

# **University of Minnesota Fiscal Year 2011 Annual Financial Report**

**Board of Regents  
Finance and Operations Committee  
December 8, 2011**



UNIVERSITY OF MINNESOTA

**Driven to Discover<sup>SM</sup>**

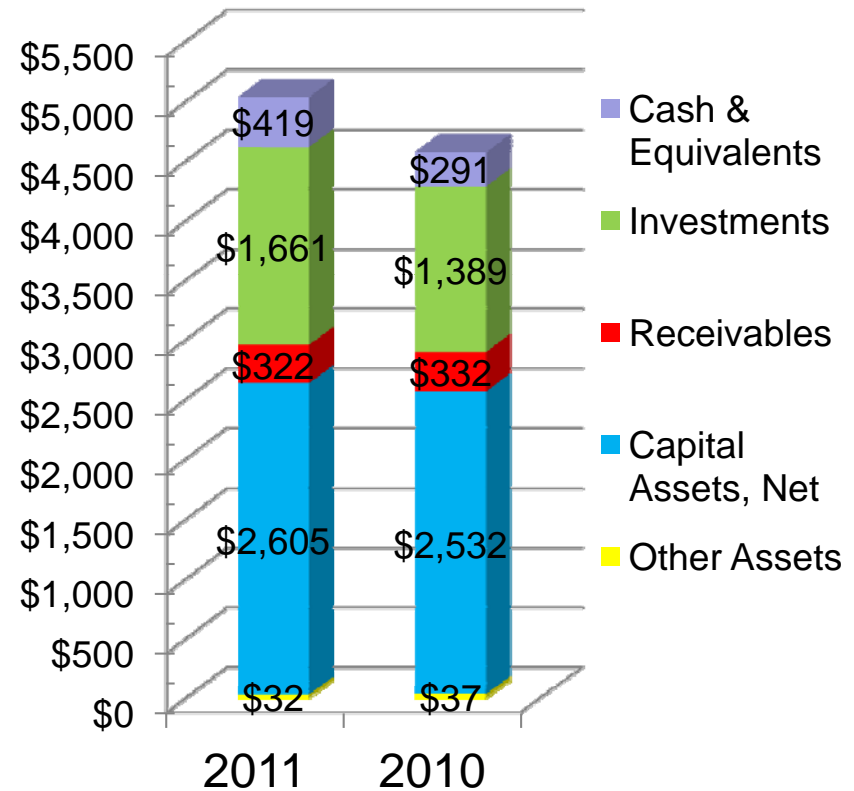
# FY 2011 Highlights

- The University's balance sheet continues to be strong and prudently managed.
- Net assets increased by \$312.5 million.
- Total revenues increased while operating expenses were down slightly.
- The University had positive cash flow for FY 2011.



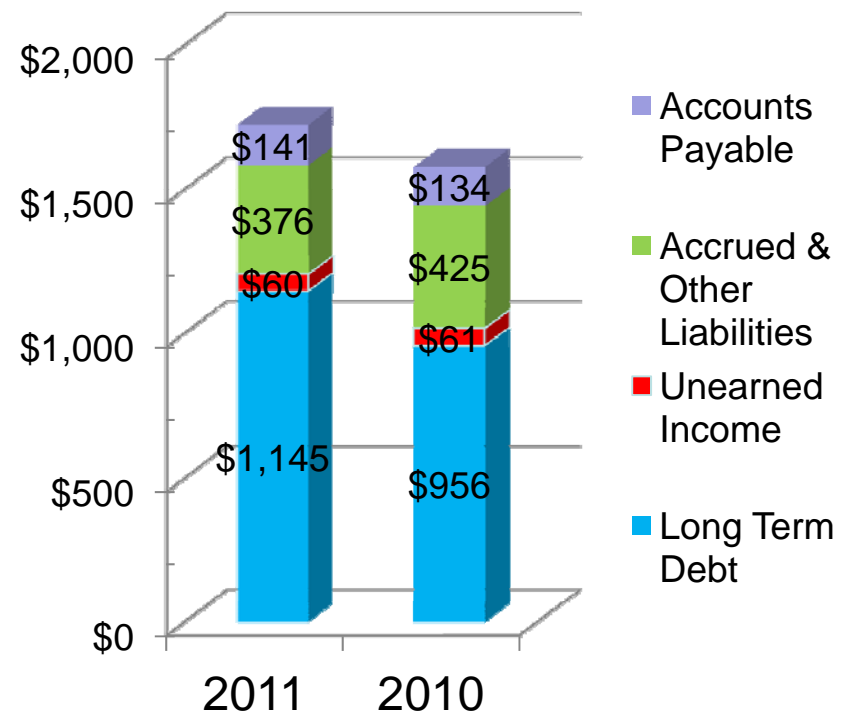
# Balance Sheet - Overview of Assets 2011 versus 2010

- Total University assets increased by \$459 million (10%)
- Cash & equivalents increase of \$128 million represents unspent bond proceeds.
- Investments up \$272 million due to higher TIP investments and CEF market value gains.
- \$73 million increase in capital assets represents numerous capital projects including Folwell, CMRR, Weisman, Griggs (UMD) and Biomedical bldg.



