



University of Connecticut

Office of the Chief Financial Officer

TO: Mary Johnson
Chief Fiscal Officer, Department of Higher Education

FROM: Bruce A. DeTora
Chief Financial Officer

DATE: September 1, 2005

SUBJECT: FY 2005 Operating and Research Funds Quarterly Report

Enclosed is the University of Connecticut's Quarterly Report of the Operating and Research Funds for the twelve-month period ended June 30, 2005.

If you should have any questions or need any additional information, please contact me at 486-2434.

Enclosures

cc: Lorraine Aronson
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University of Connecticut (Storrs & Regional Campuses)
Overview of the Quarterly Report of the Operating and Research Funds
Analysis of the Twelve Months Ended June 30, 2005

Results of Annual Operations

The enclosed report comparing the Operating and Research Funds actual results to budget for the twelve month period ended June 30, 2005 reflects unaudited figures and is subject to additional accounting year-end and audit adjustments. The University ended the year with an Operating Budget gain of \$12.5 million. A summary analysis of the results of operations for various categories of accounts is presented below.

Operating Fund	
Unrestricted*	\$9,963,922
Restricted	<u>409,137</u>
subtotal	\$10,373,059
Research Fund	
Unrestricted	\$2,531,277
Restricted	<u>(444,728)</u>
subtotal	\$2,086,549
Total Increase	<u>\$12,459,608</u>

** As explained below, the unrestricted increase in the fund balance is committed for designated equipment purchases. The funds were not spent by year end and have been carried forward to be spent in FY06.*

A more detailed review of FY 2005 operations is presented below:

Revenues

Total Operating Fund revenue for the year of \$686.5 million was 1.7% more than budgeted. The largest source of revenue was State Support including fringe benefits which amounted to \$273.1 million or \$3.4 million more than budgeted. The amount over budget is primarily due to the year end general fund appropriation payroll accrual. The second largest source of revenue was tuition, which amounted to \$156.0 million and was 3.0% greater than budgeted. Greater than projected enrollment resulted in additional tuition revenue. Additional resources were allocated for course coverage/extra sections (particularly in the College of Liberal Arts and Sciences).

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 for Fiscal Year 2005 were \$63.4 million or 1.2% less than budget. This was primarily due to slightly less than anticipated course fee revenue.

Auxiliary Enterprise Revenue of \$114.8 million represented 101.8% of the annual budgeted amount. Auxiliary revenue consists primarily of Room and Board Fees (\$80.5 million) and Athletic Department receipts (\$31.5 million). This increase is mainly due to greater than budgeted athletic conference and sponsor revenue, offset by less than budgeted room revenue due to rebates given to residential students to compensate them for changes in their accommodations.

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

The first category consists mainly of restricted revenues from a granting agency or donor. **Grants and Contracts** revenue of \$51.7 million lagged behind the budgeted amount by \$1.2 million. This is principally due to less than budgeted revenue from the UConn Foundation. The receipt of this revenue does not always follow a predictable pattern.

Grants & Contracts Revenue

<u>Year</u>	<u>Revenue</u>	<u>Variance</u>
FY03	\$49,599,266	
FY04	\$48,680,395	-1.9%
FY05	\$51,723,637	6.3%

Investment Income of \$4.0 million is \$1.5 million more than budget. This reflects the upturn in interest rates this fiscal year. From July to June the rate increased 234%.

Sales and Services of Educational Activities and Other Sources revenue totaled \$23.5 million and exceeded the projection by \$1.7 million. The chart below shows the variances in some of the categories as described above.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Grants & Contracts (non-research)	\$52.9M	\$51.7M	(\$1.2)
Investment Income	2.5	4.0	1.5
Sales & Service of Educ. Activities	13.4	13.8	0.4
Other Sources	<u>8.4</u>	<u>9.7</u>	<u>1.3</u>
	<u>\$77.2M</u>	<u>\$79.2M</u>	<u>\$ 2.0M</u>

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. Research Fund revenues of \$76.4 million represented 93.3% of the amount budgeted. This reflects less than predicted research activity primarily due to flat federal grant funding. The actual revenue increase from the prior year is 7.9%.

