fees of \$3.7 million, Grants & Contracts of \$8.2 million, Sales & Service of Education Activities of \$0.3 million, Other Revenue of \$1.0 million, and \$3.6 million of Research Fund. This was offset by negative variances of \$1.1 million in Tuition, \$1.2 in Investment Income, and \$3.1 million in Auxiliary Enterprises revenues.
- ✦ **Tuition** – Total net tuition revenue was \$190.0 million which was less than budget due to lower enrollment than projected. Total University enrollment was 0.7% (1.4% budgeted) greater and the increase in undergraduate enrollment was 0.3% (1.9% budgeted) which resulted in less tuition revenue than expected.
- ✦ **Fees** – Fee revenue was \$78.9 million or \$3.7 million more than budget. This was primarily attributed to higher enrollment (MBA, HS Co-op Courses), additional Summer Session (Law School) and Study Abroad revenue, and greater than budgeted application fee revenue.
- ✦ **Grants & Contracts** – Grants & Contracts were \$73.4 million and exceeded the budget by \$8.2 million. Contributing to the overage were additional state and federal financial aid support as well as additional miscellaneous grants and contracts (i.e. Connecticut Education Network Advanced Services).
- ✦ **Investment Income** – Investment Income was less than the budget with revenues of \$9.9 million. Interest rates in the State Treasurer's STIF dropped to 2.39% by the end of the fiscal year. The average interest rate for Fiscal Year 2008 was 4.0% compared to 5.4% for Fiscal Year 2007.
- ✦ **Auxiliary Enterprise** – This category was under budget by \$3.1 million due to lower than budgeted departmental receipts for Jorgensen Center for the Performing Arts and Dining Services & Residential Life.
- ✦ **Total Expenditures** – Total Operating and Research Fund expenditures/transfers were \$902.8 million and were \$0.5 million less than budgeted. Operating Fund expenditures were under budget by \$5.7 million and Research Fund expenditures were ahead of budget by \$5.2 million and were in line with the additional Research Fund revenues.
 - ✦ **Personal Services** – Operating Fund Personal Services expenditures (including fringe benefits) were \$519.9 million or \$6.9 million over budget. 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. This category was also affected by a seven year retroactive maintainers arbitration award in favor of the qualified craft workers.
 - ✦ **Other Expense** – Other Expenses were under budget by \$16.9 million primarily due to two year-end accounting closing entries. One entry reclassified certain library disbursements as prepaid expenses rather than actual expenditures and the second entry resulted in a significantly smaller year-end accounts payable accrual as compared to the prior year due to reduced purchasing. In addition, at the beginning of May, the Provost requested the development of budget reduction scenarios. As a result, increased scrutiny was placed on purchases in various units and spending was curtailed.
 - ✦ **Energy** – Energy costs were under budget by \$2.4 million. This was largely due to the negotiation of a favorable gas contract as well as lower rates in the statewide energy contract.
 - ✦ **Financial Aid** – Financial Aid expenditures were over budget by \$0.2 million. The University received additional state/federal funding in the amount of \$1.9 million. This allowed the University to reduce the amount of tuition funds budgeted for financial aid. The tuition funded need-based financial aid as a percent of net tuition revenue was 16.6%.
 - ✦ **Transfers** – This line reflected transfers to Plant Funds for various building improvements, code related corrective action and bond and installment loan payments, as well as payments for the capital lease for the Cogeneration plant. Transfers were over budget by \$6.0 million due to transfers for code related corrective action, the Department of Dining Services transferred more funds for planned repairs and renovations to dining facilities, and the University paid off two small high interest loans.
- ✦ **Net Gain (Loss)** – For the year ended June 30, 2008, there was an unrestricted net gain of \$10.5 million and a restricted net gain of \$2.0 million. The unrestricted net gain primarily consisted of \$1.0 million for the reserve repayment for the November 2001 drawdown of \$11.5 million for Towers Dining Center and the Student Union, \$1.96 million was unspent State appropriation funds for the Eminent Faculty program which was carried forward to Fiscal Year 2009 for this program, \$2.4 million in Energy savings and \$1.9 million in Financial Aid due to additional State/Federal funds. Also contributing to the net gain were reduced Other Expenses due to curtailed spending and year-end accounting closing entries.

