



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>	
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%

Revenues

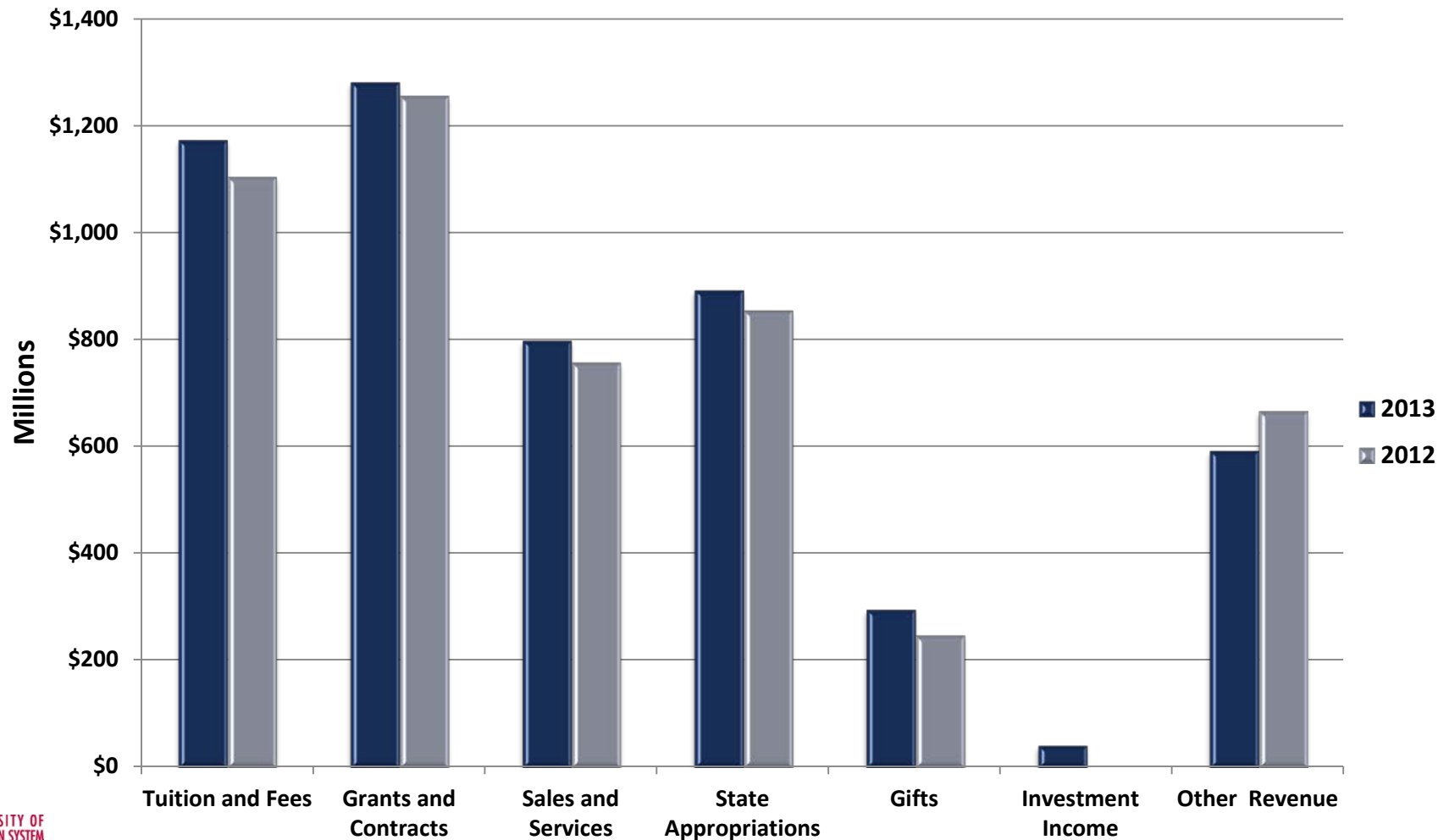
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Total revenues increased \$189.9 million (3.9%)