# Balance Sheet - Overview of Liabilities 2011 versus 2010

- Total University liabilities increased by \$146 million (9%)
- Decrease in accrued & other liabilities of \$49 million is due to lower accruals related to swap terminations and compensation expenses.
- Long-term debt increased \$189 million due to issuance of 2010B / 2011A GO bonds and 2010A special revenue bonds, offset by refundings and debt service payments.

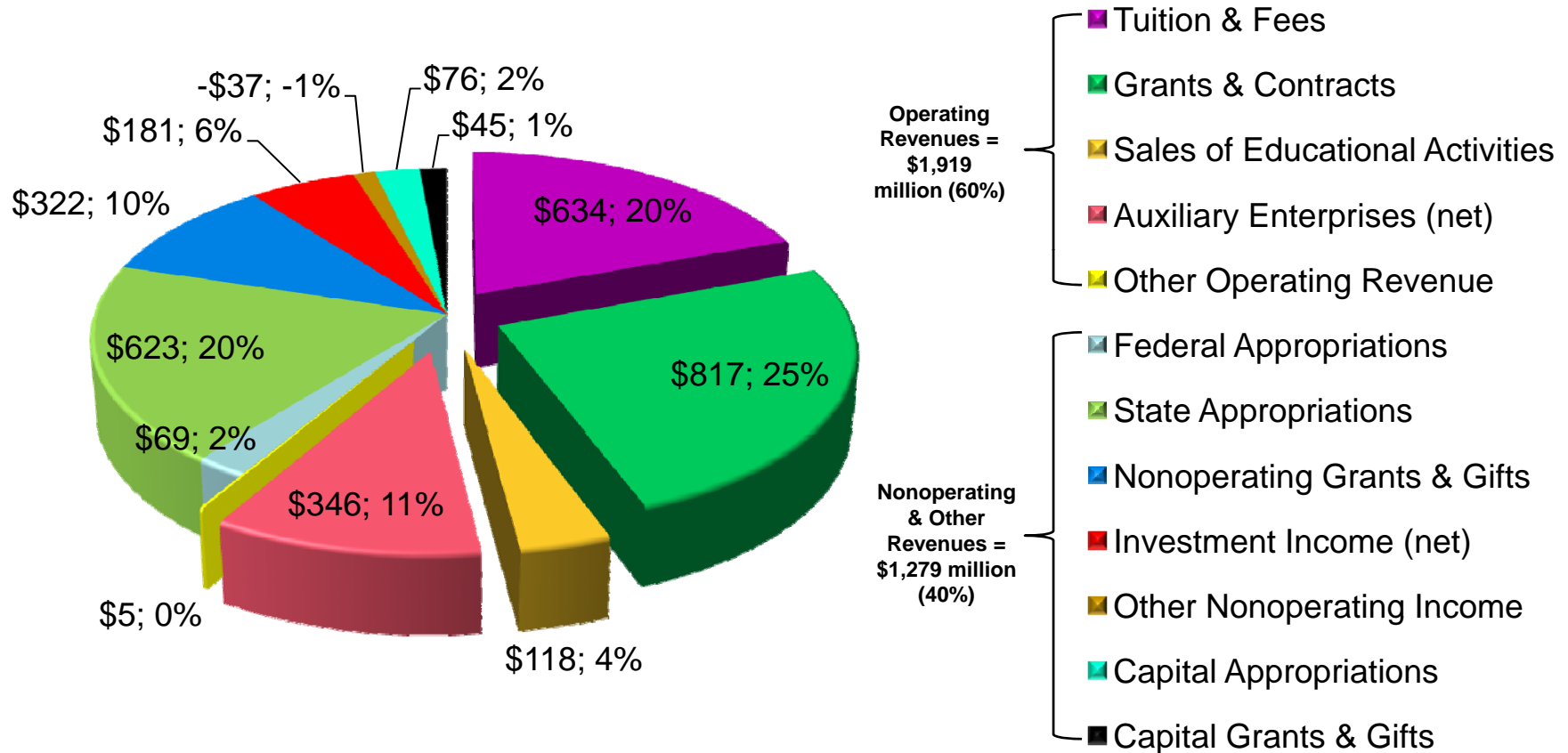


