



# **2013 ANNUAL FINANCIAL REPORT**

**AN OVERVIEW OF FINANCIAL PERFORMANCE**

# Agenda

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## 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

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(in millions)	<u>2013</u>	<u>2012</u>	<u>Increase over 2012</u>	
<b>Total Revenues</b>	<b>\$5,080.8</b>	<b>\$4,890.9</b>	<b>\$ 189.9</b>	<b>3.9%</b>
<b>Total Expenses</b>	<u><b>4,577.4</b></u>	<u><b>4,482.9</b></u>	<b>94.5</b>	<b>2.1%</b>
<b>Increase in Net Position</b>	<b>\$ 503.4</b>	<b>\$ 408.0</b>		
<b>Total Assets</b>	<b>\$8,555.8</b>	<b>\$7,884.1</b>	<b>\$671.7</b>	<b>8.5%</b>
<b>Total Liabilities</b>	<u><b>2,207.1</b></u>	<u><b>2,038.8</b></u>	<u><b>168.3</b></u>	<b>8.3%</b>
<b>Net Position</b>	<b>\$6,348.7</b>	<b>\$5,845.3</b>	<b>\$503.4</b>	<b>8.6%</b>

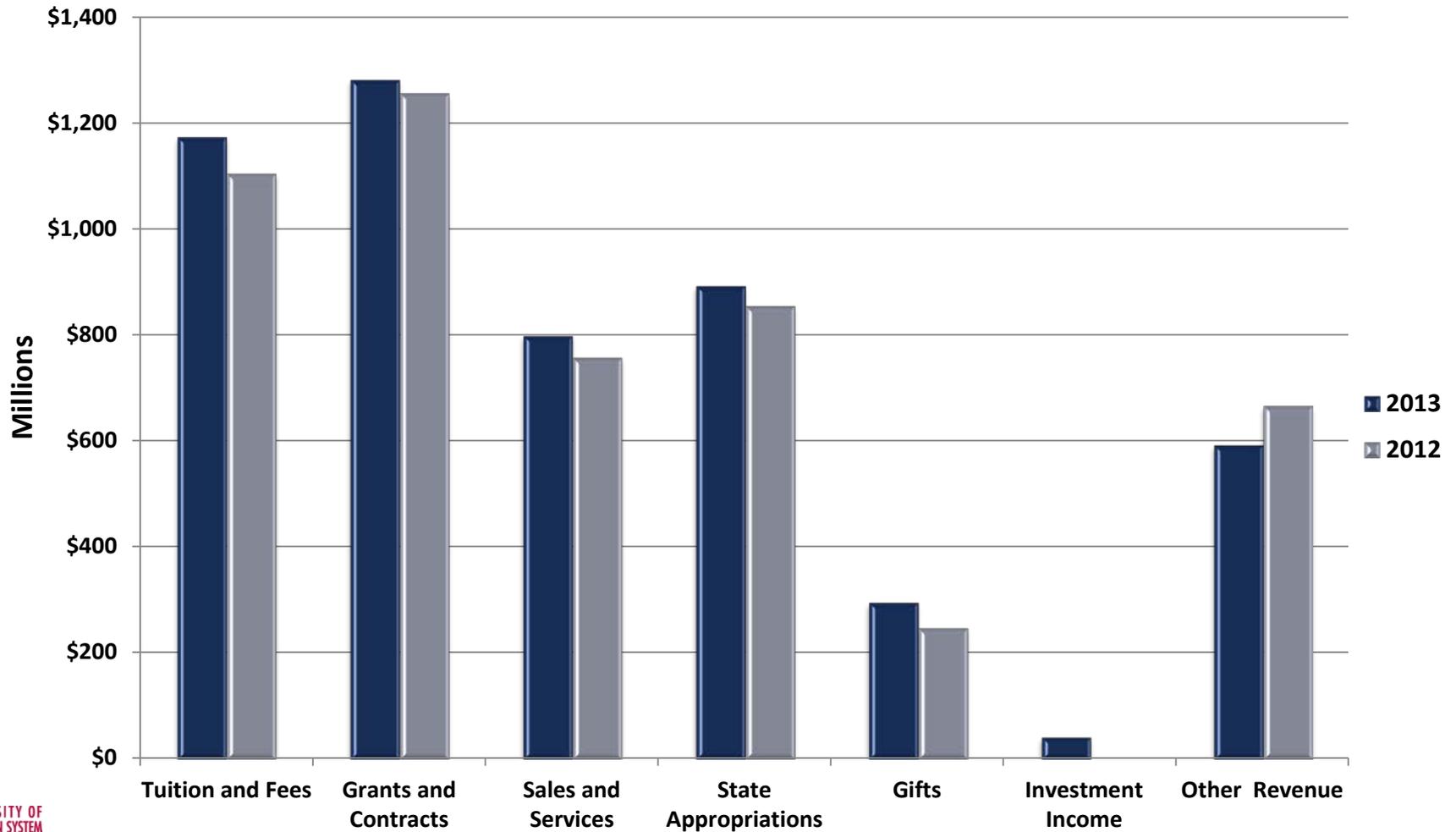
# Revenues

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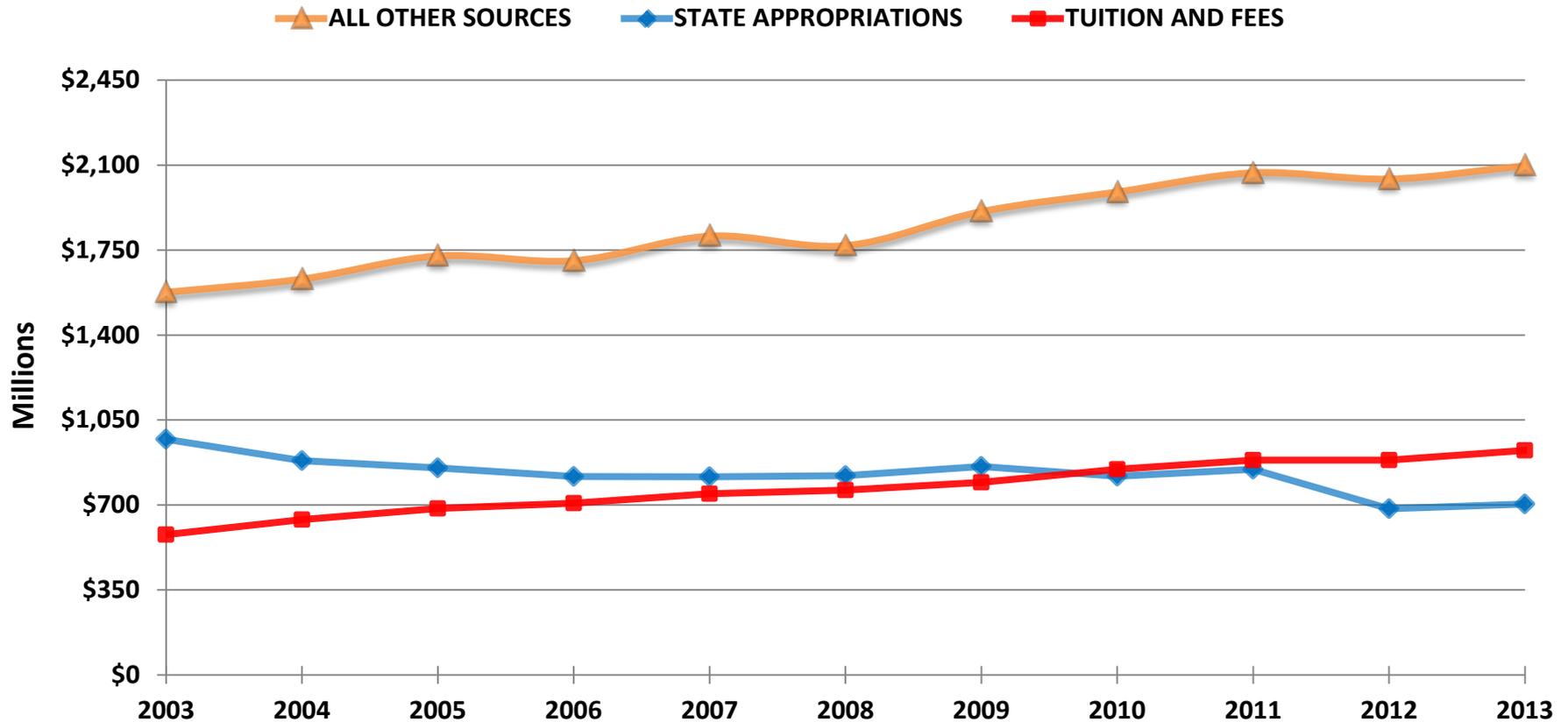
**Total revenues increased \$189.9 million (3.9%)**