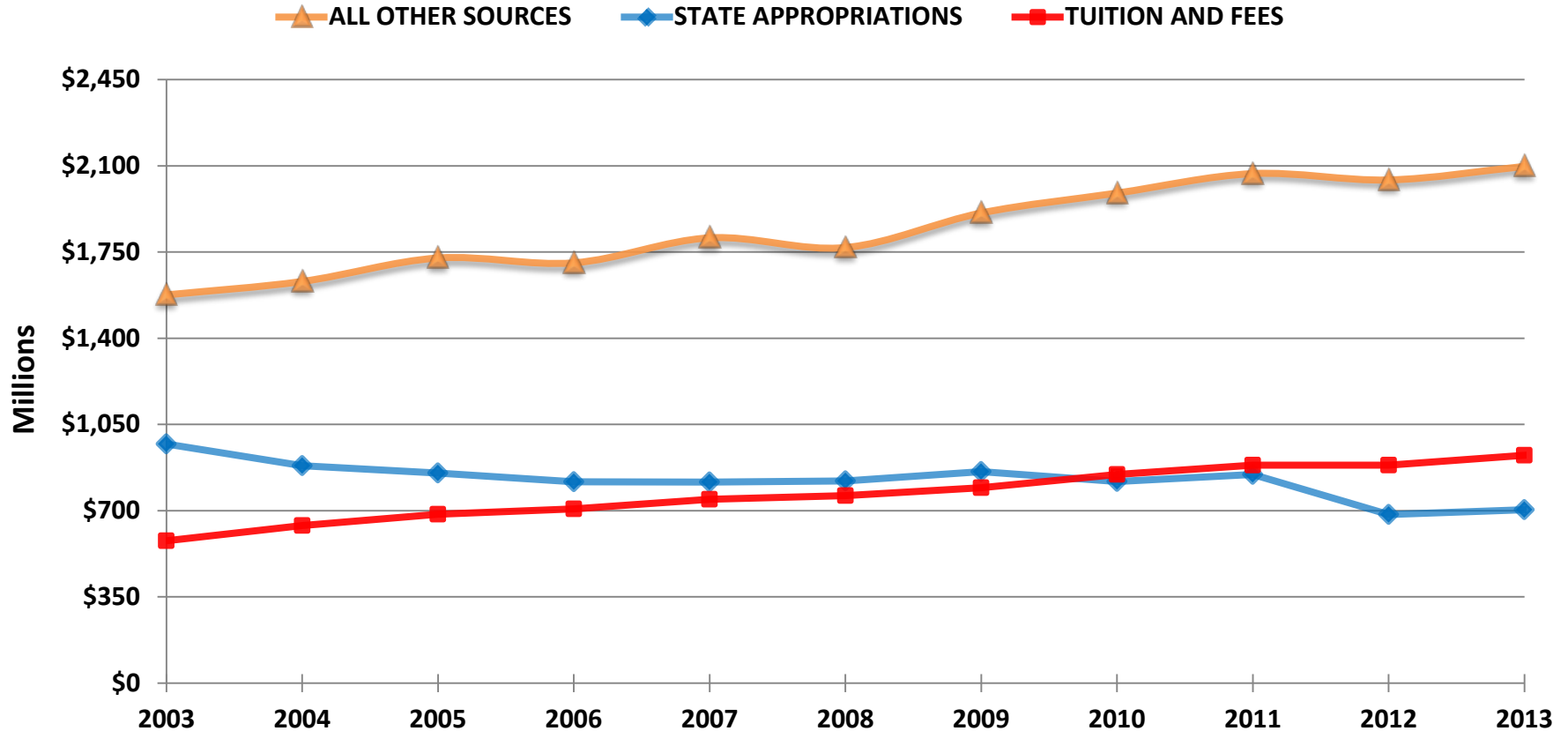
- **Tuition & Fees increased \$69.6 million**
 - Tuition: 75% of this increase
- **State Appropriations increased \$38.5 million**
- **Grants and Contracts increased \$26.4 million**
 - Federal increased \$12.5 million
 - Nonfederal increased \$13.9 million
- **Gifts increased \$47.7 million**

