

Financial Report Review

Board of Trustees Meeting

April 9, 2019

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

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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 on the Statement of Revenues, Expenses, and Changes in Net Position since it provides the best matching of revenues with associated expenses
- Major drivers for UNCG 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, 2018 and June 30, 2017
(Page 11 of the Financial Report)

	FY 18	FY 17
Assets		
Cash	142	151
Investments (Mostly Endowment)	307	290
Capital Assets (Buildings, Equipment, General Infrastructure)	780	750
Other	16	15
Total Assets	1,245	1,206
Deferred Outflows of Resources	40	44
Liabilities		
Debt	354	361
Accounts Payable and Accrued Liabilities	37	37
Net Pension & Other Postemployment Benefit Liabilities	332	484
Other	18	18
Total Liabilities	741	900
Deferred Inflows of Resources	146	3
Net Position		
Net Investment in Capital Assets	422	393
Restricted Nonexpendable (Endowment Corpus)	154	149
Restricted Expendable (Endowment Income and Growth)	157	148
Unrestricted	(335)	(343)
Total Net Position	398	347

Other Postemployment Benefits (OPEB) Effect of GASB 75

- OPEB benefits are anything that provides post-employment benefits to employees, typically health care and disability income
- The University must recognize its proportionate share (.89477%) of the State's total OPEB liability of \$32.8 billion
- The University is still required to make its monthly contributions to the Retiree Health Benefit Fund (\$10.6 million for FY18) and the Disability Income Plan of North Carolina (\$245K for FY18)
- The next slide shows the effects of recognizing the University's proportionate share of the State's OPEB and Pension liabilities on the University's Unrestricted Net Position

Effect of GASB 68 (Pensions) and GASB 75 (OPEB) (\$ in millions)
On Unrestricted Net Position
Fiscal Years Ended June 30, 2018 and June 30, 2017

	FY 18	FY 17
Unrestricted Net Position per Financial Statements	(335)	(343)
Deferred Outflows Related to Pensions	(22)	(30)
Deferred Outflows Related to OPEB	(11)	(10)
Net Pension Liability	39	44
Net OPEB Liability	293	441
Deferred Inflows Related to Pensions	2	3
Deferred Inflows Related to OPEB	144	
Adjusted Unrestricted Net Position	110	105

**Condensed Statement of Net Position (\$ in millions)
Excludes GASB 68 (Pensions) and GASB 75 (OPEB)
Fiscal Years Ended June 30, 2018 and June 30, 2017**

	FY 18	FY 17
Assets		
Cash	142	151
Investments (Mostly Endowment)	307	290
Capital Assets (Buildings, Equipment, General Infrastructure)	780	750
Other (includes Deferred Outflows for Debt Refunding)	23	19
Total Assets	1,252	1,210
Liabilities		
Debt	354	361
Accounts Payable and Accrued Liabilities	37	37
Other (includes Deferred Inflows for Split Interest Agreements)	18	18
Total Liabilities	409	416
Net Position		
Net Investment in Capital Assets	422	393
Restricted Nonexpendable (Endowment Corpus)	154	149
Restricted Expendable (Endowment Income and Growth)	157	147
Unrestricted	110	105
Total Net Position	843	794

Statement of Net Position Highlights

- Investments increased by \$17 million
 - Investment Gain – 8.1%
 - Endowment gifts of \$4 million
 - Distributions of \$13.5 million
- Capital Assets increased by \$30 million
 - Completion of Spartan Village Phase II
 - Nursing and Instructional Building
 - Capitalized Renovation Projects

Statement of Net Position Highlights

- Debt Decreased \$7 million
 - Increase in Bonds Payable \$39 million
 - Decrease in Notes Payable \$46 million
 - Bonds were issued for Phase 2 of Spartan Village, paying off the existing Notes Payable
 - Refunding bonds were issued to refinance 2011 and 2012A bonds, resulting in present value savings of approximately \$8.6 million
- Deferred Outflows Related to Pensions and Other Postemployment Benefits (OPEB)
 - Decreased \$7 million
- Deferred Inflows Related to Pensions and Other Postemployment Benefits (OPEB)
 - Increased \$143 million primarily due to changes of experience and actuarial assumptions for OPEB
- Total Net Position increased \$51 million
 - Net Investment in Capital Assets increased \$29 million
 - Restricted Nonexpendable increased \$5 million
 - Restricted Expendable increased \$9 million
 - Unrestricted increased \$8 million

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

Fiscal Years Ended June 30, 2018 and June 30, 2017

	FY 18	FY 17
Operating Revenues		
Student Tuition and Fees, Net	112	107
Sales and Services, Net	56	53
Grants and Contracts	21	15
Other Operating Revenues	1	2
Total Operating Revenues	190	177
 Operating Expenses		
Salaries and Benefits	265	248
Scholarships and Fellowships	30	29
Services	64	63
Supplies and Materials	23	22
Utilities	9	9
Depreciation	22	21
Total Operating Expenses	413	392
 Operating Loss	(223)	(215)



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

Fiscal Years Ended June 30, 2018 and June 30, 2017

	FY 18	FY 17
Nonoperating Revenues (Expenses)		
State Appropriations	170	154
Noncapital Grants - Student Financial Aid	60	53
Noncapital Grants and Gifts	14	19
Investment Income (Loss)	25	35
Interest and Fees on Debt	(12)	(12)
Other Nonoperating Expenses	(1)	(2)
Net Nonoperating Revenues	256	247
Income Before Other Revenues	33	32
Capital Appropriations	2	3
Capital Grants and Gifts	12	2
Additions to Endowments	4	11
Total Other Revenues	18	16
Increase in Net Position	51	48
Net Position - July 1	347	729
Restatement		(430)
Net Position - June 30	398	347

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

- Operating Income and Operating Expenses increased by \$13 million and \$21 million respectively
- State Appropriations increased by \$16 million
- State Appropriations classified as Nonoperating Revenues but used to cover Operating Expenses
- Investment Income decreased from a \$35 million net gain in FY17 to a \$25 million net gain in FY18
- Income Before Other Revenues increased from \$32 million in FY17 to \$33 million in FY18
- Overall increase in Net Position was \$51 million

**Selected Financial Statement Ratios
For Fiscal Years 2018 and 2017
Including Moody's Median Analysis from First Tryon
For Public Universities**

	FY 18	FY 17	Moody's National Aa3 Median FY18	Moody's Regional Aa3 Median FY18
Operating Revenue (\$, in Millions)	418	393	628	595
Operating Cash Flow Margin (%)	13.6	13.3	9.7	11.1
Maximum Single Contribution (%)	45.7	45.0	50.2	49.4
Total Cash and Investments (\$, in Millions)	448	430	578	508
Spendable Cash & Investments to Operating Expenses (x)	0.8	0.8	0.7	0.7
Spendable Cash and Investments to Total Debt (x)	0.9	0.9	1.3	1.2
Total Debt to Cash Flow (x)	5.7	6.3	5.0	4.8