- **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**

# Revenue by Category



# Ten-year Comparison of Current Funds Adjusted for Inflation



# Financial Summary - Expenses

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(in millions)	<u>2013</u>	<u>2012</u>	<u>Increase over 2012</u>	
Total Revenues	\$5,080.8	\$4,890.9	\$ 189.9	3.9%
Total Expenses	<u>4,577.4</u>	<u>4,482.9</u>	94.5	2.1%
Increase in Net Position	\$ 503.4	\$ 408.0		
Total Assets	\$8,555.8	\$7,884.1	\$671.7	8.5%
Total Liabilities	<u>2,207.1</u>	<u>2,038.8</u>	<u>168.3</u>	8.3%
Net Position	\$6,348.7	\$5,845.3	\$503.4	8.6%

# Expenses

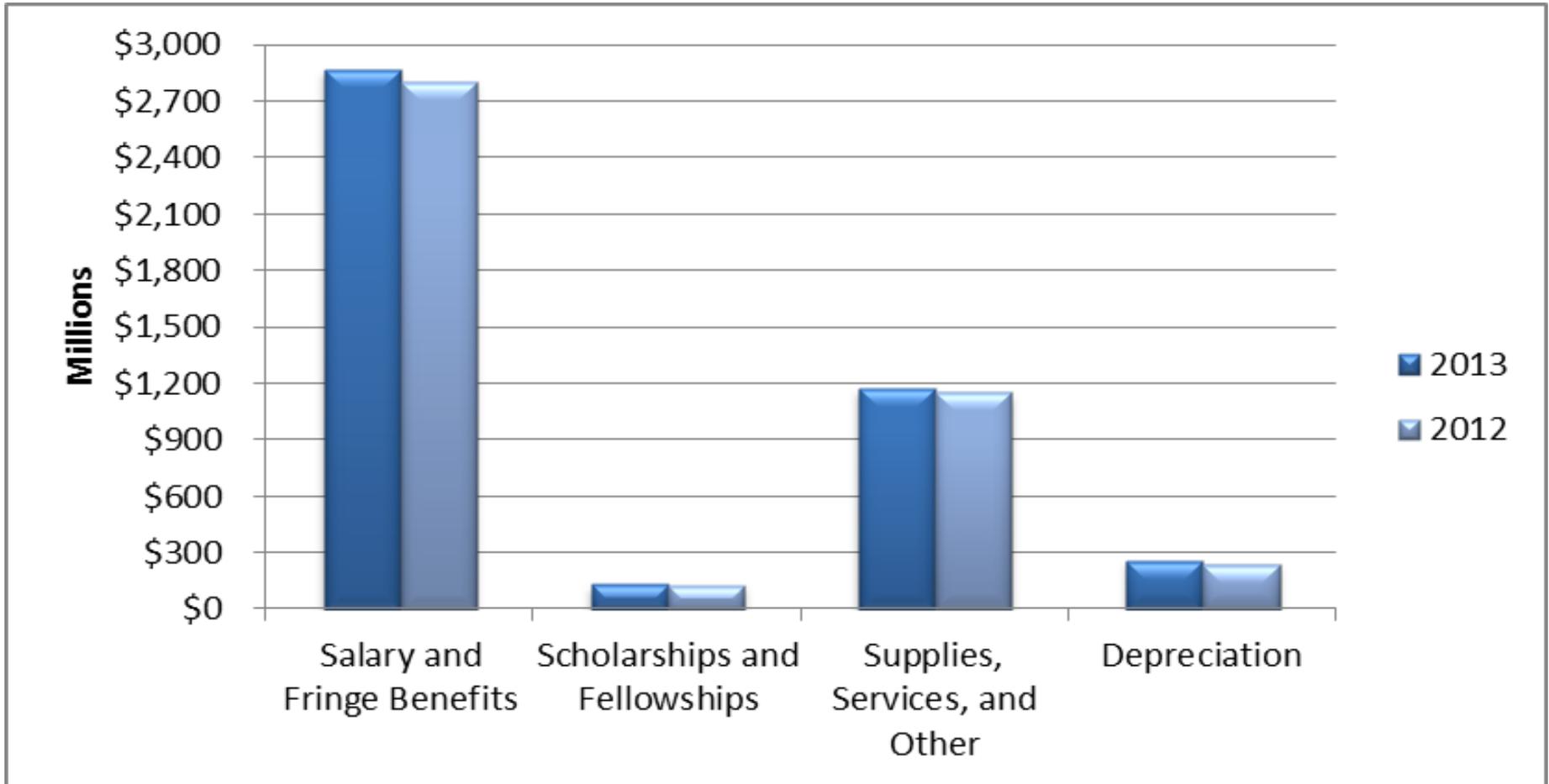
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## **Total expenses increased \$94.5 million (2.1%)**