University of Connecticut (Storrs & Regionals)
 FY08 Statement of Current Funds Budget Operations¹ & Variance Analysis
 (Dollars in Millions)

| Current Funds Revenues: | Budget | Actual | Variance | % Change |
|-------------------------------------|----------------|----------------|-----------------|-----------------|
| Operating Fund | | | | |
| State Support | \$325.3 | \$328.2 | \$2.9 | |
| Tuition | 191.1 | 190.0 | (1.1) | |
| Fees | 75.2 | 78.9 | 3.7 | |
| Grants & Contracts | 65.2 | 73.4 | 8.2 | |
| Investment Income | 11.1 | 9.9 | (1.2) | |
| Sales & Service Education | 14.9 | 15.2 | 0.3 | |
| Auxiliary Enterprise Revenue | 139.1 | 136.0 | (3.1) | |
| Other Revenue | <u>9.8</u> | <u>10.8</u> | <u>1.0</u> | |
| Total Operating Fund | 831.7 | 842.4 | 10.7 | |
| Research Fund | <u>69.3</u> | <u>72.9</u> | <u>3.6</u> | |
| Total Current Funds Revenues | \$901.0 | \$915.3 | \$14.3 | 1.6% |

Current Funds Expenditures / Transfers:

| | | | | |
|---|----------------|----------------|----------------|--------------|
| Operating Fund | | | | |
| Personal Services | \$380.2 | \$385.7 | \$5.5 | |
| Fringe Benefits | 132.8 | 134.2 | 1.4 | |
| Other Expenses | 160.4 | 143.5 | (16.9) | |
| Energy | 31.6 | 29.2 | (2.4) | |
| Equipment | 10.5 | 11.0 | 0.5 | |
| Student Financial Aid | 81.0 | 81.2 | 0.2 | |
| Transfers | <u>37.5</u> | <u>43.5</u> | <u>6.0</u> | |
| Total Operating Fund | 834.0 | 828.3 | (5.7) | |
| Research Fund | <u>69.3</u> | <u>74.5</u> | <u>5.2</u> | |
| Total Current Funds Expenditures / Transfers | \$903.3 | \$902.8 | (\$0.5) | -0.1% |

Net Gain (Loss)² **(\$2.3)** **\$12.5** **\$14.8**

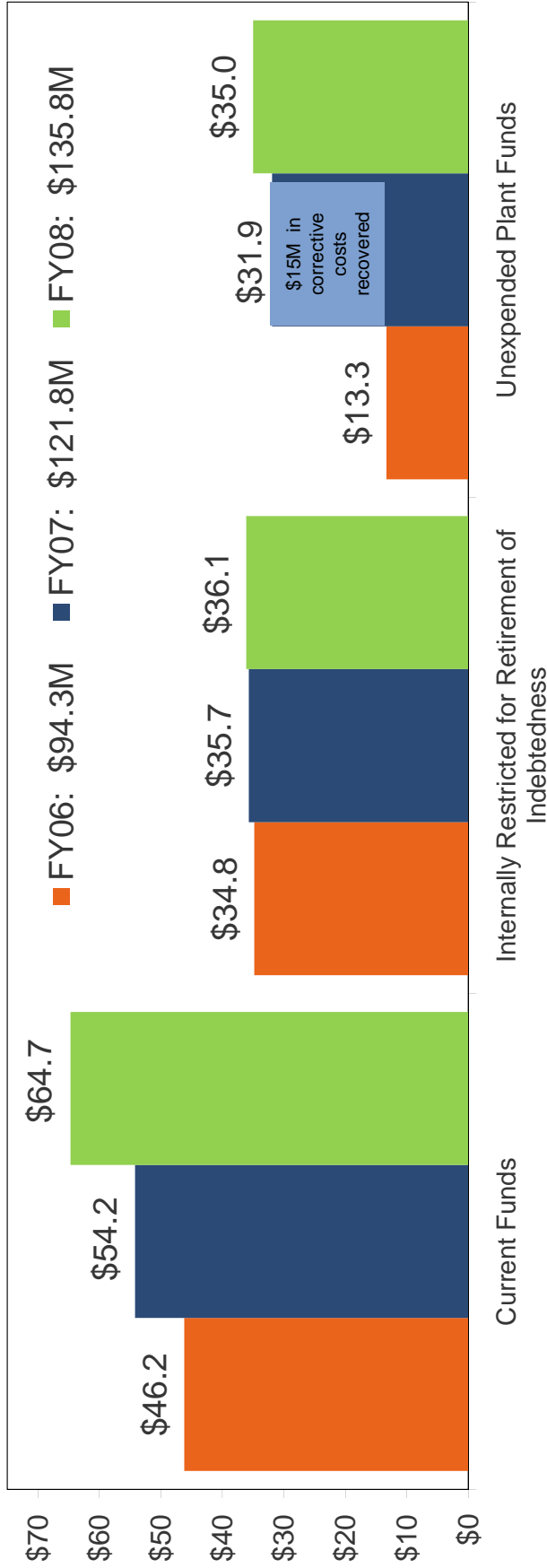
| | <u>Operating</u> | <u>Research</u> | <u>Total</u> |
|--------------|-------------------------|------------------------|---------------------|
| Unrestricted | \$11.5 | (\$1.0) | \$10.5 |
| Restricted | <u>2.6</u> | <u>(0.6)</u> | <u>2.0</u> |
| Total | \$14.1 | (\$1.6) | \$12.5 |

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, 2008, there was an unrestricted net gain of \$10.5 million and a restricted net gain of \$2.0 million. The unrestricted net gain primarily consisted of \$1.0 million for the reserve repayment for the November 2001 drawdown of \$11.5 million for Towers Dining Center and the Student Union, \$1.96 million was unspent State appropriation funds for the Eminent Faculty program which was carried forward to Fiscal Year 2009 for this program, \$2.4 million in Energy savings and \$1.9 million in Financial Aid due to additional State/Federal funds. Also contributing to the net gain were reduced Other Expenses due to curtailed spending and year-end accounting closing entries.

