2007 ANNUAL FINANCIAL REPORT

University of Wisconsin System

An Overview of Financial Performance
The University of Wisconsin System serves 170,000 students on our campuses and more than one million people through our statewide extension programs.

This presentation provides an overview of our 2007 financial report.

All information has been made available on the UW System website.
<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues before net investment income</td>
<td>$4,017.2</td>
<td>$3,681.7</td>
</tr>
<tr>
<td>Total expenses</td>
<td>3,708.1</td>
<td>3,568.7</td>
</tr>
<tr>
<td>Increase in net assets before net investment income</td>
<td>309.1</td>
<td>113.0</td>
</tr>
<tr>
<td>Net investment income</td>
<td>73.5</td>
<td>52.1</td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>$382.6</td>
<td>$165.1</td>
</tr>
<tr>
<td>Total assets</td>
<td>$5,642.0</td>
<td>$5,006.0</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,367.7</td>
<td>1,114.3</td>
</tr>
<tr>
<td>Net assets</td>
<td>$4,274.3</td>
<td>$3,891.7</td>
</tr>
</tbody>
</table>
ASSETS

- Cash and Cash Equivalents: 13.2%
- Receivables, Net: 8.1%
- Inventories: 0.7%
- Prepaid Expenses: 0.6%
- Deferred Charges: 0.1%
- Endowment Investments: 6.6%
- Capital Assets, Net: 70.8%
TOTAL REVENUES – 2007

Sales and Services of Auxiliary Enterprises 7.0%
Sales and Services of Educational Activities 6.2%
State, Local, and Private Grants and Contracts 5.8%
Federal Grants and Contracts 16.1%
Student Tuition and Fees, Net 20.4%
Student Loan Activities 0.1%
Sales and Services to UW Hospital Authority 1.1%
Other Operating Revenue 5.5%
Gifts and Net Investment Income 7.8%
Capital Contributions 7.5%
Other 37.9%
State Appropriations 22.4%
TOTAL REVENUES - 2003

- Student Tuition and Fees, Net: 17.6%
- Federal Grants and Contracts: 17.3%
- Sales and Services of Educational Activities: 6.0%
- State, Local, and Private Grants and Contracts: 5.8%
- Other Operating Revenue: 5.1%
- Other: 40.0%
- State Appropriations: 29.6%
- Gifts and Net Investment Income: 6.0%
- Capital Contribution: 4.3%
- Addition to Permanent Endowments: 0.1%
- Student Loan Activities: 0.1%
- Sales and Services of Auxiliary Enterprises: 7.1%
- Sales and Services to UW Hospital Authority: 1.0%
TOTAL REVENUES

Millions

$0.0 $200.0 $400.0 $600.0 $800.0 $1,000.0

Student Tuition and Fees, Net
Federal Grants and Contracts
State, Local, and Private Grants and Contracts
Sales and Services of Educational Activities
Sales and Services of Auxiliary Enterprises
Sales and Services to UW Hospital Authority
Student Loan Activities
Other Operating Revenue
State Appropriations
Gifts and Net Investment Income
Capital Contributions
Other
Addition to Permanent Endowments

2003
2007
TEN-YEAR COMPARISON OF CURRENT FUNDS REVENUES ADJUSTED FOR INFLATION

- State Appropriations  × Tuition and Fees  ♦ All Other Sources
OPERATING EXPENSES BY NATURAL CLASSIFICATION

- Supplies and Services: 25.4%
- Scholarships and Fellowships: 2.3%
- Other Operating Expenses: 0.1%
- Depreciation: 4.5%
- Salary and Fringe Benefits: 67.7%
# Operating Expenses by Functional Classification

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2007</th>
<th>2006</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>$999.0</td>
<td>$972.7</td>
<td>2.7</td>
</tr>
<tr>
<td>Research</td>
<td>718.8</td>
<td>703.1</td>
<td>2.2</td>
</tr>
<tr>
<td>Public Service</td>
<td>272.9</td>
<td>254.9</td>
<td>7.1</td>
</tr>
<tr>
<td>Academic Support</td>
<td>307.6</td>
<td>298.3</td>
<td>3.1</td>
</tr>
<tr>
<td>Farm Operations</td>
<td>13.0</td>
<td>13.1</td>
<td>-0.8</td>
</tr>
<tr>
<td>Student Services</td>
<td>322.8</td>
<td>306.7</td>
<td>5.2</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>183.1</td>
<td>170.7</td>
<td>7.3</td>
</tr>
<tr>
<td>Operation/Maintenance</td>
<td>254.0</td>
<td>245.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Financial Aid</td>
<td>86.0</td>
<td>77.1</td>
<td>11.5</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>268.3</td>
<td>252.3</td>
<td>6.3</td>
</tr>
<tr>
<td>Hospitals</td>
<td>44.5</td>
<td>51.7</td>
<td>-13.9</td>
</tr>
<tr>
<td>Depreciation</td>
<td>163.7</td>
<td>155.9</td>
<td>5.0</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$3,633.7</td>
<td>$3,502.0</td>
<td>3.8</td>
</tr>
</tbody>
</table>
Legislative Audit Bureau

AUDITOR COMMUNICATION