Expenditures/Transfers

Total Operating Fund expenditures and transfers for Fiscal Year 2005 were \$676.1 million or 0.3% more than the amount budgeted. Individual categories of expenditures/transfers and the percentage variance from the annual budget were as follows:

Expenditure Categories	Variance from Budget
Personal Services	(1.2%)
Fringe Benefits	0.4%
Other Expenses	(0.3)%
Equipment	54.1%
Student Aid	(2.2%)
Transfers	<u>20.8%</u>
Total Variance	<u>0.3%</u>

Personal Services expenditures ran less than budget. A university Position Review Committee (PRC), instituted in response to the January 14, 2005 directive from the Governor's Office to freeze hiring, resulted in a hiring slowdown. In addition, approximately 125 ERIP related positions, including 100 faculty, have been hired since August 1, 2004 to coincide with the start of the new academic year. The actual start date of these new hires contributed to the variance as not all of the hires spanned the whole twelve-month period.

On February 3, 2005, the Board of Trustees approved a revised Capital Budget for UCONN 2000 General Obligation Bonds for FY05. The Capital Budget includes the funds that have already been allocated this year for equipment, library collections and telecommunications. This specific project line decreased by \$12.5 million because of the need for additional Deferred Maintenance funding. As a result of the Board of Trustees actions, we provided replacement budgets in the Operating Fund to compensate for the reduction in Capital Equipment budgets. This is the principal reason **equipment** expenditures exceeded the original budget. Additionally, as there will be significantly less capital funding available for equipment in future fiscal years and since we still expect Deans and Department Heads to manage their capital needs within their allotted resources, we allowed them to carry forward all budget balances available. In prior years, we capped the carry forward at 5% of the budget. The result is the departments have carried forward larger balances than in the past, which in turn creates a deceptively large unrestricted fund balance. Much of this increase is earmarked for equipment purchases throughout the University and Deans and Department Heads are carefully planning their future equipment needs.

Operating Fund **Financial Aid** expenditures are \$63.3 million and are slightly less than budgeted. The variance is primarily due to non-tuition funded sources. Need based expenditures are essentially on budget.

The **Transfers** line reflects transfers to Plant Funds for various building improvements and renovations as well as bond debt and installment loan payments. Finally, **Research Fund** expenditures and transfers totaled \$74.3 million which represented 90.7% of the budgeted amount and a 2.3% increase over FY04. As indicated above, Research Fund activity reflects less than forecasted activity primarily due to flat federal grant funding.

Enrollment

Total University enrollment for Fall 2004 (excluding the Health Center) increased 3.6% from Fall 2003. Also, first semester freshmen enrollment has risen 3.8% from Fall 2003, and total undergraduate enrollment (degree and non-degree) increased 4.5% reflecting the relatively large freshmen classes of the last few years.

Cash Balance

The June 30, 2005 cash balance of \$98.3 million reflected the collection of 100.8% of budgeted revenue while total expenditures and transfers reflected 99.2% of budget. Also, the June 30, 2005 cash balance represented 13.0% of the annual expenditure budget as compared to 10.6% one-year ago.

Fund Balance

The University will end the year with a \$12.5 million net gain for fiscal year ended June 30, 2005 (Operating Fund \$10.0 million and Research Fund \$2.5 million). This translates into a Current Funds Unrestricted Fund Balance amount of \$48.5 million (Operating Fund-\$31.5 million; Research Fund-\$17.0 million). In accordance with standard University procedures, centrally funded unrestricted fund balances carried forward in departmental accounts become available for expenditure in the current and future fiscal years. As noted above in the expenditure section, almost all of the net gain is attributed to designated equipment purchases. We expect these funds will be substantially depleted in FY06.