University of Connecticut (Storrs & Regionals)

Unrestricted Net Assets (\$M)



- The \$10.5M Current Funds increase primarily 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, a \$1.96M gain from unspent State appropriation funds for the Eminent Faculty program which will be carried forward to FY09, \$2.4M savings in Energy savings and \$1.9M in Financial Aid due to additional State/Federal funds. Also contributing to the net gain were reduced Other Expenses due to curtailed spending and year-end accounting closing entries.
- The slight increase (\$0.4M) in Internally Restricted for Retirement of Indebtedness is attributed to investment earnings. The \$36.1M represents 1.73 times the annual debt cost.
- The Unexpended Plant Funds increase since FY06 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 projects including window replacement. The Unexpended Plant Funds balance at 12/31/08 is \$23.2M.

University of Connecticut (Storrs & Regionals)

FY08 Current Funds Statement of Operations

(Dollars in Millions)

Current Funds (Operating & Research) Revenues:

| | |
|--|----------------|
| Operating Fund | |
| State Support | \$328.2 |
| Tuition | 190.0 |
| Fees | 78.9 |
| Gifts, Grants & Contracts | 51.6 |
| Foundation | 21.8 |
| Investment Income | 9.9 |
| Sales & Service Education | 15.2 |
| Auxiliary Enterprise Revenue | 136.0 |
| Other Revenue | <u>10.8</u> |
| Total Operating Fund | \$842.4 |
| Research Fund | <u>72.9</u> |
| Total Current Funds (Operating & Research) Revenues | \$915.3 |

Current Funds (Operating & Research) Expenditures / Transfers:

| | |
|--|----------------|
| Operating Fund | |
| Personal Services | \$385.7 |
| Fringe Benefits | 134.2 |
| Other Expenses | 143.5 |
| Energy | 29.2 |
| Equipment | 11.0 |
| Student Financial Aid ¹ | 81.2 |
| Net Transfers - Mandatory | 26.1 |
| Net Transfers - Auxiliary Non-Mandatory | 12.2 |
| Net Transfers - E&G Non-Mandatory | <u>5.2</u> |
| Total Operating Fund | \$828.3 |
| Research Fund | <u>74.5</u> |
| Total Current Funds (Operating & Research) Expenditures / Transfers | \$902.8 |

Current Funds Net Gain ² **\$12.5**

Non-Current Funds Items

| | |
|---|---------------|
| Net Transfers from Current Funds | \$47.0 |
| Capitalization Adjustment for Items Expensed in Current Fund | 41.7 |
| Depreciation Expense ³ | (100.2) |
| Non-Operating Expense Net of Current Funds Items ⁴ | (38.0) |
| Capital Deductions | <u>(2.6)</u> |
| Total Increase in Net Assets | (39.6) |

Net Assets - beginning of year **\$1,417.6**

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

¹ Includes \$2.4 million of student work study expenditures.

² Net Gain of \$12.5 million: Unrestricted=\$10.5 million, Restricted=\$2.0 million.

³ Not budgeted.