# Overview of Revenues, Expenses, and Changes in Net Assets

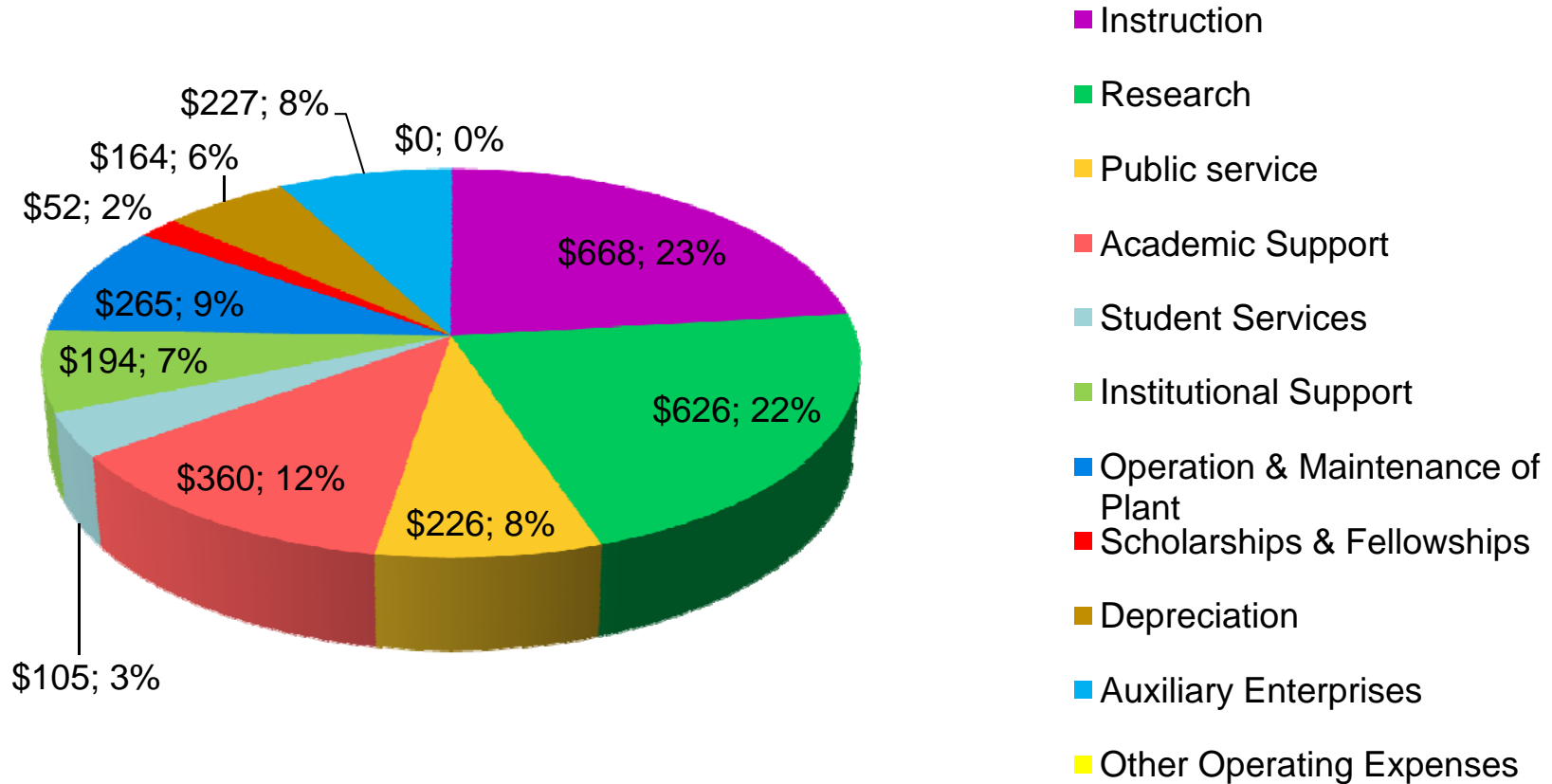
<i>Dollars in Millions</i>	<u>2011</u>	<u>2010</u>
Total Operating Revenues	\$1,919.0	\$1,850.4
Total Operating Expenses	<u>2,866.0</u>	<u>2,900.4</u>
Net Operating Loss	(967.0)	(1,050.0)
Net Non-Operating Revenues	1,156.7	1,074.0
Other Revenues	<u>122.7</u>	<u>147.5</u>
Increase in Net Assets	<b>\$ <u>312.5</u></b>	<b>\$ <u>171.5</u></b>