UNIVERSITY OF CONNECTICUT
Statement of Operating Budgeted and Actual Revenue and Expense (a)
For the Year Ended 6/30/2005
(Unaudited)

	Operating Budget					For the Year Ended 6/30/2005							
	GRAND TOTAL	RESEARCH FUND	OPERATING FUND			GRAND TOTAL	RESEARCH FUND	% of Budget	OPERATING FUND			% of Budget	% of Actl
			E&G	Aux Ent	Subtotal				E&G	Aux Ent	Subtotal		
REVENUE													
State Appropriations	\$197,026,486	\$0	\$197,026,486	\$0	\$197,026,486	\$200,617,140	\$0		\$200,617,140	\$0	200,617,140	101.8%	29.2%
State Allotment Fringe Benefits	72,665,054	0	72,665,054	0	72,665,054	72,468,173	0		72,468,173	0	72,468,173	99.7%	10.6%
Total State Support	269,691,540	0	269,691,540	0	269,691,540	273,085,313	0		273,085,313	0	273,085,313		39.8%
Tuition	151,403,933	0	147,352,999	4,050,934	151,403,933	155,993,482	0		151,942,548	4,050,934	155,993,482	103.0%	22.7%
Fees	64,175,397	0	47,257,731	16,917,666	64,175,397	63,413,793	0		46,496,127	16,917,666	63,413,793	98.8%	9.2%
Grants & Contracts	134,149,807	81,278,203	42,481,425	10,390,179	52,871,604	127,614,090	75,890,453	93.4%	45,467,754	6,255,883	51,723,637	97.8%	7.5%
Investment Income	2,665,000	150,000	2,515,000	0	2,515,000	4,278,125	317,625	211.8%	3,887,783	72,717	3,960,500	157.5%	0.6%
Sales and Services of Ed Activities	13,779,284	400,000	13,379,284	0	13,379,284	13,755,026	(91,864)	-23.0%	13,846,890	0	13,846,890	103.5%	2.0%
Aux Enterprise Revenue	112,766,554	0	0	112,766,554	112,766,554	114,778,871	0		0	114,778,871	114,778,871	101.8%	16.7%
Other Sources	8,580,000	100,000	8,480,000	0	8,480,000	10,005,033	291,614	291.6%	9,712,717	702	9,713,419	114.5%	1.4%
TOTAL REVENUE	757,211,515	81,928,203	531,157,979	144,125,333	675,283,312	\$762,923,733	\$76,407,828	93.3%	\$544,439,132	\$142,076,773	\$686,515,905	101.7%	100.0%
EXPENSE & TRANSFERS													
Personal Services	\$361,463,687	\$40,391,216	282,133,552	38,938,919	321,072,471	355,625,435	38,513,890	95.4%	279,567,923	37,543,622	317,111,545	98.8%	46.9%
Fringe Benefits	114,379,975	8,886,068	92,636,101	12,857,806	105,493,907	114,786,921	8,888,189	100.0%	92,070,341	13,828,391	105,898,732	100.4%	15.7%
Other Expenses	183,328,268	26,963,675	88,168,721	68,195,872	156,364,593	177,929,527	22,110,610	82.0%	93,204,635	62,614,282	155,818,917	99.7%	23.0%
Equipment	10,333,731	4,737,244	4,030,237	1,566,250	5,596,487	13,369,924	4,746,705	100.2%	7,168,248	1,454,971	8,623,219	154.1%	1.3%
Fixed Charges/Student Aid (b)	65,646,940	950,000	57,835,318	6,861,622	64,696,940	64,252,894	1,010,849	106.4%	54,988,329	8,253,716	63,242,045	97.8%	9.4%
Total Expenditures	735,152,601	81,928,203	524,803,929	128,420,469	653,224,398	725,964,701	75,270,243		526,999,476	123,694,982	650,694,458		96.2%
Mandatory	17,027,549	0	5,366,890	11,660,659	17,027,549	18,454,932	110,223		7,189,186	11,155,523	18,344,709	107.7%	2.7%
Non Mandatory	4,044,205	0	-	4,044,205	4,044,205	6,044,492	(1,059,187)		1,542,968	5,560,711	7,103,679	175.7%	1.1%
Total Expense/Transfer	756,224,355	81,928,203	530,170,819	144,125,333	674,296,152	750,464,125	74,321,278	90.7%	535,731,630	140,411,217	676,142,846	100.3%	100.0%
NET GAIN(LOSS)	\$987,160	\$0	\$987,160	0	\$987,160	\$12,459,608	\$2,086,550		\$8,707,502	\$1,665,556	\$10,373,059		
NET INC(DEC) CASH BALANCE						\$23,621,138							
CASH BALANCE 6/30/04						\$74,648,711							
CASH BALANCE 6/30/05						\$98,269,849							