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



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

FY09 Six Month Update

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

| | 12/31/08 | 6/30/09 | | | |
|---|----------------------|---------------------|---------------------|---------------------|-------------|
| | Actual | Budget | Forecast | Variance | % Change |
| Current Funds Revenues: | | | | | |
| Operating Fund | | | | | |
| State Support | \$171.0 | \$328.9 | \$328.7 | (\$0.2) | |
| Tuition | 107.4 | 204.2 | 207.1 | 2.9 | |
| Fees | 40.6 | 82.6 | 81.5 | (1.1) | |
| Grants & Contracts | 27.2 | 53.6 | 53.1 | (0.5) | |
| Foundation | 5.1 | 22.5 | 21.0 | (1.5) | |
| Investment Income | 2.8 | 5.4 | 4.6 | (0.8) | |
| Sales & Service Education | 7.9 | 16.9 | 16.9 | 0.0 | |
| Auxiliary Enterprise Revenue | 75.2 | 140.4 | 143.6 | 3.2 | |
| Other Revenue | <u>5.9</u> | <u>11.1</u> | <u>11.1</u> | <u>0.0</u> | |
| Total Operating Fund | 443.1 | 865.6 | 867.6 | 2.0 | |
| Research Fund | <u>38.7</u> | <u>73.7</u> | <u>74.7</u> | <u>1.0</u> | |
| Total Current Funds Revenues | \$481.8 | \$939.3 | \$942.3 | \$3.0 | 0.3% |
| Current Funds Expenditures / Transfers: | | | | | |
| Operating Fund | | | | | |
| Personal Services | \$202.9 | \$403.5 | \$405.5 | \$2.0 | |
| Fringe Benefits | 67.8 | 140.3 | 141.0 | 0.7 | |
| Other Expenses | 86.2 | 145.1 | 145.1 | 0.0 | |
| Energy | 13.0 | 33.0 | 32.6 | (0.4) | |
| Equipment | 7.3 | 12.0 | 12.0 | 0.0 | |
| Student Financial Aid | 42.0 | 90.5 | 90.0 | (0.5) | |
| Transfers | <u>5.5</u> | <u>40.2</u> | <u>40.2</u> | <u>0.0</u> | |
| Total Operating Fund | 424.7 | 864.6 | 866.4 | 1.8 | |
| Research Fund | <u>42.6</u> | <u>73.7</u> | <u>74.7</u> | <u>1.0</u> | |
| Total Current Funds Expenditures / Transfers | \$467.3 | \$938.3 | \$941.1 | \$2.8 | 0.3% |
| Net Gain ² | <u>\$14.5</u> | <u>\$1.0</u> | <u>\$1.2</u> | <u>\$0.2</u> | |

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

² The budgeted net gain is the \$1.0 million reserve repayment for the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union.

University of Connecticut (Storrs & Regional Campuses)

Fiscal Year 2009 Current Funds Budget Review (Unaudited) For the Six Months Ended December 31, 2008

Summary

On September 23, 2008, the Board of Trustees approved a Revised Spending Plan for Fiscal Year 2009 of \$938.3 million. This budget included \$939.3 million of revenue to cover \$938.3 million in expenses, yielding a \$1.0 million net gain. The net gain is the \$1.0 million reserve repayment for the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union. This updated spending plan reflected the State rescission, the reduction to the Reserve for Salary Adjustment account and the implementation of the savings plans for units. The plan was also updated with final State fringe benefit rates. In addition, due to the freshman enrollment increase, revenues were adjusted as well as expenditures to allow for additional financial aid and course coverage/extra sections.

Financial results for the first six months of Fiscal Year 2009 reflected a number of different factors when compared to budget. Actual revenue totaled \$481.8 million or 51.3% of the budget. At the close of December, the University expenditures and transfers totaled \$467.3 million or 49.8% of the budget. Overall, revenue was slightly ahead of budget. Tuition revenue is forecasted to be greater than budgeted due to higher enrollment than expected. Residential Life and Dining Services revenue is also anticipated to be greater than the budget due to higher enrollment. However, due to the additional enrollment, academic expenditures will be higher as well as the costs associated with room and board. Investment Income is forecasted to be under budget as interest rates continue to fall. For the fiscal year end, a net gain of \$1.2 million is currently forecasted.

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 2009 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first six months of Fiscal Year 2009 were \$443.1 million which represented 51.2% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 50.6% of the annual budget. A major source of revenue, **State Support**, consisted of a \$124.7 million appropriation and a fringe benefit allotment of \$46.3 million. State Support represented 38.6% of total Operating Fund receipts for the first six months. On June 24, 2008, the Governor issued a directive which reduced the Fiscal Year 2009 State appropriation allotment by \$6.7 million or 3%; associated fringe benefit support was also reduced by \$2.7 million for a total of \$9.4 million. This rescission and the anticipated reduction in collective bargaining support from the State's Reserve for Salary Adjustment account of approximately \$2.7 million (includes estimated fringe benefits) were reflected in the Revised Spending Plan for Fiscal Year 2009. Since the spending plan was revised in September, the Governor reduced the Regional Campus allotment by \$0.2 million on December 17, 2009.

University of Connecticut (Storrs & Regional Campuses)

Tuition collections were the second largest source of revenue, totaling \$107.4 million, which represented 24.2% of total Operating Fund receipts. Tuition receipts were 52.6% of the annual amount budgeted (\$204.2 million) which is more than recent experience. Tuition revenue collections reflect a 5.6% rate increase coupled with a 2.7% increase in the number of undergraduate degree-seeking students who account for approximately 86.6% of budgeted tuition revenues. The revised Board of Trustee budget was only based on a 1.6% increase in undergraduate degree-seeking students. Therefore, tuition revenue is forecasted to be greater than budgeted due to higher enrollment than expected.

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 \$40.6 million or 49.1% of the amount budgeted. This category is forecasted to be less than budgeted primarily due to fewer than projected students in fee based self-supporting academic programs.

Auxiliary Enterprise Revenue for the first six months of Fiscal Year 2009 was \$75.2 million which represented 53.6% of the annual budgeted amount and is forecasted to be ahead of budget at year end due to a greater amount of students housed and more meal plans than anticipated. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 8.3% and 6.3% respectively (\$57.7 million) and Athletic Department receipts (\$15.4 million).

