

# Financial Report Review

Board of Trustees Meeting  
February 20, 2018

# Key Elements of Financial Statements & Footnotes

**MD&A (Management's Discussion & Analysis)**

**Auditor's Opinion**

**Statement of Net Position [Balance Sheet]**

**Assets / Liabilities / Net Position**

**Statement of Revenues, Expenses, and Changes in Net Position [Income Statement]**

**Revenues / Expenses / Change in Net Position**

**Notes**

- 1 Significant Accounting Policies**
- 2 Deposits & Investments**
- 4 Endowment Investments**
- 8 Long Term Liabilities**
- 10 Revenues**
- 11 Operating Expenses by Function**
- 12 Pensions**
- 14 Risk Management**

# Financial Reporting Concepts

- The Excellence, HES, Capital Facilities, and Weatherspoon Arts Foundations are blended with the University for Financial Reporting and comprise the Financial Reporting Entity
- Key figure is Income before Other Revenues since it provides the best matching of revenues with associated expenses
- Major drivers of Business Type Activity Financial Statements, are construction spending, debt related to construction spending, and investment growth or decline

**Condensed Statement of Net Position (\$ in millions)  
Fiscal Years Ended June 30, 2016 and June 30, 2017**

	<b>FY 17</b>	<b>FY 16</b>
<b>Assets</b>		
Cash	151	145
Investments (Mostly Endowment)	290	249
Capital Assets (Buildings, Equipment, General Infrastructure)	750	717
Other (includes Deferred Outflows)	49	27
<b>Total Assets</b>	<b>1,240</b>	<b>1,138</b>
 <b>Liabilities</b>		
Debt	361	334
Accounts Payable and Accrued Liabilities	81	50
Other (includes Deferred Inflows)	21	25
<b>Total Liabilities</b>	<b>463</b>	<b>409</b>
 <b>Net Position</b>		
Net Investment in Capital Assets	393	384
Restricted Nonexpendable (Endowment Corpus)	149	138
Restricted Expendable (Endowment Income and Growth)	147	122
Unrestricted	88	85
<b>Total Net Position</b>	<b>777</b>	<b>729</b>

# Statement of Net Position Highlights

- Investments increased by \$41 million
  - Investment Gain – 13.7%
  - Endowment gifts of \$11 million
  - Distributions of \$10 million
- Capital Assets increased by \$33 million
  - Spartan Village Phase II

# Statement of Net Position Highlights

- Debt Increased \$27 million
  - Decrease in Bonds Payable \$14 million
  - Increase in Notes Payable \$41 million
- Deferred Outflows Related to Pensions
  - Increased \$23 million
- Deferred Inflows Related to Pensions
  - Decreased \$2 million
- Total Net Position Increased \$48 million
  - Net Investment in Capital Assets increased \$9 million
  - Restricted Nonexpendable increased \$11 million
  - Restricted Expendable increased \$25 million
  - Unrestricted increased \$3 million

**Statement of Revenues, Expenses, and Changes in Net Position  
Highlights (\$ in millions)**

**Fiscal Years Ended June 30, 2016 and June 30, 2017**

	<b>FY 17</b>	<b>FY 16</b>
<b>Operating Revenues</b>		
Student Tuition and Fees, Net	107	100
Sales and Services, Net	53	51
Grants and Contracts	15	8
Other Operating Revenues	2	2
<b>Total Operating Revenues</b>	<b>177</b>	<b>161</b>
 <b>Operating Expenses</b>		
Salaries and Benefits	248	226
Scholarships and Fellowships	29	29
Services	63	57
Supplies and Materials	22	20
Utilities	9	8
Depreciation	21	20
<b>Total Operating Expenses</b>	<b>392</b>	<b>360</b>
 <b>Operating Loss</b>	 <b>(215)</b>	 <b>(199)</b>



**Statement of Revenues, Expenses, and Changes in Net Position  
Highlights (\$ in millions)**

**Fiscal Years Ended June 30, 2016 and June 30, 2017**

	<b>FY 17</b>	<b>FY 16</b>
<b>Nonoperating Revenues (Expenses)</b>		
State Appropriations	154	149
Noncapital Grants - Student Financial Aid	53	52
Noncapital Grants and Gifts	19	27
Investment Income (Loss)	35	(9)
Interest and Fees on Debt	(12)	(9)
Other Nonoperating Expenses	(2)	(4)
<b>Net Nonoperating Revenues</b>	<b>247</b>	<b>206</b>
<b>Income Before Other Revenues</b>	<b>32</b>	<b>7</b>
Capital Appropriations	3	4
Capital Grants and Gifts	2	1
Additions to Endowments	11	6
<b>Total Other Revenues</b>	<b>16</b>	<b>11</b>
<b>Increase in Net Position</b>	<b>48</b>	<b>18</b>
<b>Net Position - July 1</b>	<b>729</b>	<b>711</b>
<b>Net Position - June 30</b>	<b>777</b>	<b>729</b>





# Statement of Revenues, Expenses, and Changes in Net Position Highlights

- Operating Income and Operating Expenses increased by \$16 million and \$32 million respectively
- State Appropriations increased by \$5 million
- State Appropriations classified as Nonoperating Revenues but used to cover Operating Expenses
- Investment Income increased from a net loss in FY16 to a \$35 million net gain in FY17
- Income Before Other Revenues increased by \$25 million to \$32 million in FY17
- Overall increase in Net Position was \$48 million

**Selected Financial Statement Ratios  
For Fiscal Years 2016 and 2017  
Including Moody's Investor Service Medians for Aa3 and A1 Rated  
College & University Debt**

	<b>FY 17</b>	<b>FY 16</b>	<b>Moody's Aa3 Median FY15</b>	<b>Moody's A1 Median FY15</b>
Spendable Cash and Investments (\$000)	278,271	248,115	402,344	140,985
Total Debt (\$000)	339,258	310,370	315,403	128,324
Spendable Cash and Investments to Total Debt (x)	.82	.80	1.29	.97
Total Debt to Adjusted Operating Revenues (x)	.87	.85	.56	.65
Total Debt to Total Capitalization (%)	30	30	30	32