(a) Budgeted and actual revenues and expenditures represent modified accrual rather than cash expenditures

(b) An additional \$1.5 million of Student Labor Financial Aid is included in the Personal Services Line.

UNIVERSITY OF CONNECTICUT

Statement of Changes in Fund Balance

All Funds

For the Year Ended June 30, 2005

	<u>Operating</u>	<u>Research</u>	<u>Total</u>	<u>Other</u>	<u>Total</u>
Revenues and Expenditures, 6/30/2005					
Revenue	\$ 686,515,905	\$ 76,407,828	\$ 762,923,733	\$ 273,931,786	\$ 1,036,855,519
Expenditures and Transfers	676,142,846	74,321,278	750,464,125	251,200,320	1,001,664,445
Net Increase (Decrease)	\$ 10,373,059	\$ 2,086,550	\$ 12,459,608	\$ 22,731,466	\$ 35,191,074

Fund Balance and Reserves

Fund Balance, 6/30/04

Restricted	\$ 11,348,621	\$ (1,418,939)	\$ 9,929,682	#####	\$ 1,254,034,299
Restricted/Net Investment in Capital Assets	21,540,729	14,460,886	36,001,615	65,483,064	101,484,679
Total	\$ 32,889,349	\$ 13,041,947	\$ 45,931,296	#####	\$ 1,355,518,978

Compensated Absences Liability

\$21,785,149

Operating Change - Restricted/Net Investment in Capital Assets	\$ 409,137	\$ (444,728)	(\$35,591)	\$ 40,035,217	\$ 39,999,626
- Unrestricted	9,963,922	2,531,277	12,495,199	(17,303,750)	(4,808,551)
	\$ 10,373,059	\$ 2,086,550	\$ 12,459,608	\$ 22,731,467	\$35,191,075

Fund Balance, 6/30/05

Restricted/Net Investment in Capital Assets	\$ 11,757,758	\$ (1,863,667)	\$ 9,894,091	#####	\$ 1,294,033,925
Unrestricted	31,504,650	16,992,163	48,496,813	48,179,315	96,676,128
Total	\$ 43,262,408	\$ 15,128,497	\$ 58,390,904	#####	\$ 1,390,710,053

Compensated Absences Liability

\$ 24,836,341

University of Connecticut
 Administrative Cost Compliance Report
 Institutional Support Subfunction Expenditures
 for the Year Ending June 30, 2005

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

	Estimated 2004-05	Total as of Sept. 30, 2004	Total as of Dec. 31, 2004	Total as of Mar. 31, 2005	Total as of June 30, 2005
A. System Expenditures:					
Operating Fund	\$535,564,786	\$122,364,556	\$252,981,086	\$397,171,525	\$534,408,339
B. Admin. Subfunction/Administrative Cap					
Central Office					
Executive Management	\$5,512,057	\$1,133,053	\$2,841,114	\$4,394,717	\$5,823,281
Fiscal Operations	10,275,607	2,118,373	3,462,538	5,546,117	\$7,060,924
General Administration	2,513,554	460,185	975,720	1,495,123	\$2,022,833
Governmental Relations	282,880	73,349	161,120	248,931	\$325,192
Total	\$18,584,098	\$3,784,960	\$7,440,492	\$11,684,888	\$15,232,230
% Administrative Subfunction	3.47%	3.09%	2.94%	2.94%	2.85%