Gifts, Grants and Contracts revenue consists of restricted revenues from a granting agency or private donor and gifts transferred from the UConn Foundation. For the first six months of Fiscal Year 2009, Gifts, Grants and Contracts revenue of \$32.3 million, which included \$5.1 million from the UConn Foundation, was 42.5% of the annual budget and is forecasted to be less than the budget at year end due to slower implementation of the federally funded Teach Grant and less funds transferred from the Foundation for Athletics than expected.

Investment Income for the first two quarters of Fiscal Year 2009 was \$2.8 million. Interest rates continue to fall with the rate for December 2008 at 1.69% compared to 4.64% in December 2007. Investment income for the year is projected to be below budget by \$0.8 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 (primarily parking, transit fee, and rental income) revenue totaled \$13.8 million and are on budget for the year.

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 \$38.7 million and represented 52.5% of the amount budgeted. In Fiscal Year 2008, Research Fund revenues reported in the first six months totaled \$38.3 million and represented 55.3% of the amount budgeted. This category is forecasted to be slightly ahead of budget at year end due to increased revenues from NIH and NSF grants.

University of Connecticut (Storrs & Regional Campuses)

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first six months of Fiscal Year 2009 were \$419.2 million or 50.9% of the annual budgeted amount. The spending pattern of the first two quarters of Fiscal Year 2008 reflected expenditures of 49.0% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

| | |
|-------------------|-------|
| Personal Services | 50.3% |
| Fringe Benefits | 48.3% |
| Other Expenses | 55.7% |
| Equipment | 60.8% |
| Student Aid | 46.4% |

Personal Services/Fringe Benefits represents 49.8% of the annual budgeted amount of \$543.8 million and the year-end projection is forecasted to be ahead of budget partially due to a slower attrition rate than expected. The University was able to identify resources to fund a net increase of 30 full-time faculty defined by 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 personal service and fringe benefit expenditures will continue to be monitored closely throughout the year as they represent 62.9% of the Operating Fund expenditure budget.

Other Expenses (including energy costs) were \$99.2 million for the first six months and represented 55.7% of the amount budgeted. Energy expenditures are projected to be slightly under budget due to lower than expected non-cogeneration gas and electric consumption. Other Expenses (excluding energy costs) were ahead of budget due to two contributing factors. Library acquisitions which were classified as prepaids at June 30, 2008 are now included in actual expenditures. Also, Residential Life spent additional funds to convert existing space into dorm rooms and to purchase furniture to accommodate the higher than anticipated enrollment.

Equipment expenditures of \$7.3 million were 60.8% of the amount budgeted and are forecasted to be on budget at year-end.

Student Aid funds are predominantly spent in the first and third quarter of the fiscal year. For the first two quarters, Student Aid expenditures were \$42.0 million and represented 46.4% of the amount budgeted. This category is expected to be slightly under budget for the year due to slower implementation of the federally funded Teach Grant than expected.

Expenditures - Operating Fund Transfers

Transfers for the first two quarters reflect bond and installment loan payments as well as payments for the capital lease for the cogeneration plant. Transfers do not always follow a predictable pattern, especially in the first six months, so quarterly results or comparisons are not necessarily indicative of annual results.

University of Connecticut (Storrs & Regional Campuses)

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$42.6 million and represented 57.9% of the budgeted amount. Research Fund transfers include \$2.5 million for faculty start-up equipment. Because of the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results. In Fiscal Year 2008, Research Fund expenditures and transfers reported in the first six months totaled \$37.8 million and represented 54.5% of the budgeted amount.

Enrollment

Total University enrollment for fall 2008 (excluding the Health Center) was up 2.4% from fall 2007. First semester freshmen enrollment was up 12.3% from fall 2007 and total undergraduate enrollment (degree and non-degree) was up 2.5%. The current year budget was based on a projected 1.2% increase in total University enrollment and a projected 1.6% increase in undergraduate enrollment.

Cash Balance

The December 31, 2008 current funds cash balance was \$117.7 million, \$17.7 million less than December 2007 which was \$135.4 million. The current funds cash balance reflected the collection of 51.3% of budgeted revenue while total expenditures and transfers were 49.8% of budget. The cash balance is expected to decrease as expenditure outlays exceed future revenue collections as the year progresses. Also, the December 31, 2008 cash balance represented 13.6% of the annual expenditure budget as compared to 15.0% one-year ago.