Revenue by Category

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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%
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Net Position	\$6,348.7	\$5,845.3	\$503.4	8.6%

Expenses

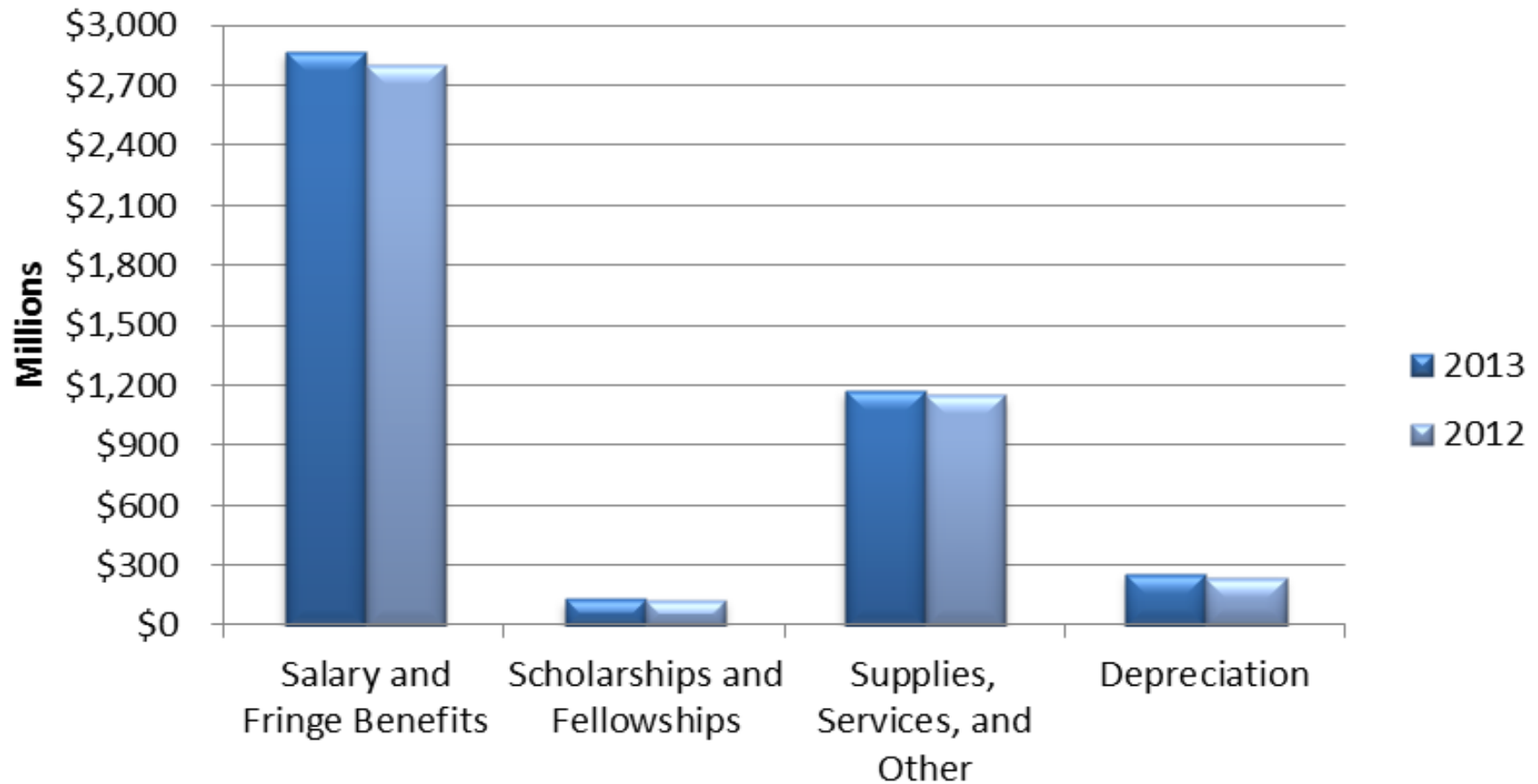
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Total expenses increased \$94.5 million (2.1%)