# FY 2011 Total Revenues – \$3.19 Billion



# FY 2011 Total Operating Expenses – \$2.87 Billion



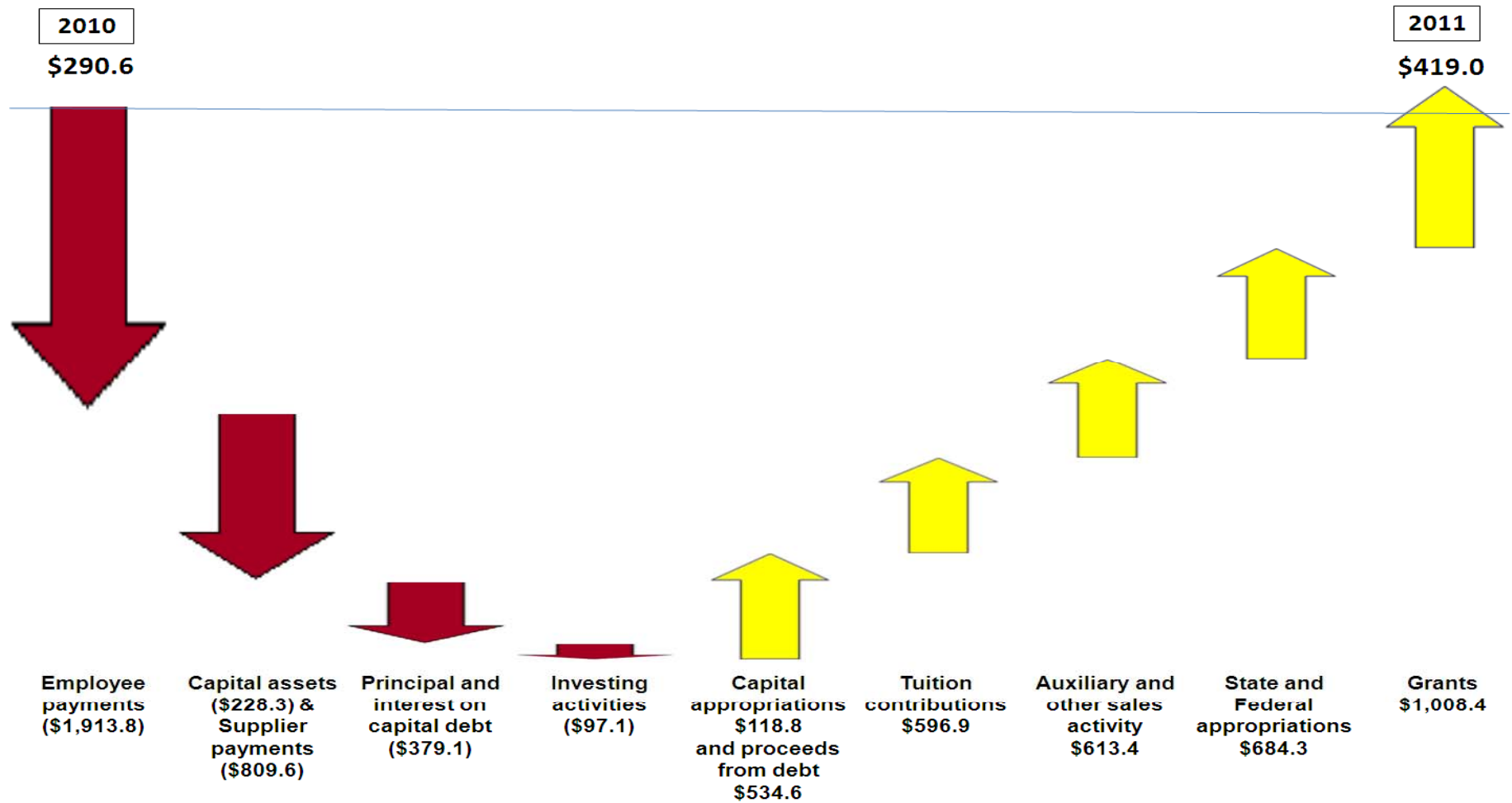
# Cash Flows FY 2011 vs FY 2010

- Cash and cash equivalents increased \$128.5 million in 2011, to \$419 million, compared to a decrease of \$35.7 million in 2010.
- Key changes in cash flow were:
  - Net tuition and fees contributed \$55.9 million more cash flow.
  - Operating grants and contracts added \$102.2 million more cash flow.
  - Cash outflows to employees for services (compensation & benefits) increased by \$56.8 million.
  - State appropriations contributed \$31.7 million less cash.
  - Net cash flow from capital financing activities increased \$194 million.