Fund Balance

The University's revised budget is forecasted to have a net gain of \$1.2 million for the fiscal year ended June 30, 2009, which results in a Current Funds Unrestricted Fund Balance of \$65.9 million (Operating Fund-\$47.7 million; Research Fund-\$18.2 million). The fund balance represents 8.0% of the current year's 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 2009 revised budget assumes a consistent level of departmental fund balances at June 30, 2009. 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, 2008***

UNIVERSITY OF CONNECTICUT
INTERIM STATEMENTS OF NET ASSETS
As of December 31, 2008 and 2007 and June 30, 2008
UNAUDITED

| ASSETS | December 31, 2008 | December 31, 2007 | June 30, 2008 |
|--|--------------------------|--------------------------|-------------------------|
| Current Assets | | | |
| Cash and cash equivalents | \$ 213,048,611 | \$ 226,269,139 | \$ 217,773,679 |
| Accounts receivable, net | 29,737,788 | 28,966,897 | 30,803,831 |
| Student loans receivable, net | 2,615,922 | 2,684,306 | 2,615,922 |
| Due from State of Connecticut | 74,979,184 | 64,446,361 | 49,042,365 |
| Due from related agencies | 4,628 | - | 4,628 |
| State debt service commitment | 79,962,618 | 76,074,525 | 78,045,650 |
| Inventories | 2,781,158 | 2,866,469 | 2,781,158 |
| Deposit with bond trustee | 4,589,603 | 66,692,601 | 34,283,667 |
| Deferred charges | 803,603 | 950,126 | 982,777 |
| Prepaid expenses | 2,830,960 | 19,428 | 4,857,018 |
| Total Current Assets | 411,354,075 | 468,969,852 | 421,190,695 |
| Noncurrent Assets | | | |
| Cash and cash equivalents | 1,469,881 | 1,469,147 | 1,468,489 |
| Investments | 12,324,527 | 14,910,001 | 12,310,361 |
| Student loans receivable, net | 10,032,930 | 10,247,700 | 9,288,331 |
| State debt service commitment | 700,089,715 | 763,413,355 | 700,089,715 |
| Property and equipment, net | 1,442,714,423 | 1,462,353,030 | 1,459,143,806 |
| Deferred charges | 7,780,663 | 8,584,267 | 8,182,465 |
| Total Noncurrent Assets | 2,174,412,139 | 2,260,977,500 | 2,190,483,167 |
| Total Assets | \$ 2,585,766,214 | \$ 2,729,947,352 | \$ 2,611,673,862 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 29,983,366 | \$ 29,032,244 | \$ 28,225,300 |
| Deferred income | 55,540,794 | 47,522,840 | 21,695,631 |
| Wages payable | 32,719,264 | 46,402,134 | 48,478,932 |
| Compensated absences | 14,811,196 | 14,253,544 | 14,811,196 |
| Due to the State of Connecticut | 12,269,124 | 18,472,119 | 17,569,745 |
| Due to Affiliate | 4,607,861 | 21,884,444 | 13,871,320 |
| Due to related agencies | 2,038 | 2,366 | 35,105 |
| Current portion of long-term debt and bonds payable | 73,141,606 | 69,966,502 | 72,972,797 |
| Other current liabilities | 29,342,514 | 29,093,782 | 30,991,622 |
| Total Current Liabilities | 252,417,763 | 276,629,975 | 248,651,648 |
| Noncurrent Liabilities | | | |
| Compensated absences | 10,206,868 | 9,011,057 | 10,206,868 |
| Deposits held for others | 3,742,013 | 3,724,026 | 2,484,812 |
| Long-term debt and bonds payable | 957,671,780 | 1,035,206,010 | 962,679,046 |
| Refundable for federal loan program | 9,554,638 | 9,777,273 | 9,554,638 |
| Total Noncurrent Liabilities | 981,175,299 | 1,057,718,366 | 984,925,364 |
| Total Liabilities | \$ 1,233,593,062 | \$ 1,334,348,341 | \$ 1,233,577,012 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | \$ 1,175,314,392 | \$ 1,180,312,664 | \$ 1,186,905,318 |
| Restricted nonexpendable | 13,794,108 | 14,917,713 | 13,778,850 |
| Restricted expendable | | | |
| Research, instruction, scholarships and other | 13,020,045 | 13,505,225 | 14,629,093 |
| Loans | 3,727,655 | 3,329,933 | 3,728,763 |
| Capital projects | (5,963,032) | 36,039,838 | 13,235,167 |
| Debt service | 9,641,458 | 10,438,114 | 10,035,433 |
| Unrestricted | 142,638,526 | 137,055,524 | 135,784,226 |
| Total Net Assets | \$ 1,352,173,152 | \$ 1,395,599,011 | \$ 1,378,096,850 |