- **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**

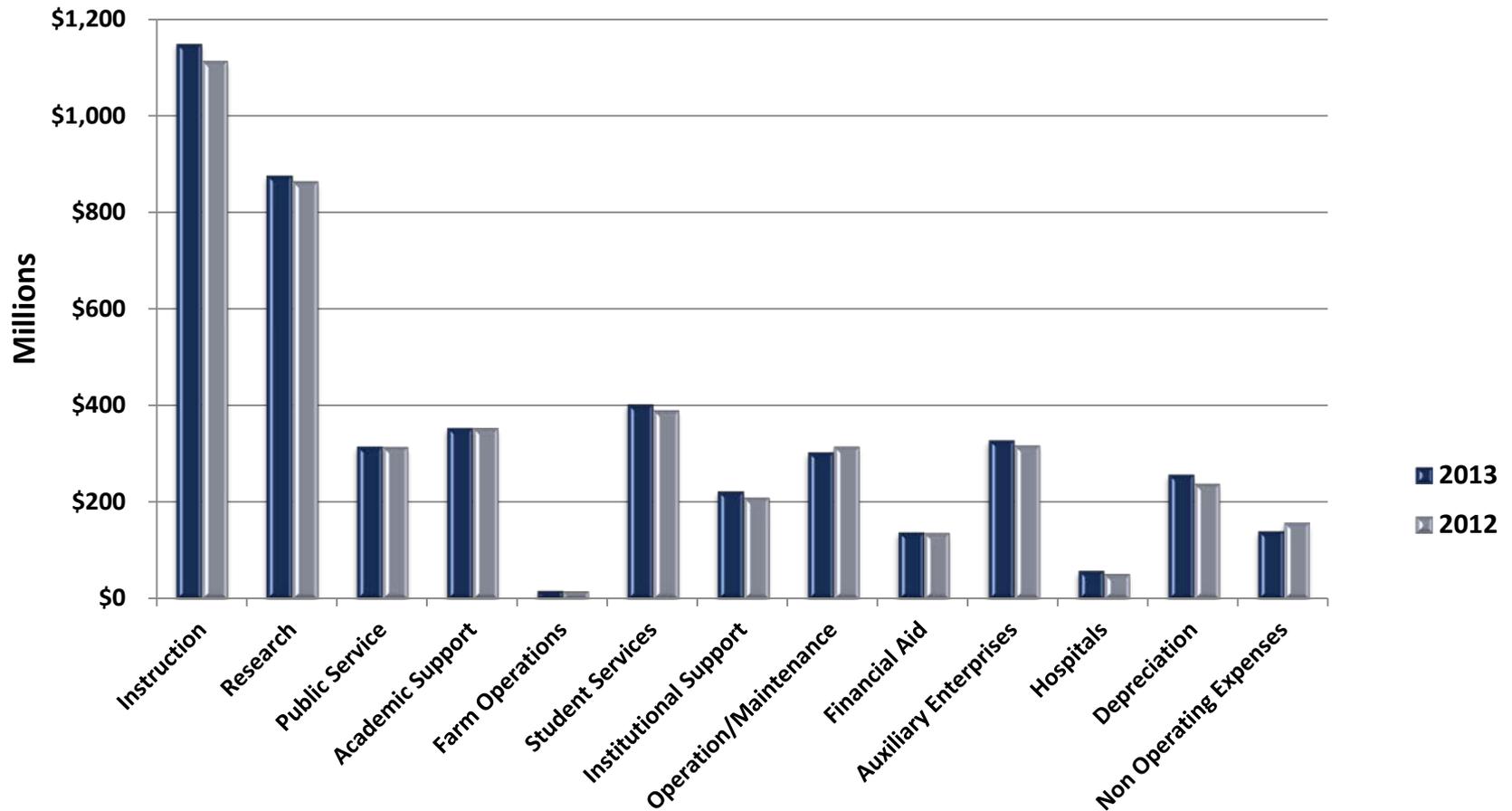
# Operating Expenses by Natural Classification

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# Expenses by Functional Classification

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# Financial Summary

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(in millions)	<u>2013</u>	<u>2012</u>	<u>Increase over 2012</u>	
Total Revenues	\$5,080.8	\$4,890.9	\$ 189.9	3.9%
Total Expenses	<u>4,577.4</u>	<u>4,482.9</u>	94.5	2.1%
Increase in Net Position	\$ 503.4	\$ 408.0		

Total Assets	\$8,555.8	\$7,884.1	\$671.7	8.5%
Total Liabilities	<u>2,207.1</u>	<u>2,038.8</u>	<u>168.3</u>	8.3%
Net Position	\$6,348.7	\$5,845.3	\$503.4	8.6%

# Statement of Net Position

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- **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

# Statement of Net Position

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<b>(in millions)</b>	<b>2013</b>	<b>2012</b>
<b>Net Investment in Capital Assets</b>	<b>\$4,212.8</b>	<b>\$4,101.6</b>
<b>Restricted – Nonexpendable</b>	<b>166.6</b>	<b>155.0</b>
<b>Restricted – Expendable</b>	<b>283.9</b>	<b>274.2</b>
<b>Restricted – Student Loans</b>	<b>229.4</b>	<b>227.5</b>
<b>Restricted – Other</b>	<b>376.3</b>	<b>226.8</b>
<b>Unrestricted</b>	<b><u>1,079.7</u></b>	<b><u>860.2</u></b>
<b>Total Net Position</b>	<b>\$6,348.7</b>	<b>\$5,845.3</b>

# Classification of Net Position

## Note 13

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- **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

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- **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**

# Regent Policy Document (RPD) 21-6

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- **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

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- **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)

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- **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**

# Composite Financial Index (CFI)

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- **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**



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