# Cash Flows, Fiscal Year 2011



# Component Units

## Blended Component Units

- RUMINCO, Ltd.
- UMORE Development, LLC

## Discretely presented Component Units

- University of Minnesota Foundation (UMF)
- Minnesota Medical Foundation (MMF)
- Minnesota Landscape Arboretum Foundation (MLAF)
- Minnesota 4-H Foundation (M4-H)
- University of Minnesota Physicians (UMP)
- University of Minnesota Alumni Association (UMAA)
- University Gateway Corporation (UGC)



# Component Unit Overview FY 2011

*(Dollars in millions)*

	<i>UMF</i>	<i>MMF</i>	<i>MLAF</i>	<i>M4-H</i>	<i>UMP</i>	<i>UMAA</i>	<i>UGC</i>
Total Assets	\$1,728.1	\$ 457.1	\$ 28.0	\$ 8.9	\$ 133.9	\$ 24.3	\$ 75.1
Total Liabilities	247.4	14.5	4.1	1.7	68.3	4.1	56.1
Net Assets	1,480.7	442.6	23.9	7.2	65.6	20.2	19.0
Total Revenues	342.4	120.0	9.7	2.7	372.8	6.5	9.9
Total Expenses	131.4	68.1	6.4	1.6	368.9	4.1	6.2
Increase (Decrease) in Net Assets	\$ 211.0	\$ 51.9	\$ 3.3	\$ 1.1	\$ 3.9	\$ 2.4	\$ 3.7



# Other Discussion Items

- Explanation of Net Assets
- Classification, methodology, reporting of “Institutional Support” expenses



# Net Assets

- “Net Assets” is a balance sheet concept:  
$$\text{Assets} - \text{Liabilities} = \text{Net Assets}$$
- Net assets:
  - Are non-recurring
  - Are not fully liquid
  - May have to be liquidated (at something other than face value)
  - May or may not be unrestricted or uncommitted

# Composition of Net Assets

## June 30, 2011

<i>Dollars in thousands</i>	<b>Unrestricted</b>	<b>Restricted Expendable</b>
Receivables, Net	\$ 545	\$ 118,598
Inventories		2
Student loan receivables		62,297
Investments, including RUMINCO <sup>1, 2</sup>	619,074	621,925
All other assets	<u>364</u>	<u>36</u>
<b>Total Net Assets</b>	<b>\$ 619,983</b>	<b>\$ 802,858</b>

<sup>1</sup> The majority of these are non-current / long term in the Consolidated Endowment Fund

<sup>2</sup> Includes RUMINCO, Ltd. Invested insurance reserves of \$28,696



# Institutional Support Expenses Classification & Methodology

## Institutional Support – NACUBO Definition:

*The institutional support classification includes expenses for central, executive-level activities concerned with management and long-range planning for the entire institution, such as the governing board, planning and programming operations, and legal services; fiscal operations, including the investment office; administrative information technology (when not accounted for in other categories); space management; employee personnel and records; logistical activities that provide procurement, storerooms, printing, and transportation services to the institution; support services to faculty and staff that are not operated as auxiliary enterprises; and activities concerned with community and alumni relations, including development and fundraising.*



# Institutional Support Expenses

- Some of the units & activities U of M reports in category of Institutional Support:
  - President, provost, senior VPs, general counsel, Board of Regents office, finance, controller, investments, treasury, Real Estate office, Human Resources, payroll, Office of Information Technology, employee benefits
- U of M's Institutional Support expenses (per annual reports) increased \$90,341,000 over 10 years
  - \$103,656,000 in FY 2002; \$193,997,000 in FY 2011
- \$50 + million of that increase relates to non-recurring costs, accounting changes, and system-wide technology costs (see next slide).





# Notable Institutional Support Cost Increases, 2002-2011

<i>Dollars in Thousands</i>	Nonrecurring	Accounting Changes	System-wide Technology	Total
Termination payments - RIOs	\$ 8,273			
Non-RIO termination payments	6,797			
Accruals -Other Post Employment Benefits (new accounting standard)		\$ 10,649		
Royalty accounting change		4,349		
Software licenses and maintenance			\$ 4,181	
Networking & telecommunications			3,553	
Network & Telecommunications Services funding/accounting change		<u>12,493</u>		
<b>Total</b>	<b>\$ 15,070</b>	<b>\$ 27,491</b>	<b>\$ 7,734</b>	<b>\$50,295</b>