UNIVERSITY OF CONNECTICUT
INTERIM STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Six Months Ended December 31, 2008 and 2007 and the Year Ended June 30, 2008
UNAUDITED

| OPERATING REVENUES | December 31, 2008 | December 31, 2007 | June 30, 2008 |
|---|--------------------------|--------------------------|----------------------|
| Student tuition and fees (Net of scholarship allowances of \$37,454,076 for December 31, 2008, \$35,041,137 for December 31, 2007 and \$72,915,047 for June 30, 2008) | \$ 110,530,110 | \$ 101,369,694 | \$ 199,720,598 |
| Federal grants and contracts | 44,854,248 | 42,997,014 | 85,328,534 |
| State and local grants and contracts | 14,018,425 | 12,771,658 | 25,429,642 |
| Nongovernmental grants and contracts | 5,915,216 | 6,355,692 | 10,506,027 |
| Sales and services of educational departments | 7,935,895 | 6,211,547 | 15,280,038 |
| Sales and services of auxiliary enterprises (Net of scholarship allowances of \$1,295,709 for December 31, 2008, \$1,272,070 for December 31, 2007 and \$2,524,596 for June 30, 2008) | 73,914,051 | 65,927,613 | 133,471,934 |
| Other sources | 5,915,296 | 5,647,204 | 10,907,810 |
| Total Operating Revenues | 263,083,241 | 241,280,422 | 480,644,583 |
| OPERATING EXPENSES | | | |
| Educational and general | | | |
| Instruction | 141,923,554 | 142,135,864 | 276,670,107 |
| Research | 34,308,971 | 31,371,432 | 62,762,090 |
| Public service | 18,969,272 | 16,906,720 | 33,854,891 |
| Academic support | 47,672,546 | 40,682,338 | 81,513,934 |
| Student services | 19,457,890 | 17,763,392 | 36,006,579 |
| Institutional support | 40,702,336 | 37,314,314 | 72,314,553 |
| Operations and maintenance of plant | 32,601,531 | 28,315,860 | 64,110,720 |
| Depreciation | 45,189,050 | 45,058,452 | 100,186,738 |
| Student aid | 1,779,313 | 1,919,347 | 4,009,588 |
| Auxiliary enterprises | 78,938,270 | 68,417,708 | 135,061,206 |
| Total Operating Expenses | 461,542,733 | 429,885,427 | 866,490,406 |
| Operating Loss | (198,459,492) | (188,605,005) | (385,845,823) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| State appropriation | 171,041,234 | 169,029,230 | 328,176,623 |
| State debt service commitment for interest | 19,085,997 | 20,066,152 | 39,525,537 |
| State match to endowment | - | - | 59,484 |
| Gifts | 6,227,353 | 6,645,978 | 24,827,285 |
| Investment income | 2,845,089 | 5,962,202 | 10,384,021 |
| Interest expense | (24,698,740) | (26,000,633) | (51,246,898) |
| Other nonoperating expenses, net | (484,309) | (838,966) | (2,869,076) |
| Net Nonoperating Revenues | 174,016,624 | 174,863,963 | 348,856,976 |
| Loss Before Capital Additions (Deductions) | (24,442,868) | (13,741,042) | (36,988,847) |
| CAPITAL ADDITIONS (DEDUCTIONS) | | | |
| State debt service commitment for principal | - | - | - |
| Capital appropriation | - | - | 8,000,000 |
| Capital grants and gifts | 2,174,099 | 196,868 | 6,802,586 |
| Disposal of property and equipment, net | (271,131) | (401,417) | (874,837) |
| Capital other | (3,383,798) | (8,104,956) | (16,491,610) |
| Total Capital Additions (Deductions) | (1,480,830) | (8,309,505) | (2,563,861) |
| Increase (Decrease) in Net Assets | (25,923,698) | (22,050,547) | (39,552,708) |
| NET ASSETS | | | |
| Net Assets-beginning of year | 1,378,096,850 | 1,417,649,558 | 1,417,649,558 |
| Net Assets-end of year | \$ 1,352,173,152 | \$ 1,395,599,011 | \$ 1,378,096,850 |

**Notes to Interim Financial Statements
For the Six Months Ended December 31, 2008 and 2007 and
the Year Ended June 30, 2008**

1. RELATED ENTITIES

This financial report for the six months ended December 31, 2008 and 2007 and the year ended June 30, 2008 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, 2008 Financial Report, it is not included with the financial statements for the six months ended December 31, 2008 and 2007. 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, 2008 and 2007 and the Statement of Revenues, Expenses, and Changes in Net Assets for the six months ended December 31, 2008 and 2007 are prepared on the same basis as the June 30, 2008 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 and therefore the amount on the Statement of Net Assets has not been changed since June 30 of the respective years.
- (5) The liability, refundable for federal loan program, is adjusted only at June 30.
- (6) GASB Statement No. 33 requires recipients of government-mandated and voluntary nonexchange transactions to recognize revenue when all applicable eligibility requirements are met for these transactions. The adjustments related to this requirement are completed only at June 30.
- (7) Waived tuition related to employees and their dependents is included only at June 30 as fringe benefit cost and tuition revenue in the Statement of Revenues, Expenses and Changes in Net Assets.
- (8) Depreciation is calculated for most assets and estimated for certain assets at December 31. Since buildings are only capitalized in June of each year no depreciation has been included for any new buildings that may have been completed as of December 31.

