Agenda

Financial Summary

- Revenues
- Expenses
- Statement of Net Position
- Classification of Net Position Note
- Cash and Cash Equivalents
- Regent Policy Document (RPD) 21-6

Higher Learning Commission (HLC) Ratios

- Composite Financial Index (CFI)
# Financial Summary - Revenues

<table>
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<tr>
<th>(in millions)</th>
<th>2013</th>
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<tbody>
<tr>
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<td>Total Expenses</td>
<td>4,577.4</td>
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Revenues

Total revenues increased $189.9 million (3.9%)

- Tuition & Fees increased $69.6 million
  - Tuition: 75% of this increase
- State Appropriations increased $38.5 million
- Grants and Contracts increased $26.4 million
  - Federal increased $12.5 million
  - Nonfederal increased $13.9 million
- Gifts increased $47.7 million
## Financial Summary - Expenses

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Expenses

Total expenses increased $94.5 million (2.1%)

- Salary and fringe benefits increased $67.3 million
  - Salaries increased $45.5 million
  - Fringe benefits increased $21.8 million
- Depreciation expense increased $20.1 million
- Supplies & services expense increased $9.5 million
Operating Expenses by Natural Classification

- Salary and Fringe Benefits
- Scholarships and Fellowships
- Supplies, Services, and Other
- Depreciation

[Bar chart showing expenses in millions for 2013 and 2012]
Expenses by Functional Classification

- Instruction
- Research
- Public Service
- Academic Support
- Farm Operations
- Student Services
- Institutional Support
- Operation/Maintenance
- Financial Aid
- Auxiliary Enterprises
- Hospitals
- Depreciation
- Non Operating Expenses

- 2013
- 2012

Millions

$0
$200
$400
$600
$800
$1,000
$1,200

2013 2012
### Financial Summary

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Statement of Net Position

- Net Position is the difference between assets and liabilities

- Net Position is categorized as:
  - Net Investment in Capital Assets
  - Restricted – Nonexpendable
  - Restricted – Expendable
  - Restricted – Student Loans
  - Restricted – Other
  - Unrestricted
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<td>166.6</td>
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<td>Restricted – Expendable</td>
<td>283.9</td>
<td>274.2</td>
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<td>Restricted – Student Loans</td>
<td>229.4</td>
<td>227.5</td>
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<tr>
<td>Restricted – Other</td>
<td>376.3</td>
<td>226.8</td>
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<td>Unrestricted</td>
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Classification of Net Position

Note 13

- Note 13, Classification of Net Position, has been revised to provide additional detail and greater level of transparency
- Unable to provide Net Position detail within financial statements due to reporting standards
Cash and Cash Equivalents

- Cash & Cash Equivalents increased to $1.68 billion in FY 2013

- Factors for this increase include:
  - $91.1 million - tuition revenues
  - $79.6 million - construction/bond proceeds
  - $50.0 million - federal grants and contracts
  - $35.5 million - general operations

- Some cash balances are committed or restricted for specific purpose
Accrual-based numbers presented on financial statements and in notes

RPD 21-6, Program Revenue Balances and Reserves Policy, will present balances on modified cash basis
Higher Learning Commission Ratios

- The Higher Learning Commission (HLC) accredits degree-granting, post-secondary educational institutions

- Accreditation criteria include whether resources are sufficient to fulfill its mission, and respond to future challenges and opportunities

- An annual Composite Financial Index (CFI) is calculated annually to evaluate the sufficiency of institutional resources
Composite Financial Index (CFI)

- Combination of 4 financial ratios, each weighted differently
  - Primary Reserve Ratio (35%)
  - Viability Ratio (35%)
  - Return on Net Assets Ratio (20%)
  - Net Operating Revenues Ratio (10%)

- A CFI of 1.1 or higher = adequate financial health and no HLC review
- A CFI below 1.1 = possible HLC review
Individual ratios and CFIs vary significantly by UW institution

Majority of UW institutions have a CFI greater than 1.1

Four UW institutions had a CFI less than 1.1 for FY 2012

Two UW institutions have a CFI less than 1.1 for FY 2013
2013 ANNUAL FINANCIAL REPORT

AN OVERVIEW OF FINANCIAL PERFORMANCE