- **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**

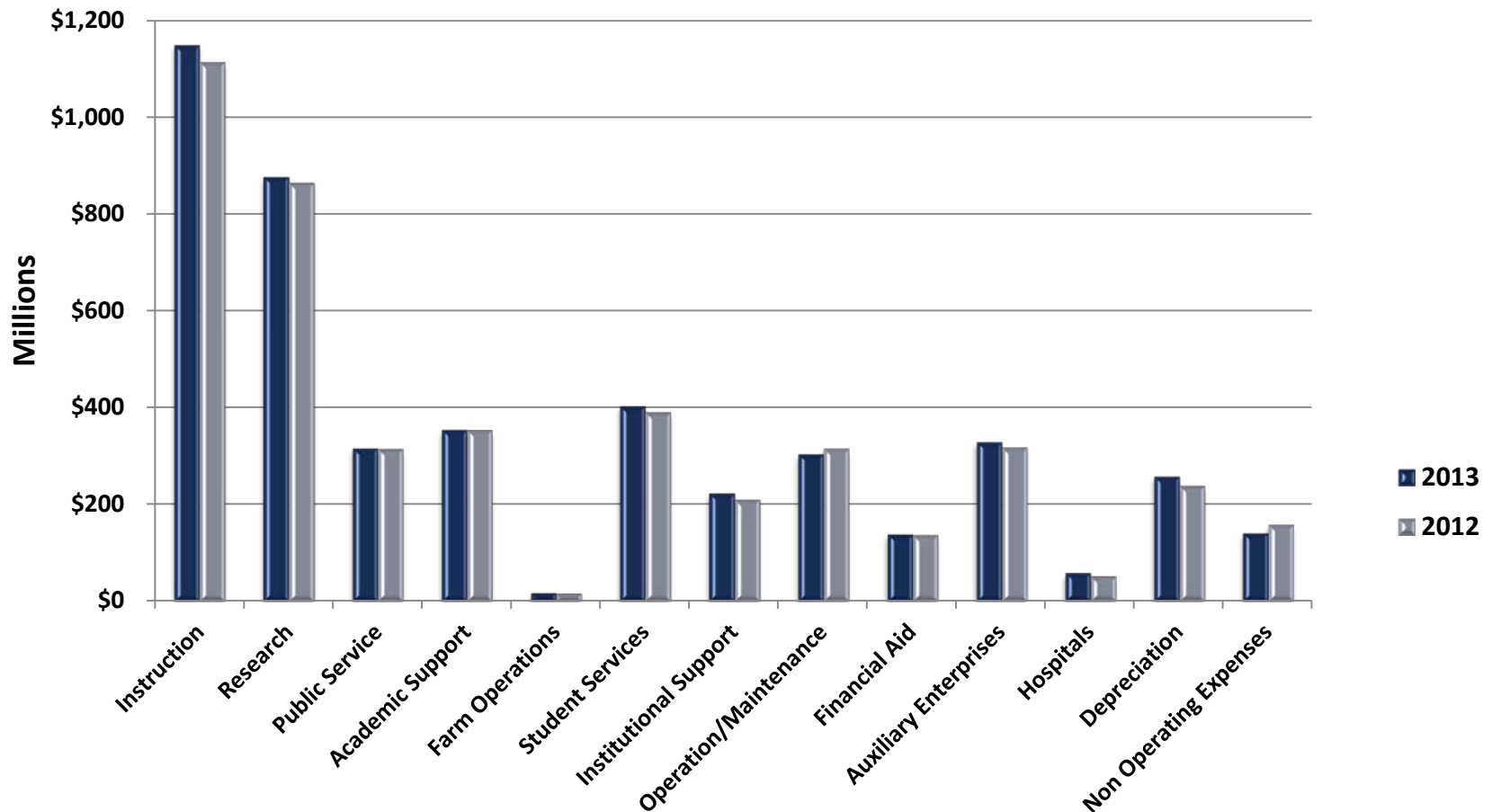
Operating Expenses by Natural Classification

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Expenses by Functional Classification

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Financial Summary

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

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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