3. PROPERTY AND EQUIPMENT

The table on the following page describes the changes in property and equipment for the six months ended December 31, 2008 and 2007 and the year ended June 30, 2008.

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

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

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

| | Balance July 1, 2007 | Additions | Retirements | Transfers and Other | Balance December 31, 2007 |
|--|-------------------------|-----------------|--------------|------------------------|---------------------------------|
| <u>Property and equipment:</u> | | | | | |
| 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 |
| <u>Less accumulated depreciation:</u> | | | | | |
| 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 |
| <u>Property and equipment, net:</u> | | | | | |
| 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 Year Ended June 30, 2008:

| | Balance | | | Transfers and | Balance |
|--|------------------|-----------------|--------------|---------------|------------------|
| | July 1, 2007 | Additions | Retirements | Other | June 30, 2008 |
| <u>Property and equipment:</u> | | | | | |
| Land | \$ 14,806,476 | \$ 20,000 | \$ - | \$ - | \$ 14,826,476 |
| Non-structural Improvements | 183,705,201 | 2,937,588 | - | 1,408,426 | 188,051,215 |
| Buildings | 1,551,130,347 | 12,803,261 | - | 7,731,758 | 1,571,665,366 |
| Equipment | 413,069,080 | 41,490,152 | (15,003,778) | - | 439,555,454 |
| Construction in Progress | 17,043,892 | 15,855,129 | - | (9,140,184) | 23,758,837 |
| Total property and equipment | 2,179,754,996 | 73,106,130 | (15,003,778) | - | 2,237,857,348 |
| <u>Less accumulated depreciation:</u> | | | | | |
| Non-structural Improvements | 67,912,338 | 7,951,274 | - | - | 75,863,612 |
| Buildings | 395,282,256 | 57,924,519 | - | - | 453,206,775 |
| Equipment | 229,461,151 | 34,310,945 | (14,128,941) | - | 249,643,155 |
| Total accumulated depreciation | 692,655,745 | 100,186,738 | (14,128,941) | - | 778,713,542 |
| <u>Property and equipment, net:</u> | | | | | |
| Land | 14,806,476 | 20,000 | - | - | 14,826,476 |
| Non-structural Improvements | 115,792,863 | (5,013,686) | - | 1,408,426 | 112,187,603 |
| Buildings | 1,155,848,091 | (45,121,258) | - | 7,731,758 | 1,118,458,591 |
| Equipment | 183,607,929 | 7,179,207 | (874,837) | - | 189,912,299 |
| Construction in Progress | 17,043,892 | 15,855,129 | - | (9,140,184) | 23,758,837 |
| Property and equipment, net: | \$ 1,487,099,251 | \$ (27,080,608) | \$ (874,837) | \$ - | \$ 1,459,143,806 |

4. LONG-TERM DEBT PAYABLE

Long-term debt activity, including refunding of debt, for the six months ended December 31, 2008 and 2007 and the year ended June 30, 2008 was as follows:

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

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

Long-term Debt Activity for the 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 | <u>\$ 1,110,150,139</u> | <u>\$ -</u> | <u>\$ (4,977,627)</u> | <u>\$ 1,105,172,512</u> | <u>\$ 69,966,502</u> |

Long-term Debt Activity for the Year Ended June 30, 2008:

| | Balance | | | Balance | | Current |
|--|---------------------|------------------|--------------------|----------------------|----------------|----------------|
| | July 1, 2007 | Additions | Retirements | June 30, 2008 | Portion | |
| General Obligation Bonds | \$ 823,132,147 | \$ - | \$ (59,718,792) | \$ 763,413,355 | \$ 63,323,640 | |
| Revenue Bonds | 181,655,000 | - | (4,325,000) | 177,330,000 | 4,500,000 | |
| Self Liquidating Bonds | 7,021,902 | 1,017,209 | (2,230,787) | 5,808,324 | 1,017,733 | |
| U.S. Dept. of Ed. Towers Loan | 1,647,906 | - | (1,647,906) | - | - | |
| Installment Loans | 867,844 | 51,198 | (741,551) | 177,491 | 85,069 | |
| Obligation Under Capital Lease for Cogeneration | 77,967,770 | - | (2,771,660) | 75,196,110 | 2,898,221 | |
| Financial Accelerator Loan | 2,946,710 | - | (2,946,710) | - | - | |
| Total long-term debt | 1,095,239,279 | 1,068,407 | (74,382,406) | 1,021,925,280 | 71,824,663 | |
| Premiums/discounts/debt difference due to refunding | 14,910,860 | - | (1,184,297) | 13,726,563 | 1,148,134 | |
| Total long-term debt, net | \$ 1,110,150,139 | \$ 1,068,407 | \$ (75,566,703) | \$ 1,035,651,843 | \$ 72,972,797 | |

5. DEFERRED INCOME

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

6. CONTINGENCIES

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

7. UNRESTRICTED NET ASSETS

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